

## Activity 2

# Reasons for Changes in Supply

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### 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 "no change."

- A. AUTO WORKERS AGREE TO WAGE AND FRINGE CUTS  
Supply \_\_\_\_\_
- B. NEW TECHNOLOGY INCREASES EFFICIENCY IN DETROIT FACTORIES  
Supply \_\_\_\_\_
- C. STEEL PRICES RISE 10%  
Supply \_\_\_\_\_
- D. QUOTAS ELIMINATED: FOREIGN CAR IMPORTS RISE  
Supply \_\_\_\_\_
- E. LARGE AUTO PRODUCER GOES BANKRUPT, CLOSES FACTORIES  
Supply \_\_\_\_\_
- F. BUYERS REJECT NEW CAR MODELS: SELLERS LOWER PRICES  
Supply \_\_\_\_\_
- G. SHORTAGES ABOUND IN CONSUMER ELECTRONICS – CONSUMERS CAN'T BUY ENOUGH NEW GADGETS  
Supply \_\_\_\_\_

# Activity 2 (continued)

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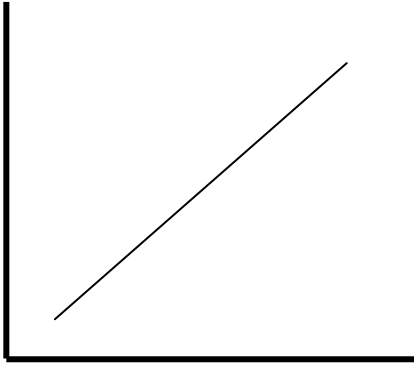
### Part II

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. 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 the number of sellers in the market
- \_\_\_\_\_ A change in profit opportunities from producing other products

## Practice with Determinants: SUPPLY

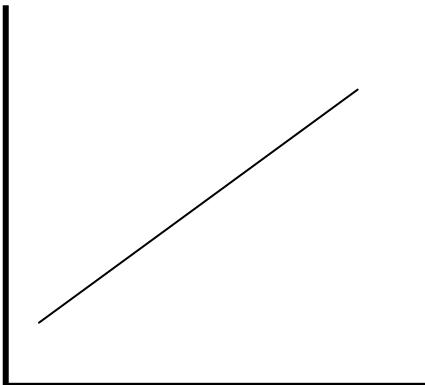
1. The following headline appeared in the *London Times*, “England’s sheep population nearly destroyed by famine!” How will this affect the supply of wool around the world?



**\*Name the determinant:**

\_\_\_\_\_

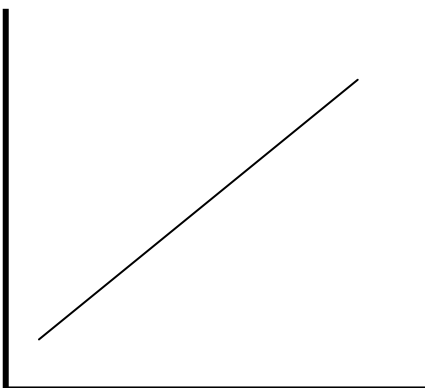
2. In an effort to encourage economic growth, the United States government has cut corporate income taxes by 20%. How will this affect firms’ ability to supply their products?



**\*Name the determinant:**

\_\_\_\_\_

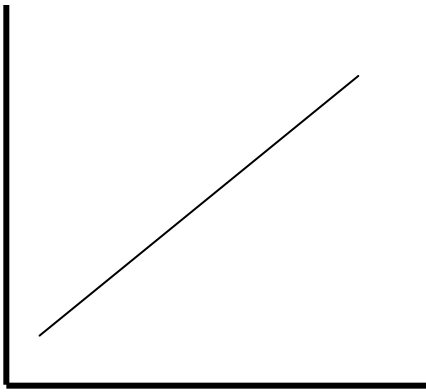
3. USA Today’s Business Section’s top story reads “Agriculture Devastated by President’s Budget; Government Cuts Spending & Funding.” How will the supply curve for vegetables such as soybeans and broccoli be affected?



