

# Activity 1

## Reasons for Changes in Demand

## Part I

Read the following eight newspaper headlines. In each case decide if the event will cause a change in the current market demand for beef. If so, decide if it is an increase or a decrease, and write the correct answer. For example, if you think headline 1 means there will be a decrease in demand, write "decrease" in the first blank. For headline 2, if you think demand will increase, write "increase." If the event causes no change in demand, write "no change."

- PRICE OF BEEF RISES  
Demand \_\_\_\_\_
- MILLIONS OF IMMIGRANTS SWELL U.S. POPULATION  
Demand \_\_\_\_\_
- PORK PRICES DROP  
Demand \_\_\_\_\_
- SURGEON GENERAL WARNS THAT EATING BEEF CAN BE HAZARDOUS TO HEALTH  
Demand \_\_\_\_\_
- TAKE-HOME PAY FOR AMERICANS DROPS 3RD MONTH IN ROW  
Demand \_\_\_\_\_
- NATIONWIDE FAD: THE JAPANESE BURGER  
Demand \_\_\_\_\_
- HIGHER PRICE FOR CHARCOAL THREATENS MEMORIAL DAY COOKOUTS  
Demand \_\_\_\_\_
- BEEF PRICES EXPECTED TO SKYROCKET NEXT MONTH  
Demand \_\_\_\_\_

# Activity 1 (continued)

## Part II

Put each change in demand from Part I into one of the following categories, based on the reason for the change. Write the letter of the headline(s) next to the appropriate reason for the change in demand. Some categories may have more than one headline letter, and any event that did not change demand should not be listed with any of the determinants.

- \_\_\_\_\_ A change in consumer tastes
- \_\_\_\_\_ A change in consumer incomes
- \_\_\_\_\_ A change in the number of consumers in the market
- \_\_\_\_\_ A change in the price of a substitute good
- \_\_\_\_\_ A change in the price of a complementary good
- \_\_\_\_\_ A change in consumers' price expectations

## Part III

What quantity of doughnuts is demanded at:

- Point A? \_\_\_\_\_  
Point B? \_\_\_\_\_

What quantity of doughnuts is demanded at:

- Point C? \_\_\_\_\_  
Point D? \_\_\_\_\_

What quantity of doughnuts is demanded at:

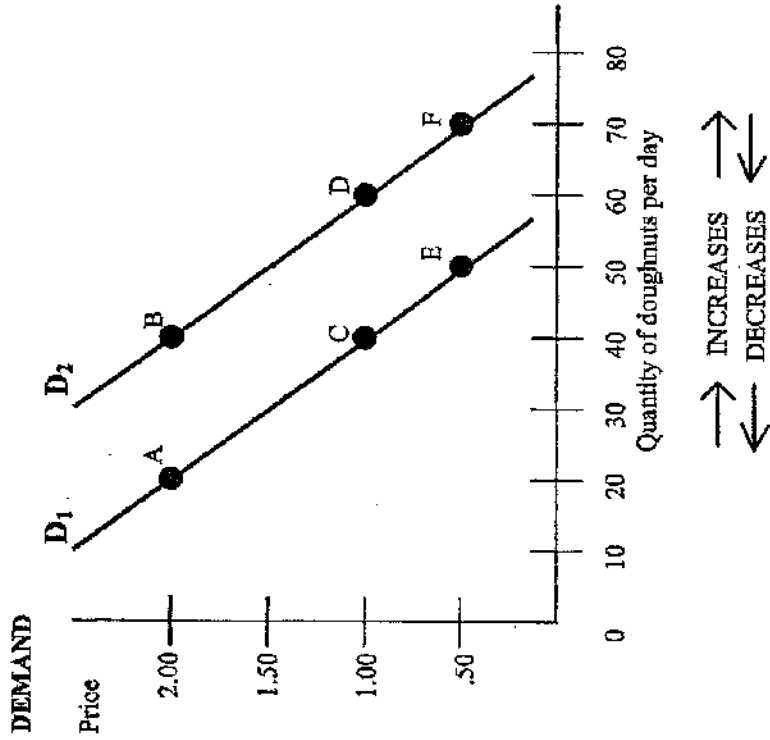
- Point E? \_\_\_\_\_  
Point F? \_\_\_\_\_

What conclusion can be drawn from these data?

