

Reasons for Changes in Supply

Part A: Does the Supply Curve Shift?

Read the eight newspaper headlines in Table 1-7.1, and use the table to record the impact of each event on the supply of cars from U.S. auto producers. In the second column, indicate whether the event in the headline will cause American auto producers to provide more or less cars. Use the third column to indicate whether there is a change in supply (ΔS) or a change in quantity supplied (ΔQ_s) of cars. In the third column, decide whether the supply curve shifts to the right or left or does not shift. Finally, indicate 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.



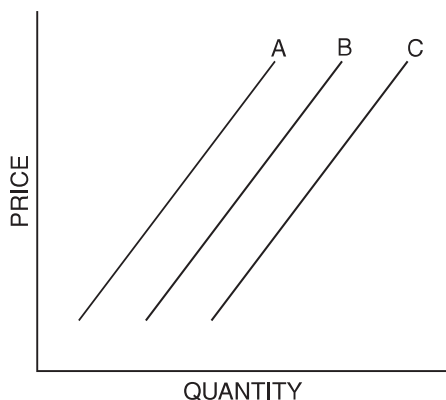
Table 1-7.1

Impact of Events on Supply of U.S.-Made Autos

Headline	Should U.S. auto firms produce more or less?	Is there a change in supply (ΔS) or a change in quantity supplied (ΔQ_s)?	Does the supply curve of cars shift to the right or left or not shift?	What is the new supply curve for cars?
1. Auto Workers' Union Agrees to Wage Cuts	<i>More / Less</i>	$\Delta S / \Delta Q_s$	<i>Right / Left / No Shift</i>	<i>A / B / C</i>
2. New Robot Technology Increases Efficiency	<i>More / Less</i>	$\Delta S / \Delta Q_s$	<i>Right / Left / No Shift</i>	<i>A / B / C</i>
3. Price of U.S. Cars Increases	<i>More / Less</i>	$\Delta S / \Delta Q_s$	<i>Right / Left / No Shift</i>	<i>A / B / C</i>
4. Nationwide Auto Workers Strike Begins	<i>More / Less</i>	$\Delta S / \Delta Q_s$	<i>Right / Left / No Shift</i>	<i>A / B / C</i>
5. Cost of Steel Decreases	<i>More / Less</i>	$\Delta S / \Delta Q_s$	<i>Right / Left / No Shift</i>	<i>A / B / C</i>
6. Major Auto Producer Goes Out of Business	<i>More / Less</i>	$\Delta S / \Delta Q_s$	<i>Right / Left / No Shift</i>	<i>A / B / C</i>
7. Buyers Reject New Car Models	<i>More / Less</i>	$\Delta S / \Delta Q_s$	<i>Right / Left / No Shift</i>	<i>A / B / C</i>
8. Government Gives Car Producers a Subsidy	<i>More / Less</i>	$\Delta S / \Delta Q_s$	<i>Right / Left / No Shift</i>	<i>A / B / C</i>



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



Part B: Why Does the Supply Curve Shift?

Categorize each change in supply in Part A according to the reason why supply changed. In Table 1-7.2, place an X next to the reason that the headline indicated a change in supply. In some cases, more than one headline could be matched to a reason. It is possible a headline does not indicate a shift in supply because it will result in a change in quantity supplied rather than a change in supply.



Table 1-7.2
Impact of Events on Supply of U.S.-Made Autos

Reason	Headline number							
	1	2	3	4	5	6	7	8
9. A change in costs of inputs to production process								
10. A change in technology								
11. A change in the number of producers in the market								
12. Government policies								