

The supply side of cigarettes

[Business](#), [Marketing](#)



- 3) The result of price reduction is an increase in the companies producing these computers which increased the supply and at the same time reducing prices. It may also be due to foreign firms giving competition to the local expensive brands.
- 4) A tariff on imported orange juice will mean that imported orange juice will become more expensive. This will reduce the competition on the local firms to reduce their prices to compete with a cheaper brand. As a result, local firms will exploit the consumers charging higher prices, and thus the overall market price for consumers is going to increase.
- 5) A shift in demand signifies that a product will now be bought more or less at every given price. This occurs due to some factors that make the product more or less attractive and it is not due to the price. Similarly, an increase in quantity demanded is movement along the curve and is basically an increase or decrease in price brought about by price fluctuations.
- 6) An increase in income is going to increase the demand for normal goods as income increases. This is because people now have more to spend and will try to improve their living standards. On the other hand, an increase in income is going to reduce the demand for inferior goods as people will look for better alternatives and high-quality goods.
- 7) No, consumers do not buy more of every good as the price of goods fall. The demands for necessities remain more or less constant throughout the changes in income cycles. Demand for normal good increases as the price of a good falls, but the demand for inferior goods or cheap goods does not vary that much as they constitute only a small proportion of consumer's income.
- 8) This is going to reduce the supply of the goods and shift the supply curve

to the left. This shift is going to increase the prices and reduce the equilibrium quantity in the market.

9) The reason lies in the utility theory. For the newspaper, after reading one newspaper, you do not want to read the second, because you know that the very same stuff is going to be in the second newspaper. This means that the utility falls very fast. However, for candies, your utility falls slowly, so people are more likely to take more candies than they pay for.