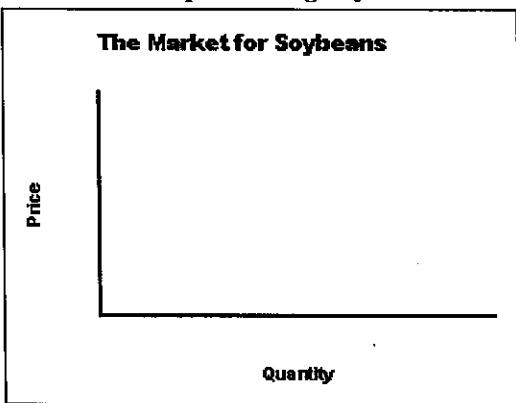


Practicing Changes in Equilibrium

For each of the situations given below,

- draw a generic market equilibrium
- show how the market will change in response to the situation: this will usually involve a shift in demand and/or supply
- identify the new equilibrium price and quantity
- then circle “increases” or “decreases” to indicate what has happened to the equilibrium price and quantity.

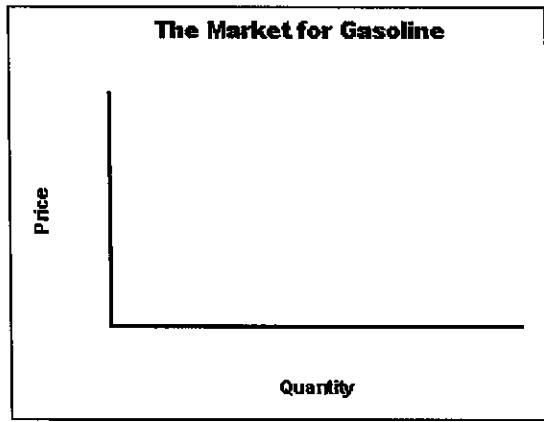
1. The cost of producing soybeans decreases



Price increases / decreases

Quantity increases / decreases

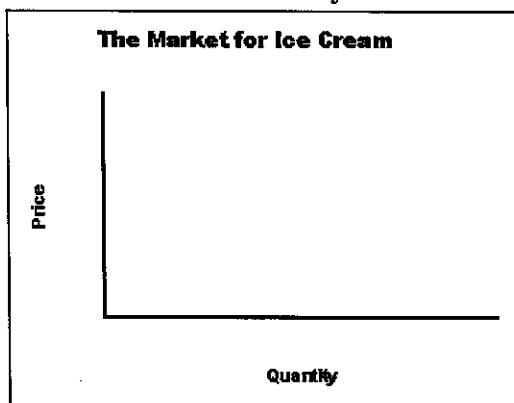
3. The government restricts the price of gas to one-half its current price



Price increases / decreases

Quantity increases / decreases

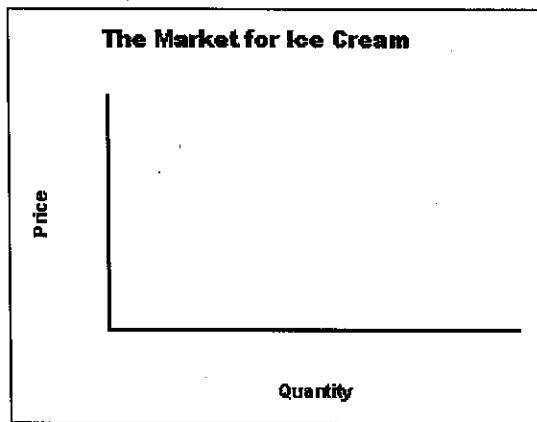
2. The weather turns very cold



Price increases / decreases

Quantity increases / decreases

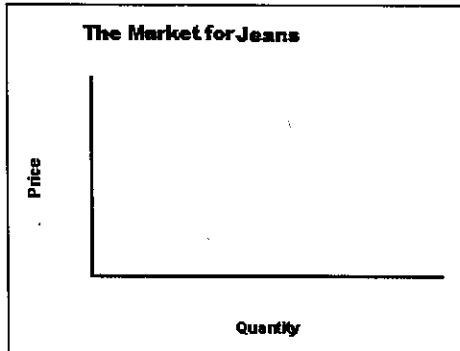
4. The price of milk (used to make ice cream) increases



Price increases / decreases

Quantity increases / decreases

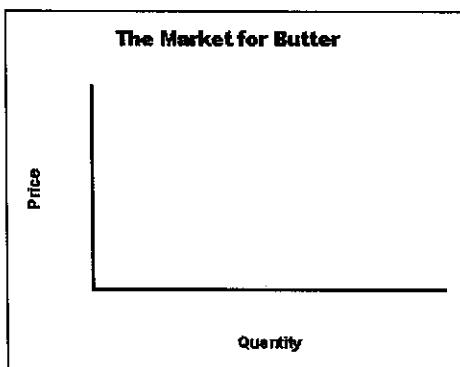
5. The price of jeans is expected to increase



