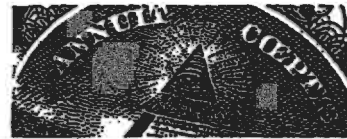


USING SUPPLY AND DEMAND TO MAKE DECISIONS



3.1

Name _____

Date/Period _____

Student Activity

Part One: Creating an Individual Demand Curve

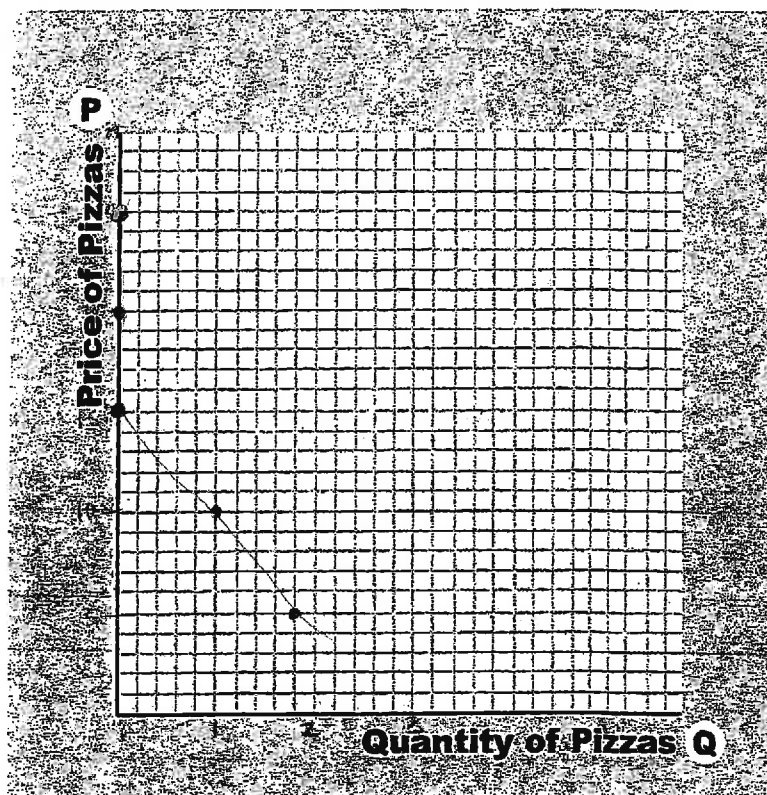
Directions: In the demand schedule provided, various prices are listed for pizza. Fill in the second column indicating how many pizzas you would be willing and able to buy per week at each price. **Note: In your answer, assume that no other factors, such as your income or prices of hamburgers, influence your purchase decision.**

Price of a Pizza	Quantity Demanded
\$5	2
\$10	1
\$15	0
\$20	0
\$25	0

Now convert your demand schedule into a demand curve, using the graph. This will be your individual demand curve. Use the demand curve that you create to answer the questions that follow.

- 1) Does your demand curve follow the law of demand? Explain.

yes because as
the price went
up, my demand
went down



USING SUPPLY AND DEMAND TO MAKE DECISIONS



3.1

- 2) How does the law of demand illustrate the concept of opportunity costs? (You may want to go back and review the concept of opportunity costs in Chapter 1) **Hint: consider what must be forgone when higher prices are paid for pizzas.**

- 3) How many pizzas would you consume every week if they were free? What might you do with any free pizzas that you didn't eat yourself?

- 4) At what price would you not purchase any pizzas? Do your answers to the previous questions offer any insight into demand curves? If so, what?

USING SUPPLY AND DEMAND TO MAKE DECISIONS



3.1

Name _____

Date/Period _____

Student Activity

Part Two: Creating a Group Demand Curve

- 1) Quietly meet with two other students who have completed the first three questions and compare your answers. Do your demand curves look the same? If not, why do you think they are different?

- 2) Using the data from the other two students, fill in a group demand schedule. Do this by adding up each of your individual quantity demanded data. For example, if Student 1 purchased 7 pizzas at \$5 each, Student 2 purchased 6 pizzas and Student 3 purchased 9 pizzas, then you would put 22 ($7 + 6 + 9 = 22$) in the schedule next to \$5.

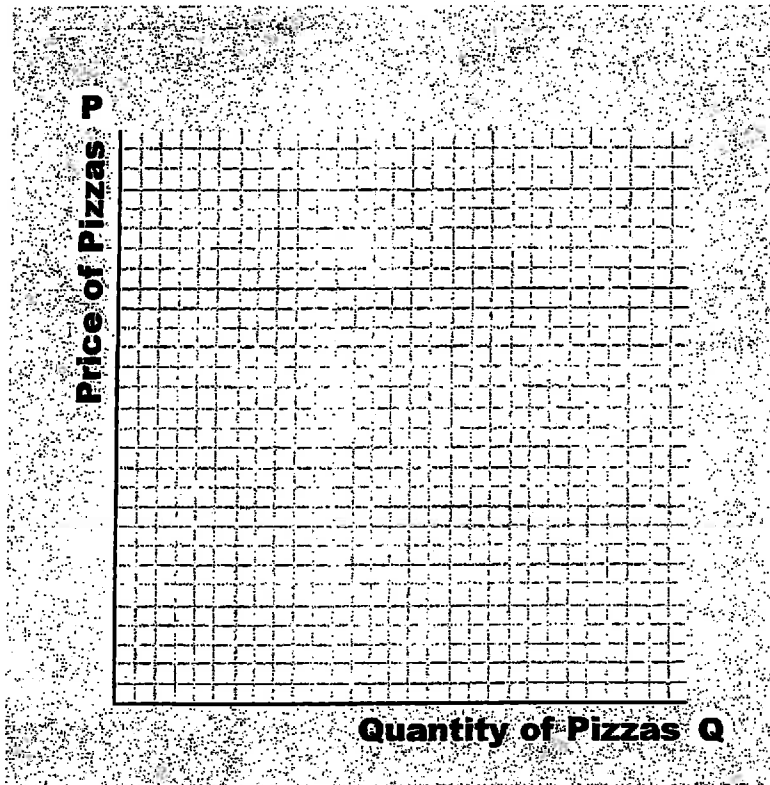
Price of a Pizza	Quantity Demanded
\$5	
\$10	
\$15	
\$20	
\$25	

USING SUPPLY AND DEMAND TO MAKE DECISIONS



3.1

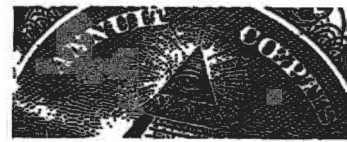
- 3) Create a new demand curve using the data from the group demand schedule.



