

Exploring the Demand Curve

The table below shows the market demand for a hypothetical product called Greebes. Study the data and plot the demand for Greebes on axes in the space below. Label the demand curve D and answer the questions below (Write the correct answer or circle the correct words/phrase).

Price (\$ per Greebe)	Quantity Demanded (in millions of Greebes)
\$.10	350
.15	300
.20	250
.25	200
.30	150
.35	100
.40	50

The data for demand curve D indicates that at a price of \$.30 per Greebe, buyers would be willing to buy _____ million Greebes. Other things constant, if the price of Greebes increased to \$.40 per Greebe, buyers would be willing to buy _____ million Greebes. Such a change would be a decrease in (demand or quantity demanded). Other things constant, if the price of Greebes decreased to \$.20, buyers would be willing to buy _____ million Greebes. Such a change would be called an increased in (demand or quantity demanded).

Let's suppose there is a dramatic-change in federal income-tax rates that affects the disposable income of Greebe buyers. All else equal, plot the new data on the same axes above and label that curve D_1 and answer the questions on the next page.

Price (\$ per Greebe)	Quantity Demanded (millions of Greebes)
\$.05	300
.10	250

.15	200
.20	150
.25	100
.30	50

Comparing the new demand curve D_1 to the original demand curve D , we say that the change in demand for Greebes results in a shift of the demand curve to the (left or right).

Such a shift indicates that at each of the possible prices shown, buyers are now willing to buy a (smaller or larger) quantity; and at each of the possible quantities shown, buyers are willing to offer a (higher or lower) price willing to pay. The cause of this demand curve shift was a(n) (increase or decrease) in tax rates that (increased or decreased) the disposable income of buyers.

Now, let's suppose there is a dramatic change in people's tastes and preferences for Greebes. All else equal, there is a new demand schedule for Greebes, plot it on the axes on the previous page and label it D_2 . Answer the questions below based on the data.

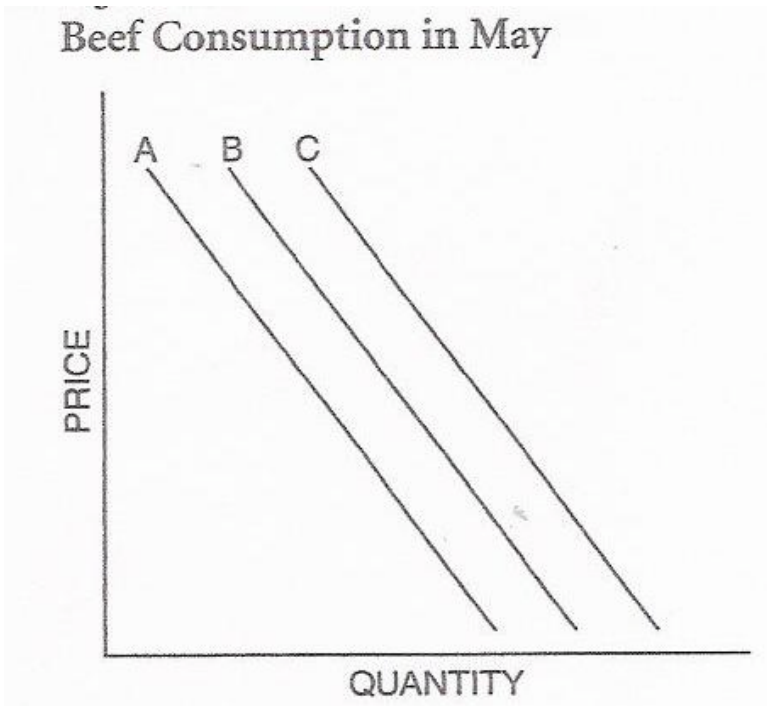
Price (\$ per Greebe)	Quantity Demanded (millions of Greebes)
\$.20	350
.25	300
.30	250
.35	200
.40	150
.45	100
.50	50

Comparing the new demand curve D_2 to the original demand curve D , we can say that the change in the demand for Greebes results in a shift of the demand curve to the (left or right).

Such a shift indicates that at each of the possible prices shown, buyers are now willing to buy a (smaller or larger) quantity and at each of the possible quantities shown buyers are willing to offer a (lower or higher) price willing to pay. The cause of this shift in the demand curve was a(n) (increase or decrease) in people's tastes and preferences for Greebes.

Reasons for Change in the Demand Curve

Read the eight newspaper headlines below and use the table to record the impact, if any, of each event on the demand for beef. Use the tables below to record your answers. Always start at Curve B and move only one curve at a time. One headline implies that the demand for beef does not change.



Beef Consumption in May

Headline	Demand Shift (Yes/No)	If Shifts, Inc. or Dec.	Curve Shifts Left/Right	New Curve
Price of Beef to Rise in June				
Millions of Immigrants Swell US Population				
Pork Prices Drop Relative to Beef				
Surgeon General Warns that Eating Beef is Hazardous to Your Health				
Beef Prices Fall; Consumers buy More				
Real Income for U.S. Drops for Third Month				
Charcoal Shortage Threatens Memorial Day Cookouts				
Nationwide Fad: The Disco-Burger				

Which determinant of demand does each headline apply to?

1. Price of Beef to Rise in June: _____
2. Millions of Immigrants Swell US Population: _____

3. Pork Prices Drop: _____
4. Surgeon General Warns that Eating Beef is Hazardous to Your Health:

5. Beef Prices Fall; Consumers buy more: _____
6. Real Income for U.S. Drops for Third Month: _____
7. Charcoal Shortage Threatens Memorial Day Cookouts: _____
8. Nationwide Fad: The Disco-Burger: _____

Select the best answer to these Wrap-Up questions.

1. Other things constant, which of the following would NOT cause a change in the demand (shift the demand curve) for mopeds?
- A decrease in consumer incomes
 - A decrease in the price of mopeds
 - An increase in the price of bikes
 - An increase in people's tastes and preferences for mopeds
2. "Rising oil prices have caused a sharp decrease in the demand for oil." Speaking precisely and using terms as they are defined by economists, choose the statement that best describes this quotation.
- The quotation is correct: an increase in price always causes a decrease in demand.
 - The quotation is incorrect: an increase in price always causes an increase in demand, not a decrease in demand.
 - The quotation is incorrect: an increase in price causes a decrease in the quantity demanded, not a decrease in demand.
 - The quotation is incorrect: an increase in price causes an increase in the quantity demanded, not a decrease in demand.
3. "As the price of domestic automobiles has inched upward, customers have found foreign autos to be a better bargain. Consequently, domestic auto sales have been decreasing, and foreign auto sales have been increasing." Using only the information in this quotation and assuming everything else constant, which of the following best describes this statement.
- A shift in the demand curves for both domestic and foreign automobiles
 - A movement along the demand curves for both foreign and domestic automobiles
 - A movement along the demand curve for domestic automobiles while a shift in the demand curve for foreign autos
 - A shift in the demand curve for domestic autos, and a movement along the demand curve for foreign autos.