

Demand: Cause & Effect Exercise 2-1

Reference Page 45-50 Economics, Boyes

Several examples of cause and effect relating to the Law of Demand are written below. Decide which action(s) is the cause and which is the effect. Recall that a cause may produce several effects, or one effect may be the result of several causes. Rewrite the sentences as one, tying them together with a cause and effect clue word, i.e., *because, led to, produced, as a result of* and so on...

- 1) a. More CDs are demanded
b. The price of CD players is going down.
-

- 2) a. A substitute for gasoline is available
b. The price of gasoline goes down
-

- 3) a. The price of bakery goods goes down
b. The price of sugar goes down
c. Customers buy more bakery goods
-

What would happen to the demand for CD's in the following situations?

- 4) Minimum wage for high school students is raised to \$7.00 per hour
-

- 5) Prices for CD's fall and sales of CD players surge
-

- 6) Powerful advertisements make CDs much more appealing
-

- 7) What is the relationship between price and quantity demanded?
-

- 8) How does the income effect change the quantity of a product demanded as the price of the product goes down?
-

- 9) What is the difference between a change in demand and a change in quantity demanded?
-

- 10) Look at the newspaper tonight and find a story that relates to demand. How does the change in demand described in the article affect price?