Price increases / decreases

Quantity increases / decreases

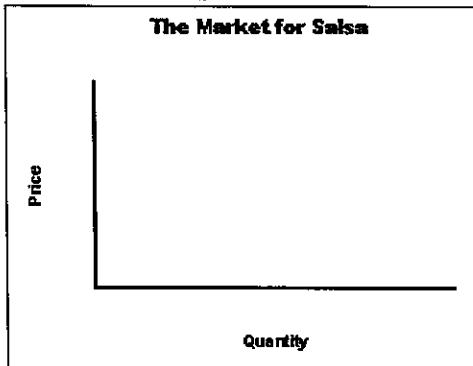
7. The price of margarine increases



Price increases / decreases

Quantity increases / decreases

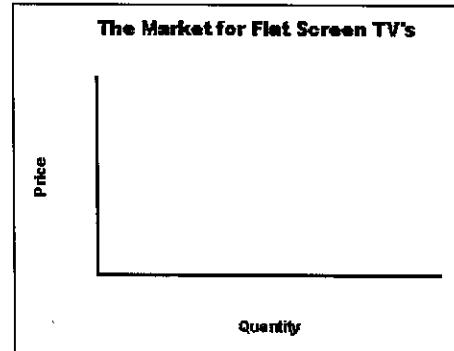
9. The price of chips increases



Price increases / decreases

Quantity increases / decreases

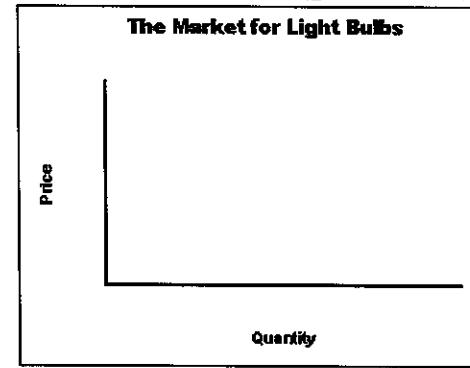
6. Incomes decrease



Price increases / decreases

Quantity increases / decreases

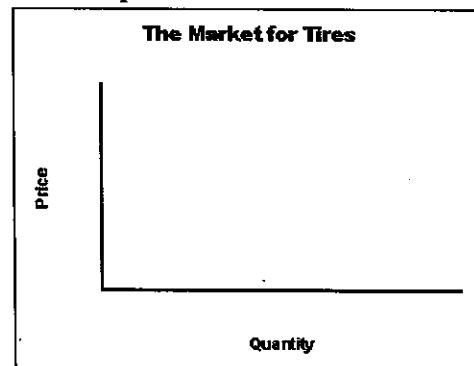
8. A new process manufactures light bulbs using less material (glass, metal, etc.)



Price increases / decreases

Quantity increases / decreases

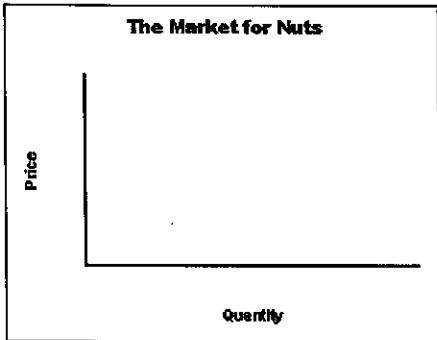
10. The price of rubber increases



Price increases / decreases

Quantity increases / decreases

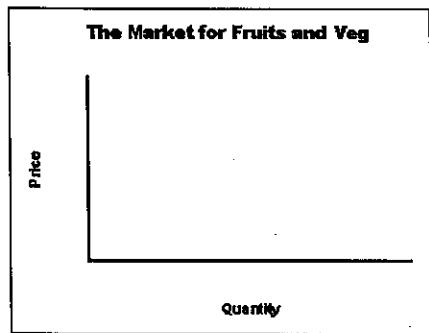
11. Nuts are found to be good for your heart



Price increases / decreases

Quantity increases / decreases

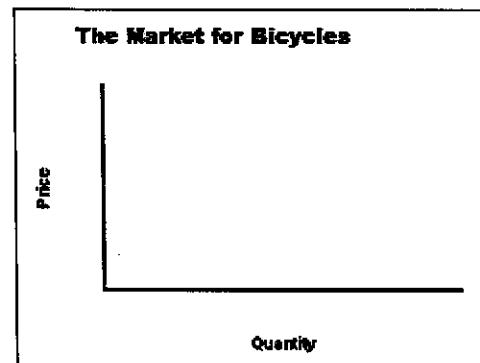
13. Machines are invented that make planting and harvesting less expensive



