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**Quantity of Athletic Shoes****Price of Athletic Shoes***P*2*Q*2*Q*1*S*1*D**S*2*P*1Because 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 |

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N o t e b o o k H a n d o u t 6

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

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

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