

## **Applying Economic Theory: Supply, Demand, and Price**

Let's assume chocolate candy bars are a normal good (we demand more when the price is less & sellers supply more when the price is higher).

Please answer the following questions, emailing your responses

1. What happens when most people have higher incomes and they find they have more money to spend on candy bars? Do you expect the DEMAND to go up, down, or be indeterminate? PLEASE EXPLAIN YOUR ANSWER (no credit given for tiny 1-2 word answers).
- 2A. What do we expect to happen to the price of a new shirt style when it is no longer new, "fashionable", and something people are proud to buy & wear because the shirt no longer impresses anyone? Do you expect the DEMAND to go up, down, or be indeterminate? PLEASE EXPLAIN YOUR ANSWER (no credit given for tiny 1-2 word answers). (Why?)
- 2B. In the shirt example, do you expect the PRICE to go up or down? (Why?)
3. What happens when price of crude oil goes up? (HINT: Consumers do not purchase crude oil, they buy gasoline refined from crude oil) (Why?)
4. When a new and improved smartphone comes out, do you expect to cost LESS or MORE than the previous phone you purchased? (Why?)
5. Let's assume that most people enjoy EITHER a Snickers a Milky Way bar – when the prices of each are the same. What would we expect if the price of a Snickers bar DOUBLED, yet you could still buy a Milky Way bar for the same price – now half the price of a Snickers bar. What would happen to the demand for each? (Why?)
6. Suppose all the news reports stated that eating a serving of broccoli daily prevented you from getting a cold or the flu this season. What would we expect to happen to the price of broccoli – please be sure to explain why!

Remember – your task today is to complete the interactive lesson at:

[http://ecedweb.unomaha.edu/Dem\\_Sup/econqui2.htm](http://ecedweb.unomaha.edu/Dem_Sup/econqui2.htm)

To check understanding, these questions are based on the animated tutorial you completed. Please email. Please DO NOT rekey these questions – just **number your answers, being sure to answer BOTH 2A and 2B.**

If you have any questions, please ask so we can review together!