

Economics

Mr. Mace C-10

Text Assignment #4

Name: \_\_\_\_\_

Period: \_\_\_\_\_

1. Explain the difference between the terms in each of these pairs:

a. Demand/Law of Demand

b. Demand Schedule/Demand Curve

c. Market Demand Schedule/Market Demand Curve

2. Does quantity demanded always fall if price rises? List several goods and services that you think would remain in demand even if the price rose sharply. Why does demand for those items change very little? (Learn more in ch4 sec3 of your book)

3. Explain the differences between the terms in each of the pairs below:

a. Change in quantity demanded/change in demand

b. Income effect/Substitution effect

c. Normal goods/inferior goods

d. Substitutes/Compliments

4. The U.S. government has used many strategies to reduce smoking. It banned television ads for cigarettes, ran public service messages about the health risks of smoking, and imposed taxes on cigarettes. Which factors that affect demand was the government trying to influence?

5. Do you think changes in consumer taste are most often initiated by the consumers themselves or by manufacturers and advertisers? Explain your answer using real life examples.

6. Why are goods and services said to be price sensitive?

7. Suppose the company that runs concessions stands at a local sports arena wants to increase revenue on sales of soft drinks. The manager believes the only solution is to charge higher prices. As a business consultant, what advice would you give the manager? Use economic thinking to support your answer.

8. What are two methods for calculating elasticity of demand?

9. A certain stuffed toy is popular during the holiday season, but sells for half the listed price after the holidays. What factor in change in demand is at work here? Explain.

10. In the last few decades, demand for ketchup has dropped in the United States, while demand for salsa has risen. Which factors that affect demand account for this?