

**\*A change in a determinant of demand will shift the demand for a good or service at any price level.**

**\*A change in a determinant of supply will shift the supply of a good or service at any price level.**

**\*A change in price will move the supply or demand along their respective curve. This will either increase or decrease the quantity demanded or supplied according to their respective law.**

**\*\*\*A CHANGE IN PRICE DOES NOT SHIFT THE CURVE\*\*\***

**Determinants of demand**

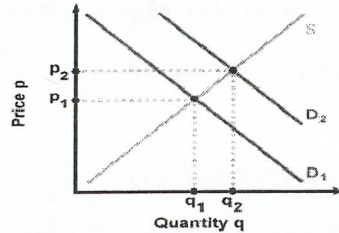
1. Change in price of related goods  
(Complements and Substitutes)
3. Change in consumer taste and preference
4. Change in price expectation
5. Change in income
6. Change in number of consumers  
(Population)

**Determinants of Supply**

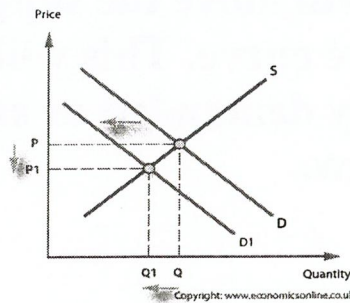
1. Cost of factors of production
2. Change in Technology
3. Change in profit opportunity
4. Change in price expectation
5. Change in number of sellers
6. Government Action (tax, subsidy)

### Demand

If there is an increase in demand (shift to the right) because of a change in one of the determinants of demand, equilibrium price will increase, causing suppliers to increase the quantity supplied **due only to the increase in price**.

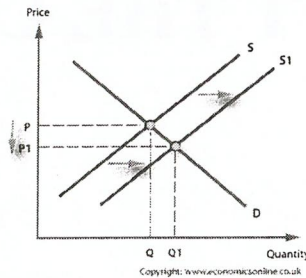


If there is a decrease in demand (shift to the left) because of a change in one of the determinants of demand, equilibrium price will decrease, causing suppliers to decrease quantity supplied **due only to the decrease in price**.

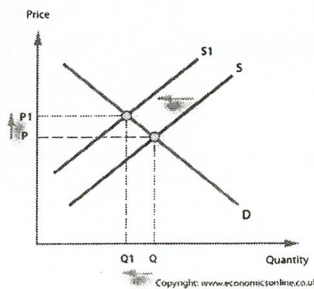


### Supply

If there is an increase in supply (shift to the right) because of a change in one of the determinants of supply, equilibrium price will decrease, causing an increase in the quantity demanded **due only to the decrease in price**.



If there is a decrease in supply (shift to the left) because of a change in one of the determinants of supply, equilibrium price will increase, causing a decrease the quantity demanded **due only to the increase in price**.



## Demand Headlines

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**A** **Average Wages Decline for Workers Around the Country**  
How will this information likely affect the demand curve for movie tickets?

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**B** **1970s Styles Popular with High School and College Students**  
How will this information likely affect the demand curve for CDs of disco music?

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**C** **Fast Food Chain Raises Prices on All Menu Items**  
How will this information likely affect the demand curve for the chain's burgers?

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**D** **Analysts Predict Video Game Prices to Increase Next Year**  
How will this information likely affect the current demand curve for video games?

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**E** **Gas Prices Increase 200% Since Last Year**  
How will this information likely affect the demand curve for new sport utility vehicles?

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**F** **Price for Fresh Blueberries Skyrockets—Cold Weather to Blame**  
How will this information likely affect the demand curve for fresh strawberries?

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**G** **Hospitals Report Dramatic Decrease in Births**  
How will this information likely affect the demand curve for baby strollers?

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**H** **Computer Maker Announces 20% Price Cut**  
How will this information likely affect the demand curve for the company's laptops?

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## Analyzing Demand and Supply Headlines

For each demand headline you analyze, do the following: (1) Record the headline in the correct row. (2) Draw what will likely happen to the demand curve based on the headline. (3) Explain your graph. Cite and underline the demand shifter in your explanation. Or explain why the curve did not shift and whether the quantity demanded increased or decreased.

