Experiment 1. Supply and Demand

Keep in mind that you want to “buy low, sell high.” Demanders make greater profits, the lower the price they have to pay. Suppliers make greater profits, the higher the price they can get.

Remember that it is better to make no trade at all than to trade at a loss.

Warm-up Exercise

After reading the instructions for this experiment, please check your understanding by answering the following questions.¹

Suppose that a supplier with a Seller Cost of $20 meets a demander with a Buyer Value of $40.

W 1.1 If the supplier sells a bushel of apples to the demander for a price of $35, how much profit will the supplier make? $ _____ And how much profit will the demander make? $ _____ How much is the total profit made by the two traders? (Find this by adding the buyer’s profits to the seller’s profits.) $ _____

W 1.2 What is the highest price of apples that would permit both the seller and the buyer to make a profit of $1 or more? $ _____ If this price is charged, how much is the sum of buyer’s profits plus seller’s profits?

$ _____

W 1.3 What is the lowest price of apples that would permit both the seller and the buyer to make a profit of $1 or more? $ _____ At this price, how much is the sum of buyer’s profits plus seller’s profits? $ _____