**The Automobile Market**

YOUR MISSION:

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You will analyze a number of headlines from newspapers around the country, and determine how the market for automobiles will be affected. Read each headline carefully and decipher whether it will change Demand or Supply, and then explain how the equilibrium price and quantity will change. But not so fast my friend! There are two tricky ones that will not change Demand, Supply, or Equilibrium, but rather create a shortage or surplus, so be careful. Oh, and by the way, you will have three minutes to do each one, so be efficient!

Directions:

1. For each headline, write the headline with the correct newspaper number (ex. newspaper headline #4 should be answered with #4 in your packet.
2. After you read your headline, decide whether it will change Demand or Supply, then **circle** the correct answer. If the headline will cause a shortage or surplus, **circle** No Change. Then **circle** whether it will Increase or Decrease the Demand/Supply. If the headline will cause a shortage or surplus, **circle** No Change.
3. Then write the Determinant that caused Demand or Supply to change (ex. Price of Substitutes or Price of Inputs). A list of the determinants is below to serve as a reference. If a shortage or a surplus will be created, ***write shortage or surplus.***
4. Draw the changes on the graph listed to the left. BE SURE TO LABEL! (if it helps to draw P and P1, feel free to do so, but you do not have to.
5. After drawing the graph, decide how the change will impact the Equilibrium Price and Equilibrium Quantity and **circle** whether each will increase or decrease.
6. Remember, you are trying to decide how it will affect the market for automobiles!

Example: Answers are highlighted. Headline: Hurricane destroys cargo ships carry new cars.

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| S  D | Determinants  **DEMAND:**  Population  Income  Consumer Tastes  Price of Substitutes  Price of Complementary  **Supply:**  Price of Inputs  Business Taxes  Number of Firms/Businesses  Technology  Affects: Demand**/ Supply** /No Change  Increase/**Decrease**  Determinant or Shortage/Surplus:  **Natural Disaster**  Equilibrium Price: **Increases**/Decreases  Equilibrium Quantity:  Increases/**Decreases** |



Market for Cars? That means it’s time for some

“Shake and Bake”