

Reasons for Changes in Demand

Part A: Does the Demand Curve Shift?

Read the eight newspaper headlines in Table 1-5.1, and use the table to record the impact of each event on the demand for U.S.-made autos. In the second column, indicate whether the event in the headline will cause consumers to buy more or less U.S.-made autos. Use the third column to indicate whether there is a change in demand (ΔD) or a change in quantity demanded (ΔQ_d) for U.S.-made autos. In the third column, decide whether the demand curve shifts to the right or left or does not shift. Finally, indicate the letter for the new demand curve. Use Figure 1-5.1 to help you. **Always start at curve B**, and move only one curve at a time.



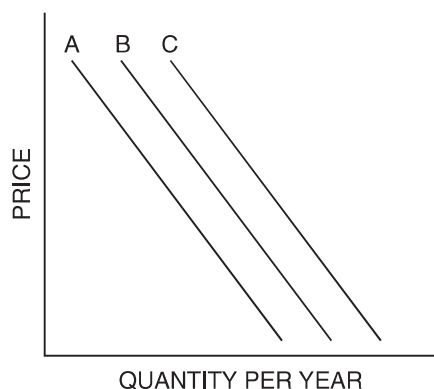
Table 1-5.1

Impact of Events on Demand for U.S.-Made Autos

Headline	Will consumers buy more or less U.S. autos?	Is there a change in demand (ΔD) or a change in quantity demanded (ΔQ_d)?	Does the demand curve for U.S. autos shift to the right or left or not shift?	What is the new demand curve for U.S. autos?
1. Consumers' Income Drops	<i>More / Less</i>	$\Delta D / \Delta Q_d$	<i>Right / Left / No Shift</i>	<i>A / B / C</i>
2. Millions of Immigrants Enter the U.S.	<i>More / Less</i>	$\Delta D / \Delta Q_d$	<i>Right / Left / No Shift</i>	<i>A / B / C</i>
3. Price of Foreign Autos Drop	<i>More / Less</i>	$\Delta D / \Delta Q_d$	<i>Right / Left / No Shift</i>	<i>A / B / C</i>
4. Major Cities Add Inexpensive Bus Lines	<i>More / Less</i>	$\Delta D / \Delta Q_d$	<i>Right / Left / No Shift</i>	<i>A / B / C</i>
5. Price of U.S. Autos Rises	<i>More / Less</i>	$\Delta D / \Delta Q_d$	<i>Right / Left / No Shift</i>	<i>A / B / C</i>
6. Price of U.S. Autos Expected to Rise Soon	<i>More / Less</i>	$\Delta D / Q_d$	<i>Right / Left / No Shift</i>	<i>A / B / C</i>
7. Families Look Forward to Summer Vacations	<i>More / Less</i>	$\Delta D / \Delta Q_d$	<i>Right / Left / No Shift</i>	<i>A / B / C</i>
8. U.S. Auto Firms Launch Effective Ad Campaigns	<i>More / Less</i>	$\Delta D / \Delta Q_d$	<i>Right / Left / No Shift</i>	<i>A / B / C</i>



Figure 1-5.1
Demand for U.S.-Made Autos



Part B: Why Does the Demand Curve Shift?

Categorize each change in demand in Part A according to the reason why demand changed. A given demand curve assumes that consumer expectations, consumer tastes, the number of consumers in the market, the income of consumers, and the prices of substitutes and complements are unchanged. In Table 1-5.2, place an X next to the reason that the event described in the headline caused a change in demand. One headline will have no answer because it will result in a change in quantity demanded rather than a change in demand.



Table 1-5.2
Reasons for a Change in Demand for U.S.-Made Autos

Reason	Headline number							
	1	2	3	4	5	6	7	8
9. A change in consumer expectations								
10. A change in consumer tastes								
11. A change in the number of consumer in the market								
12. A change in income								
13. A change in the price of a substitute good								
14. A change in the price of a complementary good								