

Equilibrium in the News

Class Activity

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) EXPERTS: \$4 A GALLON GAS COMING SOON

31 August 2005 - by Grace Wong

Consumers can expect retail gas prices to rise to \$4 a gallon soon, but whether they stay there depends on the long-term damage to oil facilities from Hurricane Katrina...Katrina forced operators to close more than a tenth of the country's refining capacity and a quarter of its oil production.

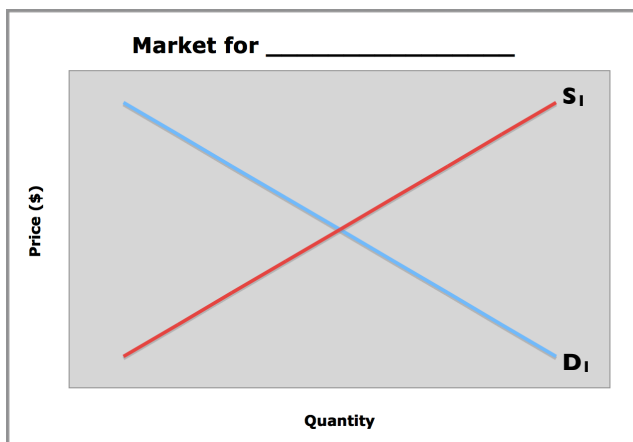
- a) Write the name of the market on the graph.
- b) How is demand affected?

<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) BARNES & NOBLE'S NOOK FLOPS DURING HOLIDAYS

3 January 2013 - by Julianne Pepitone

Barnes & Noble got coal in its stocking this holiday season, in the form of disappointing sales that were dragged lower by the slumping Nook e-reader. Revenue from the bookseller's brick-and-mortar stores and BN.com totaled \$1.2 billion during the final nine weeks of 2012, falling by nearly 11%.

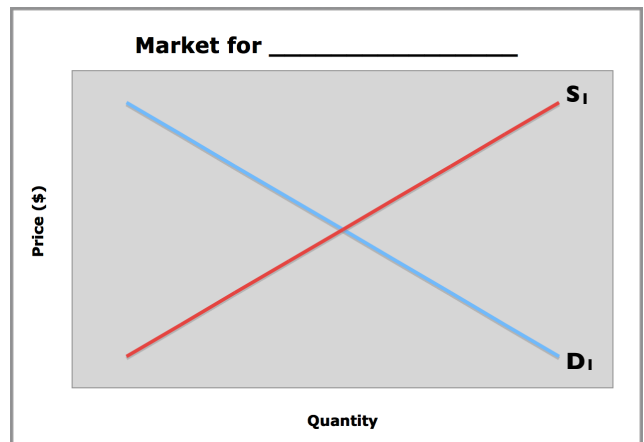
- a) Write the name of the market on the graph.
- b) How is demand affected?

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

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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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3) BEATING THE COMING WATER SHORTAGE

13 October 2011 - by Tara Moore

An expanding world population, extreme weather patterns, and industrial pollution are making water a scarce commodity.

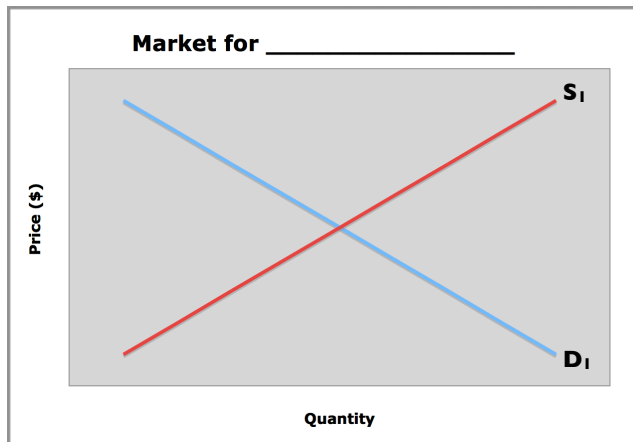
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- f) How did quantity change?

<i>Increase</i>	<i>Decrease</i>	<i>Unknown</i>
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4) EPA STUDY SUPPORTS MORE NATURAL GAS

21 December 2012 - by Steve Hargreaves

The Environmental Protection Agency released a progress report Friday that reiterated its support for increasing natural gas development in the United States. "As the administration and EPA has made clear, natural gas has a central role to play in our energy future," the agency said in a press release. "The administration continues to work to expand production of this important domestic resource safely and responsibly."

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- b) How is demand affected?

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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?

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- f) How did quantity change?

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