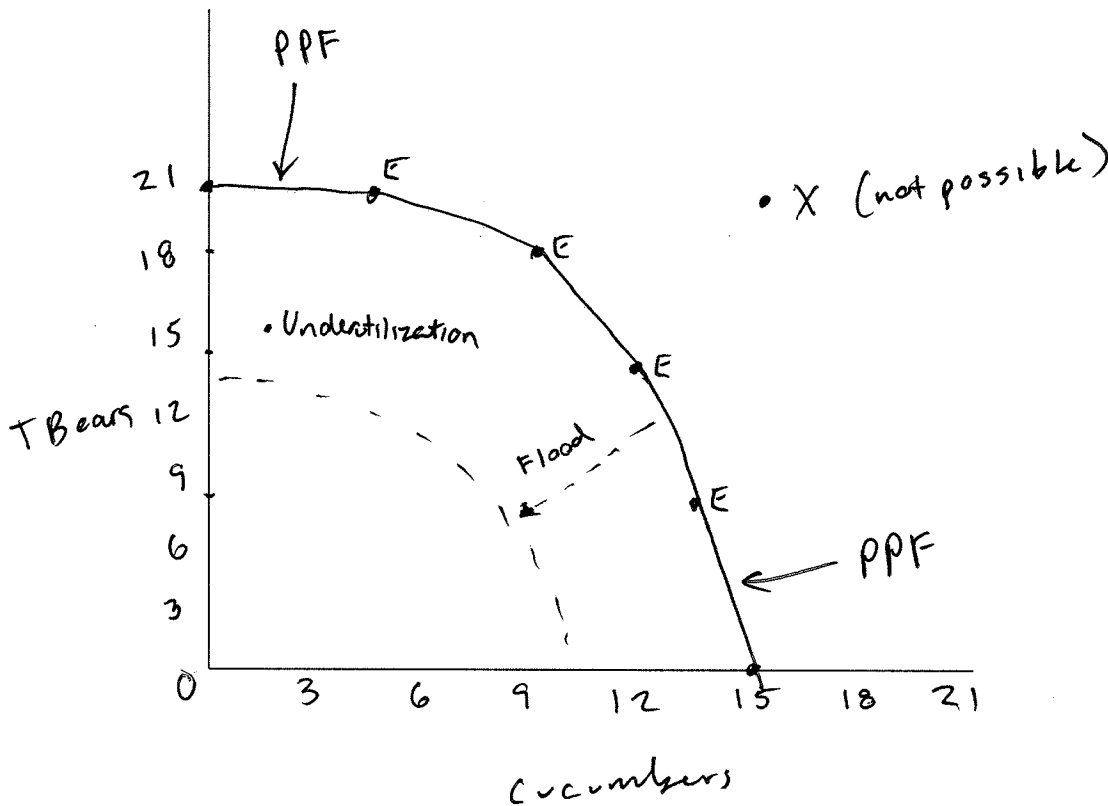


What role do prices play in a free market?	tell businesses + consumers value of goods through supply + demand
Describe the difference between the substitution effect and income effect.	<p>→ Pepsi Instead of Coke</p> <p>→ \$ loses value, I buy less goods (can't afford it)</p>

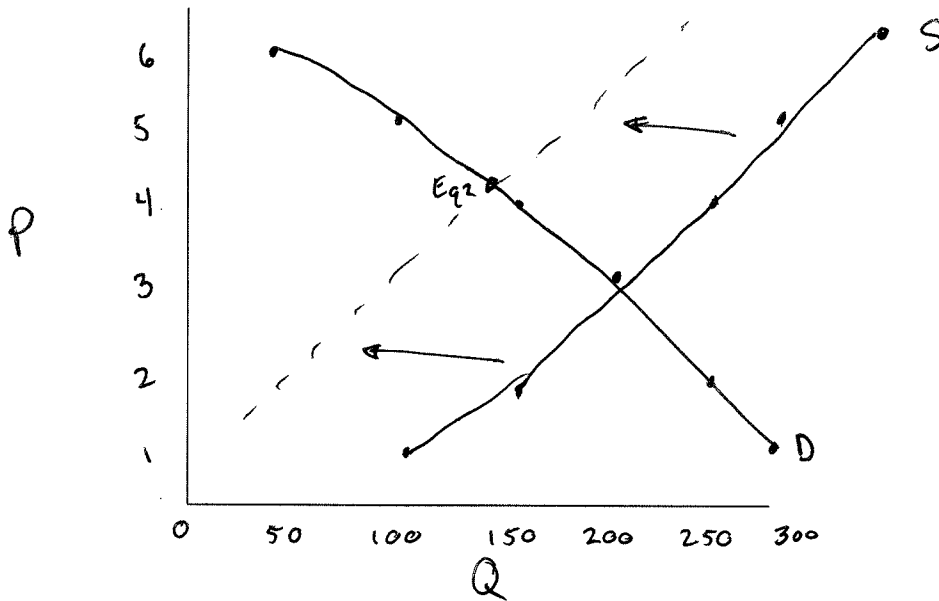
Graph the following production possibility frontier on the space provided. Be sure to label each axes and the PPF, underutilization, and efficiency, and spot not possible at current output levels.. Then draw which way the line would go if a flood destroyed by the cucumber fields.

Teddy Bears (millions)	Cucumbers (millions)
0	15
8	14
14	12
18	9
20	5
21	0



Use the supply and demand schedule below to create a supply & demand graph below

Price of a Slice of Pizza	Quantity Demanded	Quantity Supplied
\$1.00	300	100
\$2.00	250	150
\$3.00	200	200
\$4.00	150	250
\$5.00	100	300
\$6.00	50	350



What is the equilibrium price?

\$3.00

At what price would there be an excess of supply? At what price would there an excess of demand?

\$4.00

\$2.00

Suppose the price of cheese goes up. What impact would that have on the graph? On the graph above indicated whether there would be a shift in demand or supply and draw a new line to show what direction it would go.
 Supply, input cost

After the shift, would there be excess supply (surplus) or excess demand (shortage) if the price were still at the original equilibrium price?

What would happen to the equilibrium price and equilibrium quantity after the shift?

Up

Down