## ACTIVITY 18
Equilibrium Prices and Equilibrium Quantities

Below is a table showing the demand for Greebes and the supply of Greebes. Plot these data on the axes provided. Label the demand curve "D," and label the supply curve "S." Then answer the questions that follow.

Demand for and Supply of Greebes

Price ($ per Greebe)	Quantity Demanded (millions of Greebes)	Quantity Supplied (millions of Greebes)
$.15	300	100
.20	250	150
.25	200	200
.30	150	250
.35	100	300

Plotting Demand for and Supply of Greebes

Price per Greebe (vertical axis); Quantity (millions of Greebes) (horizontal axis)
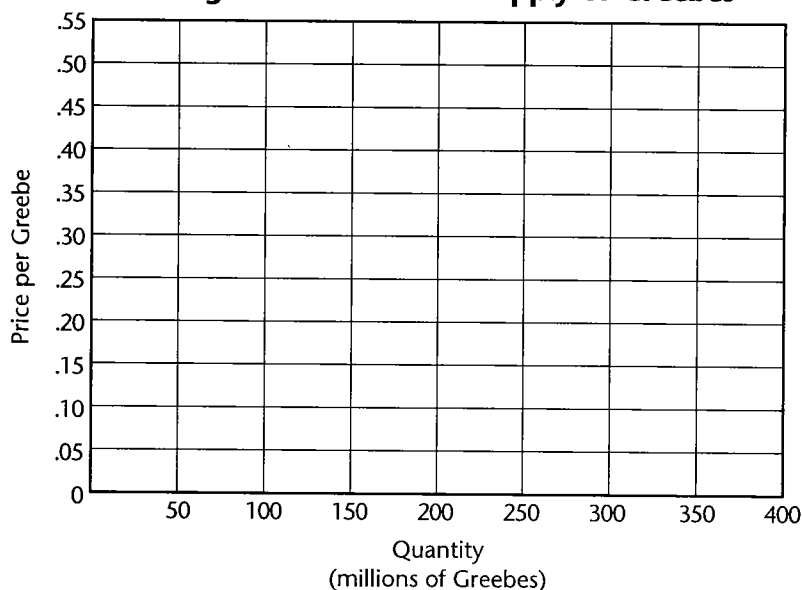
Fill in the answer blanks or cross out the incorrect words in parentheses.

1. Under these conditions, competitive market forces would tend to establish an equilibrium price of $_____ per Greebe and an equilibrium quantity of _____ million Greebes.

2. If the price currently prevailing on the market is $.30 per Greebe, buyers would want to buy _____ million Greebes and sellers would want to sell _____ million Greebes. Under these conditions, there would be a *(shortage/surplus)* of _____ million Greebes. Competitive market forces would tend to cause the price to *(increase/decrease)* to a price of $_____ per Greebe.

   At this new price, buyers would now want to buy _____ million Greebes, and

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sellers would now want to sell _____ million Greebes. Due to this change in *(price/underlying conditions)*, the *(demand/quantity demanded)* changed by _____ million Greebes, and the *(supply/quantity supplied)* changed by _____ million Greebes.

3. If the price currently prevailing on the market is $.20 per Greebe, buyers would want to buy _____ million Greebes and sellers would want to sell _____ million Greebes. Under these conditions, there would be a *(shortage/surplus)* of _____ million Greebes. Competitive market forces would tend to cause the price to *(increase/decrease)* to a price of $_____ per Greebe.

   At this new price, buyers would now want to buy _____ million Greebes, and sellers would now want to sell _____ million. Due to this change in *(price/underlying conditions)*, the *(demand/quantity demanded)* changed by _____ million Greebes, and the *(supply/quantity supplied)* changed by _____ million Greebes.

4. Now, suppose that a mysterious blight causes the supply schedule for Greebes to change to the following:

Change in Supply of Greebes

Price ($ per Greebe)	Quantity Supplied (millions of Greebes)
$.20	50
.25	100
.30	150
.35	200

   Plot the new supply schedule on the axes *Plotting Demand for and Supply of Greebes* and label it S_1. Label the new equilibrium E_1. Under these conditions, competitive market forces would tend to establish an equilibrium price of $_____ per Greebe and an equilibrium quantity of _____ million Greebes.
   Compared to the equilibrium price in question 1, we say that, due to this change in *(price/underlying conditions)* the *(supply/quantity supplied)* changed, and both the equilibrium price and the equilibrium quantity changed. The equilibrium price *(increased/decreased)* and the equilibrium quantity *(increased/decreased)*.

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5. Now with the supply schedule at S_1, suppose further that a sharp drop in people's incomes as the result of a nationwide depression causes the demand schedule to change to the following:

Change in Demand for Greebes

Price ($ per Greebe)	Quantity Demanded (millions of Greebes)
$.15	200
.20	150
.25	100
.30	50

Plot the new demand schedule on *Plotting Demand for and Supply of Greebes* and label it D_1. Label the new equilibrium E_2. Under these conditions, with the supply schedule at S_1, competitive market forces would tend to establish an equilibrium price of $_____ per Greebe and an equilibrium quantity of _____ million Greebes. Compared to the equilibrium price in question 4, due to this change in *(price/underlying conditions)* the *(demand/quantity demanded)* changed. The equilibrium price *(increased/decreased)* and the equilibrium quantity *(increased/decreased)*.

6. If market conditions were represented by D_1 and S, the equilibrium price would be $_____ per Greebe, and the equilibrium quantity would be _____ million Greebes.