- 4) How is your "group" demand curve similar and different from your individual curve?

- 5) Can you make a guess as to how many pizzas your group would purchase if the price was \$17?

USING SUPPLY AND DEMAND TO MAKE DECISIONS



3.2

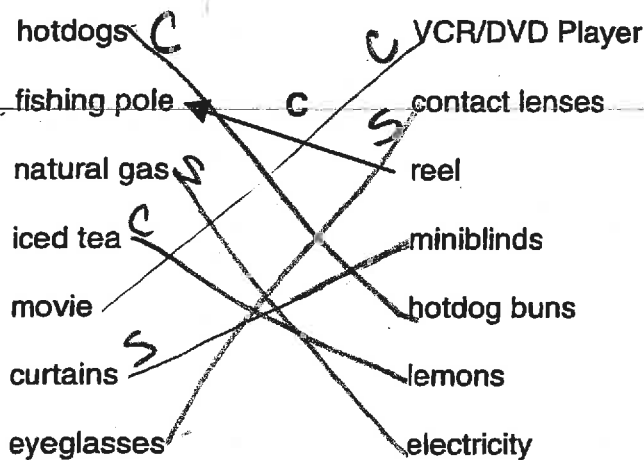
Name _____

Date/Period _____

Student Activity

Part Two: Complementary vs. Substitute Goods

Directions: Draw a line connecting the pairs of complementary and substitute goods provided. Label the line "C" if the items are complementary. Label the line "S" if the items are substitutes. One has been done for you.



Date/Period _____

Part Three: Inferior Goods

sports car	plastic visor
hamburger	telescope
French wine	paper plates
diamonds	fake jewelry

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins or other markings visible.

USING SUPPLY AND DEMAND TO MAKE DECISIONS



3.2

Name _____

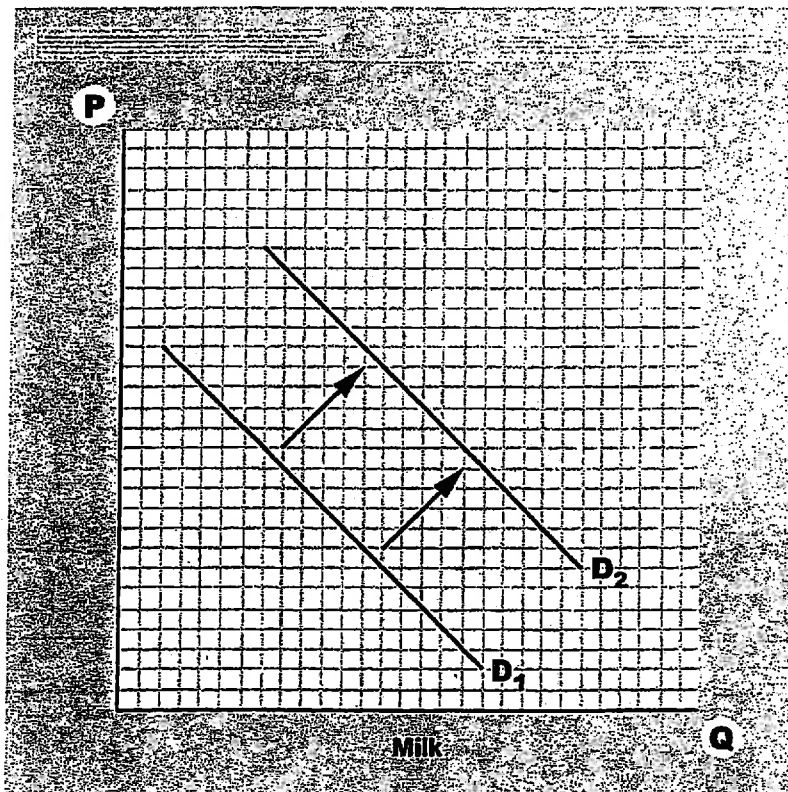
Date/Period _____

Student Activity

Part One: Change in Demand

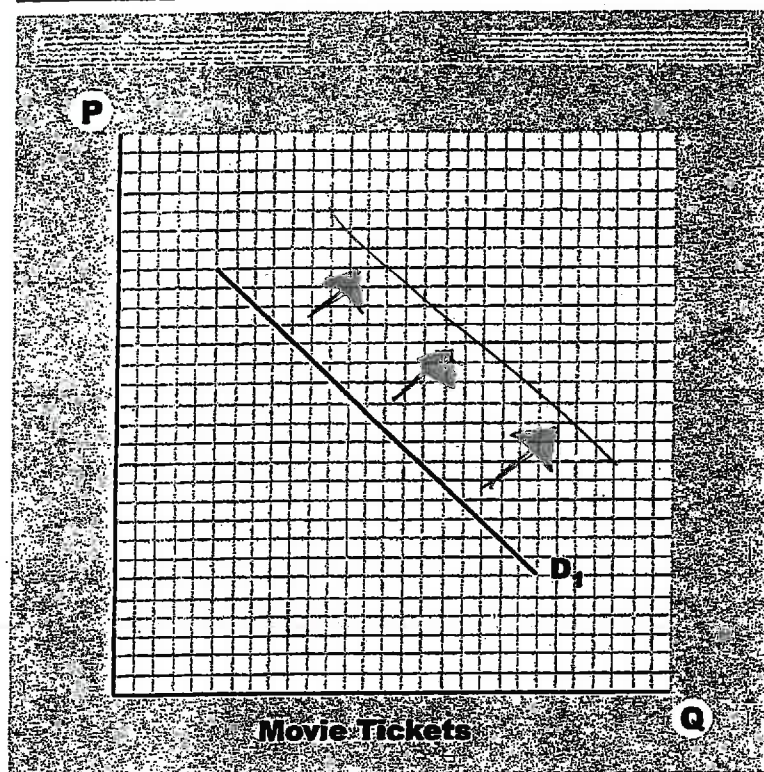
Directions: Each demand curve provided has a fictitious newspaper headline. Determine the effect that the newspaper headline would have on the demand for the good or service indicated. Draw a new demand curve on the graph. Label the curve **D2**. Then identify the determinant of demand that caused the change.

The possible determinants of demand are: **change in income, change in consumer information, change in the price of a substitute or complementary good, change in consumer preferences or taste, change in consumer population, or change in consumer expectations of the future.** The first one has been done for you.



