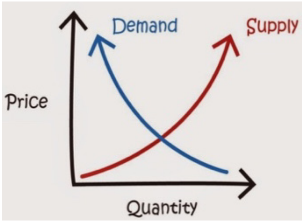
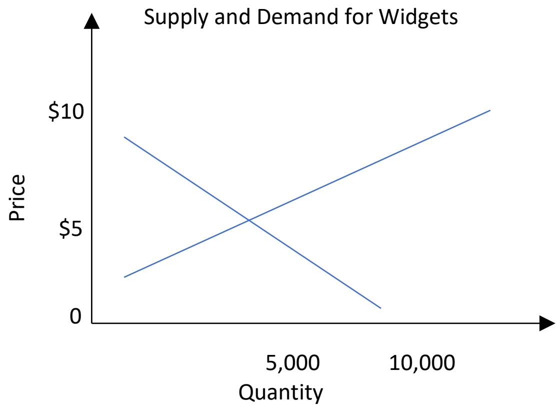


MICROECONOMICS WORKSHEET

Directions: Answer the following questions based on the graph below.



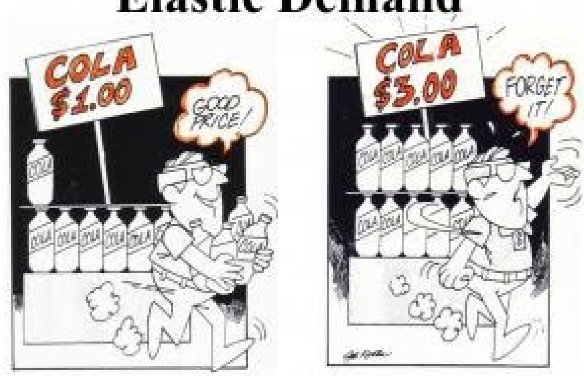
1. What is the equilibrium price of widgets?
   a. $1
   b. $5
   c. $8
   d. $10
2. Approximately how many widgets would be purchased at the equilibrium price?
   a. 1,000
   b. 4,500
   c. 5,500
   d. 10,000
3. Approximately how many widgets would manufacturers be willing to produce if the price were $4?
   a. 1,000
   b. 3,000
   c. 4,500
   d. 7,000
4. If a technological advance enabled producers to make a certain product at a much lower cost, what would be the likely effect of that change?
   a. The supply curve would shift to the left, more units of the product would be made, and the price would increase.
   b. The demand curve would shift to the right, fewer units would be produced, and the price would decrease.
   c. The supply curve would shift to the right, more units would be produced, and the price would decrease.
   d. The supply curve would shift to the right, more units would be produced, and the price would increase.

5. The equilibrium price is also referred to as the market clearing price because supply equals demand at that point. If a major consumer website declared that a certain product was unsafe, what would likely happen to the market clearing price and the quantity sold?
   a. Both the price and the quantity sold would decrease.
   b. The quantity sold would decrease but the price would be unchanged.
   c. The quantity sold would decrease but the price would increase.
   d. The quantity sold would increase because the price would decrease.

<u>How'd you do?</u>

1. B; $5 The equilibrium price occurs at the point where the supply and demand curves cross.
2. B; 4,500 The *x*-axis value (quantity) at the point where the curves cross.
3. B; 3,000 The *x*-axis value that corresponds to a price of $4 on the supply curve.
4. C; **The supply curve would shift to the rights, more units would be produced, and the price would decrease.** Reasoning: If manufacturers' costs are reduced, they are willing to produce more at any given price, which shifts to the supply curve to the right. This shift moves the equilibrium price down and the quantity demanded this becomes greater.
5. A; **Both the price and the quantity sold would decrease.** Reasoning: The negative product review would decrease demand (shift the demand curve to the left). This the market clearing price and quantity would both be lower.

Elastic Demand



Inelastic Demand