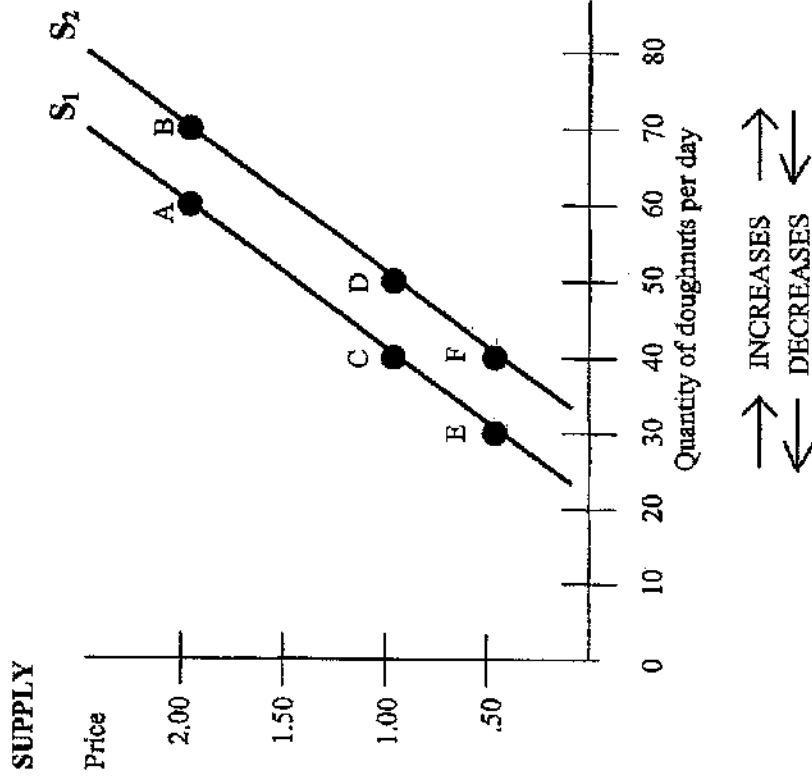
Where should a curve ( $D_0$ ) that illustrates a decrease in demand from  $D_1$  be drawn? Why?

Does a movement from Point A to Point C on Curve  $D_0$  show an increase in the demand for doughnuts? If not, what does it show?

# Shifts in Demand and Supply



# Shifts in Demand and Supply



## Activity 2

### Reasons for Changes in Supply

## Part I

Read the following seven newspaper headlines. In each case, decide if the event will cause any change in the current market supply of new cars sold in the United States. If so, decide if it is an increase or a decrease, and write the correct answer. For example, if you think headline 1 means there will be a decrease in supply, write "decrease" in the first blank. For headline 2, if you think supply will increase, write "increase." If the event causes no change, write "no change."

- AUTO WORKERS AGREE TO WAGE AND FRINGE CUTS  
Supply \_\_\_\_\_
- NEW TECHNOLOGY INCREASES EFFICIENCY IN DETROIT FACTORIES  
Supply \_\_\_\_\_
- STEEL PRICES RISE 10%  
Supply \_\_\_\_\_
- QUOTAS ELIMINATED: FOREIGN CAR IMPORTS RISE  
Supply \_\_\_\_\_
- LARGE AUTO PRODUCER GOES BANKRUPT, CLOSES FACTORIES  
Supply \_\_\_\_\_
- BUYERS REJECT NEW CAR MODELS: SELLERS LOWER PRICES  
Supply \_\_\_\_\_
- SHORTAGES AROUND IN CONSUMER ELECTRONICS - CONSUMERS CAN'T BUY ENOUGH NEW GAJDGETS  
Supply \_\_\_\_\_

## Activity 2 (continued)

## Part II

Put each change in supply from Part I into one of the following categories, based on the reason for the change. Write the letter of the headline next to the appropriate reason for the change in supply. Some categories may have more than one headline letter, and any event that did not change supply should *not* be listed with any of the determinants.

