

Homework Practice Assignment 1

Graded Assignment | [Back to Assignment](#)

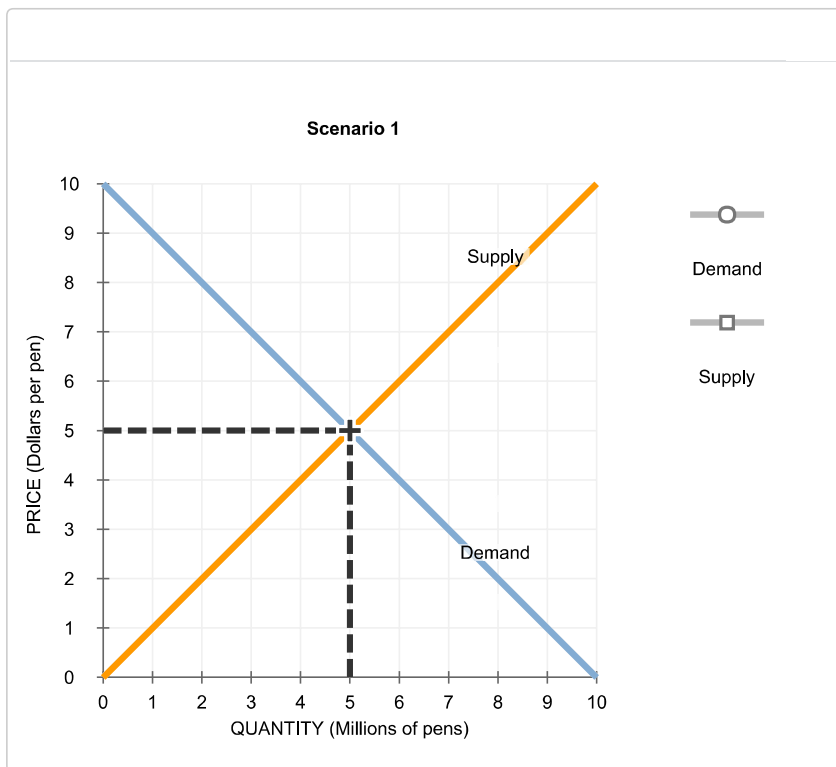
Due Saturday 10.21.17 at 11:45 PM

Attempts: Score: / 4

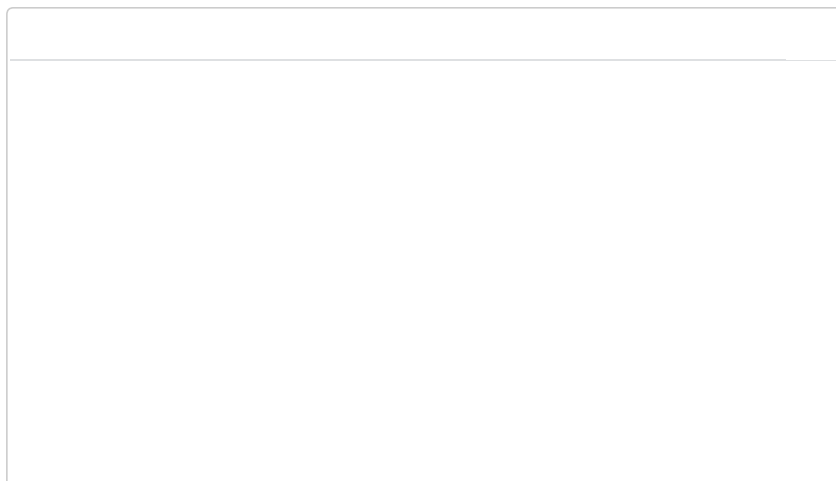
11. How shifts in demand and supply affect equilibrium

Consider the market for pens. Suppose that the number of students with an allergy to pencil erasers increases, causing more students to switch from pencils to pens in school. Moreover, the price of plastic, an important input in pen production, has dropped considerably.

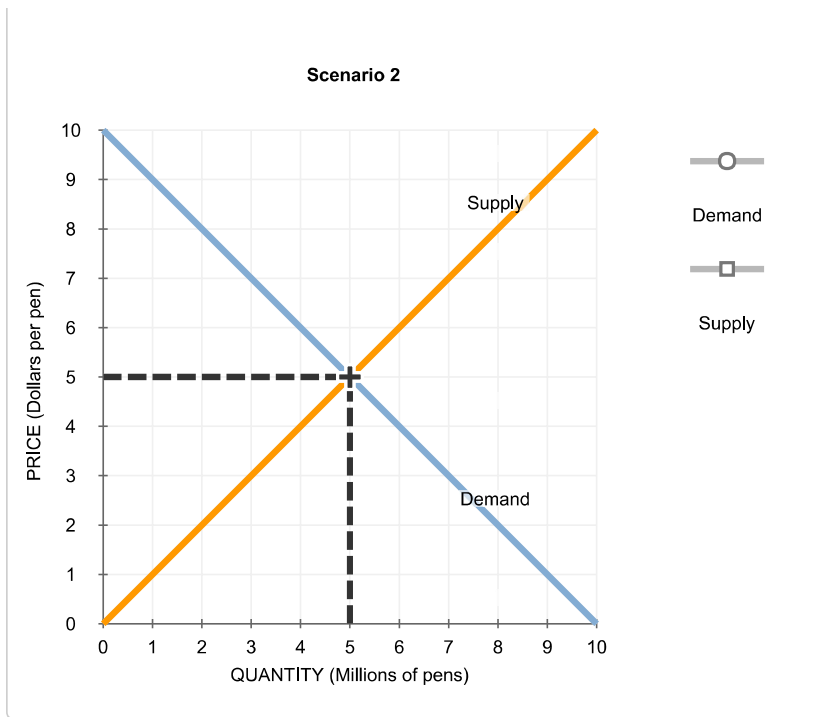
On the following graph, labeled Scenario 1, indicate the effect these two events have on the demand for and supply of pens.



Next, complete the following graph, labeled Scenario 2, by shifting the supply and demand curves in the same way that you did on the Scenario 1 graph.



Session Timeout 59:44



Compare both the Scenario 1 and Scenario 2 graphs. Notice that after completing both graphs, you can now see a difference between them that wasn't apparent before the shifts because each graph indicates different magnitudes for the supply and demand shifts in the market for pens.

Use the results of your answers on both the Scenario 1 and Scenario 2 graphs to complete the following table. Begin by indicating the overall change in the equilibrium price and quantity after the shift in demand or supply for each shift-magnitude scenario. Then, in the final column, indicate the resulting change in the equilibrium price and quantity when supply and demand shift in the direction you previously indicated on both graphs. If you cannot determine the answer without knowing the magnitude of the shifts, choose Cannot determine.

Equilibrium Object	Change in Equilibrium Objects		
	Scenario 1	Scenario 2	When Shift Magnitudes Are Unknown
Price	<input type="text"/>	<input type="text"/>	<input type="text"/>
Quantity	<input type="text"/>	<input type="text"/>	<input type="text"/>

True or False: When both the demand and supply curves shift, you can always determine the effect on price and quantity without knowing the magnitude of the shifts.

- True
- False

Save & Continue

[Continue without saving](#)