Headline	Demand Curve for	Explanation
A	<p><b>Movie Tickets</b></p>	
B	<p><b>Disco CDs</b></p>	
C	<p><b>Burgers</b></p>	
D	<p><b>Video Games</b></p>	
E	<p><b>Sport Utility Vehicles</b></p>	
F	<p><b>Fresh Strawberries</b></p>	
G	<p><b>Strollers</b></p>	
H	<p><b>Laptops</b></p>	

## Supply Headlines

**I**

**Record Peach Harvest—Price Lowest in a Decade**

How will this information likely affect the supply curve for frozen peach pies?

---

**J**

**U.S. Car Company to Close Six Factories**

How will this information likely affect the supply curve for the company's minivans?

---

**K**

**Shoe Manufacturer Increases Prices on All Styles**

How will this information likely affect the supply curve for the company's sneakers?

---

**L**

**Gas Prices to Stay Low This Year—Rise Dramatically Next Year**

How will this information likely affect the current supply curve for gasoline?

---

**M**

**Robots Make Automobile Assembly Faster, Cheaper**

How will this information likely affect the supply curve for cars?

---

**N**

**Congress Passes New "Sugar Tax"**

How will this information likely affect the supply curve for sugar?

---

**O**

**Fire Destroys Thousands of Acres of Forest in Pacific Northwest**

How will this information likely affect the supply curve for lumber from Oregon?

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**P**

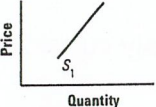
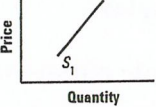
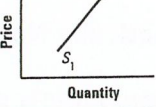
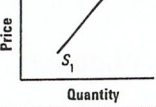
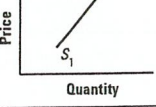
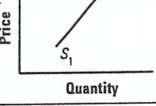
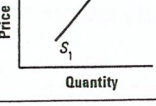
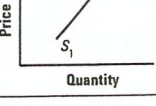
**President Approves Subsidy for Solar Energy Industry**

How will this information likely affect the supply curve for solar energy panels?

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STUDENT HANDOUT A

For each supply headline you analyze, do the following: (1) Record the headline in the correct row. (2) Draw what will likely happen to the supply curve based on the headline. (3) Explain your graph. Cite and underline the supply shifter in your explanation. Or explain why the curve did not shift and whether the quantity supplied increased or decreased.

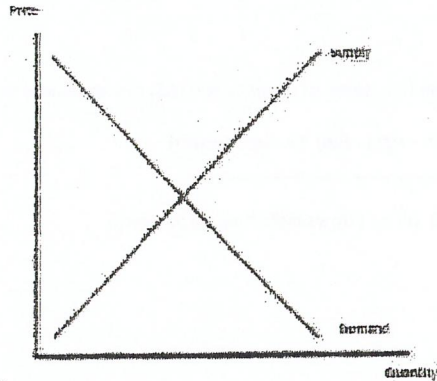
Headline	Supply Curve for	Explanation
I	<p style="text-align: center;"><b>Frozen Peach Pies</b></p> 	
J	<p style="text-align: center;"><b>Minivans</b></p> 	
K	<p style="text-align: center;"><b>Sneakers</b></p> 	
L	<p style="text-align: center;"><b>Gasoline</b></p> 	
M	<p style="text-align: center;"><b>Cars</b></p> 	
N	<p style="text-align: center;"><b>Sugar</b></p> 	
O	<p style="text-align: center;"><b>Oregon Lumber</b></p> 	
P	<p style="text-align: center;"><b>Solar Energy Panels</b></p> 	

Each of the following examples, list a market and an event that will shift either supply or demand in that market. Indicate which has changed (S or D) and which determinant is responsible and then graph the shift appropriately.

1. Market: **sugar produced in the U.S.**

- News event: **The U.S. government reduces the amount of sugar that U.S. companies may import. As a result, U.S. sugar consumers (candy companies, etc.) buy more sugar from U.S. sugar producers.**
- Which shifts: (circle the correct) D or S And it shifts: right (up) or left (down)
- Which Determinant caused the shift? \_\_\_\_\_
- Graph:

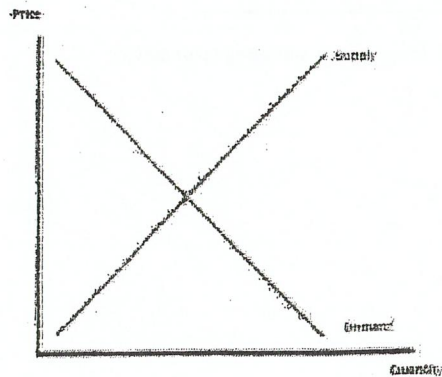
D S P Q (draw arrows indicating up or down)



2. Market: **candy**

- News event: **Because of a federal policy designed to protect U.S. sugar producers, the price of sugar increases.**
- Which shifts: (circle the correct) D or S And it shifts: right (up) or left (down)
- Which Determinant caused the shift? \_\_\_\_\_
- Graph:

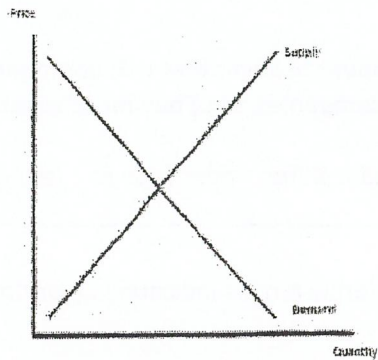
D S P Q (draw arrows indicating up or down)



3. Market: corn

- a. News event: Because of a federal policy supporting sugar prices, soft-drink bottlers use more high-fructose corn syrup as a substitute for sugar.
- b. Which shifts: (circle the correct) D or S And it shifts: right (up) or left (down)
- c. Which Determinant caused the shift? \_\_\_\_\_
- d. Graph:

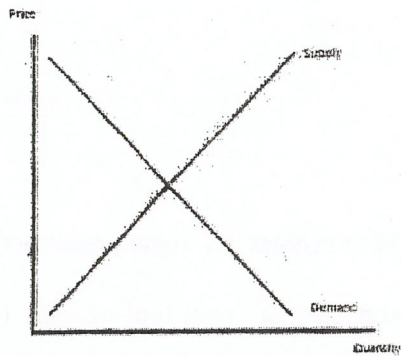
D S P Q (draw arrows indicating up or down)



4. Market: Sugar market in Caribbean countries

- a. News event: Because of legal quotas on sugar imported to the U.S., sales of sugar to the U.S. decrease, and sugar producers in Caribbean countries reduce sugar production.
- b. Which shifts: (circle the correct) D or S And it shifts: right (up) or left (down)
- c. Which Determinant caused the shift? \_\_\_\_\_
- d. Graph:

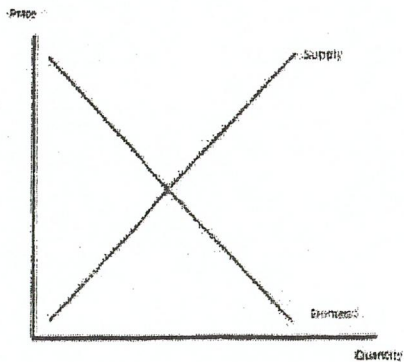
D S P Q (draw arrows indicating up or down)



5. Market: Unskilled labor in Caribbean countries

- a. News event: Because of a reduced sugar exports to the U.S. sugar plantations lay off workers and some mills close.
- b. Which shifts: (circle the correct) D or S And it shifts: right (up) or left (down)
- c. Which Determinant caused the shift? \_\_\_\_\_
- d. Graph:

D S P Q (draw arrows indicating up or down)

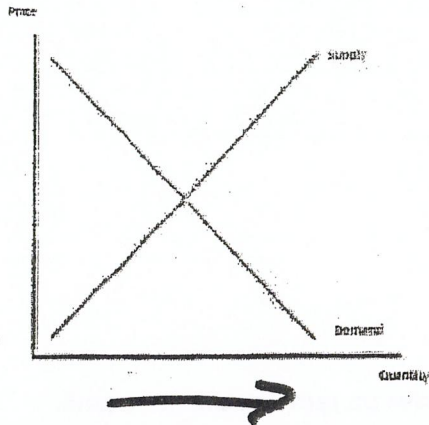




6. Market: marijuana in Caribbean countries.

- a. News event: because of reduced demand for sugar grown in the Caribbean, some sugar growers begin to grow pot to earn more income.
- b. Which shifts: (circle the correct) D or S And it shifts: right (up) or left (down)
- c. Which Determinant caused the shift? \_\_\_\_\_
- d. Graph:

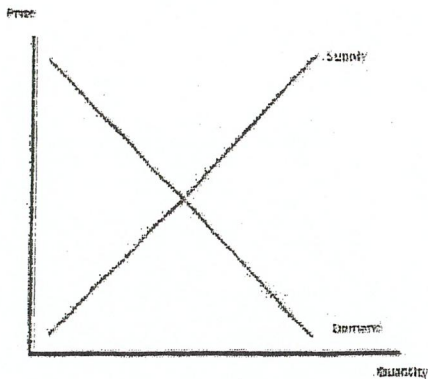
D S P Q (draw arrows indicating up or down)



7. Market: unskilled labor market in the U.S.

- a. News event: Because of lower sugar production in their countries, some Caribbean sugar plantation and mill workers begin to immigrate illegally to the U.S. to find work.
- b. Which shifts: (circle the correct) D or S And it shifts: right (up) or left (down)
- c. Which Determinant caused the shift? \_\_\_\_\_
- d. Graph:

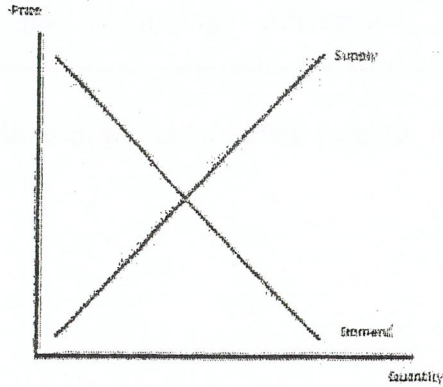
D S P Q (draw arrows indicating up or down)



8. Market: soybeans produced in the U.S..

- a. News event: as higher prices lead more U.S. farmers to grow more sugar cane, sugar beets, and corn, the production of wheat and soybeans decreases.
- b. Which shifts: (circle the correct) D or S And it shifts: right (up) or left (down)
- c. Which Determinant caused the shift? \_\_\_\_\_
- d. Graph:

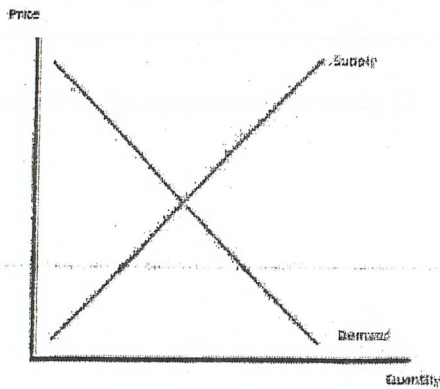
D S P Q (draw arrows indicating up or down)



9. Market: U.S. farm land.

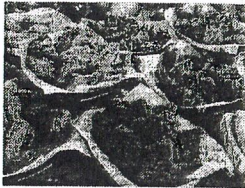
- a. News event: higher crop prices and profits drive up rents on U.S. farm land.
- b. Which shifts: (circle the correct) D or S And it shifts: right (up) or left (down)
- c. Which Determinant caused the shift? \_\_\_\_\_
- d. Graph:

D S P Q (draw arrows indicating up or down)



# Buffalo wings crisis hits Super Bowl snacking

By Oliver St. John, USA TODAY 6:26p.m. EST January 28, 2013



(Photo: Wingstop)

One of America's favorite Super Bowl munchies is in jeopardy.

There might not be enough wings to feed America's insatiable hankering for Buffalo wings. This Super Bowl, snackers will have 12.3 million fewer wings to chow down on than last year, says the National Chicken Council.

The culprit: Last summer's drought drove up feed prices so farmers couldn't afford to raise as many birds. About 1.2 billion wings will be eaten this Super Bowl weekend — a big dip from 2012's big game.

This is at a time when wings increasingly are becoming to Super Bowl parties what eggs are to Easter and candy canes to Christmas. Snacking is so important to Super Bowl festivities, in fact, that many snack makers say the week leading up to the Super Bowl is when they post their biggest weekly sales bump of the year.

**SUPER BOWL ADS:** [Join our Ad Meter panel to vote on this year's ads \(http://admeter.usatoday.com/\)](http://admeter.usatoday.com/)

Now, suppliers are charging a premium for the coveted wings.

In the Northeast, where Buffalo wings are most popular, wholesale prices have flown from \$1.21 a pound in 2011 and \$1.82 last year, to land at \$2.06 the first week of February this year, says restaurant purchasing partner Consolidated Concepts.

The firm's strategy chief, Bruce Reinstein, says the demand's even higher because McDonald's has been buying up wings left and right as it tests Mighty Wings in 500 Chicago locations. Spokeswoman Tyler Litchenberger says McDonald's carries enough clout so it'll be able to get the wing prices it wants, but "if and when" the restaurant chain expands its wing market, it'll make sure not to buy out the country's wing supply.

How the other restaurants are trying to save a buck:

- **Boneless wings.** They're less messy, less fatty, and they're also less expensive for the restaurant. They're also not wings: They're chunks of chicken breast, which have stayed at a much lower and much more consistent price than wings, according to the National Chicken Council. Wingstop is pushing the no-bones option this Super Bowl with a Boneless Blitz promotion for 25 boneless wings for \$19.99.
- **Price increases.** The flaming hot competition between wing joints makes most owners think twice about raising prices of their flagship product. Not the Anchor Bar, the restaurant claiming to be the birthplace of the Buffalo wing. In December, the Buffalo, N.Y., restaurant raised menu prices to help cover the rising wholesale cost. Wing nuts don't mind, though, says sales chief Mark Dempsey. "If you want to try the real taste of the original Buffalo wing, then there's nowhere else to go but the Anchor Bar."
- **Non-wing snacks.** Hurricane Grill & Wings has gotten heavier on the grill and lighter on the wings. In 2012, the franchiser introduced three new Super Bowl snacks: sliders, mini-wraps and a smoked fish dip. "We're adding value to other parts of the menu, candidly, to move people off of wings," says CEO Martin O'Dowd. But come game day, nothing separates O'Dowd from his wings. "We have a sea salt and vinegar wing that I can't stop eating."

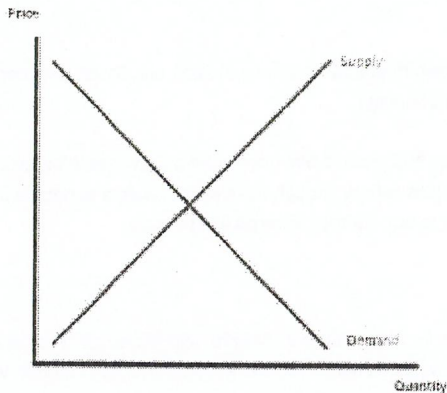
Name \_\_\_\_\_

Hour \_\_\_\_\_ Date \_\_\_\_\_

1. Market: Chicken wings

- a. Event: Last summer's drought drove up feed prices and farmers couldn't afford to raise as many birds.
- b. Which shifts: (circle the correct) D or S And it shifts: right (up) or left (down)
- c. Which Determinant caused the shift? \_\_\_\_\_
- d. Graph:

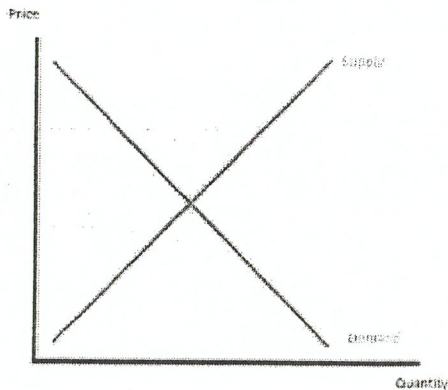
D S P Q (draw arrows indicating up or down)



2. Market: Chicken wings in the NE

- a. Event: Chicken wings in the NE go up in price from \$1.21 to \$2.06.
- b. Which shifts: (circle the correct) D or S And it shifts: right (up) or left (down)
- c. Which Determinant caused the shift? \_\_\_\_\_
- d. Graph:

D S P Q (draw arrows indicating up or down)



3. Market: Boneless wings

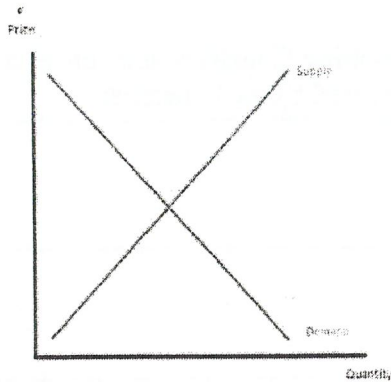
a. **Event**: Chicken wings increase in price

b. Which shifts: (circle the correct) D or S And it shifts: right (up) or left (down)

c. Which Determinant caused the shift? \_\_\_\_\_

d. Graph:

