

Economics in 30 Minutes — Part 3

worksheet

How markets change. Watch Part 3, pause where it says to, and write your answers here before you read the hints on the companion page. Draw the graphs; the words come easier afterward.

Name _____

Date _____

Along the line, or the line moves (first part)

1. Beer gets cheaper and people buy more beer. Which is it: a move along the demand line, or the line moving? Why can beer's own price never shift beer's demand line?

2. Pizza and beer are complements for these customers, and pizza gets cheaper. What happens to beer demand? Why isn't this a movement caused by beer's own price?

3. People expect beer prices to rise next week. What might happen to purchases today? What about a haircut: can you buy that ahead?

The hop fire

4. A hop fire raises brewers' costs. Which line changes, which way, and what happens to price and quantity in the simple model?

5. The 2006 fire burned about 4% of the U.S. crop, and beer prices rose for two years. Why did a 4% loss matter that much? What else was going on?

The mix-ups (the student beat)

6. The baker says nobody wants bread anymore. Write the two stories that leave bread on the shelf, and say which one is a change in demand.

7. "Demand went up, so the price went up, so demand went down." Which part is wrong, and what should it say instead?

8. Gas jumps forty cents overnight after a refinery fire. Did buyers or sellers change? How do you tell before anything else?

Your turn (second pause)

9. Everyone in the beer market gets more income. Which line moves, which way, and what happens to beer's price and quantity? State the assumption you need.

10. Bad weather destroys a major European wine-grape harvest. First draw the wine market. Then draw the beer market and trace the effect through.

11. Now both happen at once. Do the two effects on beer reinforce or offset each other? What can you predict for certain? What would you need to know to predict the size?

12. Extension: income rises in the same month as the hop fire. Which direction can you predict, price or quantity? Why does the answer differ?
