

Module 49 Consumer and Producer Surplus

Discussion Questions:

- 1.) Why does water, essential for human life, have a low price while diamonds, which we can easily live without, have a high price?
- 2.) Consider the process of buying a new car. Do most people walk into a dealership and pay the sticker price on the side of the car? Should they? Does everyone pay the same price for the same car? How has the internet changed the way people buy new cars?
- 3.) What determines the lowest price a seller is willing to sell a good for? What are the motivations of the seller-what is the seller trying to do? What determines the lowest price the seller will take? What information do they use to determine how high they can set the price of the good for?
- 4.) Have you ever entered a store expecting to pay a certain price for a good (for example, \$10 for a book) and found that the book was on sale for \$8? Would you pay the \$10 or only \$8? How would you feel about paying less?
- 5.) What is the minimum price you would be willing to accept to sell your textbook at the end of the semester?