"Scientists Prove Milk Lengthens Life Span"

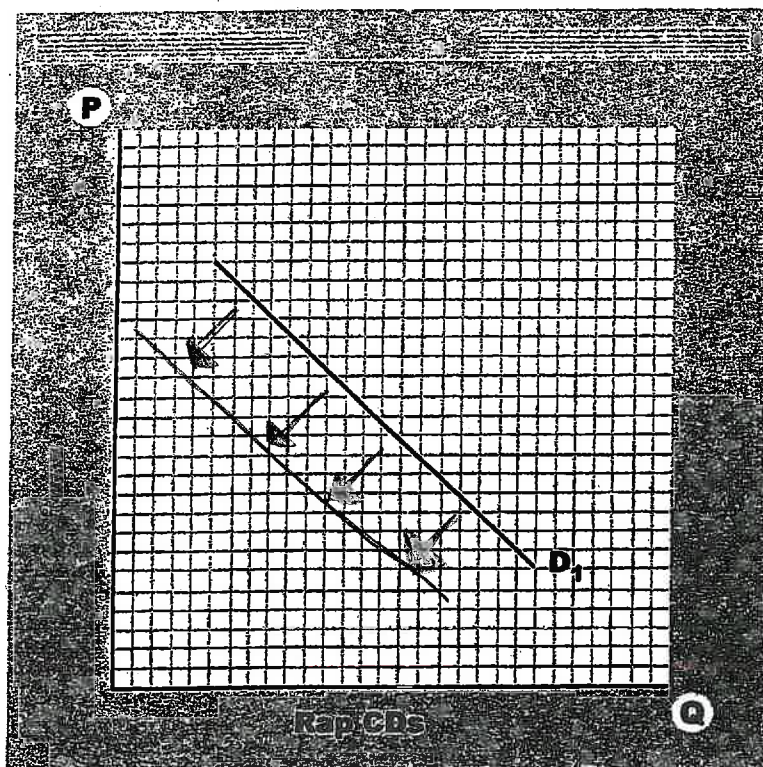
determinant of demand: **change in consumer information**
OR
change in consumer preferences or tastes



"Builder Completes New Subdivision Next to Movie Theatre"

determinant of demand:

change in population



"Rap Music Going Out of Style According to Survey of Disk Jockeys"

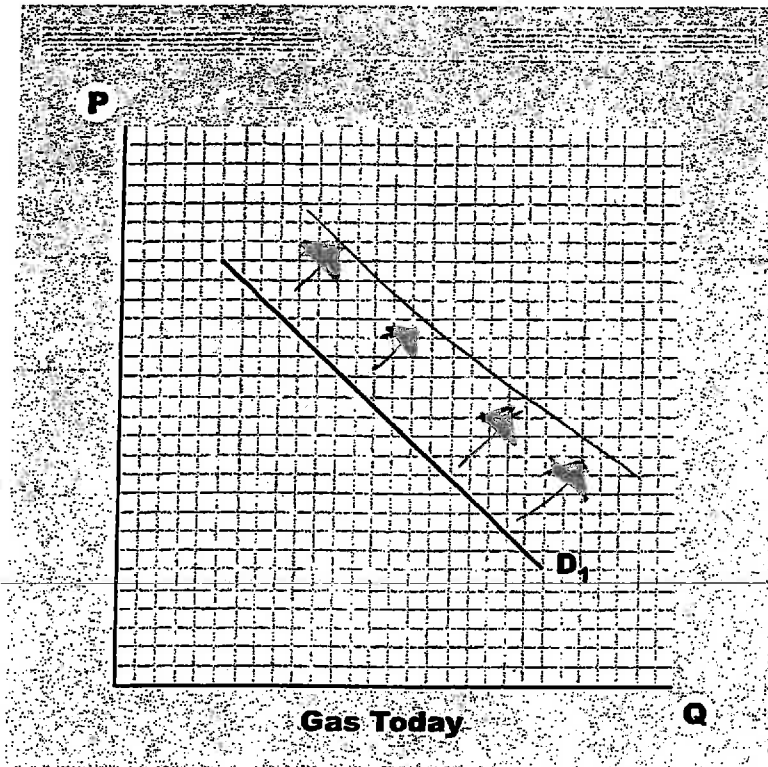
determinant of demand:

*change in consumer preference
or taste*

USING SUPPLY AND DEMAND TO MAKE DECISIONS



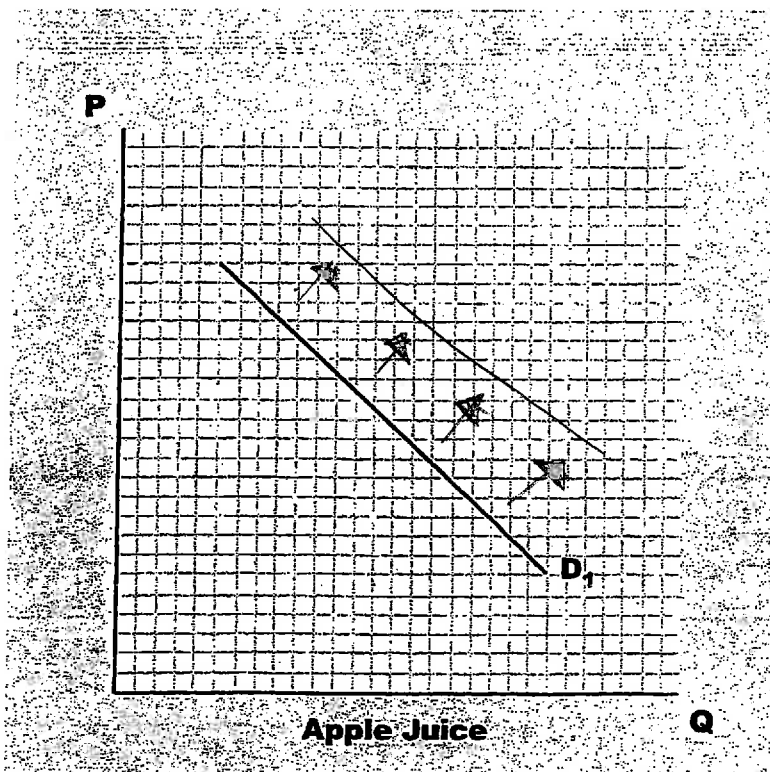
3.2



"OPEC to Raise Oil Prices Next Month"

determinant of demand:

