



## **Unterrichtsmodul:**

# **Market – Demand and Supply**

## Aggregate Demand and Supply

You work as an assistant broker on the local pork market. You are collecting **offers of sale** and **purchasing bids**.

- Demander A is willing to buy 500 kg at up to a maximum price of 8.50 euros per kg.
- Demander B wants to buy the same amount, but only at a price of up to 8.30 euros per kg. Demander C intends to purchase 750 kg but doesn't want to pay more than 8.10 euros per kg. Demander D would even buy 1000 kg, however the price should not exceed 7.90 euros.
- Supplier E would sell 750 kg, if he could receive at least 7.90 euros per kg. Supplier F would sell 1000 kg, if he was paid at least 8.10 euros per kg.
- Supplier G would put 500 kg on the market at a minimum price of 8.30 euros per kg. Supplier H wants to sell 250 kg, the price, however, should be at least 8.50 euros and above.

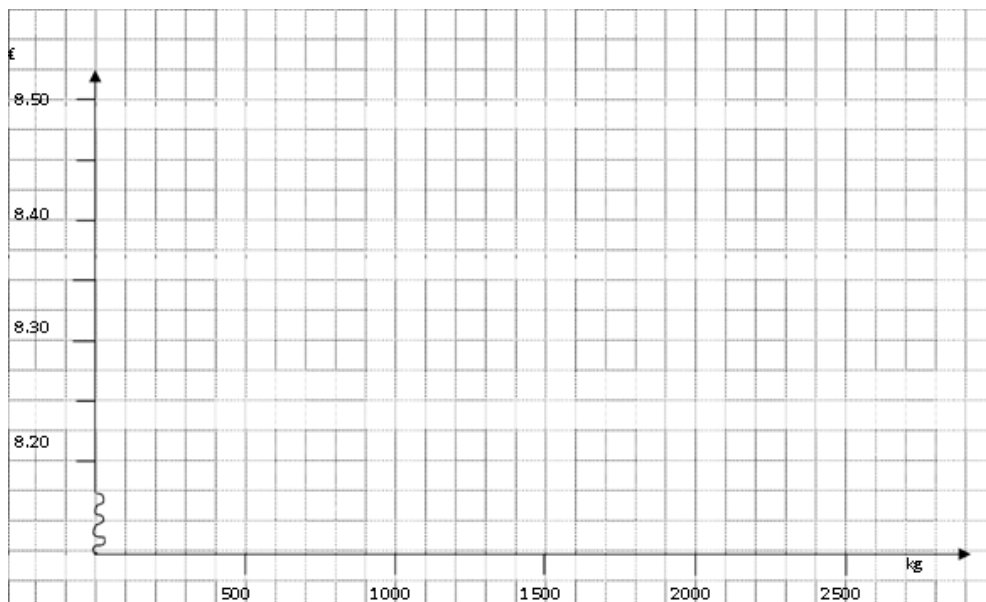
**TASK 1: Complete the following table for the broker.**

price	demand in kg				supply in kg			
	A	B	C	D	E	F	G	H
7.90	500	500			750			-
8.10	500	500			750			-
8.30	500	500			750			-
8.50	500	-			750			250

**TASK 2: Calculate the total demand and the total supply at the respective prices and find the equilibrium price (price at which supply equals demand).**

price	aggregate demand	aggregate supply
7.90		
8.10		
8.30		
8.50		

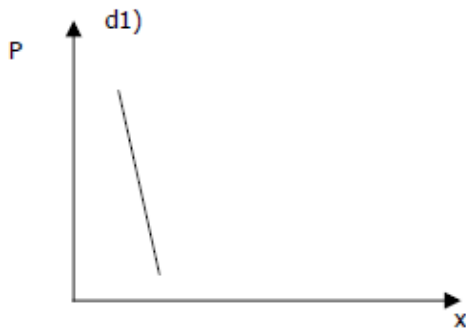
**TASK 3: Draw the aggregate demand curve and the aggregate supply curve into coordinate system! Use different colors for each curve!**