D S P Q (draw arrows indicating up or down)



4. Market: Non wing snacks

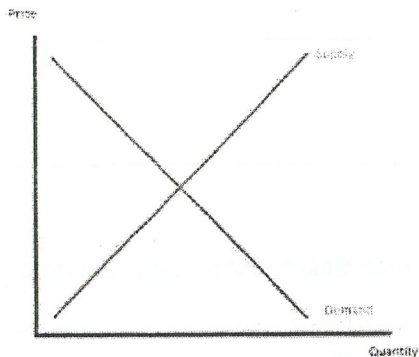
a. **News event**: Chicken wings increase in price

b. Which shifts: (circle the correct) D or S And it shifts: right (up) or left (down)

c. Which Determinant caused the shift? \_\_\_\_\_

d. Graph:

D S P Q (draw arrows indicating up or down)



## Activity 2

### Markets Interact – The Sequel

<p><b>Market:</b> world oil market</p> <p><b>News Event:</b> OPEC (Organization of the Petroleum Exporting Countries) announces a significant reduction in the amount of oil that will be produced by each member.</p>	#1
<p><b>Market:</b> diesel fuel</p> <p><b>News Event:</b> The price of crude oil doubles.</p>	#2
<p><b>Market:</b> trucking services</p> <p><b>News Event:</b> Prices for diesel fuel increase dramatically.</p>	#3
<p><b>Market:</b> home heating oil</p> <p><b>News Event:</b> Crude oil prices rise substantially, and extremely cold weather hits northeastern states where heating oil is a major fuel for home furnaces.</p>	#4
<p><b>Market:</b> wood</p> <p><b>News Event:</b> Because of high fuel-oil prices, people use wood-burning fireplaces more, and sales of wood-burning fireplaces increase.</p>	#5
<p><b>Market:</b> frozen vegetables</p> <p><b>News Event:</b> Trucking firms charge higher prices to deliver products to factories, warehouses, grocery stores, and other retailers.</p>	#6
<p><b>Market:</b> airline travel</p> <p><b>News Event:</b> Jet fuel prices rise rapidly.</p>	#7
<p><b>Market:</b> airline workers</p> <p><b>News Event:</b> Airlines cut back on flight schedules as high ticket prices result in fewer people flying.</p>	#8
<p><b>Market:</b> Barrels of chemicals used by water treatment plants</p> <p><b>News Event:</b> High oil prices lead to higher diesel and gasoline prices, which increase shipping and transportation costs.</p>	#9

# Unit 2, Lesson 13

## Activity 2

### How Markets Allocate Resources

A market price, which is determined by supply and demand, is the mechanism that organizes an economy. These prices emerge from voluntary transactions among buyers and sellers. The order of a market economy is the result of millions of people seeking to further their own interests.

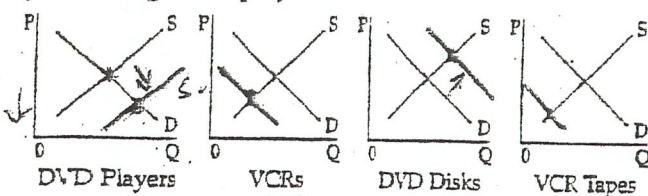
This means a change in the underlying conditions of one good not only changes the price of that good but the prices of thousands of other goods and services and the wages of people who produce them. Because of the prices, market economies allocate resources in the best interest of consumers.

Governments sometimes interfere in this process through regulations and price controls. The government policy usually is meant to solve an immediate "crisis," but the policy can cause unintended consequences that no one anticipated.

The following questions refer to a group of related markets during a long period of time. Assume that the markets are perfectly competitive and that the supply-and-demand model is completely applicable. The diagrams show the supply and demand in each market before the assumed change occurs. Trace through the effects of the assumed change, *other things constant*. Work your way from left to right. Shift only one curve in each market.

