**Module 2 – Case 2**

**SUPPLY AND DEMAND**

**Case Assignment**

After reading the materials from the Background page, address the following questions in an essay or short answer form:

1. In some cases, the government can intervene in the market when the equilibrium price is too high or low. For example, a price ceiling is a legal maximum price that can be charged in a particular market. Do some research on your own.
	1. Is a price ceiling set above or below the market price?
	2. Give an example of a price ceiling and discuss some disadvantages and advantages of this type of government intervention.
2. An art museum raises its admission price, and ends up with a decrease in its total revenue. How could you explain this situation to the museum director?
3. Suppose Billy drinks two cups of coffee a day no matter what the price. What does this mean in terms of supply and demand equilibrium?
4. What are the main determinants of equilibrium of demand and supply? Which is likely to have more of an impact on supply and therefore market equilibrium: the demand for orange juice or the demand for a particular brand of orange juice?

**Assignment Expectations**

Use concepts from the modular background readings as well as any good quality resources you can find. Be sure to cite all sources within the text and provide a reference list at the end of the paper.

Length: 4–5 pages double-spaced and typed.

The following items will be assessed in particular:

Your ability to understand an application of supply and demand.

* Some in-text references to the modular background material (APA formatting not required).
* The essay should address each element of the assignment. Remember to support your answers with solid references including the case readings.

**SLP 2**

* Explain the law of demand and supply.
* Describe the concept of equilibrium.