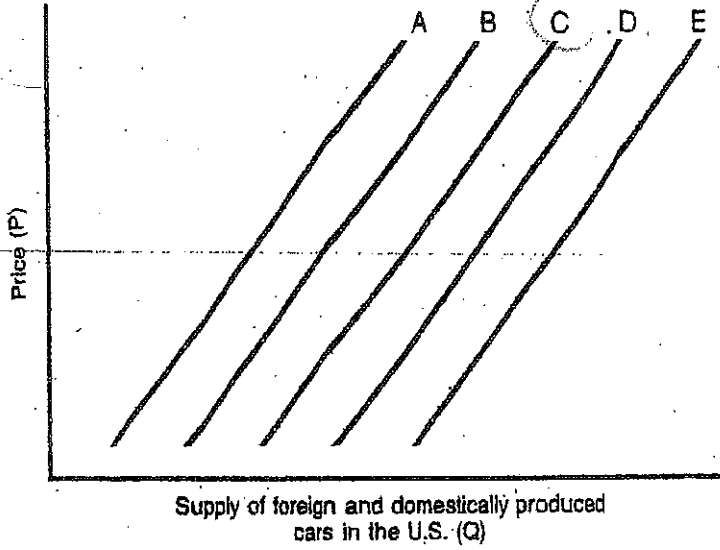


Handout 6-3

REASONS FOR CHANGE IN SUPPLY

Name _____ Class _____



Read the following seven newspaper headlines. In each case, decide if the event will cause any change in the supply of cars. If so, determine if it is an increase or a decrease, and write the correct answer. Begin at curve C. If you think headline 1 means there will be a decrease in supply, write "decrease" in the first blank and "B" in the second blank; move to curve B to do headline 2. If you think supply will increase, write "increase" and "D" in the blanks for headline 2; move to curve "D" to do headline 3.

Move only one curve at a time. Do not skip from say A to C even if you think the headline means there will be a large change in supply. Do not go beyond the five curves. If you are at A and the next headline implies a decrease in supply, you goofed somewhere. There is one headline which implies that the supply of cars does not change.

- 1 AUTO WORKERS UNION AGREES TO WAGE AND FRINGE CUTS
Supply _____ Curve _____
- 2 NEW ROBOT TECHNOLOGY INCREASES EFFICIENCY
Supply _____ Curve _____
- NATIONWIDE AUTO STRIKE BEGAN AT MIDNIGHT
Supply _____ Curve _____

- 4 NEW AUTO IMPORT QUOTAS REDUCE FLOW OF FOREIGN CARS
Supply _____ Curve _____
- 5 COST OF STEEL RISES
Supply _____ Curve _____
- 6 AUTO PRODUCER GOES BANKRUPT, CLOSES OPERATION
Supply _____ Curve _____
- 7 BUYERS REJECT NEW MODELS
Supply _____ Curve _____

Optional bonus: Categorize each change in supply according to the reason that affected supply. Write the number of the headline next to the reason for the change in supply. In some cases, more than one headline could be matched to a reason.

- _____ A change in the cost of production
- _____ A change in technology
- _____ Natural disaster/other event that causes decrease in production
- _____ Government policies
- _____ # of Sellers

Reasons for Changes in Supply

Part A

Read the eight newspaper headlines in Figure 13.2, 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 13.1 to help you. Always start at curve B, and move only one curve at a time. Two headlines imply that the supply of cars does not change.

Figure 13.1
Supply of Foreign and Domestic Cars

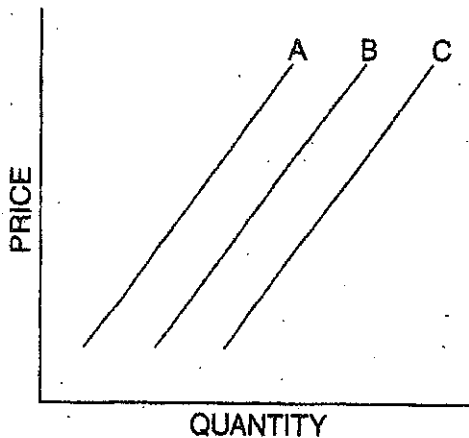


Figure 13.2

Headline	Supply Shift? (Y/N)	If Supply Shifts, Inc/Dec?	Curve Shifts Left/Right?	New Curve
1. Auto Workers' Union Agrees to Wage Cuts				
2. New Robot Technology Increases Efficiency				
3. Nationwide Auto Strike Began at Midnight				
4. New Import Quotas Reduce Foreign Car Imports				
5. Cost of Steel Rises				
6. Auto Producer Goes Bankrupt; Closes Operation				
7. Buyers Reject New Models				
8. National Income Rises 2%				

From *Master Curriculum Guide in Economics: Teaching Strategies for High School Economics Courses* (New York: National Council on Economic Education, 1985), p. 69