

Name _____

The Crystal Ball Effect: How Future Price Expectations Shape Supply and Demand

Short Answer Key

1. Expectations about future prices can lead to a decrease in supply today when producers anticipate that prices will rise in the future. In this case, they may reduce their current supply to save inventory for higher prices later. For example, if farmers expect a drought next year, they might withhold part of their current crop harvest to sell it at potentially higher prices in the future.
2. Expectations about future prices can influence consumer demand for cars. If consumers anticipate that car prices will drop significantly in the next few months due to upcoming sales events or new models, they might delay their car purchases, leading to reduced demand now.
3. Investors' expectations about a company's stock performance can significantly impact the demand for that stock. If investors believe that a particular company will experience strong growth and profitability in the future, they are more likely to buy shares of that company's stock today, increasing demand for the stock.
4. Consumer expectations about lower prices in the near future can affect businesses and their strategies by causing them to adjust their pricing and marketing strategies. For example, a retail store might respond to consumer expectations of lower prices by offering discounts or promotions to attract buyers who are waiting for prices to drop.