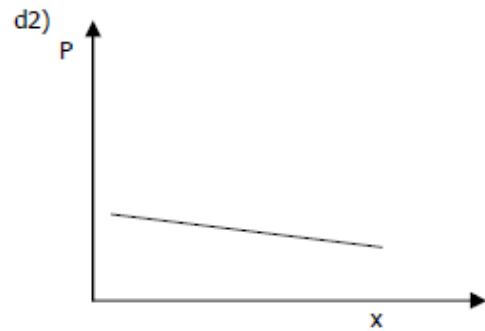
## DEMAND - EXPERT GROUP

**1. In your group discuss the following questions:**

- (a) What can you read from a market demand curve?
- (b) How do price and expected demand relate?
- (c) Could a reverse course of the curve for certain goods be possible? Think of an example!
- (d) To what extent does a change in price affect total demand for a good in the two cases below? Think of specific examples!



example:

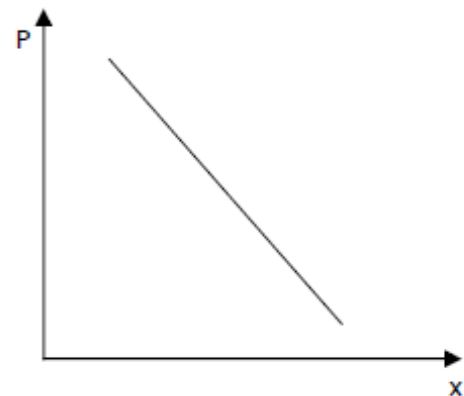
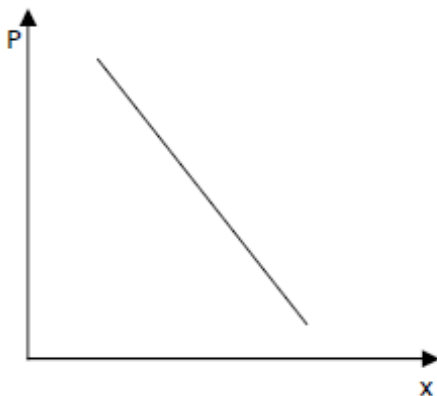


example:

**2. Think on your own: What happens to the demand curve if...?**

Given that a tax reform has drastically increased people's incomes, how does this affect the total demand for cars?

Given that an energy tax has drastically increased fuel prices, how does this affect the total demand for cars?



### 3. Discuss the following changes to aggregate demand in your group:

If an **internal** factor changes (i.e. a factor that is shown in the diagram, here price) then changes lead to a change in demand **along the curve**.

If an **external** factor changes (i.e. a factor that is not included in the diagram, such as income), the demand curve of the good shifts **either to the right or to the left**.

With respect to charcoal grills, which of the following changes leads to

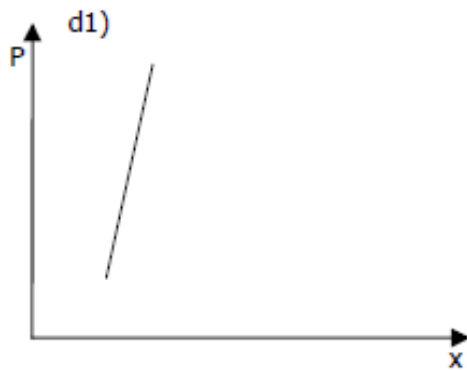
- (a) a shift of the demand curve to the right
  - (b) a shift of the demand curve to the left
  - (c) an increase in demand along the demand curve
  - (d) an decrease in demand along the demand curve
- 
1. the price for charcoal grills has jumped
  2. a tax break allows consumer incomes to rise
  3. large price increase for electric grills (substitute good)
  4. significant price increase for charcoal (complementary good)
  5. test have shown that meat cooked on charcoal might cause cancer
  6. meteorologist predict a hot and long summer during football season

### 4. Ready to share? Now you're an expert on aggregate demand. Sit with an expert on aggregate supply and explain the respective task results to each other!

