

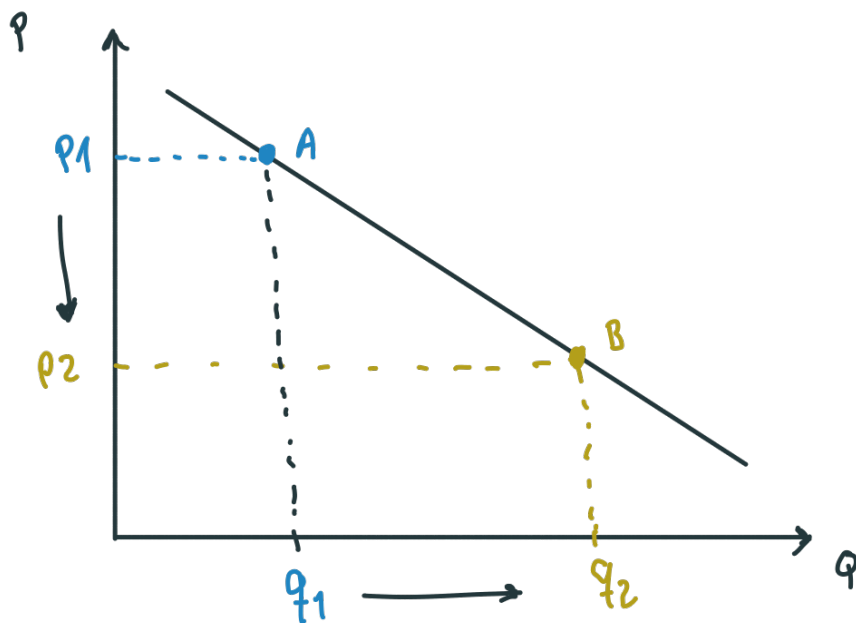
ECON 101

TA Worksheet, Module 2 (Demand)

Name: _____

Date: _____

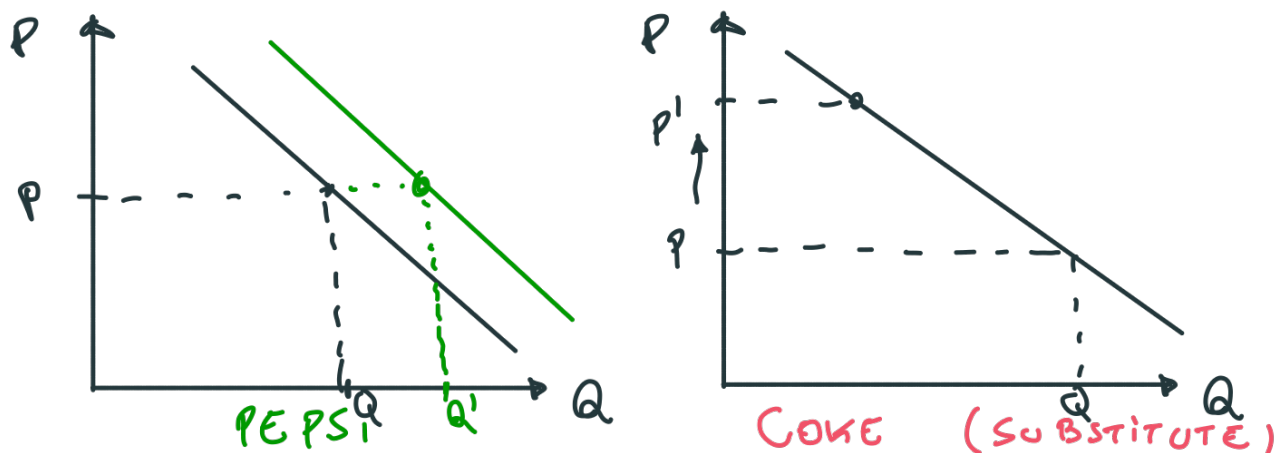
1. Draw a demand curve (label everything). Then, show me (with a picture of a demand curve) how consumers react when price falls. Label the starting point A and the end point B.



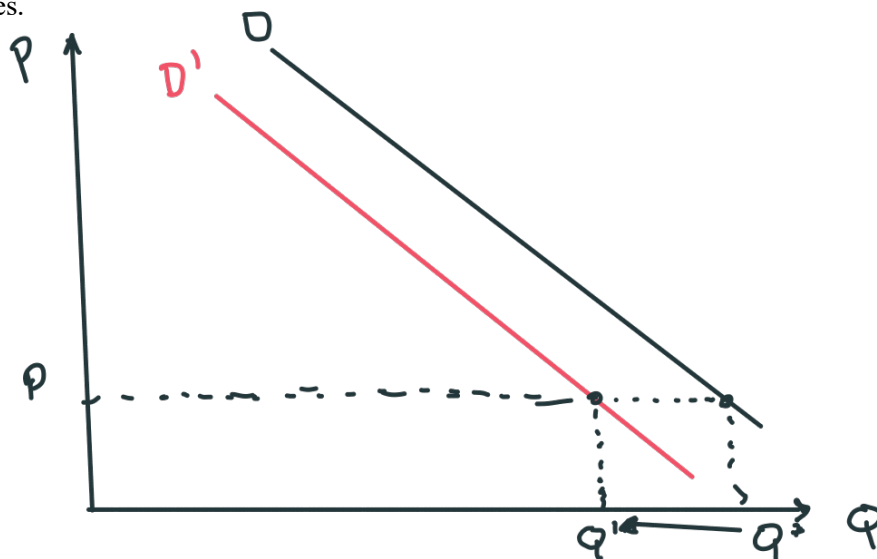
2. What's wrong with this statement? "Falling prices have increased demand for electric cars."