Price increases / decreases

Quantity increases / decreases

15. A new law requires bicycles to have safety features such as lights & rearview mirrors



Price increases / decreases

Quantity increases / decreases

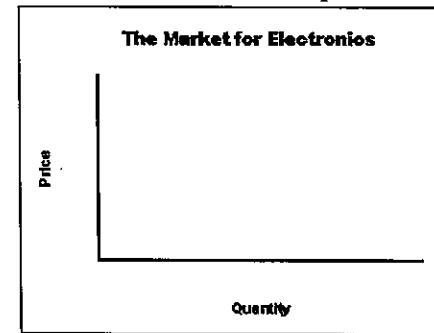
12. Incomes increase



Price increases / decreases

Quantity increases / decreases

14. New trade regulations allow more electronics to be imported from China



Price increases / decreases

Quantity increases / decreases

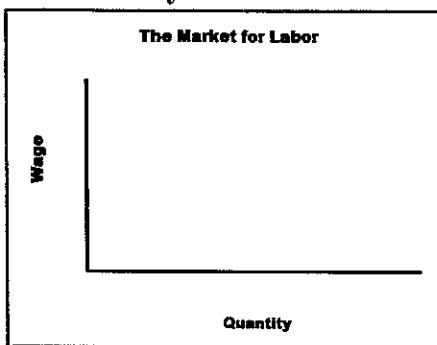
16. A violent war erupts in the U.S.



Price increases / decreases

Quantity increases / decreases

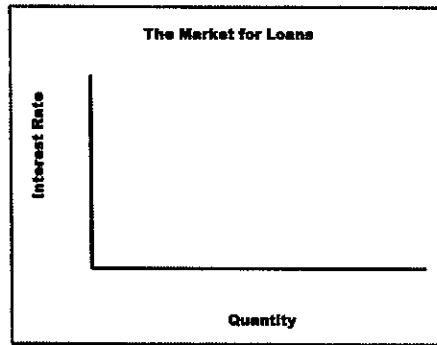
17. New regulations make it harder to fire or lay-off workers.



Wage increases / decreases

Quantity increases / decreases

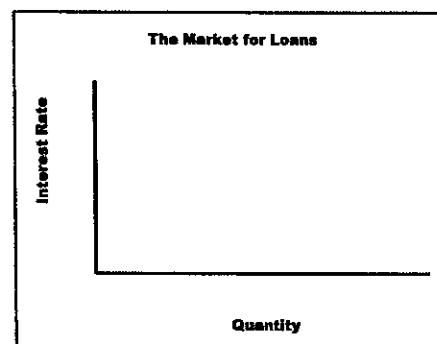
19. The U.S. government increases its debt (which means it must borrow money)



Interest rate increases / decreases

Quantity increases / decreases

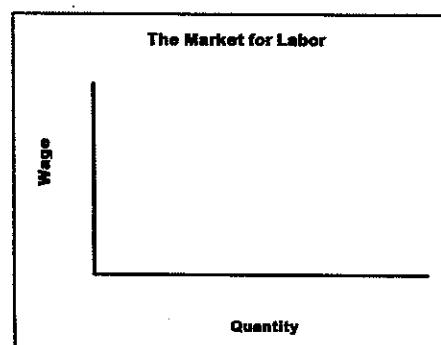
21. The profitability of capital investment rises



Interest rate increases / decreases

Quantity increases / decreases

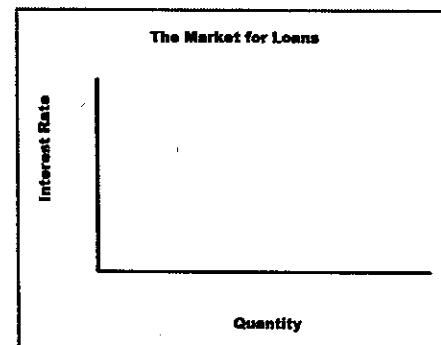
18. There is currently a shortage of labor.



Wage increases / decreases

Quantity increases / decreases

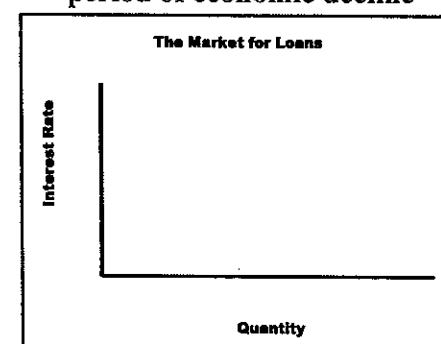
20. Many banks are at risk for bankruptcy



Interest rate increases / decreases

Quantity increases / decreases

22. The U.S. is expected to enter a period of economic decline



Interest rate increases / decreases

Quantity increases / decreases