

# Economics in 30 Minutes — Part 2

## worksheet

Why prices are what they are. Watch Part 2, pause where it says to, and write your answers here before you read the hints on the companion page.

Name \_\_\_\_\_

Date \_\_\_\_\_

### *The next slice (first pause)*

1. How much would you pay for one more serving of a food you like, right now? How much after you have already had four? Write both numbers. Rule: you have to eat it now; you can't save it.

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2. If you turn down another slice, does that mean you don't like pizza? What changed?

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3. Now drop the rule and let yourself box the slice for tomorrow. What is the seventh slice worth now, and why does the example stop working?

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## *The beer market*

4. At a price below the crossing point, do buyers want more beer than breweries offer, or less? What does that do to the price, and why?

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5. At a price above it, what would you expect to see? Say what the model holds fixed while you answer.

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## *Water and diamonds*

6. Why can something essential to life have a low price? Are we pricing all the water in the world, or one more gallon under particular conditions?

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7. How would the value of one more bottle of water differ beside a working tap and during a shortage? What changed, and which blade of the scissors moved?

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## *Your turn (second pause)*

8. Think of a price that went up, and the explanation you heard for it from friends or family. Which of the 1900 stories was it? What did it leave out?

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9. Have you ever used economics to explain something that actually happened? Which event, which market, and what was your explanation? What evidence would make you revise it?

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10. When the price of oil moves, many other prices move. Trace one chain from a barrel of oil to something you buy. Does every link move in the same direction?

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