**\*Name the determinant:**

\_\_\_\_\_

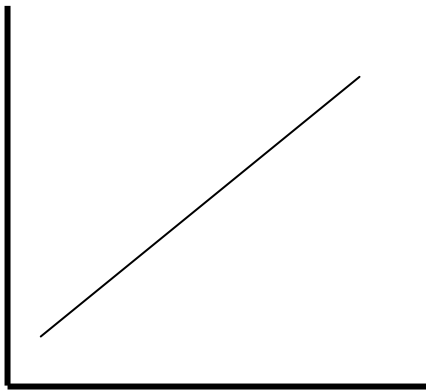
4. The Ocean Spray juice company on Cape Cod has developed a new piece of machinery that can bottle 60 bottles per minute as opposed to the previous automatic bottler, which bottled 45 bottles per minute. How will this new machine influence the company's ability to supply juice?



**\*Name the determinant:**

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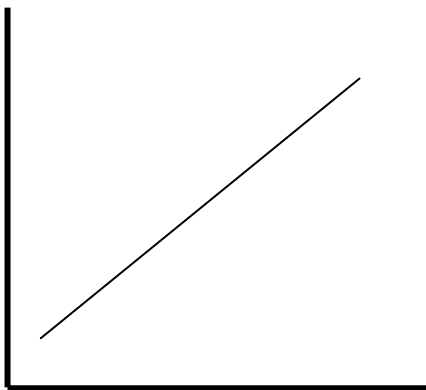
5. Jim, a textile manufacturing company CEO, has seen many headlines in national magazines such as People and InStyle and news reports on shows from the Oprah Winfrey Show to the Today Show that have featured stories on "Going Green" with fabrics. As a result of this trend, Jim has decided to reconsider how much of his production he focuses on nonorganic fabrics. What will happen to the supply of nonorganic fabric Jim's factory produces?



**\*Name the determinant:**

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6. About 10 years ago, the POM Pomegranate Juice brand was created by a middle-aged couple in Nebraska. They're business started small and then began to skyrocket after news spread of how yummy pomegranate juice is and also, how healthy is it (more antioxidants than any other juice out there!) Now, brands such as Nantucket Nectars, Ocean Spray, Minute Maid, and more have created their own pomegranate mixtures. What has happened to the supply of pomegranate beverages as a result?



**\*Name the determinant:**

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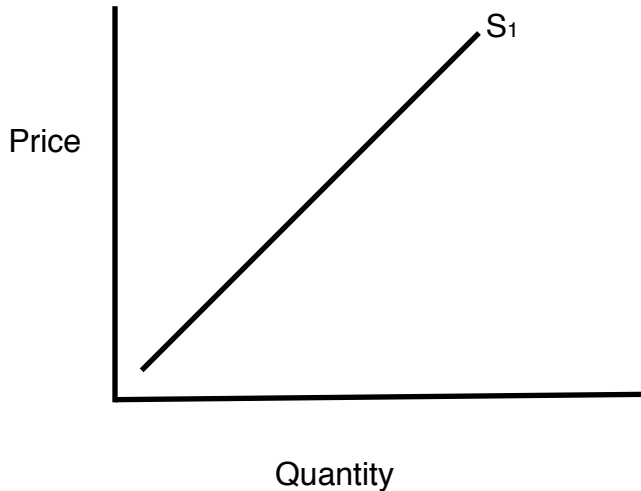
Name:  
Period:

# Supply Worksheet

**Directions:** Read each scenario. Illustrate the change in supply or change in quantity supplied for the good mentioned in each scenario on the graphs provided. Write if it was a change in supply or a change in quantity supplied. List the determinant.

