

ACTIVITY 14 ANSWER KEY continued

Now, to take another example, let's suppose that there is a dramatic increase in federal income tax rates that reduces the disposable income of Greebe buyers. This change in the *ceteris paribus* (all else being equal) conditions underlying the original demand for Greebes will result in a decrease in demand, and we would have a new set of data, such as that shown in the table *Decrease in the Demand for Greebes*. Study the data in the new table, and plot the new demand curve for Greebes on the axes, *Plotting Demand for Greebes*. Label the new demand curve D_1 and answer the questions that follow.

Decrease in the Demand for Greebes

Price (\$ per Greebe)	Quantity demanded (millions of Greebes)
\$.05	300
.10	250
.15	200
.20	150
.25	100
.30	50

Comparing the new demand curve (D_1) with the old demand curve (D), we can say that a decrease in the demand for Greebes results in a shift of the demand curve to the (~~right~~/left).

Such a shift indicates that at each of the possible prices shown, buyers are now willing to buy a (~~smaller/larger~~) quantity, and at each of the possible quantities shown, buyers are willing to offer a (~~higher/lower~~) maximum price.

Now, let's suppose that there is a dramatic increase in people's "taste" for Greebes. This change in the *ceteris paribus* conditions underlying the original demand for Greebes will result in an increase in demand, and we would have a new set of data such as that shown in the table *Increase in the Demand for Greebes*. Study the data in the new table, and plot this demand for Greebes on the axes. Label the new demand curve D_2 and answer the questions that follow.

Increase in the Demand for Greebes

Price (\$ per Greebe)	Quantity demanded (millions of Greebes)
\$.20	350
.25	300
.30	250
.35	200
.40	150
.45	100
.50	50

Comparing the new demand curve (D_2) with the old demand curve (D), we can say that an increase in the demand for Greebes results in a shift of the demand curve to the (~~right~~/left).

Such a shift indicates that at each of the possible prices shown, buyers are now willing to buy a (~~smaller/larger~~) quantity, and at each of the possible quantities shown, buyers are willing to offer a (~~higher/lower~~) maximum price.