- \_\_\_\_\_ A change in the cost of factors of production
- \_\_\_\_\_ A change in technology
- \_\_\_\_\_ A change in the number of sellers in the market
- \_\_\_\_\_ A change in profit opportunities from producing other products

## Part III

What quantity of doughnuts is supplied at:  
Point A? \_\_\_\_\_  
Point B? \_\_\_\_\_

What quantity of doughnuts is supplied at:  
Point C? \_\_\_\_\_  
Point D? \_\_\_\_\_

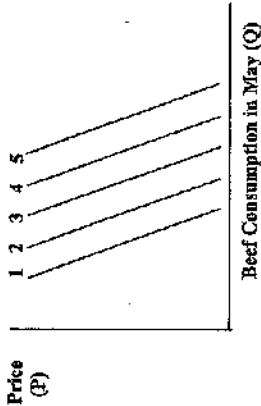
What quantity of doughnuts is supplied at:  
Point E? \_\_\_\_\_  
Point F? \_\_\_\_\_

What conclusion can be drawn from these data?

Where should a curve ( $S_0$ ) that illustrates a decrease in supply from  $S_1$  be drawn? Why?

Does a movement from Point A to Point C on Curve  $S_1$  show an increase in the supply of doughnuts? If not, what does it show?

### Activity 3 Reasons for Shifts in Demand Curves



Read the following eight newspaper headlines. In each case decide if the event will cause a change in the current demand for beef. If so, determine whether it is an increase or a decrease, and write the correct answer. Begin at curve 3. If you think headline A means there will be a decrease in demand, write "decrease" in the first blank and "2" in the second blank; move to curve 2 to do headline B. Or, if you think headline A means demand will increase, write "increase" and "4" in the blank for headline A; move to curve 4 to do headline B.

Move only one curve at a time. Do not skip two curves, say from 1 to 3, even if you think the headline means there will be a large change in demand. Do not go beyond the five curves. If you are at 1 and the next headline implies a decrease in demand, you goofed somewhere. There is one headline which implies that the demand for beef does not change.

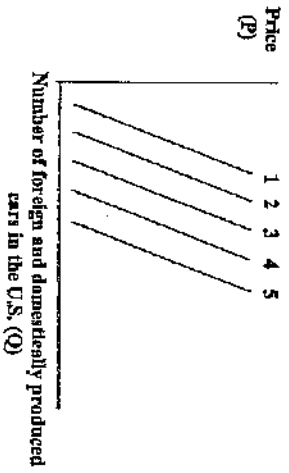
- A. PRICE OF BEEF RISES  
Demand \_\_\_\_\_ Curve \_\_\_\_\_
- B. MILLIONS OF IMMIGRANTS SWELL U.S. POPULATION  
Demand \_\_\_\_\_ Curve \_\_\_\_\_
- C. PORK PRICES DROP  
Demand \_\_\_\_\_ Curve \_\_\_\_\_
- D. SURGEON GENERAL WARNS THAT EATING BEEF CAN BE HAZARDOUS TO HEALTH  
Demand \_\_\_\_\_ Curve \_\_\_\_\_

### Activity 3 (continued)

- E. TAKE-HOME PAY FOR AMERICANS DROPS 3RD MONTH IN ROW  
Demand \_\_\_\_\_ Curve \_\_\_\_\_
- F. NATIONWIDE FAD: THE JALAPEÑO BURGER  
Demand \_\_\_\_\_ Curve \_\_\_\_\_
- G. HIGHER PRICE OF CHARCOAL THREATENS MEMORIAL DAY COOKOUTS  
Demand \_\_\_\_\_ Curve \_\_\_\_\_
- H. BEEF PRICES EXPECTED TO SKYROCKET NEXT MONTH  
Demand \_\_\_\_\_ Curve \_\_\_\_\_

### Activity 4

## Reasons for Shifts in Supply Curves



Read the following seven newspaper headlines. In each case, decide if the event will cause any change in the supply of cars. If so, determine whether it is an increase or a decrease, and write the correct answer. Begin at curve 3. If you think headline A means there will be a decrease in supply, write "decrease" in the first blank and "2" in the second blank; move to curve 2 to do headline B. Or, if you think headline A means supply will increase, write "increase" and "4" in the blank for headline A; move to curve 4 to do headline B.