1. Leather has become more expensive.

Supply of Leather Shoes

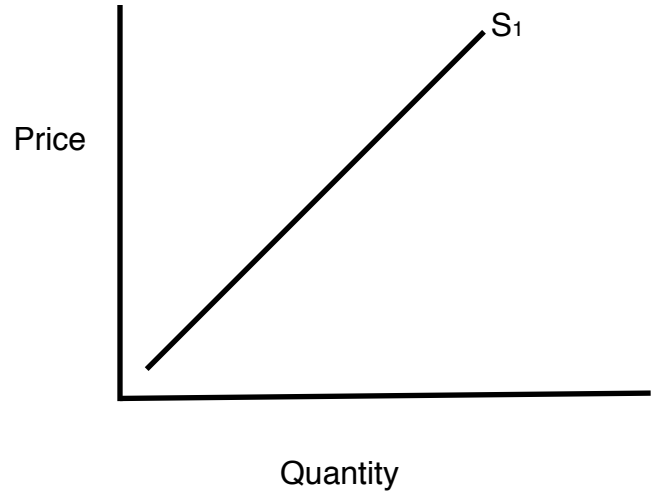


Change in supply or quantity supplied:

Determinant:

2. Wheat farmers have been given subsidies.

Supply of Wheat

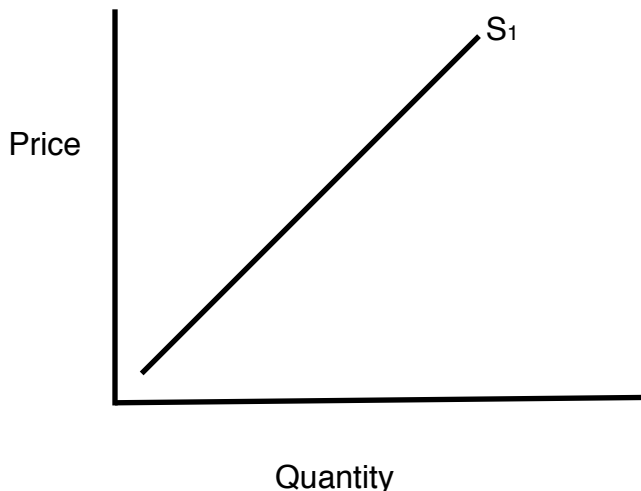


Change in supply or quantity supplied:

Determinant:

3. Workers in a furniture factory have gone on strike and are no longer working to make new furniture.

Supply of Furniture

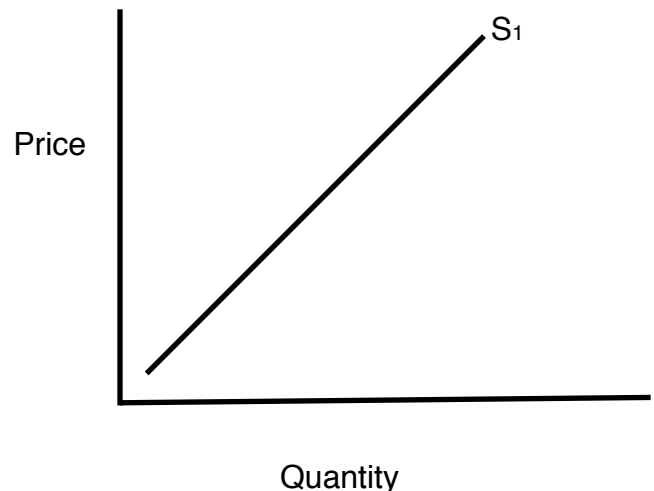


Change in supply or quantity supplied:

Determinant:

4. Television shows like *Ace of Cakes* and *Cake Boss* inspired cake makers to enter the cake-making industry.

Supply of Cake

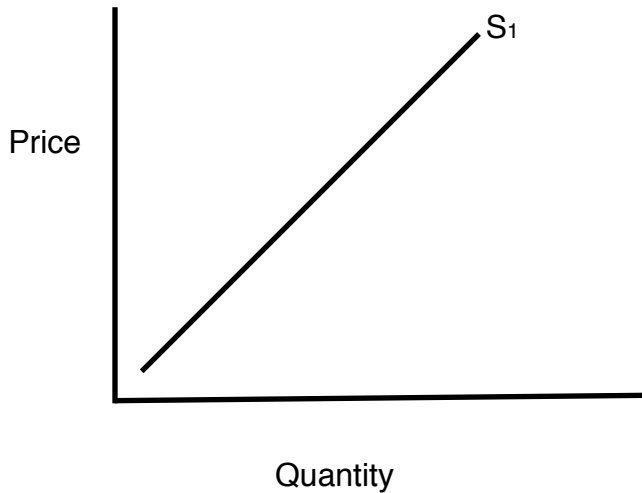


Change in supply or quantity supplied:

Determinant:

5. CD prices have been lowered.

Supply of CDs

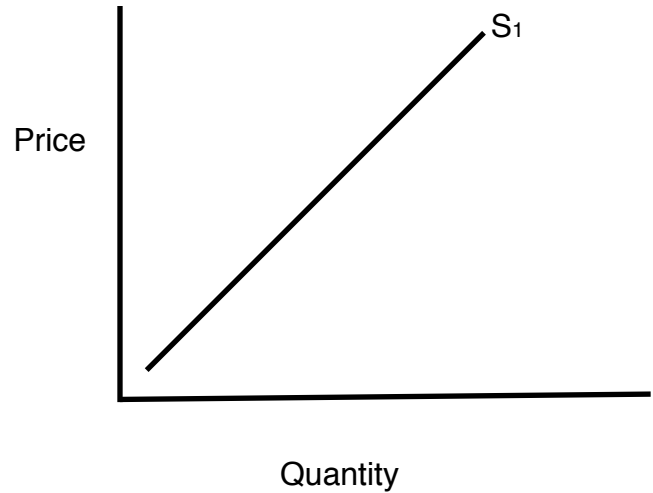


Change in supply or quantity supplied:

Determinant:

6. The Halloween season is approaching.

Supply of Costumes

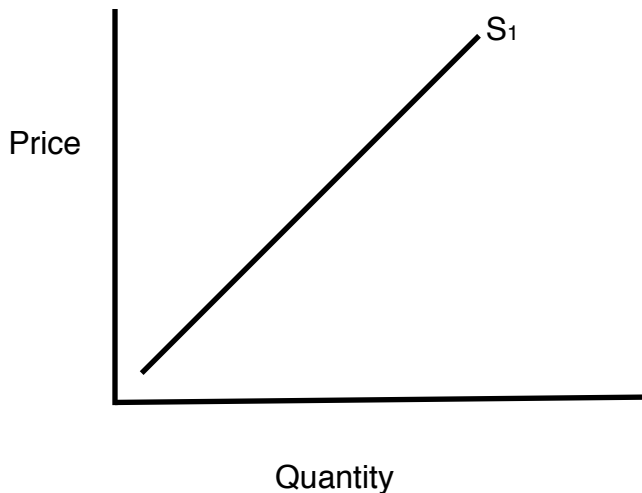


Change in supply or quantity supplied:

Determinant:

7. Production at a burger chain had been slow, but the owners invested in a new, fast-cooking grill and fryer.

Supply of Burgers

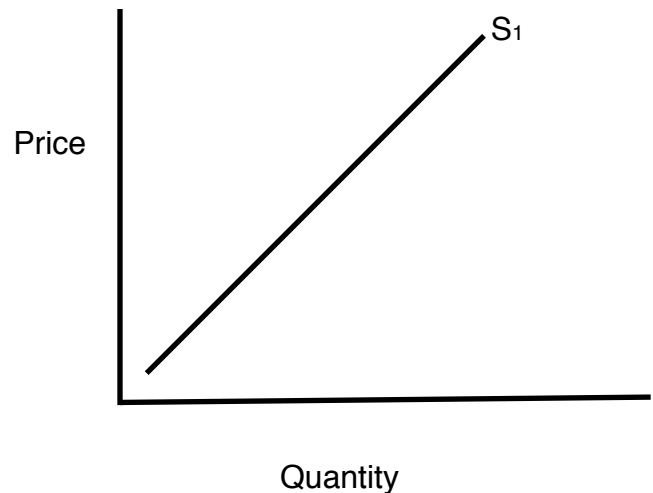


Change in supply or quantity supplied:

Determinant:

8. New government regulations have been placed on video game makers, requiring each game to be inspected before it hits stores.

Supply of Video Games



Change in supply or quantity supplied:

Determinant: