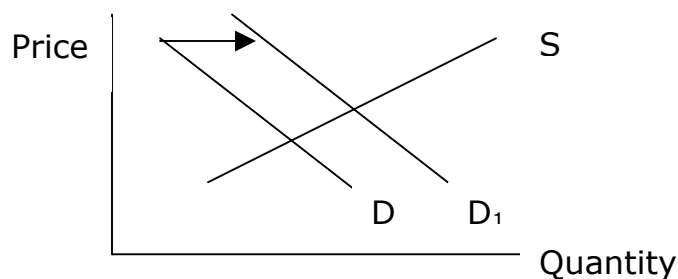


**Answer Sheet**  
**“Worksheet: Prices Allocate Economic Goods”**

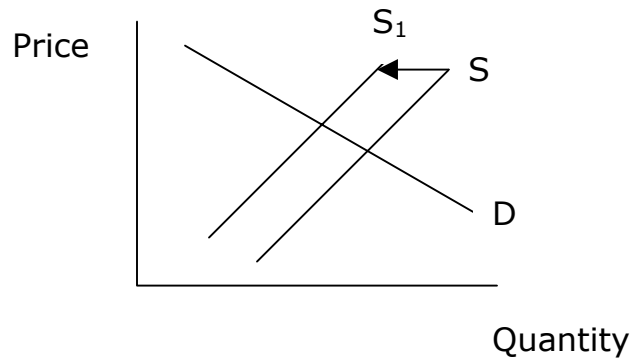
1. Assume that you like pizza:
  - a. If the price of pizza increased by \$1 per slice, would you eat more, less, or the same quantity of pizza? **Less.**
  - b. Why? **Cannot afford to buy as much.**
  - c. If the price of pizza decreased by \$1 per slice, would you eat more, less, or the same quantity of pizza? **More**
  - d. Why? **Able to buy more because of the lower price**
  - e. What determined how much pizza you wanted to buy? **Price**
  
2. Assume you learned that eating pizza would make you stronger, which should help you in athletics.
  - a. Assuming you want to become stronger, you will now prefer to eat pizza as often as you can. Your demand for pizza has **increased.**
  - b. Graph the change in demand below:



3. Fill in the answer blanks in order to complete the sentences.
  - a. The market equilibrium price has **increased.**
  - b. The market equilibrium quantity has **increased.**

4. Assume you are the owner of the pizzeria. The cost of cheese for the pizza doubles in price. You are forced to raise your price for \$1 for a slice of pizza because your costs of production have increased.

- a. The change in the cost of producing pizza would represent a change in supply.
- b. Graph this change.



5. Fill in the answer blanks in order to complete the sentences.

- a. The market equilibrium price has increased.
- b. The market equilibrium quantity has decreased.

6. Prices reflect the relative scarcity of a good.