**Supply and Demand Activity**

1. Read the information and follow the directions to complete the exercise on supply and demand. Describe what you learned while participating in the exercise.

<http://www.producingohio.org/action/supply/supply1.html>

2. Work through the activity on the changing price of corn until you have completed the entire activity. (You must eventually answer all questions correctly in order to progress and complete the activity.) Describe the scenario, and the question asked, (be sure to write down this information before checking your answer). Then list the correct answer you gave.

<http://www.producingohio.org/action/corn/index.html>

**Answer the following questions according to the information presented in the Supply and Demand handout.**

3. What are the three components demonstrated by consumers affecting demand? **Want, ability to pay, and willingness to pay.**

4. What are the four factors that affect demand? **Price effect marginal/diminishing marginal utility and income effect.**

5. According to the lesson, when are businesses are more willing to produce and supply goods and services? **When the cost is at a minimum.**

**Complete the following by inserting the correct information in the blank:**

6. The measurement of the consumer response to price change is referred to as **elasticity**.

7. **Demand** is determined by which and what quantity of particular goods and services consumers want, have the ability to afford, and are willing to buy at a particular time.

8. The interactions between those who **buy** and those who **sell** drive the market in a capitalist economy.

Lesson available online at http://www.compuhigh.com/demo/economics/lesson04.html

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9. Combined together, **supply** and **demand** drive the economy by influencing what is produced and by setting prices.

10. As prices rise for a particular good or service, demand goes **down**.

11. As prices come down for a particular good or service, demand goes **up**.

12. The **price effect** on demand varies according to the eagerness of the consumer to purchase the goods or services.

13. Demand is typically more **elastic** if purchases are easily substituted or if they make up a large percentage of the consumer budget.

14. Demand is typically more **inelastic** if the purchases are not easy to substitute or make up a small percentage of the consumer budget.

15. **Marginal utility** is the satisfaction effect or usefulness of purchasing a unit or item of a good or service.

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