

Supply and Demand in the real world

The concept of supply and demand is often called the heart and soul of economics. It is the foundation for much of what is studied in the field, and understanding how supply and demand affect the economy can help us to recognize economics everywhere in our daily lives.

1. Define the law of demand. Define the law of supply. Describe these terms in your own words and make sure to include an explanation of the relationship between price and quantity
2. When prices change, how is that reflected on a given supply or demand curve? For instance, if the price of a particular chocolate bar increases, will demand or quantity demanded change? Explain.
3. List the determinants of demand.
4. List the determinants of supply.

Activity

This activity connects supply and demand to the real world. Read the following articles and give an analysis of how the situation will affect demand, supply, quantity demanded and quantity supplied, and overall price.

Real World Connections:

1. DVD sales are sliding because more consumers are watching content digitally. (This involves two markets.)
Article: bloomberg.com/news/articles/2015-01-06/u-s-dvd-sales-continue-to-slide-as-digital-viewing-soars
2. Drought and demand from Arby's creates a brisket shortage; the article also mentions the increase in the popularity of brisket.
Article: cbsnews.com/news/brisket-shortage-has-texas-barbecue-lovers-facing-rising-costs/
3. There is an oversupply of oil from increased North American and Saudi Arabian production.
Article: businesstoday.intoday.in/story/oil-prices-brent-crude-extends-loss-on-supply-glut-jan-14/1/214565.html
4. New cage laws for chickens decrease the number of chickens (and therefore the number of eggs).
Article: cbsnews.com/news/why-egg-prices-will-likely-rise-in-2015/
5. Movie ticket prices increase.
Article: time.com/3666765/movie-theaters-ticket-prices-box-office-revenue-summer/
6. Consumers become more health conscious and reduce their consumption of donuts. Article: newsmax.com/health/Health-News/sugary-processed-foods-pastries/2014/12/29/id/615359/

7. The increase in Mexican immigrants and an increase in popularity for Mexican cuisine has resulted in greater consumption of tortilla chips. Article:
cnn.com/2015/01/21/living/feat-tortilla-chip-history-tailgating-eatocracy/
8. As the American populations is aging, fast food consumption is falling. Article: today.com/health/hold-fries-were-eating-less-fast-food-study-says-1C8463926
9. Avocados become America's favorite fruit. Article:
washingtonpost.com/blogs/wonkblog/wp/2015/01/22/the-sudden-rise-of-the-avocado- americas-new-favorite-fruit/
10. Dry weather has decreased Ghana's cocoa production by 22% from last year. Article:
money.cnn.com/2015/06/23/investing/chocolate-cocoa-prices-go-up/