

Demand and Supply

What are demand and supply, and what factors influence them?

Speaking of Economics

As you complete the Reading Notes, use these terms in your answers:

| | |
|--------------------|---------------|
| demand | supply |
| law of demand | law of supply |
| substitute good | revenue |
| complementary good | elasticity |

PREVIEW

Copy the demand schedule that the class created into your notebook. If you did not create one as a class, copy the demand schedule below.

Demand Schedule for Product X

| Price | Number of Students Willing and Able to Buy |
|-------|--|
| \$10 | 2 |
| 9 | 2 |
| 8 | 4 |
| 7 | 5 |
| 6 | 8 |
| 5 | 10 |
| 4 | 12 |
| 3 | 15 |
| 2 | 21 |
| 1 | 24 |

Tape the blank graph you receive into your notebook. Plot the 10 points from your demand schedule, and connect them to create a demand curve.

Now answer these questions.

1. Why might some students be willing to pay \$10 for this product?
2. Why might some students choose not to pay even \$1 for this product?
3. You have created a demand curve for the product. What happens to the quantity demanded for this product when the price goes down? When the price goes up?
4. Most demand curves look similar to the one you created. Given this, what do you think the “law of demand” might say?

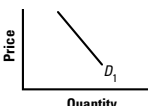
READING NOTES

Section 2

1. What two conditions must buyers meet in order for there to be demand for a good or service?
2. Create a demand schedule for yourself for a good or service you regularly consume. Include 10 different prices, in equal increments. Use the data to graph your demand curve for that good or service.
3. Does the demand curve you graphed support the law of demand? Cite and explain three reasons why the law of demand works.

Section 3

1. If only the price for a good or service changes, does the demand curve shift? Why or why not?
2. Copy the matrix heads below into your notebook. Complete a row in the matrix for each of the six demand shifters described in Section 3.


| Demand Shifter | How the Demand Shifter Influences the Demand Curve | Sketch What Happens to the Demand Curve If Shifter Increases |
|----------------|--|---|
| | |  |

Section 4

1. What two conditions must producers meet for there to be supply of a product?
2. Create a supply schedule for a good or service you might sell or produce. Include 10 different prices, in equal increments. Use the data to graph your supply curve for that good or service.
3. Does the supply curve you graphed support the law of supply? Explain and give two reasons why the law of supply works.

Section 5

1. If only the price for a good or service changes, does the supply curve shift? Why or why not?
2. Copy the matrix heads below into your notebook. Complete a row in the matrix for each of the six supply shifters described in Section 5.

| Supply Shifter | How the Supply Shifter Influences the Supply Curve | Sketch What Happens to the Supply Curve If Shifter Increases |
|----------------|--|---|
| | |  |

Section 6

1. What is elasticity of demand?
2. Think of three goods or services that you consume regularly. For each item, do the following:
 - Name the item, and identify whether your demand for it is elastic or inelastic.

- Explain why your demand is elastic or inelastic. In your explanation, include and underline at least one of the factors that influence demand elasticity.
- Draw a simple graph with a demand curve that represents the elasticity of your demand for that good or service.

Section 7

1. What is elasticity of supply?
2. Think of two examples of goods or services that are supplied, one with an elastic supply and one with an inelastic supply. For each item, do the following:
 - Name the item and identify whether the supply is elastic or inelastic.
 - Explain why the supply is elastic or inelastic, making sure to include and underline at least one of the factors that influence supply elasticity in your explanation.
 - Draw a simple graph with a supply curve that represents the elasticity of the supply for that good or service.

PROCESSING

Find a news headline from a newspaper or Internet news site and tape it into your notebook. Then do the following:

- Identify a product or service that might be influenced by the news in a headline. For example, for the headline “College Grads Earn Higher Starting Salaries than Ever Before,” a product or service that might be influenced is graduation trips to Hawaii or the Caribbean.
- Identify which curve—demand or supply—is affected by the information.
- Determine whether the curve shifts, and if so, whether it shifts to the left or to the right.
- Draw and label a graph with a demand or supply curve for the related product, and show whether the curve shifts to the left or to the right. Below the graph, explain what happens to the curve and why, citing one of the demand or supply shifters in your answer.