

## When Supply Meets Demand

1. Use the following schedule to **graph out a demand and supply** curve for gumballs. **Label** the demand curve D, and supply curve S.

Price	Quantity Demanded	Quantity Supplied
.50	0	400
.45	50	350
.40	100	300
.35	150	250
.30	200	200
.25	250	150
.20	300	100
.15	350	50
.10	400	0



2. **Label** the **equilibrium** price as P and equilibrium quantity as Q

3. Shade in the area (triangle) above P and below D and **label** it CS. CS is the **consumer surplus**. This is the difference between the amount that consumers actually pay and the amount that they would have been willing to pay.

4. In an effort to protect gumball consumers, the federal government has set a **price ceiling** (maximum price) of .20. This new price is below the equilibrium price of .30. At this new ceiling price, buyers will likely want to buy more gumballs than sellers will make available, thus resulting in a **shortage** of gumballs. Draw a price ceiling at .20 and label it PC.

5. In an effort to protect the gumball producers, the federal government has decided to set a **price floor** of .40 (minimum price). This new price is above the equilibrium price of .30. At this new price there will be less consumers willing to buy the gumballs, thus resulting in a **surplus** of gumballs. Draw a price floor at .40 and **label it PF**.

6. In 2008, the U.S. Health Department released a study finding that a gumball a day cures most forms of cancer. As a result, consumers started demanding more gumballs at every price, resulting in a new demand schedule. Use the data below to draw a new demand curve. Label the new demand curve D1.

Price	Quantity Demanded
.50	100
.45	150
.40	200
.35	250
.30	300
.25	350
.20	400
.15	450
.10	500



7. The new demand curve results in a new equilibrium price. **Draw a new equilibrium price.** Label the new equilibrium price  $P_1$  and the new equilibrium quantity as  $Q_1$