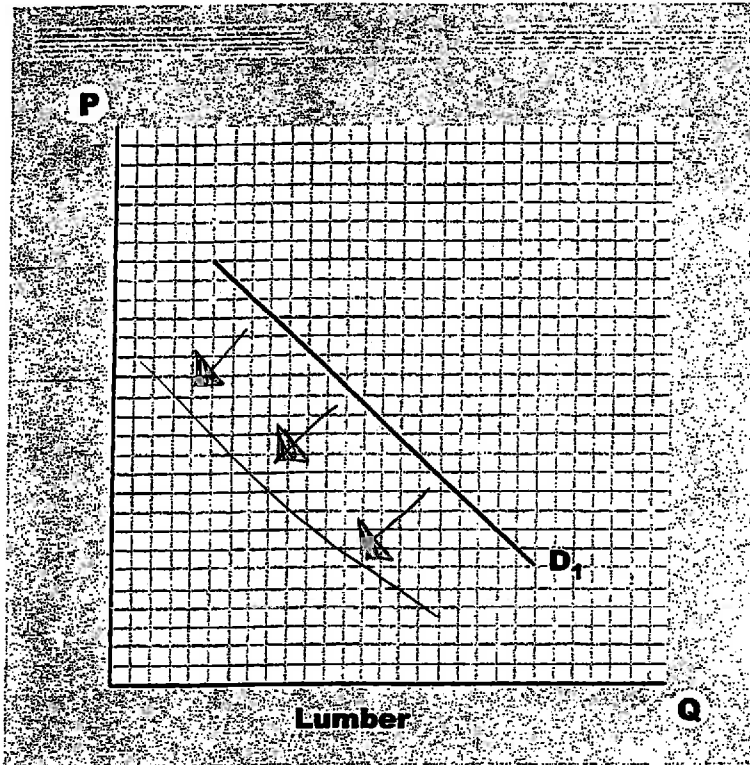
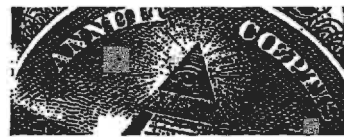
change in consumer expectations



"Unexpected Florida Storm Kills Orange Crop"

determinant of demand:

change in price of a substitution

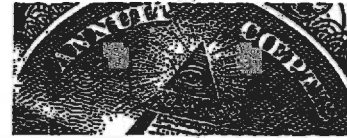


"Home Building Decreases As
Mortgage Interest Rates Reach
Record High"

determinant of demand:

change in price of
a substitute or
complement

USING SUPPLY AND DEMAND TO MAKE DECISIONS



3.3

Name _____

Date/Period _____

Student Activity

Part Two: Change in Demand vs. Change in Quantity Demanded

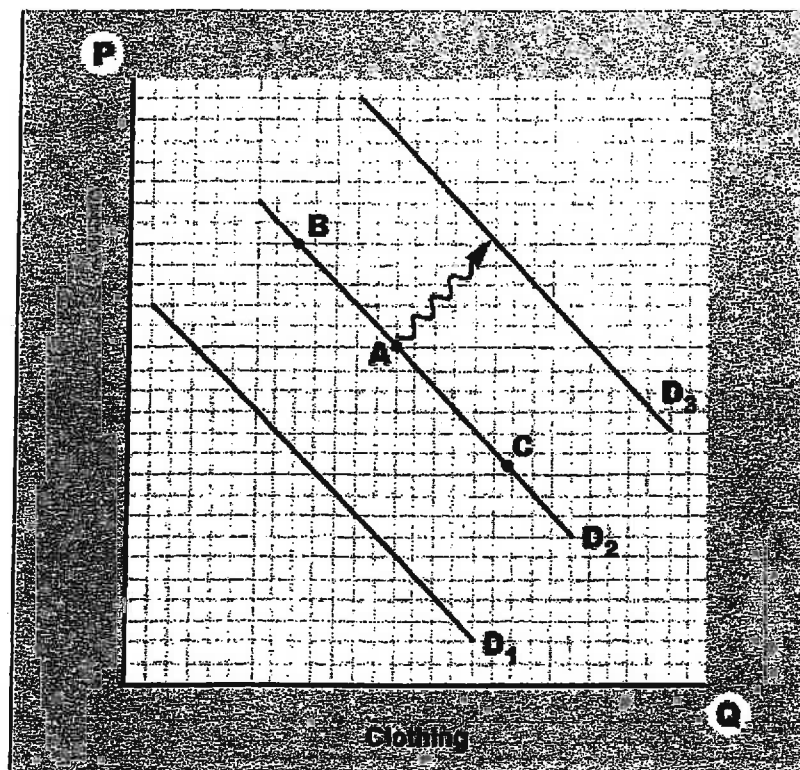
Step 1: Read each situation below and decide whether each event will cause a "change in quantity demanded" or a "change in demand."

Step 2: Begin at the current demand data point, which is Point A on Demand Curve D_2 . Draw a line from Point A to a data point or curve that represents the change in either quantity demanded or demand.

~~**Step 3:** You will draw a line along the demand curve to Point B or Point C for a change in demand, or you will draw a line to Demand Curve D_1 or Demand Curve D_3 for a change in quantity demanded.~~

Step 4: Identify whether the movement represents a "change in quantity demanded" or a "change in demand." If it is a "change in demand," identify the determinant of demand that caused the change in demand. The first one has been done for you.

Demand determinants you may choose from are: **change in income**, **change in consumer preference**, **change in the price of a substitute**, **change in the price of a complement** and **change in consumer population**.

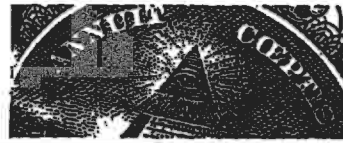


Situation A: You have just won the lottery.

