

1. Complete the table below

Price of Soda (\$)	Number of Buyers <i>(my estimates – the actual numbers may be slightly different)</i>
0	200
0.25	50
0.75	20
1.00	10
1.25	4
1.35	2

2. Describe the general relationship between the price of a soda and the number of buyers of soda (is it positive/direct, negative/inverse, zero)? What happens to the number of soda buyers as the price rises? Why is this the case?

*There is a negative or inverse relationship between the price of soda and the number of buyers of soda. As the price of soda rises, the number of buyers declines. There are several possible reasons: as the price rises, fewer can afford the soda; as the price rises, fewer think that it is “worth” it (in economic jargon, the dollar value of the utility gained doesn’t exceed the cost), as the price rises, some decide to buy something else instead.*

3. What do you think would happen to the number of buyers at each price if this class were at 8:00 a.m. rather than after lunch? Why?

*You could make one of two arguments here:*

*The number of buyers would probably be lower. People’s tastes for soda tend to be higher in the afternoon, while their tastes for coffee are higher in the morning.*

*The number of buyers could be higher if people have more preference for caffeine from soda in the morning than in the afternoon.*

4. What do you think would happen to the number of buyers at each price if I had handed out \$1.00 to each student as you entered the classroom today? Why?

*The number of buyers would probably be higher. Giving each person a dollar in effect raises your income and gives you more money to make purchases.*

5. What do you think would happen to the number of buyers at each price if the soda machine in the hall charged \$0.25 each rather than \$1.75? Why?

*The number of buyers would probably be lower. People would choose to buy the relatively cheaper soda from the hallway machine instead of buying it from me in the classroom.*

6. What do you think would happen to the number of buyers at each price if our class had twice as many students as it does? Why?

*The number of buyers would probably be higher. Having more students means there are more “customers” to buy the soda.*