

Name _____
Mr. Wilson

P.I.G./Economics
____/____/____

Demand Lecture Activity

Part A

On the attached graph paper, draw the **Demand Curve** for the **Demand Schedule** below.

Reiko's Demand Schedule

Price of a Bottle of Apple Juice	Quantity Demanded per Week
\$0.75	5
\$1.00	4
\$1.25	3
\$1.50	2
\$1.75	1
\$2.00	0

1. What action (besides stopping buying apple juice) might Reiko take if the price of apple juice rises above \$2.00?

2. What direction does the demand curve slope, upward or downward? Why? How many variables are involved in this curve?

Part B

On the same graph paper, draw the **Demand Curve** for the **Demand Schedule** below, after Reiko's doctor said that apple juice would prevent colds.

Reiko's New Demand Schedule

Price of a Bottle of Apple Juice	Quantity Demanded per Week
\$0.75	8
\$1.00	7
\$1.25	6
\$1.50	5
\$1.75	4
\$2.00	3

3. What happened to the graph? Which direction did it move (right or left)?

4. Make a prediction: What would happen to the graph if Reiko developed an allergy to apple juice, which made her sneeze?

5. Draw a new **Demand Curve** on the same paper to illustrate this on the graph paper.

Part C

Elasticity of Demand

Elasticity of demand depends on a number of factors, including whether the product in question is a **necessity** (need) or a **luxury** (want). This letter illustrates the elasticity of one person's demand in the face of a large price increase.

Dear Hayseed Milk Delivery Service:

I just learned that you have doubled the price of your milk. I am shocked! My children drink so much milk that I really cannot afford this price hike. So, please continue to leave me four gallons of milk each week, but cancel my weekly order for the seven quarts of Superfudge ice cream.

*Sincerely,
Mable Lastic*

6. What quantity of **milk** did Mable demand **before** the price increase? **After** the price increase?

Before: _____

After: _____

7. What quantity of **Superfudge ice cream** did Mable demand **before** the price increase for milk? **After** the price increase?

Before: _____

After: _____

8. How would you describe the **elasticity** of Mable's demand for **milk** (elastic or inelastic)? Explain your answer.

9. How would you describe the **elasticity** of Mable's demand for **Superfudge ice cream** (elastic or inelastic)? Explain your answer.

Demand Curve for Reiko's Demand for Apple Juice

Bottles of Apple Juice per week.