

Textbook Chapter 4

1. Explain in your own words how changes in supply occur.

2. Look at Figure 4-3 on page 66 to answer these questions.

At \$1.20 per bar, how many bars was Candy City willing to produce on the original (pink) line? _____

At that same price, how many bars are they willing to produce on the new (gray) line? _____

The original pink line shows that Candy City was producing 3,500 candy bars that sold for \$1.00 each. The new gray line shows that the company is now willing to produce 4,500 candy bars that will also sell for \$1.00 each. Name a reason that you can think of why Candy City would be willing to produce more bars that still only sell for \$1.00 per bar.

3. What is the difference between **change in quantity supplied** and **change in supply**?

4. A supply curve slopes upward and to the right (a positive slope). This indicates that greater the

_____ consumers are willing to _____, the greater the _____ firms are willing to _____.

5. Write the law of supply here:

6. Will a shortage always occur when the price of a good is held below its equilibrium price?

7. Decisions have consequences. Business firms can't just arbitrarily set prices wherever they want, nor can governments or suppliers or employees. **What would happen next** in each of the following situations?

A. A manufacturer decides that labor costs have risen too high for the company to be profitable, so the CEO decides to cut salaries by 20%.

B. A furniture company finds that pine is cheaper than oak, and begins to make its furniture out of pine, which is not as strong as oak (breaks/dents more easily) and doesn't have the same look.

C. An ingredient for a popular soda goes up in price, so the soda company doubles the price of its soda.

D. An insurance employer prefers to hire pretty young female workers, so that's all he hires.

E. Cafeteria employees of a hospital system read news articles about airline pilots who are striking for higher pay, and receiving it. They decide to give their employer an ultimatum: Pay us 50% more or we quit!