~~quantity demanded~~

3. Show (with pictures) how demand reacts to an increase in the price of a substitute good.



4. Winter is here. How does that affect the demand side of the market for ice cream? Answer in words and pictures.



5. Suppose you have \$10 to spend. Slices of pizza cost \$2 each. Cans of Coke cost \$1 each. Given the following utility data, how much of each will you buy to maximize your utility?

Slices of Pizza	TU	MU	MU/P	Cans of Coke	TU	MU	MU/P
1	20	20	10 ✓	1	20	20 ✓	20
2	36	16	8 ✓	2	35	15 ✓	15
3	46	10	5 ✓	3	45	10 ✓	10
4	52	6	3	4	50	5 ✓	5
5	54	2	1	5	53	3	3
6	51	-3	-1.5	6	52	-1	-1

So you buy 3 pizza
4 cans of coke

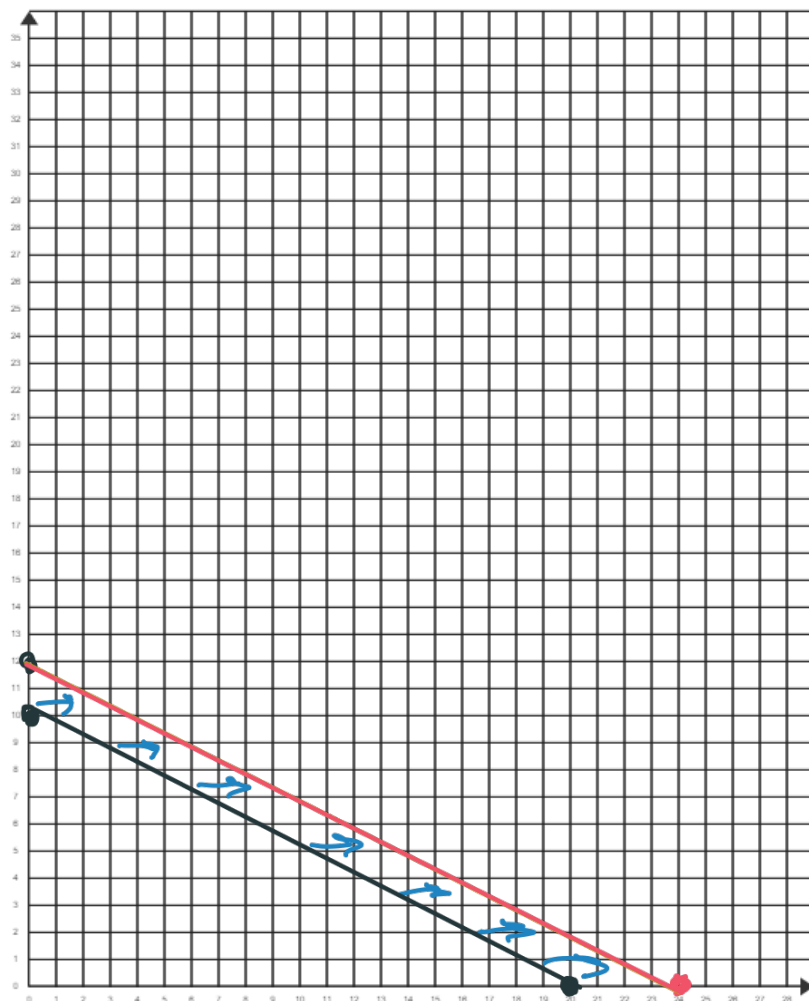
$$\$10 = 3 \times 2 + 4 \times 1 = 6 + 4 = 10$$

6. On the graph below #7, graph this demand curve (solve for P first to get inverse demand): $Q=20-2P$.
7. Then graph the curve that would show what happens if D shifts out by 4. What's the equation for that new curve?

(1) Solve for P: $P = 10 - \frac{Q}{2}$ (2)

P	Q
0	20
10	0

P



(3) CHANGE

New:

P	Q
0	24
12	0

$$P = B - \frac{Q}{2}$$

$$0 = B - 12$$

Slope remains:

$$0 = B - 12$$

$$B = 12$$

So:

$$P = 12 - \frac{Q}{2}$$

Q