

CRASH COURSE: ECONOMICS

Episode 4: Supply and Demand

STUDENT QUESTIONS

1. What do most people take for granted?
2. The key to markets is voluntary exchange. What is that?
3. According to voluntary exchange, if a lifeguard takes a job paying \$12.00 per hour, what must be true?
4. Markets are very good at allocating scarce resources toward what?
5. Markets generate information that guides buyers and sellers toward what they should be buying or selling.
6. How do markets encourage suppliers to provide high-quality goods?
7. There are two conditions that make it hard for businesses to take advantage of people. Record at least one of these conditions.
8. Every dollar spent signals two things to producers. What are they?
9. If there's only one thing you should learn in economics, what would it be?
10. What is the law of demand?
11. How do demand and supply curves slope?
12. If the price of an item is high, there is likely to be what economic condition?
13. If the price of an item is low, there is likely to be what economic condition?
14. What is an equilibrium price?
15. What store was discussed as being a place where price has nothing to do with realistic economics?
16. Something like a change in weather will typically shift which of the curves on a crop's supply and demand graph?
17. What four things can happen in a market to change the price of a good?
18. Suppose the price of oranges falls, so the government pays money to orange farmers to help them out. What would be the usual view of an economist regarding the government's decision?
19. What product was mentioned as example of a good with a lot of price volatility -- the price changes all the time?
20. If the supply and demand curves both move due to market conditions, what will move with them?
21. What two examples were given as goods for which the free-market approach has serious problems?
22. If you could sell human hearts, what would a criminal be motivated to do?
23. If you could solve some problems with a market approach, but a completely free market would cause other problems, then what kind of market should be established?
24. Why are the laws of supply and demand not absolute laws like the law of gravity?

Extra Credit Questions / Discussion Prompts

- Think of examples in real life of goods disappearing from the market because buyers stop buying them.
- Some products are somewhat resistant to the law of demand. In other words, when the price goes down, people do NOT buy a lot more of these products. Think of a few such products and try to explain why they are resistant to the law of demand.
- Fresh organic produce is very expensive in stores like Whole Foods Market, but people buy it all the same. Is this really an example of a place where "realistic economics" has no place?
- The video mentions human organs and fire protection as realms where the free market has drawbacks. What other products or services do you believe fall into this category?