Move only one curve at a time. Do not skip two curves, say from 1 to 3, even if you think the headline means there will be a large change in supply. Do not go beyond the five curves. If you are at 1 and the next headline implies a decrease in supply, you goofed somewhere. There is one headline which implies that the supply of cars does *not* change.

- A. AUTO WORKERS AGREE TO WAGE AND FRINGE CUTS.  
Supply \_\_\_\_\_ Curve \_\_\_\_\_
- B. NEW TECHNOLOGY INCREASES EFFICIENCY IN DETROIT FACTORIES.  
Supply \_\_\_\_\_ Curve \_\_\_\_\_
- C. STEEL PRICES RISE 10%.  
Supply \_\_\_\_\_ Curve \_\_\_\_\_
- D. QUOTAS ELIMINATED: FOREIGN CAR IMPORTS RISE.  
Supply \_\_\_\_\_ Curve \_\_\_\_\_

### Activity 4 (continued)

- E. LARGE AUTO PRODUCER GOES BANKRUPT, CLOSES FACTORIES.  
Supply \_\_\_\_\_ Curve \_\_\_\_\_
- F. BUYERS REJECT NEW CAR MODELS: SELLERS LOWER PRICES.  
Supply \_\_\_\_\_ Curve \_\_\_\_\_
- G. SHORTAGES ABOUND IN ELECTRONICS: CONSUMERS CAN'T BUY ENOUGH NEW GADGETS.  
Supply \_\_\_\_\_ Curve \_\_\_\_\_

## Activity 5 Changes in Supply and Demand Change Market Price and Quantity

Economists studied the gasoline market to find out how many millions (M) of gallons consumers would be willing to buy each day and how many gallons sellers would be willing to sell each day at various prices. This research showed that:

If the price of a gallon of gasoline was	Consumers would be willing to buy	Producers would be willing to sell
\$1.25	55 M	25 M
1.50	40 M	40 M
1.75	25 M	55 M
2.00	10 M	70 M
2.25	5 M	85 M
2.50	1 M	90 M

A. According to the table, the market-clearing (or equilibrium) price for gasoline is \_\_\_\_\_ and at this price the number of gallons of gasoline bought and sold is \_\_\_\_\_. Label the equilibrium price  $E_1$ .

B. How do you know this is the market-clearing price? \_\_\_\_\_

C. Assume that sports utility vehicles gain new popularity by meeting improved safety standards for tires and operating designs. Because consumers buy so many sports utility vehicles, they want to buy 30 million more gallons of gasoline per day at every price. For example, at \$1.25 per gallon, people now want to buy 85 million gallons rather than 55 million. Complete a new table below showing the amount that people would like to buy at each price. What is the new market-clearing price? \_\_\_\_\_ How many gallons will be bought and sold at this price? \_\_\_\_\_ Label the new equilibrium price  $E_2$ .

If the price of a gallon of gasoline was	Consumers would be willing to buy	Producers would be willing to sell
\$1.25	_____ M	25 M
1.50	_____ M	40 M
1.75	_____ M	55 M
2.00	_____ M	70 M
2.25	_____ M	85 M
2.50	_____ M	90 M

## Activity 5 (continued)

D. Now assume that two oil-producing countries get into a war and destroy each other's oil wells. Because of this, sellers are willing to sell 30 million fewer gallons of gasoline per day at every price. For example, at \$1.50 per gallon, sellers are willing to sell only 10 million gallons rather than 40 million gallons. Write another table showing the new amount that people would like to sell at each price. What is the new market-clearing (or equilibrium) price, assuming the demand schedule from question C is used again? \_\_\_\_\_ How many gallons will be bought and sold at this price? \_\_\_\_\_ Label this new equilibrium price  $E_3$ .

If the price of a gallon of gasoline was	Consumers would be willing to buy	Producers would be willing to sell
\$1.25	85 M	_____ M
1.50	70 M	_____ M
1.75	55 M	_____ M
2.00	40 M	_____ M
2.25	35 M	_____ M
2.50	31 M	_____ M