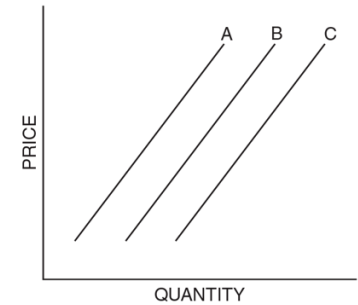


1 Macroeconomics **ACTIVITY 1-7**

Figure 1-7.1
Supply of U.S.-Made Cars



Read the nine newspaper headlines in Table 1-7.1, and record the impact, if any, of each event on the supply of cars. Use the first column to the right of the headline to show whether the event will cause a change in supply. Use the next column to record whether the change is an increase or a decrease in supply. In the third column, decide whether the supply curve shifts left or right. Finally, write the letter for the new supply curve. Use Figure 1-7.1 to help you. Always start at curve B and move only one curve at a time. Three headlines imply that the supply of cars does not change.

Figure 1-7.1

Headline	Supply Shift? (Y/N)	If 'Yes', Increase or Decrease	Curve Shifts Left/Right	New Curve Letter	Which Determinant of Supply?	Δ Price	Δ Quantity
1) Auto Workers' Union Agrees to Wage Cuts							
2) New Robot Technology Increases Efficiency							
3) Price of U.S. Cars Increases							
4) Nationwide Auto Strike Began at Midnight							
5) New Import Quotas Reduce Foreign Car Imports							
6) Cost of Steel Rises							
7) Government Gives Car Producers a Subsidies							
8) Auto Producer Goes Bankrupt; Closes Operation							
9) National Income Rises 2%							

For each set, one will not shift Supply.

2. Supply for peanut butter.							
Headline	Supply Shift? (Y/N)	If 'Yes', Increase or Decrease	Curve Shifts Left/Right	New Curve Letter	Which Determinant of Supply?	ΔPrice	ΔQuantity
1) Price of peanuts on the factor market falls.							
2) The United Peanut Butter Makers Union goes on strike.							
3) "Eating Peanut Butter Prolongs Life," Surgeon General says.							
4) An agreement is reached and the workers return to work at a higher salary.							
5) New machines are invented that can double the current production of peanut butter. The company buys 2!							
6) A severe drought causes a world peanut crop failure.							
7) The government imposes new restrictions on the way peanut butter is produced making it more costly to producers.							

3. Supply of pizza for 1 local pizzeria.							
Headline	Supply Shift? (Y/N)	If 'Yes', Increase or Decrease	Curve Shifts Left/Right	New Curve Letter	Which Determinant of Supply?	ΔPrice	ΔQuantity
1) The price of cheese goes up.							
2) New ovens are invented that can cook pizzas faster.							
3) Delivery people ask for, and receive, a pay raise.							
4) Dominos and Papa Johns Practically Giving Pizza Away - Buy 1 Get 2 Free Deal							
5) Rent for the pizzeria goes WAY up.							
6) The price of tomatoes goes WAY down.							