

Section 4 Reading Notes

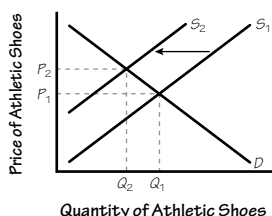
Analyze the effects of each news headline about the athletic shoe market. For each event,

- label the axes, demand curve, and supply curve.
- explain the effect of the event on the demand or supply curve *for athletic shoes*.
- graph the resulting change in equilibrium price and equilibrium quantity of athletic shoes.

The first headline is completed for you.

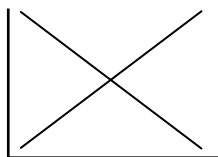
Effect of Headlines on the Athletic Shoe Market

1 Price of Rubber Increases Dramatically

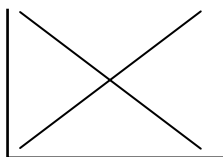


Because of an increase in the cost of inputs, the supply curve will decrease, or shift to the left. Equilibrium price increases. Equilibrium quantity decreases.

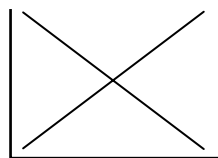
2 Movie Increases Popularity of Athletic Shoes



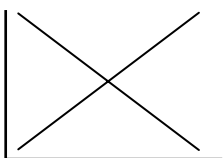
3 Price of Sport Sandals Drops Drastically



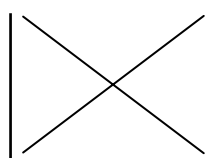
4 Government Sets Price Ceiling Below Equilibrium Price to Help Consumers Save Money



5 Two New Athletic Shoe Companies Enter the Market—Production Begins Today



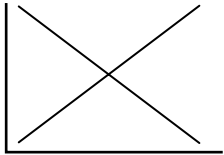
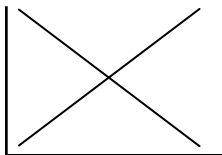
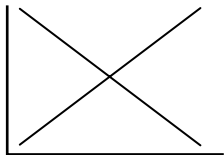
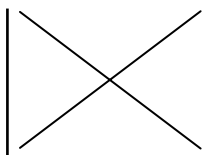
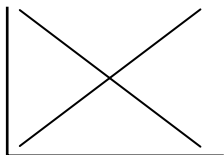
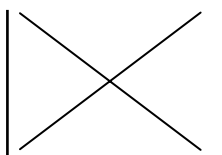
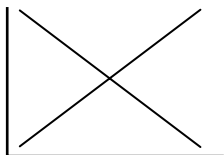
6 Consumers Worry Price of Athletic Shoes May Increase Next Month



Analyze the effects of each news headline about events affecting a variety of markets. Identify the market indicated in parentheses before conducting your analysis. For each event,

- label the axes, demand curve, and supply curve.
- explain the effect of the event on either the demand or the supply curve.
- graph the resulting change in equilibrium price and equilibrium quantity.

Effect of Headlines on Various Markets

<p>7 Insects Kill Half the World's Tomato Crop (tomato market)</p> 	<p>8 Recession Hits—Many Consumers Lose Jobs (movie ticket sales market)</p> 
<p>9 Price of Computer Chips Tumbles (computer market)</p> 	<p>10 Price of Salmon Skyrockets (sea bass market)</p> 
<p>11 Government Places Excise Tax on Cigarettes to Discourage Smoking (cigarette market)</p> 	<p>12 Government Sets Price Floor Above Equilibrium Price to Help Farmers (milk market)</p> 
<p>13 Price of DVD Players Plummets (DVD market)</p> 	<p>14 New, More Efficient Assembly Line Technology Introduced (automobile market)</p> 