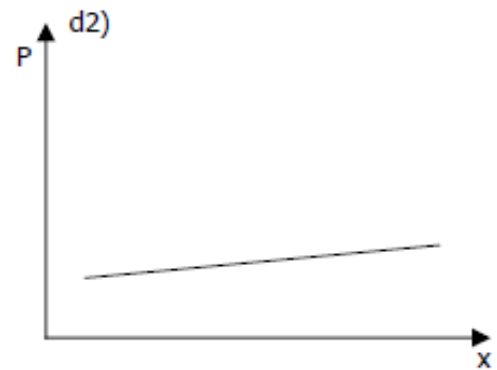
## SUPPLY – EXPERT GROUP

### 1. In your group discuss the following questions:

- (a) What can you read from a market supply curve?
- (b) How do price and expected supply relate?
- (c) Could a reverse course of the curve for certain goods be possible? Think of an example!
- (d) To what extent does a change in price affect total supply for a good in the two cases below? Think of situations in which a supplier might follow the respective patterns!



example:

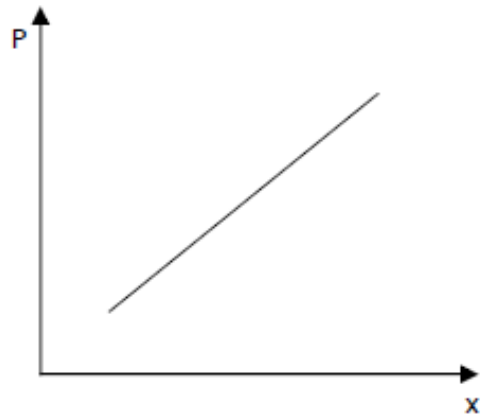
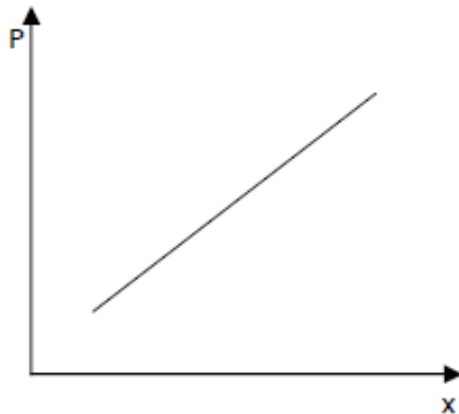


example:

### 2. Think on your own: What happens to the supply curve if...?

Given that a labour union could successfully push through a significant wage increase for car engineers, how does this affect the total supply for cars?

Given that thanks to a new production method the production of a car becomes cheaper, how does this affect the total supply of cars?



### 3. Discuss the following changes to aggregate supply in your group:

If an **internal** factor changes (i.e. a factor that is shown in the diagram, here price) then changes lead to a change in supply **along the curve**.

If an **external** factor changes (i.e. a factor that is not included in the diagram, such as income), the supply curve of the good shifts **either to the right or to the left**.

With respect to charcoal grills, which of the following changes leads to

- (a) a shift of the supply curve to the right
- (b)
- (c) a shift of the supply curve to the left
- (d) an increase in supply along the demand curve
- (e) a decrease in supply along the demand curve

- 1. fierce competition brings down the price of charcoal grills
- 2. steel prices have dropped significantly
- 3. the unions (IG metal) have successfully bargained for a significant wage increase
- 4. due to technological advances charcoal grills can be produced at lower costs
- 5. Germany has not qualified for upcoming the soccer world championship
- 6. American and Canadian grill producers start exporting to Germany

### 4. Ready to share? Now you're an expert on aggregate supply. Sit with an expert on aggregate demand and explain your task results to each other!