

LIGHTHOUSE CPA SOCIAL SCIENCES DEPARTMENT

ECONOMICS

VIDEO STUDY GUIDE # 3 - SUPPLY & DEMAND



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 -**

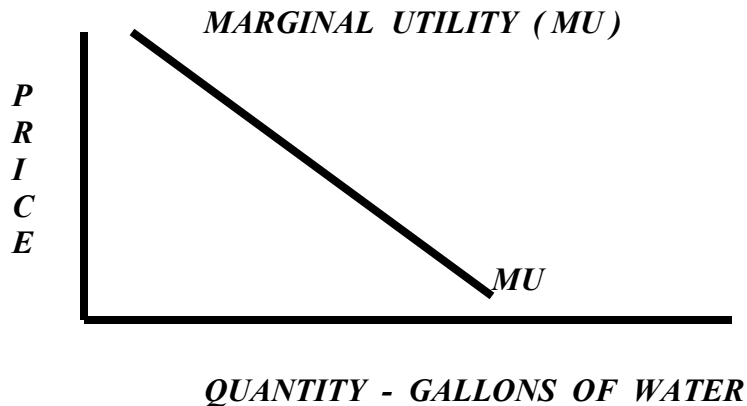
HOW MUCH DID THE PRICE OF WATER CHANGE ?

- 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 _____**