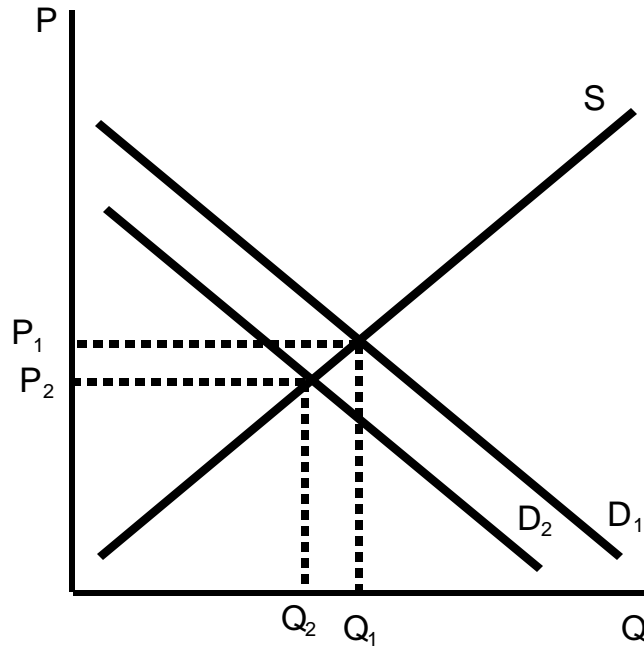


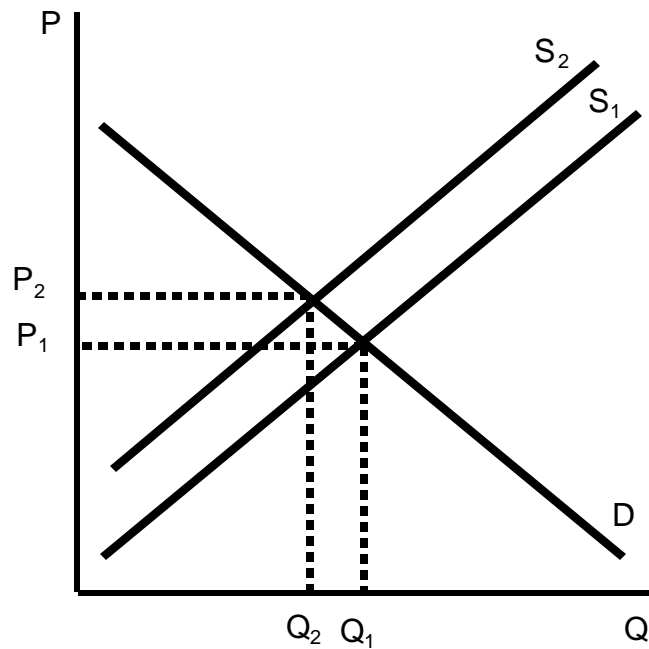
### Solutions to the Supplemental Supply and Demand Problems

1. Draw "normal" supply and demand curves for the US market for Ford Explorers (a type of SUV). Identify the equilibrium price and quantity. Now, in the same diagram, represent the following:

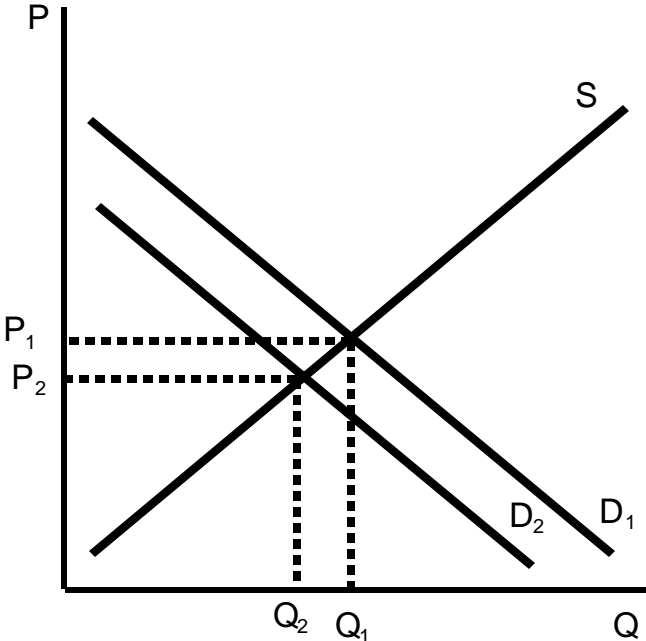
a. News stories show that Explorers have a greater likelihood of rolling over than previously thought.



