

MARKET AND PRICE FORMATION

Worksheet

1. Compare the markets for everyday goods with the market simulated in Pitgame.

a. What is different?

b. What is similar?

2. For the same commodity, different buyers are willing to pay different prices. Conversely, different sellers offer the same commodity at different prices. Explore the reasons for these differences, using the following examples.

a. Let's assume that you own a petrol-driven vehicle (car, moped or motorbike). Which factors influence the amount you are willing to pay for petrol?

b. Imagine you are an oil producer. What factors influence the minimum amount you charge for a barrel of oil?

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3. When a buyer and seller engage in a trade, a trading profit is achieved which is divided between the two trading partners. The trading profits were listed at the end of the game.

a. Describe how a buyer achieves a profit (share of the trading profit).

b. Describe how a seller achieves a profit (share of the trading profit).

4. Let's assume that the government finds the price too high for a certain product which is traded in a transparent market under competitive conditions (e.g. because not all households can afford this product). The government therefore imposes a mandatory price ceiling which is lower than the market price.

Will the market participants profit from this measure? Explain your answer.

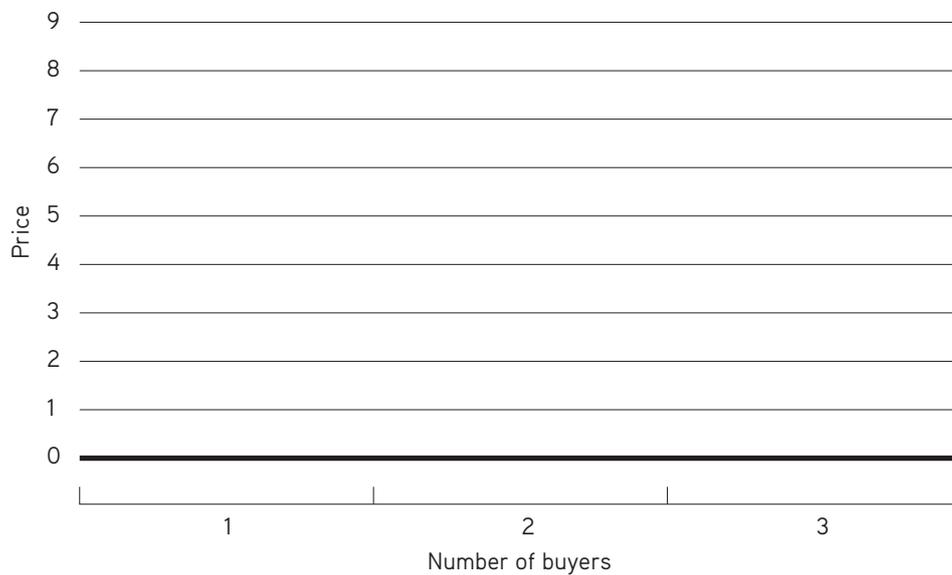
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5. Consider the following mini-pitgame or market with the following starting scenario:

Buyers	Maximum purchase prices	Sellers	Minimum sale prices
A	8	D	1
B	6	E	4
C	3	F	6

a. Construct the supply and demand curves.



b. How high is the equilibrium price?

c. Who can trade at the equilibrium?

d. How high is the overall trading profit for all market participants?

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e. Now put three trading pairs together in such a way that all six people can trade (this is possible in this example).
How high is the overall trading profit now?

f. Why has the trading profit fallen compared to question 5d?
