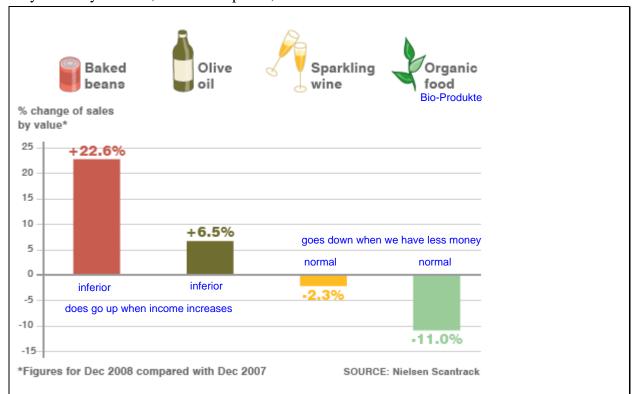
Prof. Dr. Axel Gerloff Microeconomics

Application 06: In the News – Normal and Inferior Goods

The following article reports about a changing consumption pattern of British consumers at the end of 2008 when the financial crisis hit the economy:

What are you giving up in the downturn?

By Anthony Reuben, Business reporter, BBC News



It has been a tough December for retailers, and grocers have not been spared in the downturn. But it is not just that overall sales are falling. [...] Consumers have been trying to make their money go further and that has meant changing the way they shop. Many of the lost sales suffered by retailers will not be from people who were considering buying something and then decided not to. They are just as likely to be from customers considering buying one product and then instead, buying a different one.

So, while sales on the whole were falling in December, baked bean sales, for example, rose 22.6% in December, compared with December 2007, according to figures prepared for the BBC by the market researchers Nielsen. A factor that might cause such a rise would be people foregoing a more substantial meal in favour of a cheaper alternative such as beans on toast.

Source: BBC NEWS, 13 Jan 2009, http://news.bbc.co.uk/2/hi/business/7824072.stm

Indicate which of the four food items mentioned in the article are "**normal goods**" and "**inferior goods**", respectively. Give a <u>brief</u> explanation of your categorization.

Suggestion for further reading:

On 2 June 2012, the Economist also reported about changing British eating habits in the recession:

Eating and recession: The basket case

Harder times have transformed a nation's eating habits

Source: http://www.economist.com/node/21557377