Chapter 3 looked at market demand and supply and now we are looking at where market demand comes from (A market demand curve is the horizontal sum of all individual demand curves for those consumers willing and able to purchase the product). In this paper/essay, discuss the process through which an individual's demand curve can be developed and then how a market demand curve can be determined. This involves utility, marginal utility, and indifference curves. Be sure to discuss the process (equating the marginal utility per dollar spent across goods consumed) a consumer uses to achieve maximum satisfaction in consumption aka as the rational spending rule and the concept of diminishing marginal utility (this marginal comparison process is the heart of much of economics). Also be sure to discuss the difference between the income and substitution effect that takes place when the price of good changes (use a good that you consume as an example in your discussion).  Use marginal analysis (the comparison of additional/marginal benefit with additional/marginal cost) to create some examples of your own. Good examples of diminishing returns can be observed from nearly all episodes of the reality TV show "Man v. Food" with Adam Richman or Casey Webb .  Find one on the web to use in your essay, here is an example (I especially liked the oyster challenge in New Orleans, Acme is a fun place to eat if you are in NOLA: [Link to Adam Richman highlightLinks to an external site.](https://www.youtube.com/watch?v=hL9nJHlywBI)[Shape, arrow

Description automatically generated](https://www.youtube.com/watch?v=hL9nJHlywBI)

Describe using the concept of consumer surplus what would happen from the imposition of a tariff on an imported good  that decreases  domestic supply .

Here are the topics from the first two modules that should be included in this weeks paper as well.

Discuss and explain the concept of price elasticity of demand using examples from a Sony Playstation price reduction ([Sony)](http://www.marketwatch.com/news/story/sony-cuts-playstation-price-100/story.aspx?guid=%7B3BB6A082-E44B-4D96-9A0A-C3ECF633E884%7D)be sure not to venture into discussions of newer models and what has transpired since this news story. Please also do not discuss the various merits and features associated with the Playstation or the products that it competes with. Explain the relationship between sales revenue and price elasticity. What do you expect to happen to the sales revenue that Sony receives from selling the PS3 as a result of the price reduction. The article mentions 1.4 million PS3 units were sold at the old price...given the percent change in price and that sales jumps to 2 million units, calculate using the midpoint formula and interpret the price elasticity of demand for the PS3.

Given your elasticity calculation what would you expect to happen if Sony then raised its price an additional 10% higher.

Given the Sony price reduction what do expect to happen to the markets for the Xbox and Wii if nothing else changes and explain how cross price elasticity would help answer that.

What do expect to happen to the markets for PS3 software games and accessories?

What does income elasticity tell you about the demand for a particular good supposing that the economy continues in the current expansion phase of a business cycle with incomes rising?

Finally in the article  The Sony US CEO suggests that the price reduction will double the number of units sold in the US.  Given his statement what must be the price elasticity of demand  he has estimated to make that prediction?

Also include the following discussion questions in your paper from last weeks module:

Develop a discussion of the general mechanics of how a market (As an example for your discussion use the market for generic [Red Delicious](https://www.orangepippin.com/varieties/apples/red-delicious) apples) works using supply and demand. Be sure to develop and discuss the concept of an equilibrium and how price adjustment achieves an equilibrium in the situations where shortages or surpluses exist. Discuss and illustrate the difference between a change in demand/supply and a change in quantity demanded/supplied, Given a shift in either demand or supply discuss the process that moves the market from the old equilibrium to the new one. Remember the key to market adjustments is the movement of price as supply and demand change and then the adjustment of quantities demanded and supplied to price changes.

Now read the following about the Honeycrisp apple:. [The Curse of the Honeycrisp Apple.docx and discuss the following:Preview the document](https://uwf.instructure.com/courses/43110/files/9566261/download?wrap=1)

[Actions](https://uwf.instructure.com/courses/43110/pages/module-3-assignments?module_item_id=2449798)

What happens in the Red Delicious market as the Honeycrisp enters the general apple market?  Explain all the mechanics not using actual prices and quantities but general directions in their movement.

Now consider the market for the Honeycrisp apple. In the article there was a discussion about calcium issues in the production of the apples. Suppose a researcher discovers a way to modify the trees root ball by adding a fungus to the biomass that results in a symbiotic relationship increasing the trees calcium uptake from the soil so that the producer no longer has to spray the orchard to combat "bitter pit."  What will happen in the Honeycrisp market? Explain the mechanics.  In the Red Delicious market again explaining the mechanics.

As another example for this part, explain to me using demand and supply and the market in a stable equilibrium what you would expect to happen to the Florida market for Apalachicola oysters if a harmful algal bloom (HAB) destroyed oyster beds in Texas and Louisiana (Do not research actual oyster markets, consider this as hypothetical). Note that Louisiana and Texas oysters are substitutes for Apalachicola oysters so you need to first think about what happens to the prices for those oysters and then the impact that will have on the market for Apalachicola oysters.