Demand and Supply Problem-Solving

Name: _____ **Date:** _____

Part A. Use this section of the handout to take notes during class discussion.

Determinants of Demand	Determinants of Supply
• _____ • _____ • _____ • _____ • _____ Notes:	• _____ • _____ • _____ • _____ • _____ • _____ Notes:
Directly related to demand Price of substitutes, income, preferences, expectations of higher prices, number of consumers Inversely related to demand Price of complements, expectations of lower prices	Directly related to supply Lower regulations, lower taxes, higher subsidies, lower resource prices, expectations of increased sales, number of producers and investment in technology Inversely related to supply Higher regulations, higher taxes, lower subsidies, expectations of lower sales

Part B. Using the information in this lesson, work in your groups to complete the remainder of the handout.

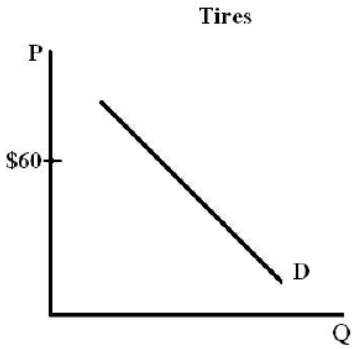
Differences in Demand and Quantity Demanded

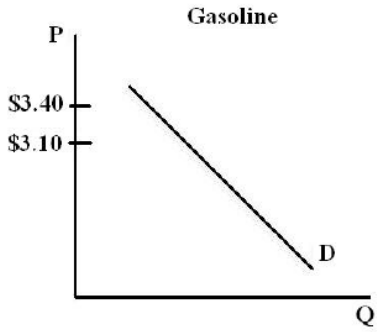
	Demand	Quantity Demanded
Description		
What changes it?		
What does it look like? (Graph an Increase in each)		

Differences in Supply and Quantity Supplied

	Supply	Quantity Supplied
Description		
What changes it?		
What does it look like? (Graph an Increase in each)		

The two graphs show demand curves for tires and gasoline. Currently the price of gasoline is $3.10 a gallon and a new tire has a price tag of $60.00.





Suppose the price of gasoline rises to $3.40 a gallon. This change will create a(n) (increase, decrease) in the (demand, quantity demanded) for tires. Show this change on the tire graph. It will also create a(n) (increase, decrease) in the (demand, quantity demanded) for gasoline. Show this change on the gasoline graph.