

CHAPTER 5

APPLICATIONS OF DEMAND AND SUPPLY

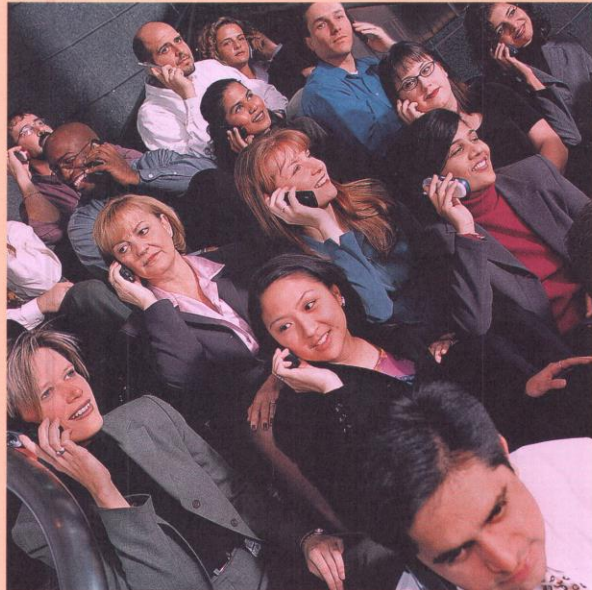
Going Wireless

The mobile phone is bringing about changes to society as profound as those introduced by the automobile.

—Timo Kopomaa, sociologist,
Helsinki University of Technology

Some facts about cellphones as of December 2000:

- One in four Canadians has a cellphone.
- The number of users in Canada is increasing by approximately 4700 per day.
- In Finland, 70 per cent of the population owns a cellphone, in Britain, 60 per cent, and in Japan, 40 per cent.
- By 2003, global sales of cellphones are expected to triple.
- The next generation of cellphones will combine data storage, Internet access, and voice and image communication.



Source: Chris Wood, "The Cell in Your Future," *Maclean's*, 4 December 2000, 34–40; Barry Came, "Wireless Nation," *Maclean's*, 4 December 2000, 41–44.

QUESTIONS

1. Do you own a cellphone? If so, why? If not, do you plan to buy one in the future? Why or why not?
2. How important are cellphones in our lives right now? Do you ever see them becoming a necessity? Explain.
3. If demand for cellphones is increasing so much, why aren't prices? Draw a freehand demand and supply graph to illustrate what you think may be happening in the market.
4. Do you agree with the opinion in the quotation from Timo Kopomaa? Explain.

Chapter Goals

By the end of this chapter, you will be able to

- understand, calculate, and apply a concept known as elasticity to consumers and sellers,
- identify how governments interfere in markets, and explain whether or not it is beneficial,
- understand theories of consumer behaviour such as marginal utility and consumer surplus,
- analyze and debate the issues of rent controls and minimum wages.