1. What is a competitive market? Briefly describe a type of market that is *not perfectly* competitive.

Competitive market is a market where there are several producers who compete with each other in order to provide goods and services that the people need and want.

A type of market that is not perfectly competitive is firms that are the price makers and example of that would be a monopoly. Monopoly is a perfect example of not perfectly competitive as it is a firm that has a market to itself.

2. Consider the market for paracetamol. For each of the events listed here, identify which of the determinants of demand or supply are affected. Also indicate whether demand or supply increases or decreases. Then draw a diagram to show the effect on the price and quantity of paracetamol.

a. There is a flu epidemic.

The determinants of demand or supply that is affected is:

b. The price of ibuprofen and aspirin go up.

c. Paracetamol is no longer offered over-the-counter (a prescription is needed)

3. Using supply-and-demand diagrams, show the effects of the following events on the market for medical devices such as IV pumps, vital signs monitors, ventilators, etc.

a. A hurricane in South East Asia damages the plant where chips used in these devices are produced.

b. A pandemic – such as COVID-19 – strikes.

1. Consider the following events: Scientists reveal that eating oranges decreases the risk of diabetes, and at the same time, farmers use a new fertilizer that makes orange trees produce more oranges. Illustrate and explain what effect these changes have on the equilibrium price and quantity of oranges

5. The market for vitamin-D supplements has the following demand and supply schedules:

|  |  |  |
| --- | --- | --- |
| **Price** | **Quantity Demanded** | **Quantity Supplied** |
| 4 | 135 | 26 |
| 5 | 104 | 53 |
| 6 | 81 | 81 |
| 7 | 68 | 98 |
| 8 | 53 | 110 |
| 9 | 39 | 121 |

a. Graph the demand and supply curves. What are the equilibrium price and quantity in this market?

b. If the actual price in this market were *above* the equilibrium price, what would drive the market toward the equilibrium?

**EXTRA POINTS:**

Find an article in a recent newspaper or magazine illustrating a change in price or quantity in some market. Analyze the situation using economic reasoning.

1. Has there been an increase or decrease in demand? Factors that could shift the demand curve include changes in preferences, changes in income, changes in the price of substitutes or complements, or changes in the number of consumers in the market.
2. Has there been an increase or decrease in supply? Factors that could shift the supply curve include changes in costs of materials, wages, or other inputs; changes in technology; or changes in the number of firms in the market.
3. Draw a supply-and-demand graph to explain this change. Be sure to label your graph and clearly indicate which curve shifts.