

KOFA HIGH SCHOOL SOCIAL SCIENCES DEPARTMENT

ECONOMICS

VIDEO STUDY GUIDE # 6 - SUPPLY & DEMAND



OBJECTIVES :

1. **AFTER REVIEWING THE DOCUMENTARY VIDEO STUDENTS WILL BE ABLE TO IDENTIFY AND EXPLAIN (VIA A VIDEO EXAM) THE LAWS, CONCEPTS, BUSINESS PRACTICES, AND VOCABULARY COVERED IN DETAIL DURING THE CHAPTER PRESENTATION**
2. **AFTER REVIEWING THE DOCUMENTARY VIDEO STUDENTS WILL BE ABLE TO EXPLAIN HOW THE LAWS, CONCEPTS, BUSINESS PRACTICES, AND TERMS COVERED IN THE SUPPLY AND DEMAND CHAPTER ARE APPLIED TO REAL WORLD MARKET CONDITIONS.**

TERMS THAT YOU MAY NEED INFORMATION ON :

1. **BOND - (WE WILL STUDY THESE IN FUTURE CHAPTERS) IN THIS CASE, SOLD BY THE STATE OF CALIFORNIA TO RAISE MONEY FOR MAJOR PUBLIC WORKS PROJECTS > WATER SUPPLY SYSTEMS**
2. **SALES REVENUES - THE AMOUNT OF MONEY A COMPANY TAKES IN FROM SELLING ITS PRODUCTS**

**** STORY # 1 > CALIFORNIA SUFFERS FROM A SERIOUS DROUGHT > WATER IS IN HIGH DEMAND AND TIGHT SUPPLY > INTRODUCTION TO THE CONCEPT OF “ MARGINAL UTILITY ”:**

WATER IS USUALLY A COMMODITY THAT IS WHAT (3 THINGS):

- 1.
- 2.
- 3.

HOW MUCH WAS WATER CUT BACK ?

1. **PER DAY -**
2. **TOTAL CONSUMPTION PERCENTAGE -**

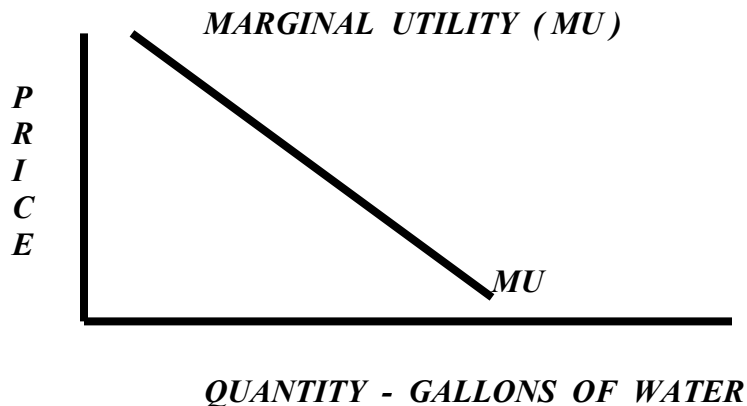
HOW MUCH DID THE PRICE OF WATER CHANGE ?

- 1. OLD PRICE FOR 1,000 GALLONS -**
- 2. PRICE FOR 1,000 GALLONS DURING THE HEIGHT OF THE DROUGHT -**

WHAT WAS THE COSTLY ALTERNATIVE TO PAYING HIGH PRICES FOR WATER ?

MR. GILL SAYS HAVING LESS OF A VALUABLE COMMODITY RAISES ITS _____ .

ON THE OTHER HAND, WHAT DOES THE “LAW OF DIMINISHING MARGINAL UTILITY ” TELL US ?



**** STORY # 2 > THINGS OTHER THAN PRICE THAT CAN HAVE AN EFFECT ON SUPPLY AND DEMAND > EFFECT OF GOVERNMENT CONTROLS ON SUPPLY AND DEMAND OF OIL BETWEEN 1950 AND THE 1970s :**

WHAT HAD CAUSED OIL WELL DRILLING TO BE STOPPED IN THE UNITED STATES AROUND THE 1950s ?

WHAT MISTAKE WAS FIRST MADE BY PRESIDENT NIXON AND HIS ADMINISTRATION > HINT, THEY USED A SPECIAL GOVERNMENT CONTROL

HOW DID THEY EVENTUALLY MODIFY THEIR POLICY IN TRYING TO EASE THE OIL PRICE PROBLEM ?

WHAT MISTAKE DID PRESIDENT FORD MAKE REGARDING OIL POLICY ?

BY 1960 THE UNITED STATES WAS IMPORTING THE MAJORITY OF ITS OIL AND WHAT EVENT IN 1978 HAPPENED THAT LED TOO MUCH OF OUR SUPPLY BEING CUT OFF ?

IN 1979, WHAT DID PRESIDENT CARTER DO IN RESPONSE TO THE OIL CRISIS ?

WHEN PRESIDENT CARTER TOOK ACTION APPROXIMATELY 2,000 WELLS WERE IN PRODUCTION IN THE UNITED STATES. HOW MANY DOMESTIC WELLS WERE IN PRODUCTION ONLY A COUPLE OF YEARS LATER ?

BY 1985 WHAT TWO THINGS HAD HAPPENED ?

- 1. TO OIL PRODUCTION _____**
 - 2. TO THE PRICE OF OIL _____**
-

**** STORY # 3 > ANOTHER EXAMPLE OF THINGS OTHER THAN PRICE THAT CAN HAVE AN EFFECT ON DEMAND > THE STORY OF DESIGNER JEANS :**

WHAT BUSINESS STRATEGY WAS APPLIED TO THE DESIGNER JEANS MARKET THAT TURNED IT INTO A UNIVERSAL PRODUCT (WORLD WIDE DEMAND AT ALL INCOME LEVELS) ?

WHAT PERCENTAGE OF JORDACHE'S SALES REVENUES WERE BEING SPENT ON ADVERTISING ? IS THIS NORMAL FOR A BUSINESS ?

THE INTERPLAY OF SUPPLY AND DEMAND IS AT THE HEART OF OUR _____