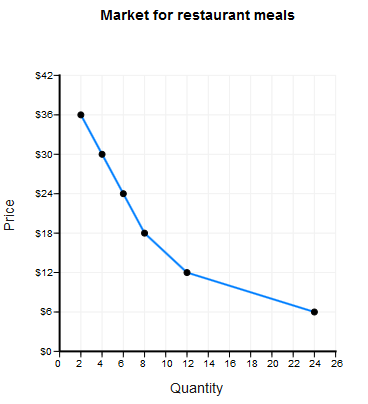
Chapter 2

*Demand and Supply: The Basics of the Market*

Answers to End-of-Chapter Problems

1. Buyers in markets purchase goods or services and pay for them. Sellers in markets offer goods or services for purchase at some price.
2. Global markets have operations in multiple countries. They allow buyers and sellers to be anywhere in the world. Global markets are often the province of globe-spanning companies called multinationals.
3. The market price is the typical price at which a good or service sells in a market. A sale price, for example, is intentionally set below the market price to stimulate purchases. Negotiated prices are determined by individual buyers and sellers on a case-by-case basis. A volume discount is a lower price for making a large purchase.
4. You reach satiation at the point where the value to you of consuming any more of the good disappears even if the price is zero.
5. The demand curve is the graphical representation of the demand schedule. It shows the various quantities consumers are willing and able to purchase at various prices.
6. a) The demand curve for restaurant meals is a downward-sloping diagonal curve between points (2, $36) and (24, $6). The demand curve shows the various quantities consumers are willing and able to buy at various prices.

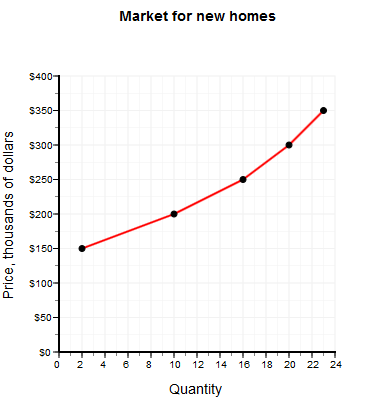
b) When the price is $18, the quantity demanded will be 8 restaurant meals per month. (See graph on next page).



1. All other things being equal, when the price of a good increases, the quantity supplied typically increases. A higher price is attractive to producers.

1. a) The supply curve for new homes is an upward-sloping curve between points (2, $150,000) and (23, $350,000). The supply curve shows the various quantities producers are willing and able to supply at various prices.

b) When the price is $250,000, the quantity supplied will be 16 homes. (See graph on next page).



1. The rise of the smartphone created many new markets, including the market for iPhone applications (apps). Other related markets may still emerge.