3 QUESTION FOR ECONOMIC EXZAMINATIO

From Starbucks to Coca-Cola to Hershey, corporate executives lately are preoccupied with inflation and what it means to the bottom line (profit).

And on calls in the past few weeks with investors about their financial results, conversations have dwelled on a peculiar way of talking about it:

'elasticity. Many other companies have also stressed that their products, from Starbucks iced coffee to Planet Fitness gym memberships, have remained in demand despite high inflation. People seem particularly willing to pay for experiences, like travel and sports events, even at higher prices, after being deprived of them under pandemic restrictions".

﻿﻿﻿Explain what price elasticity of demand means in economics. (Hint: Your answer should include the term "quantity demanded".)

﻿﻿﻿Considering the information in the news article, do these companies have elastic or inelastic demand? Explain.

﻿﻿﻿Based on your answer from Part B, what is likely to happen to the profits these companies are earning? Explain.

Local politicians in Orange County are considering increasing the minimum wage in response to the rising cost of living in California. There is a town hall meeting where residents can ask questions about the impact of a higher minimum wage. Since you are taking economics, the local politicians have asked that you help answer questions from residents. Write out your answers to residents' questions making sure to include the economic reasoning, concepts, and key terms you learned in class.

Remember, you need to answer the questions from the residents as an impartial economic advisor.

﻿﻿﻿"Why does a minimum wage exist in the labor market?"

﻿﻿﻿"Who is helped by the local government increasing the minimum wage?" (Hint: Remember that minimum wage is price floor).

﻿﻿﻿"Are there any drawbacks to increasing the minimum wage?"

"Home Depot is looking to offload excess inventory as demand shifts since the beginning of the pandemic. The home improvement retailer has struggled with excess inventory as a result of supply chain bottlenecks and shifting consumer preferences. As people continue to spend more time at home, they are looking to make improvements to their living spaces. However, the specific items they are buying have changed.

Instead of purchasing power tools and building materials for home renovation projects, consumers are now focused on home decor and organization items. Home Depot is planning to hold sales and promotions to reduce their excess inventory and meet changing consumer demands."

﻿﻿﻿Per the above, comment on whether the "demand" or "quantity demanded" for items such as power tools has changed. Explain and justify your answer. (Hint: Think about a shift vs a movement on the demand curve).

﻿﻿﻿Home Depot decided to increase prices on home décor items.

Assuming organizational items (like plastic bins, etc.) are considered a complementary good to home décor, how would this price increase impact the demand for organizational items? Explain.

c) Assume average consumer income decreases this year. How would this change impact the demand for home improvement items, if home improvement i