

# ACTIVITY 2



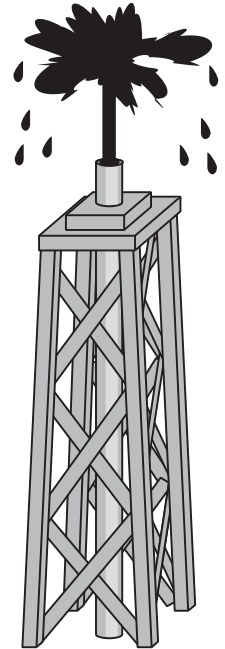
## LEARNING FROM SUPPLY AND DEMAND CURVES

Businesses and governments must keep a constant watch on factors that influence supply and demand. Even slight changes in supply or demand for a good may signal a need for a price adjustment or policy change. One of the most significant products that is subject to such change is crude oil. That is because demand for crude oil is strong, especially in industrial nations, and because political events may cause big changes in supply. This activity will help you build models to understand how the demand for oil and supply of oil operate. (The figures below are not intended to reflect current world conditions.)

**Instructions:** You may do this activity by yourself. However, with the teacher's permission, you may want to have a partner or two work together with you to complete the activity. You will need pencils or pens of two different colors, some paper, and your textbook. A calculator would also help you do the math.

### STEP 1. GRAPHING DEMAND

Remember that price and demand have an inverse relationship. As the price rises, demand falls. Use the information in Figure 1 to graph daily demand for crude oil on Figure 2 below. First, place a dot at each point on the graph to represent how many million barrels would be demanded at each price listed on the left. Then connect the dots.



**Figure 1. World Demand for Crude Oil**

Price per Barrel	Quantity Demanded (million barrels per day)
\$5	72
\$10	67
\$15	62
\$20	58
\$25	56
\$30	54
\$35	52
\$40	49
\$45	48
\$50	48
\$55	47
\$60	47

**Figure 2. Daily Demand for Crude Oil**