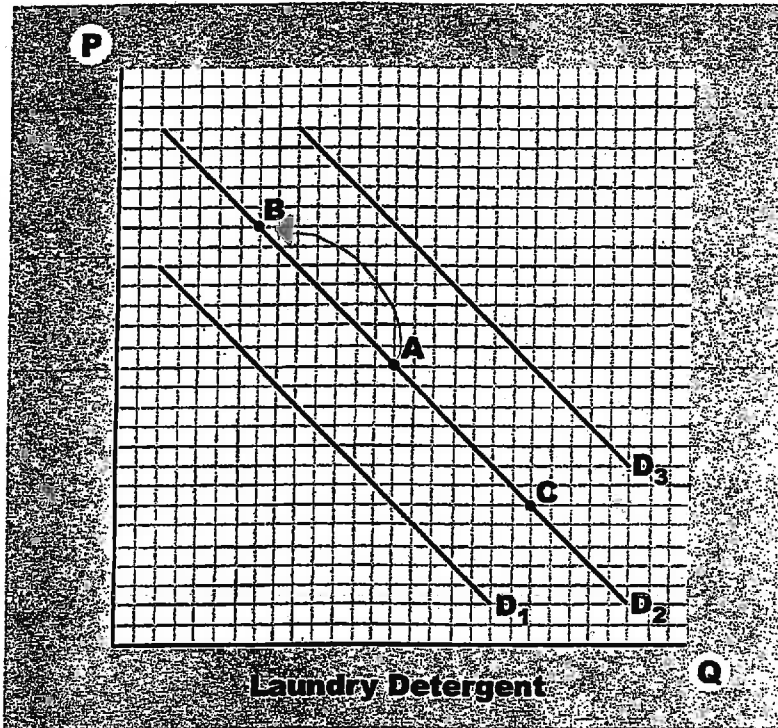
Change in Demand or Quantity Demanded: **change in demand**

Determinant of demand: **change in income**

USING SUPPLY AND DEMAND TO MAKE DECISIONS



3.3



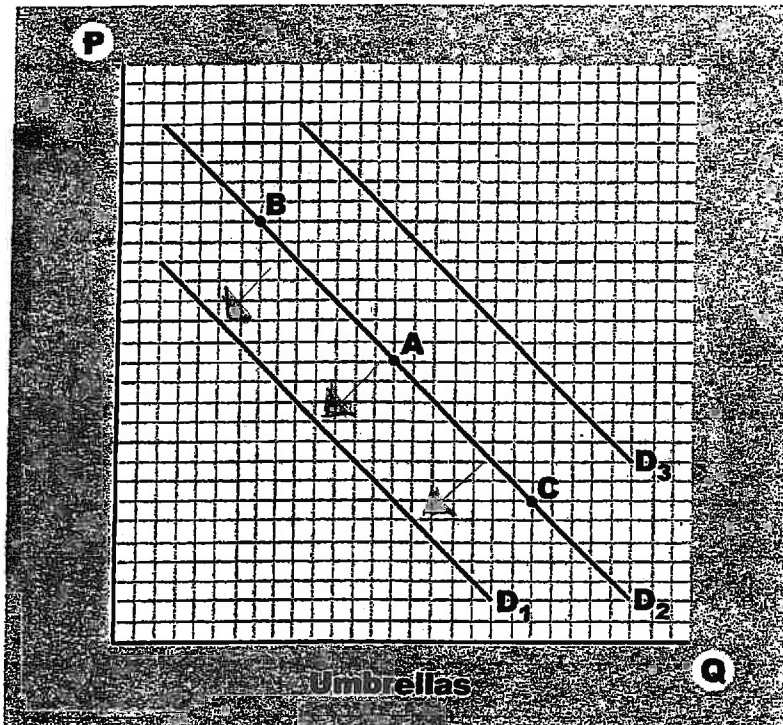
Situation B: The price of laundry detergent increases.

Change in Demand or Quantity Demanded:

Change in QD

Determinant of demand:

change in price



Situation C: The season changes from spring to summer.

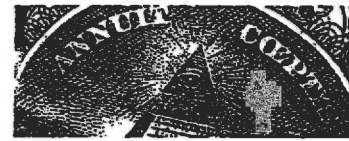
Change in Demand or Quantity Demanded:

change in demand

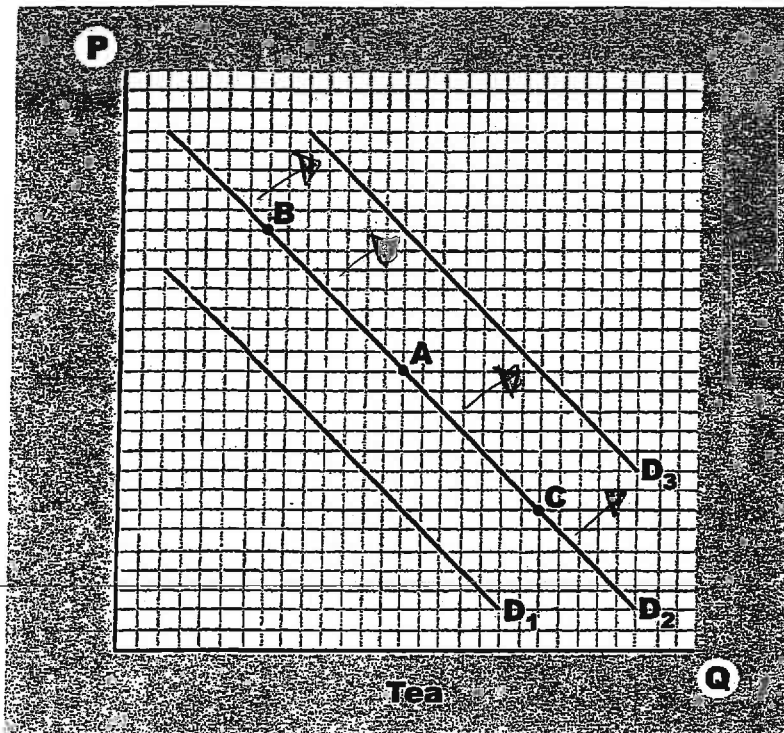
Determinant of demand:

