

Equilibrium

Homework

DIRECTIONS

Several real newspaper headlines from cnn.com are listed below along with a small excerpt from the story. Each story illustrates a change in supply, a change in demand, or a change in both. For each question determine which market is being described, decide how supply and/or demand is affected, and draw the change on the graph. After you have drawn the graph, determine how price and quantity have been affected.

1) **CAN'T BUILD A CAR WITHOUT PARTS**

23 January 2009 - by Peter Valdes-Dapena

Hundreds of auto-parts suppliers, companies that make all the things that go into new cars, could fail this year leading to industry disruptions and big job losses...At least 10% of the auto-parts suppliers in America face bankruptcy this year unless actions are taken to free up credit for the industry.

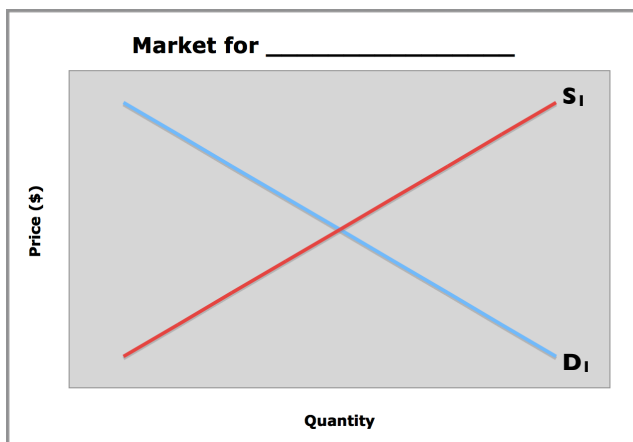
- a) Write the name of the market on the graph.
- b) How is demand affected?

<i>Increase</i>	<i>Decrease</i>	<i>No Change</i>
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- c) How is supply affected?

<i>Increase</i>	<i>Decrease</i>	<i>No Change</i>
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- d) Using labels, draw the change on the graph.
- e) How did price change?

<i>Increase</i>	<i>Decrease</i>	<i>Unknown</i>
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- f) How did quantity change?

<i>Increase</i>	<i>Decrease</i>	<i>Unknown</i>
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2) **AMERICAN AIRLINES TO HIRE 2,500 PILOTS**

25 October 2012 - by Chris Isidore

CEO Tom Horton said American Airlines will hire new pilots to staff new international and domestic routes...The airline unveiled plans Wednesday to add new flights from Dallas/Fort Worth to Seoul, South Korea and Lima, Peru; from Chicago to Dusseldorf, Germany; and from JFK airport in New York to Dublin, Ireland.

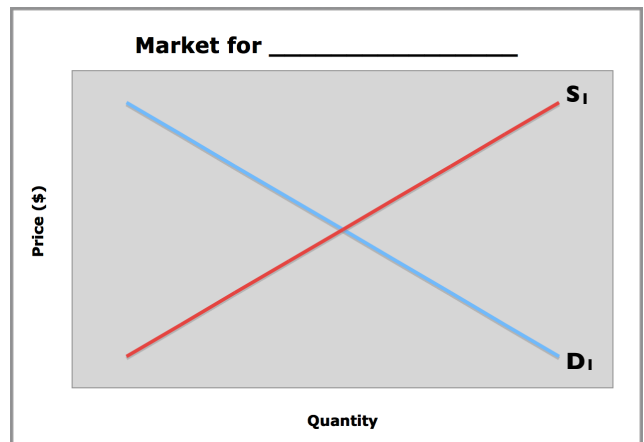
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<i>Increase</i>	<i>Decrease</i>	<i>Unknown</i>
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- f) How did quantity change?

<i>Increase</i>	<i>Decrease</i>	<i>Unknown</i>
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3) HOT OR COLD? BEST BUY

14 September 2004

The digital revolution of the last decade has helped make Best Buy one of the nation's better performing retailers. As high-tech gadgets become more affordable, consumers have flocked to Best Buy...especially during the holidays. In the fourth quarter of 2003, the company posted a stellar gain in same-store sales. Hot demand for digital cameras, DVD players and plasma-screen TVs fueled the strong sales growth. Best Buy also benefited from robust demand for electronics products in the first quarter.

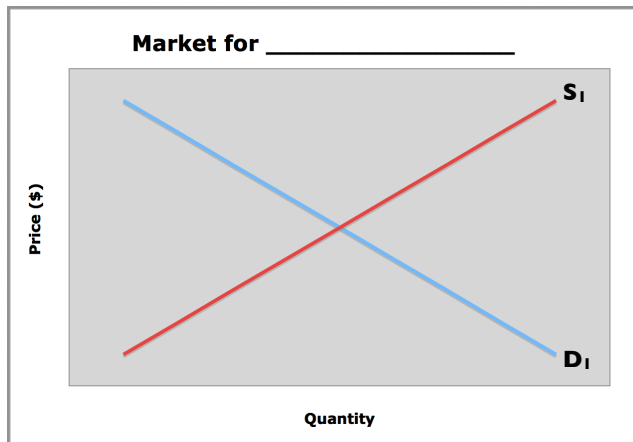
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- f) How did quantity change?

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4) OPEC CUTS OIL PRODUCTION AND DEMAND OUTLOOK

12 September 2011 - by Aaron Smith

OPEC cut its forecast Monday for global oil demand and production, citing slowing economic recovery. In a monthly report, the Organization of Petroleum Exporting Countries said it expected demand growth to drop to 1.1 million barrels per day -- 150,000 barrels per day fewer than its earlier forecasts. OPEC also trimmed back its oil production outlook.

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- d) Using labels, draw the change on the graph.
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- f) How did quantity change?

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