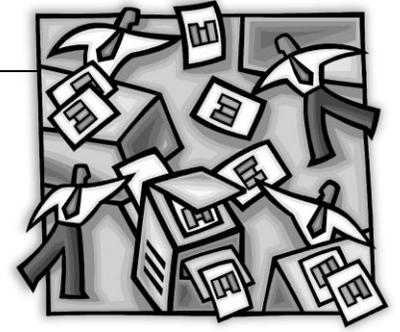


# Why Supply Changes



## 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 supply will “not change.”

A. AUTO WORKERS AGREE TO WAGE AND FRINGE CUTS

Supply of cars will \_\_\_\_\_

B. NEW TECHNOLOGY INCREASES EFFICIENCY IN DETROIT FACTORIES

Supply of cars will \_\_\_\_\_

C. STEEL PRICES RISE 10%

Supply of cars will \_\_\_\_\_

D. QUOTAS ELIMINATED: FOREIGN CAR IMPORTS RISE

Supply of cars will \_\_\_\_\_

E. LARGE AUTO PRODUCER GOES BANKRUPT, CLOSSES FACTORIES

Supply of cars will \_\_\_\_\_

F. BUYERS REJECT NEW CAR MODELS: SELLERS LOWER PRICES

Supply of cars will \_\_\_\_\_

G. SHORTAGES ABOUND IN CONSUMER ELECTRONICS - CONSUMERS CAN'T BUY ENOUGH NEW GADGETS

Supply of cars will \_\_\_\_\_

### **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. (Note: 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

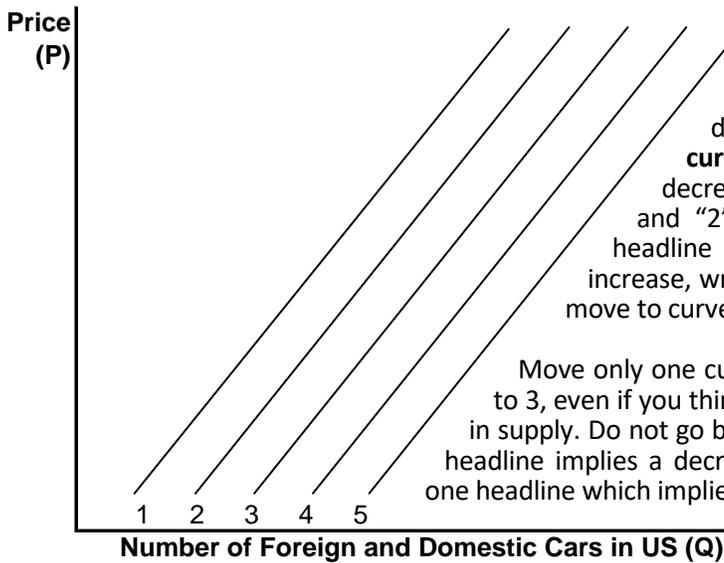
\_\_\_\_\_ A change in technology

\_\_\_\_\_ A change in profit opportunities from producing other products

\_\_\_\_\_ A change in the number of sellers in the market

# Why Supply Changes

## 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 of Cars \_\_\_\_\_ Move to Curve # \_\_\_\_\_

B. NEW TECHNOLOGY INCREASES EFFICIENCY IN DETROIT FACTORIES

Supply of Cars \_\_\_\_\_ Move to Curve # \_\_\_\_\_

C. STEEL PRICES RISE 10%

Supply of Cars \_\_\_\_\_ Move to Curve # \_\_\_\_\_

D. QUOTAS ELIMINATED: FOREIGN CAR IMPORTS RISE

Supply of Cars \_\_\_\_\_ Move to Curve # \_\_\_\_\_

E. LARGE AUTO PRODUCER GOES BANKRUPT, CLOSES FACTORIES

Supply of Cars \_\_\_\_\_ Move to Curve # \_\_\_\_\_

F. BUYERS REJECT NEW CAR MODELS: SELLERS LOWER PRICES

Supply of Cars \_\_\_\_\_ Move to Curve # \_\_\_\_\_

G. SHORTAGES ABOUND IN ELECTRONICS: CONSUMERS CAN'T BUY ENOUGH NEW GADGETS

Supply of Cars \_\_\_\_\_ Move to Curve # \_\_\_\_\_