

Name _____

Cracking the Code of Supply and Demand: Economics Unveiled

Open-Ended Response Answer Key

1. Changes in production costs, such as lower manufacturing expenses, can lead to an increase in the supply of smartphones. Technological advances that allow for more efficient production can also boost supply by reducing the time and resources required to make smartphones.
2. An example of a significant price increase is the surge in demand for face masks during the COVID-19 pandemic. As demand skyrocketed, prices rose, and consumers faced higher costs. Conversely, during seasonal sales, prices of holiday decorations often decrease to encourage consumers to buy.
3. An increase in consumer income typically leads to higher demand for various goods and services. For instance, with higher income, people may spend more on luxury items like designer clothing, leading to an increase in demand for such products.
4. Understanding supply and demand can help consumers make informed choices. For instance, if you know that a popular toy will have limited supply during the holiday season, you may decide to purchase it early or explore alternatives. This knowledge allows consumers to plan their purchases and potentially avoid price spikes or product shortages.