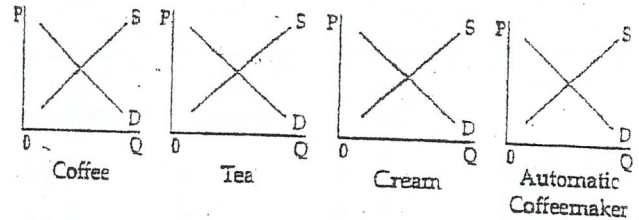
For each market, draw whatever new supply or demand curve is needed, labeling each new curve S<sub>1</sub> or D<sub>1</sub>. Then circle the correct symbol under each diagram (↑ for increase, = for unchanged, and ↓ for decrease). Remember to shift only one curve in each market.

1. Improvements in technology reduce the cost of producing DVD players.



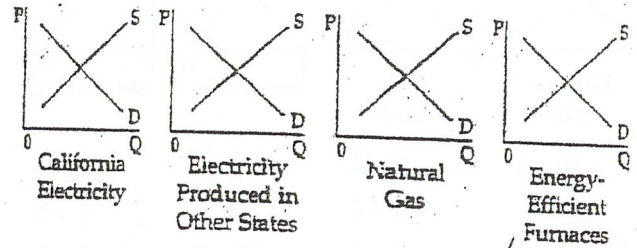
Demand:	↑ - ↓	↑ - ↓	↑ - ↓	↑ - ↓
Supply:	↑ - ↓	↑ - ↓	↑ - ↓	↑ - ↓
Equilibrium price:	↑ - ↓	↑ - ↓	↑ - ↓	↑ - ↓
Equilibrium quantity:	↑ - ↓	↑ - ↓	↑ - ↓	↑ - ↓

2. Assume that a heavy frost destroys half the world's coffee crop, and that people use more cream in their coffee than they do in tea.



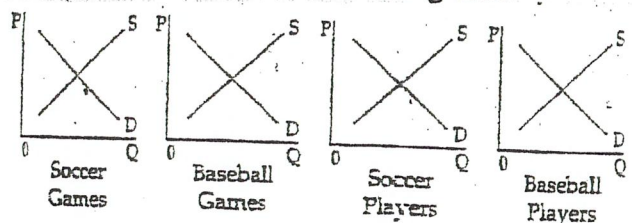
Demand:	↑ - ↓	↑ - ↓	↑ - ↓	↑ - ↓
Supply:	↑ - ↓	↑ - ↓	↑ - ↓	↑ - ↓
Equilibrium price:	↑ - ↓	↑ - ↓	↑ - ↓	↑ - ↓
Equilibrium quantity:	↑ - ↓	↑ - ↓	↑ - ↓	↑ - ↓

3. Assume that environmental regulations and people's concerns about building power plants near their homes reduce the number of power plants built in California.



Demand:	↑ - ↓	↑ - ↓	↑ - ↓	↑ - ↓
Supply:	↑ - ↓	↑ - ↓	↑ - ↓	↑ - ↓
Equilibrium price:	↑ - ↓	↑ - ↓	↑ - ↓	↑ - ↓
Equilibrium quantity:	↑ - ↓	↑ - ↓	↑ - ↓	↑ - ↓

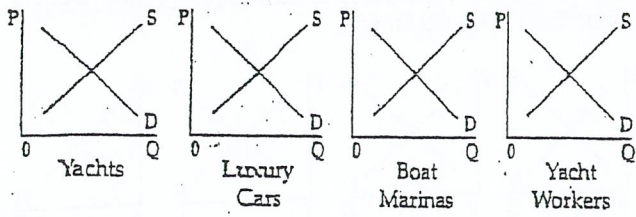
4. Assume that soccer becomes the national pastime, and attendance at professional soccer games exceeds attendance at professional baseball games.



Demand:	↑ - ↓	↑ - ↓	↑ - ↓	↑ - ↓
Supply:	↑ - ↓	↑ - ↓	↑ - ↓	↑ - ↓
Equilibrium price:	↑ - ↓	↑ - ↓	↑ - ↓	↑ - ↓
Equilibrium quantity:	↑ - ↓	↑ - ↓	↑ - ↓	↑ - ↓

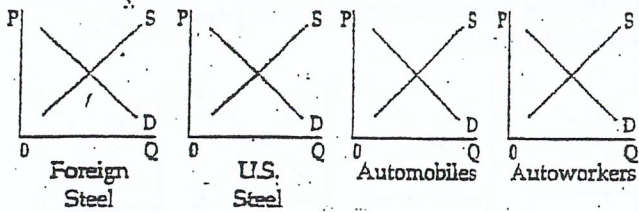
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5. Assume that there is a new federal law that places a 200 percent excise tax on the sale of yachts.