change in consumer preference

USING SUPPLY AND DEMAND TO MAKE DECISIONS



3.3



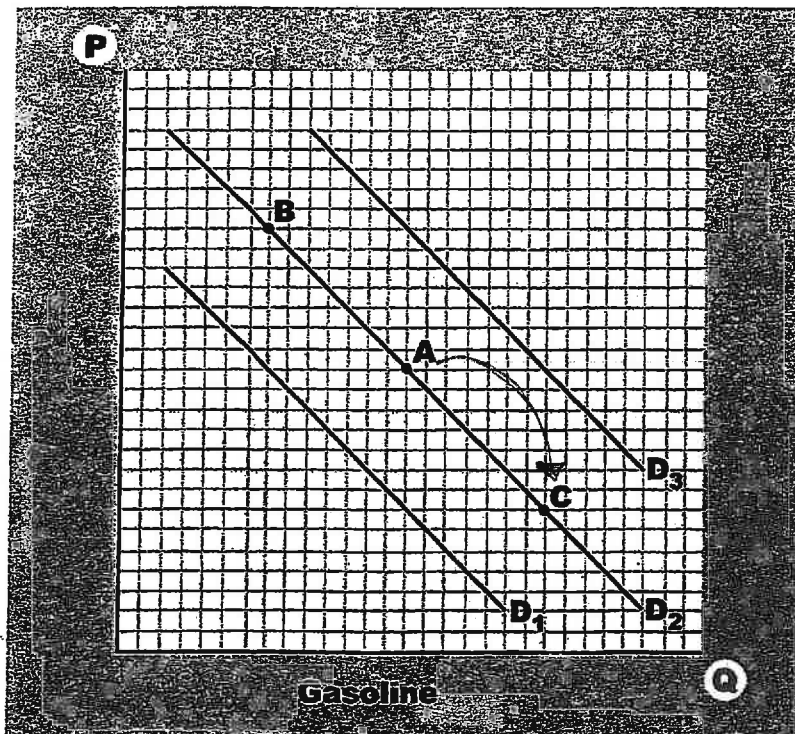
Situation D: The price of coffee increases.

Change in Demand or Quantity Demanded:

change in demand

Determinant of demand:

change in price of substitute



Situation E: The price of gasoline decreases.

Change in Demand or Quantity Demanded:

change in QD

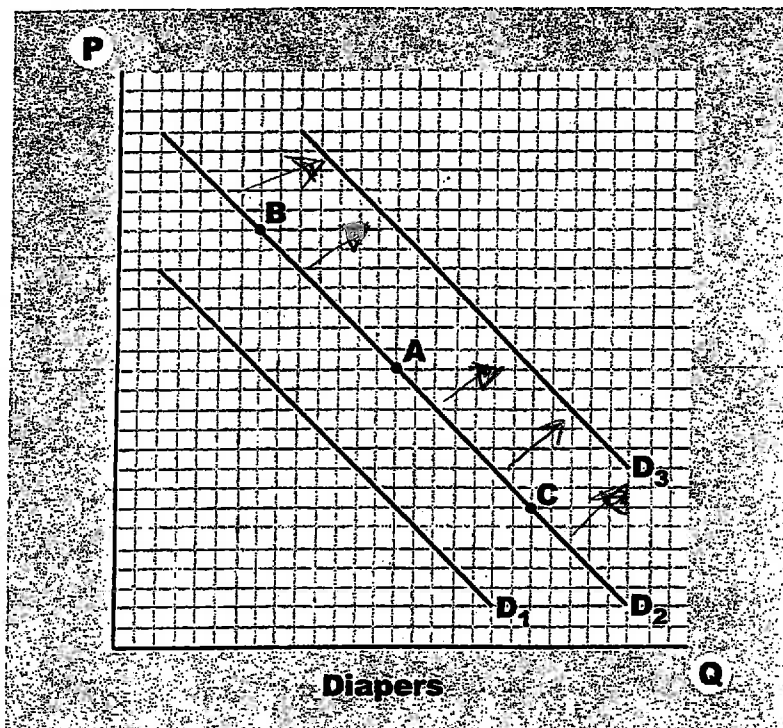
Determinant of demand:

price

USING SUPPLY AND DEMAND TO MAKE DECISIONS



3.3



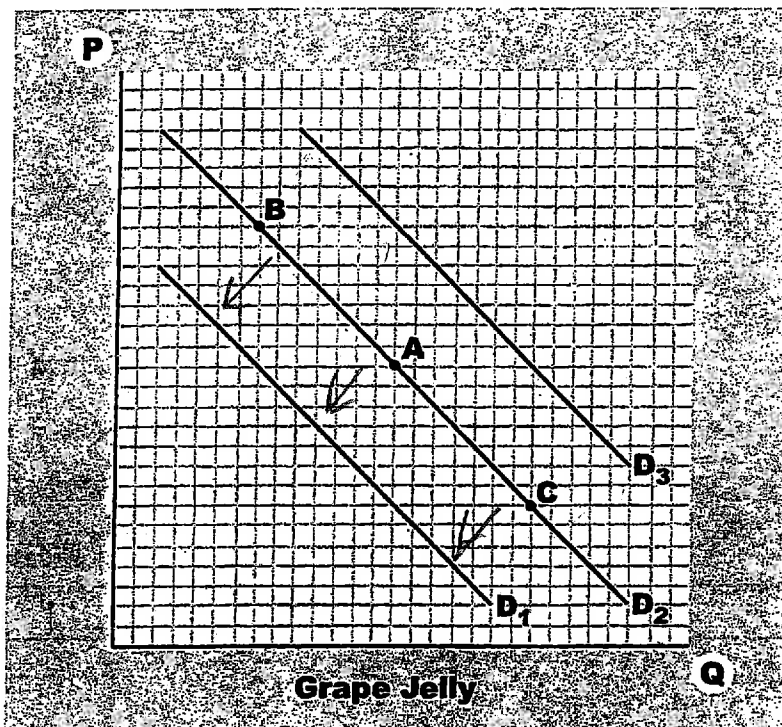
Situation F: The birth rate doubles.

Change in Demand or Quantity Demanded:

change in demand

Determinant of demand:

change in consumer population



Situation G: The price of peanut butter increases.

Change in Demand or Quantity Demanded:

change in demand

Determinant of demand:

change in price of complement

Worksheet 5.4: Market Changes in Demand

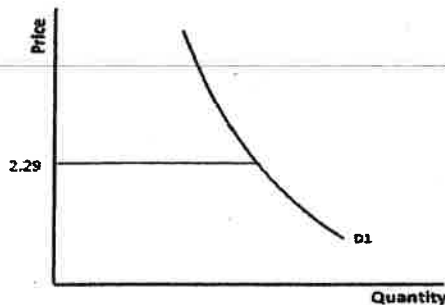
Practice your graph skills with this worksheet. You will be given several different scenarios that occur to a market that was in equilibrium before this scenario occurred. Follow these instructions:

- Graph the new situation so that it shows the change that occurred.
- Circle where indicated whether there has been a change in demand, or a change in quantity demanded.
- Be sure to show the new equilibrium price and quantity points on your graph.
- Provide the explanation for the change.

Here are your scenarios:

- The price of peaches is \$2.29 per pound on Monday. On Thursday, the price of peaches goes to \$2.79 per pound.

