

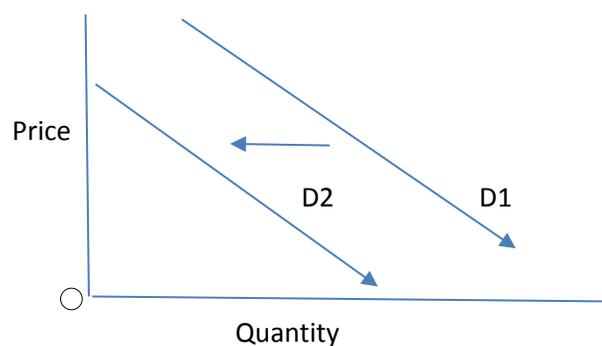
## Supply and Demand Infographic Supplemental Activity

### Answers Key for Questions 1–6

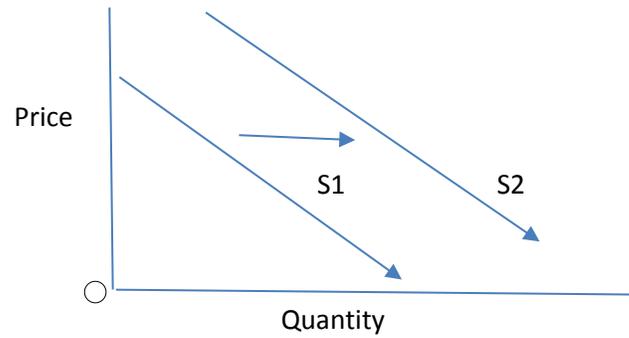
1. The **law of demand** states that the price of a good or service varies inversely, or negatively with the quantity demanded. This means that when price increases the quantity demanded decreases and when price decreases the quantity demanded increases. The **law of supply** states that the price of a good or service varies directly with the quantity supplied. This means that when price increases the quantity supplied increases and when price decreases the quantity supplied decreases.
2. When the price of a good or service changes, **there will be movement along the supply or demand curve** which indicates that the quantity demanded or the quantity supplied has changed. When the price changes, the quantity demanded for that good or service will move in the opposite direction. When the price changes, the quantity supplied for that good or service will move in the same direction.
3. Change in income, change in prices of related goods, change in number of buyers, change in consumer expectations.
4. Change in input prices, change in technology, change in number of sellers, change in producer expectations
5. When one of the determinants of supply or demand change, an entirely new curve is created resulting in a shift to the right or left of the original curve. If a determinant causes an increase in demand, the new demand curve will shift to the right of the original curve. If a determinant causes a decrease in demand, the new demand curve will shift to the left of the original curve. If a determinant causes an increase in supply, the new supply curve will shift to the right of the original curve. If a determinant causes a decrease in supply, the new supply curve will shift to the left of the original curve.

Examples:

- a. Demand: If wages are falling in the U.S., the demand for chocolate bars will decrease since income is decreasing and chocolate bars are a normal good. (Changes in income and the demand for normal goods are directly related.)



- b. Supply: If more chocolate bar producers enter the market, the supply of chocolate bars will increase.



6. A market is considered to be in equilibrium when the quantity supplied is equal to the quantity demanded. The market clearing price, equilibrium price, is achieved when quantity supplied is equal to the quantity demanded.

## Real World Connections: Supply and Demand

### Answer Key

- DVD sales are sliding because more consumers are watching content digitally. (This involves two markets.)

Market	What changed?	Demand	Supply	Curve Shift	Equilibrium price and quantity
DVDs	Number of buyers (decrease)	Decreased	No change	Demand to left	Equilibrium price and quantity fall
Digital Content	Number of buyers (increase)	Increased	No change	Demand to right	Equilibrium price and quantity rise

- Drought and demand from Arby's creates a brisket shortage; the article also mentions the increase in the popularity of brisket.

Market	What changed?	Demand	Supply	Curve Shift	Equilibrium price and quantity
Brisket	Number of buyers (increase) Supply	Increase	Decrease	Demand to right; supply to left	Equilibrium price increases; both changes increase price; equilibrium quantity change is indeterminate

- There is an oversupply of oil from increased North American and Saudi Arabian production.

Market	What changed?	Demand	Supply	Curve Shift	Equilibrium Price and Quantity
Gasoline	Supply	No change (other things equal)	Increased	Supply to right	Equilibrium price decreases; equilibrium quantity

					risers
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4. New cage laws for chickens decrease number of chickens (and therefore eggs).

Market	What changed?	Demand	Supply	Curve Shift	Equilibrium Price and Quantity
Eggs	Supply	No change (other things equal)	Decreased	Supply to left	A decrease in supply causes equilibrium price to rise and equilibrium quantity to fall

5. Movie ticket prices increase.

Market	What changed?	Demand	Supply	Curve Shift	What changed??
Movie tickets	<b>Price</b>	No change	No change	No shift	<b>Because price changed, quantity demanded falls; this is a shift ALONG the demand curve, not a shift in the curve itself</b>

6. Piano stores close as fewer young people are taking up the instrument. The article also mentions that technology has improved so that pianos last longer.

Market	What changed?	Demand	Supply	Curve Shift	Equilibrium Price and Quantity
Pianos	Number of buyers; Supply (technology increases)	Decreased	Increased	Demand to left; Supply to right	Equilibrium price falls; both decrease in demand and increase

					in supply lower price; equilibrium quantity indeterminate
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7. Consumers become more health conscious and reduce their consumption of donuts.

Market	What changed?	Demand	Supply	Curve Shift	Equilibrium Price and Quantity
Donuts	Number of buyers	Decreased	No change	Demand to left	Both decrease

8. The increase in Mexican immigrants and an increase in popularity for Mexican cuisine has resulted in greater consumption of tortilla chips.

Market	What changed?	Demand	Supply	Curve Shift	Equilibrium Price and Equilibrium Quantity
Tortilla chips	number of buyers	Increased	No change	Demand to right	Increase; both an increase in tastes and an increase in the number of buyers increase demand and equilibrium price and quantity will rise

9. As the American populations is aging, fast food consumption is falling.

Market	What changed?	Demand	Supply	Curve Shift	Equilibrium Price and Quantity
Fast food	Number of buyers	Decreased	No change	Demand to left	Both decrease

10. Avocados become America's favorite fruit.

Market	What	Demand	Supply	Curve Shift	Equilibrium
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	changed?				Price and Quantity
Avocados	Number of buyers	Increased	No change	Demand to right	Both increase

1. Hyundai's car sales are affected by lower gas prices.

Market	What changed?	Demand	Supply	Curve Shift	Equilibrium price and quantity
Small cars	Price of related goods (complement: gas)	Decreased	No change	Demand to left	Equilibrium price and quantity fall
SUVs	Price of related goods (complement: gas)	Increased	No change	Demand to right	Equilibrium price and quantity rise

2. Dry weather has decreased Ghana's cocoa production by 22% from last year.

Market	What changed?	Demand	Supply	Curve Shift	Equilibrium price and quantity
Chocolate bars	Supply	No change	Decreased	Supply to left	Equilibrium price rises; equilibrium quantity falls

Activity 2: Answers will vary