

Macroeconomics 201 Discussion Session #2: Supply, Demand, and Equilibrium

1. What are the assumptions behind the market demand curve?
2. What are the assumptions behind the market supply curve?
3. Draw a market supply curve and a market demand curve for a hypothetical widget market. Label the equilibrium price p^* and the equilibrium quantity q^* .
4. For a hypothetical widget market, label a price p_1 that is above the equilibrium price. Using dotted lines, indicate the quantity demand q_{d1} and the quantity supplied q_{s1} , corresponding to price p_1 . How would you describe this market situation?
5. Suppose there was excess demand in the widget market. Explain thoroughly the process by which the market would move from that disequilibrium position to the equilibrium.