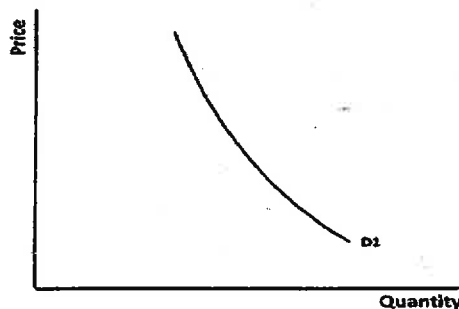
Peaches
Graph:



What changes: D or Q_d ?

- The incomes of the city of Downville have decreased by 20% due to the closing of a large factory. What happens in the peach market in the local grocery store?

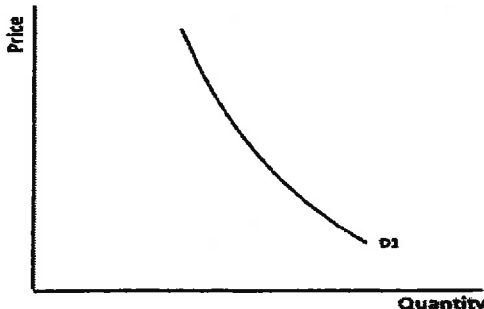
Peaches
Graph:



What changes? D or Q_d ?

- Suppose The American Heart Association declares that peaches promote good heart health.

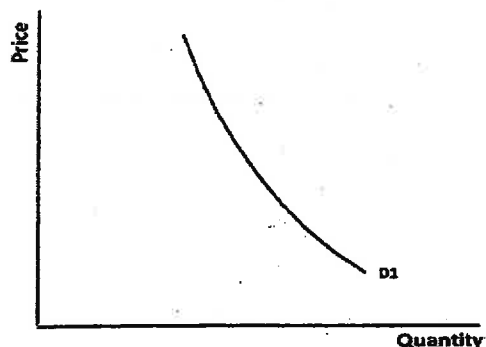
Peaches
Graph:



What changes: D, or Q_d ?

4. You and your friends expect that the ability to download songs from the internet for free will end in 3 months, and then downloads will be for purchase only. Show what happens in the market tomorrow!

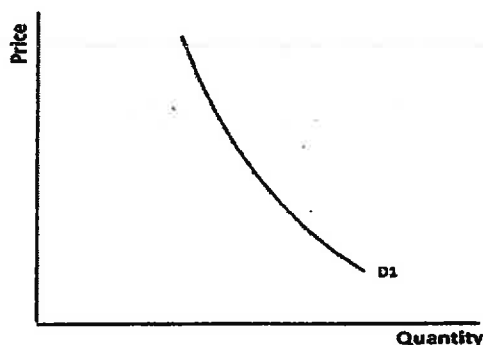
Downloaded Songs Graph:



What changes: D or Q_d ?

5. The price of popcorn goes from \$5 a bag to \$3 a bag.

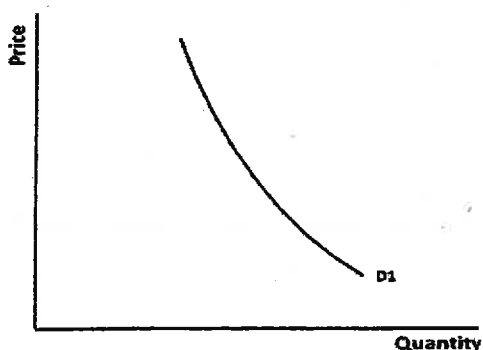
Popcorn Graph:



What changes: D or Q_d ?

6. Now show the changes that occur in the apple market given the following: Peaches and apples are substitutes. The price of apples increases.

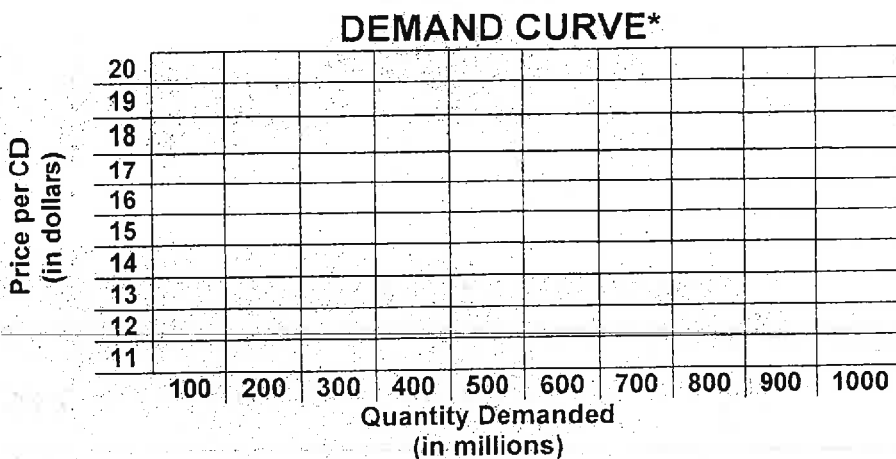
Peaches Graph:



What changes: D or Q_d ?

Exercise 1: Graphing the Demand Curve. Use the data presented in the *Demand Schedule for CDs* to graph the demand curve in the chart below.

Demand Schedule For CDs	
Price per CD (in dollars)	Quantity Demanded (in millions)
20	100
19	200
18	300
17	400
16	500
15	600
14	700
13	800
12	900
11	1000



Exercise 2: Movement Along The Demand Curve. Answer the following questions based on the demand curve you have graphed:

1. When the price of a CD is \$20, what is the quantity demanded by consumers? *100 units*
2. When the price of a CD is \$15, what is the quantity demanded by consumers? *600 units*
3. When the price of a CD is \$11, what is the quantity demanded by consumers? *1000 units*
4. As the price of a CD decreases, does the quantity of CDs demanded increase or decrease?
5. As the price of a CD increases, does the quantity of CDs demanded increase or decrease?