Demand:	↑ - ↓	↑ - ↓	↑ - ↓	↑ - ↓
Supply:	↑ - ↓	↑ - ↓	↑ - ↓	↑ - ↓
Equilibrium price:	↑ - ↓	↑ - ↓	↑ - ↓	↑ - ↓
Equilibrium quantity:	↑ - ↓	↑ - ↓	↑ - ↓	↑ - ↓

6. Assume that the government imposes a tariff or tax on foreign steel to save the jobs of American steelworkers. Steel is a major component of automobiles.



Demand:	↑ - ↓	↑ - ↓	↑ - ↓	↑ - ↓
Supply:	↑ - ↓	↑ - ↓	↑ - ↓	↑ - ↓
Equilibrium price:	↑ - ↓	↑ - ↓	↑ - ↓	↑ - ↓
Equilibrium quantity:	↑ - ↓	↑ - ↓	↑ - ↓	↑ - ↓



**Unit 2: Demand, Supply, and Consumer Choice**

Demand*	Supply*
The Law of Demand: Define -  P _____ Qd _____ P _____ Qd _____	The Law of Supply: Define  P _____ Qs _____ P _____ Qs _____
What is the Law Diminishing Marginal Utility?	

**Changes in Quantity (Moving Along the Curve)**

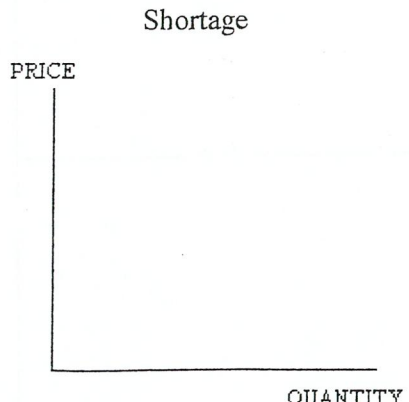
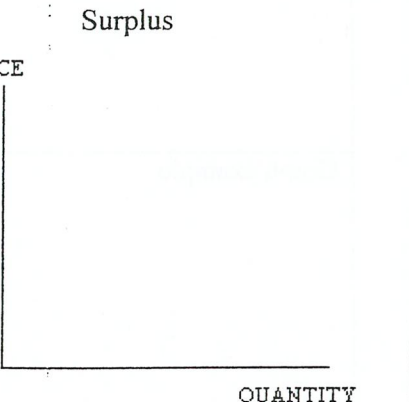
What changes quantity demanded?	What changes quantity supplied?
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**Changes in Demand and Supply (Shifting the Curve)**

What changes demand? (5 Shifters of Demand)	What changes supply? (6 Shifters of Supply)
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Substitutes : Price of A↑ Demand for B _____ Price of A↓ Demand for B _____  Complements: Price of A↑ Demand for B _____ Price of A↓ Demand for B _____	Normal Goods: Income ↑ Demand _____ Income ↓ Demand _____  Inferior Goods: Income ↑ Demand _____ Income ↓ Demand _____
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**Equilibrium and Disequilibrium\***

<p>Shortage</p> 	<p>Surplus</p> 	Equilibrium- Qd _____ Qs Shortage- Qd _____ Qs Surplus- Qd _____ Qs
		<b>Government Controls*</b>
		Price FLOORS go _____ equilibrium and result in a _____.  Price CEILINGS go _____ equilibrium and result in a _____.

**More Governmental Action**

<p><b>What are Price Ceilings? (definition)</b></p> <p><b>Give an example:</b></p> <p><b>Are Price Ceilings good for consumers?</b></p> <p><b>What are Price Floors?</b></p> <p><b>Give an example:</b></p> <p><b>Are Price Floors good for consumers?</b></p>	<p><b>What are Quotas?</b></p> <p><b>What are Subsidies?</b></p> <p><b>What are Excise Taxes?</b></p> <p><b>What are Tariffs?</b></p>
<p><b>Double Shifts in Demand and Supply*</b></p>	
<p>If demand increases AND supply increases, what happens to P ____ Q ____?</p>	<p>Graph example:</p>
<p>If demand increases AND supply decreases, what happens to P ____ Q ____?</p>	<p>Graph example</p>