→ As prices decrease, quantity increases

→ As prices increase, quantity decreases

Worksheet 5B

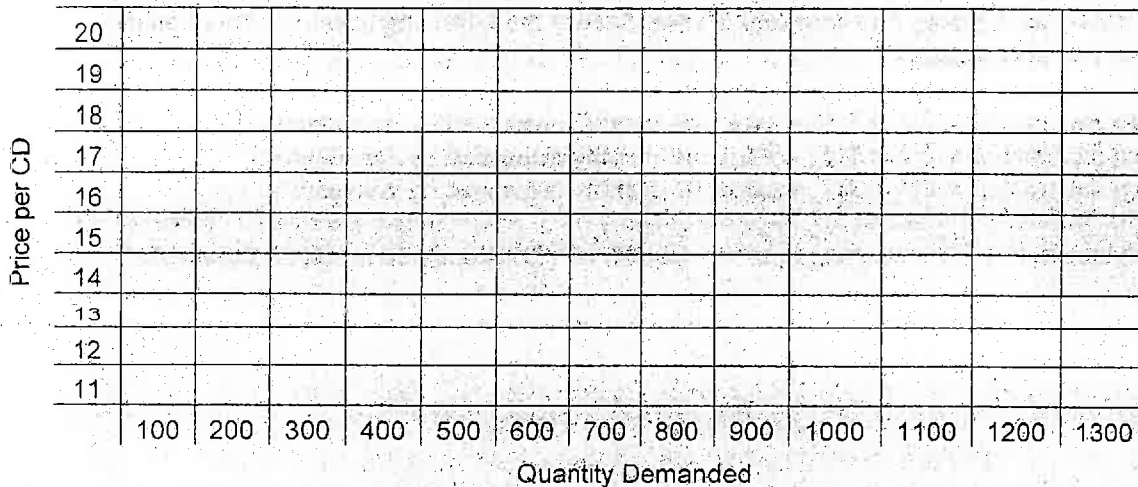
Exercise 1: Shifts in the Demand Curve.

In recent years, sales of music CDs have decreased as many consumers have elected to download individual tracks of music directly into their playing devices. Of course, the cost to download a single track is less than the cost of a CD. The demand for music CDs is shown in the demand schedule as D1.

Imagine that as a result of pressure from the music industry, music downloads are outlawed, and the only way to purchase music is to buy a music CD. Demand for CDs increases and is now shown in the demand schedule as D2.

Demand Schedule for CDs		
Price per CD	Quantity Demanded (D1)	Quantity Demanded (D2)
20	100	125
19	200	250
18	300	375
17	400	500
16	500	625
15	600	750
14	700	875
13	800	1000
12	900	1125
11	1000	1250

- Using the data presented in the Demand Schedule for CDs, graph the demand curves D1 and D2 in the chart below.



Refer to the chart you have drawn and answer the following questions:

- When CDs sell for \$18, compare the quantity demanded for CDs at demand levels D1 and D2.
- Explain why more customers are now willing to purchase CDs for the same price.
- When demand increases at all price levels, the demand curve shifts in which direction: right or left?
- Explain the difference between an *increase in demand* and *increase in the quantity demanded*.
 - Which is depicted as a movement along the demand curve?
 - Which is depicted as a shift in the demand curve?

Movement along the curve or a shift in the demand curve? Complete the table below by indicating whether each scenario results in a change in the quantity demanded (movement along the demand curve), or a change in demand (shift in the demand curve). The good/service that you are looking at is in bold type. If there is a shift in the demand curve, indicate whether the curve shifts up or down. Identify the determinant of demand.

Scenario	Movement or shift up or shift down? What is the determinant?
1. There is an outbreak of the flu and sales of latex gloves skyrocket.	Shift up
2. A nail salon cuts the price it charges for manicures and more clients come.	movement along
3. The price of beef has skyrocketed due to shortages. What will happen to the demand for chicken ?	Shift up
4. The US Census Bureau has announced that there is baby boom in the United States and sales of baby carriages have increased.	Shift up
5. John's Bicycle shop increases the prices of bicycles and sales decrease.	Movement along
6. The City of New York has cut the number of city employees by 10% and sales of big screen televisions falls.	Shift Down

Below, or on a separate sheet of paper, graph scenarios 1-6. Make sure to include what the demand curve is for, and show your shift or movement along the curve.

Elasticity in the Home Worksheet 4.12.2

1. Ask your parents or guardian to help you make a list of the types of purchases your family makes each year. Items might include groceries, clothing, newspapers, magazines, supplies for the house, going to the movies, meals outside the home, educational expenses and travel.

2. Organize the information using this table.

Family Purchase	Need or Want? Why did we buy it?	Did the price fall or rise when we made the purchase?	Characteristics of the Purchase	Assessment: Is it elastic or inelastic demand?
A T-Shirt	Want I wanted a new shirt for school.	Fall	1. Not a necessity 2. Many substitutes available 3. Small portion of the income	Relatively Elastic

Use the other side of this page to add to your list.

3. Explain the concept of Elasticity of Demand to your family and then share the data with your family.

Name: _____ Class Period: _____ Date: _____

Complements and Substitutes Organizer 4.11.2

Two scenarios are given below that include both substitutes and complements. Place each of the items below the scenarios into one of the two columns as either a substitute (an item that takes the place of the other) or a complement (an item that goes along with that item). Feel free to add to the list if you have others that you believe are a substitute or complement.

Scenario 1

The price of hot dogs drops by \$1 per package.

Hot Dog Buns
Bratwurst
Ketchup
Mustard
Relish
Hamburgers
Chili

Scenario 2

The average price of laptop computers rises by \$300.

Video Games
Laptop Cooling Fans
Tablet Computers
Flat Panel Displays
Desktop Computers
Carrying Cases
Virus Protection Software

Substitute	Complement

Substitute	Complement

1. What will happen to the demand for the hot dog substitutes?
2. Why?
3. What will happen to the demand for the laptop complements?
4. Why?
5. What will happen to the demand for hot dog complements?
6. Why?

Demand Curve Shift Worksheet 4.11.3

Complete the chart by indicating what happens to the demand for Good A when the factors of demand change as described.

Factors for a shift in the demand curve	Scenario	Indicate if the demand for A increases or decreases
1. Changes in the price of a related good or service		
• If Good A and Good B are substitutes...	and the price of Good B rises...	
	and the price of Good B falls...	
• If Good A and Good B are complements...	and the price of Good B rises...	
	and the price of Good B falls...	
2. Changes in income		
• If Good A is a normal good...	and income rises...	
	and income falls...	
• If Good A is an inferior good...	and income rises...	
	and income falls...	
3. Changes in tastes		
	if tastes change in favor of Good A...	
	if tastes change against Good A...	
4. Changes in expectations		
	if the price of Good A is expected to rise in the future...	
	if the price of Good A is expected to fall in the future...	
5. If Good A is a normal good...	and income is expected to rise in the future...	
	and income is expected to fall in the future...	
6. If Good A is an inferior good...	and income is expected to rise in the future...	
	and income is expected to fall in the future...	
7. Changes in the number of consumers		
	if the number of consumers of Good A rises...	
	if the number of consumers of Good A falls...	