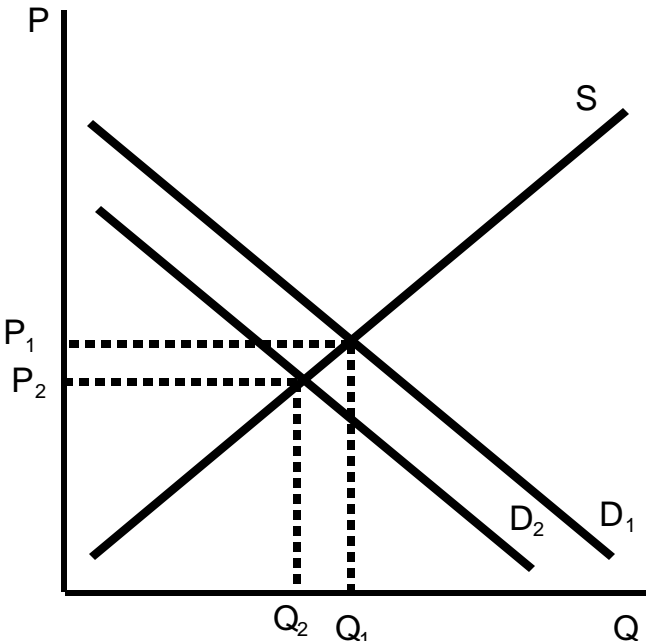
b. Ford workers threaten to strike and win a large wage increase.



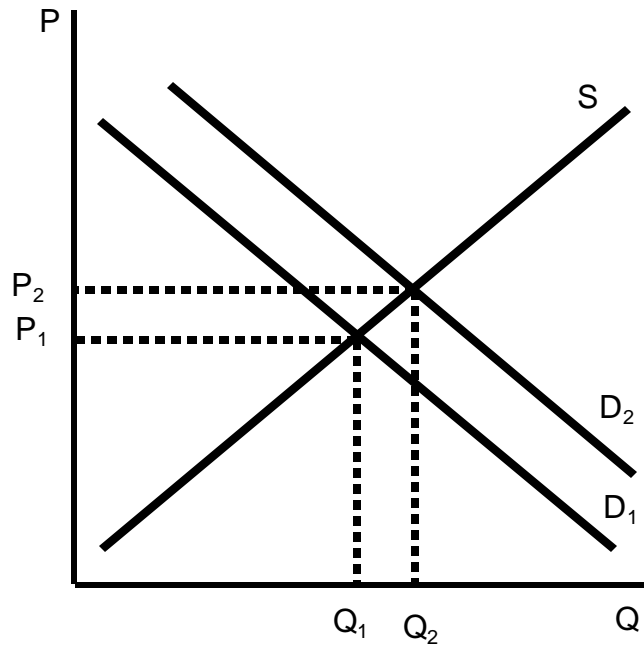
c. Subaru introduces a new line of popular, large-body SUVs.



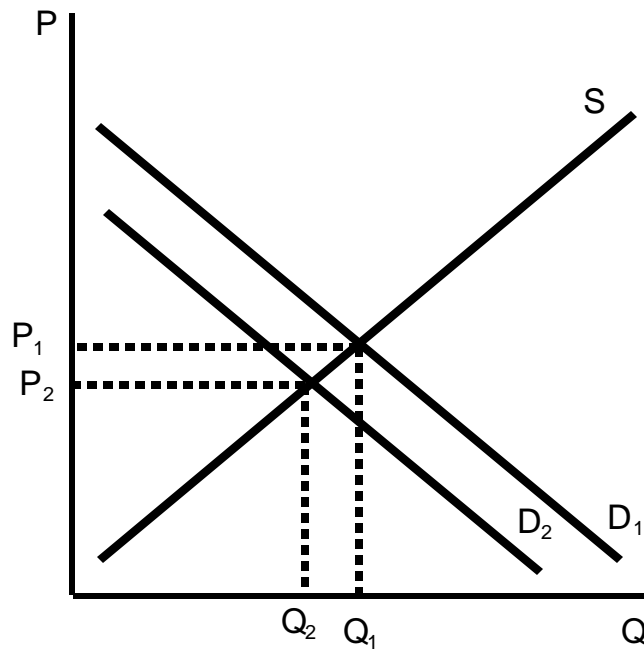
d. Despite efforts to bolster the economy, the US plunges into a deep recession.



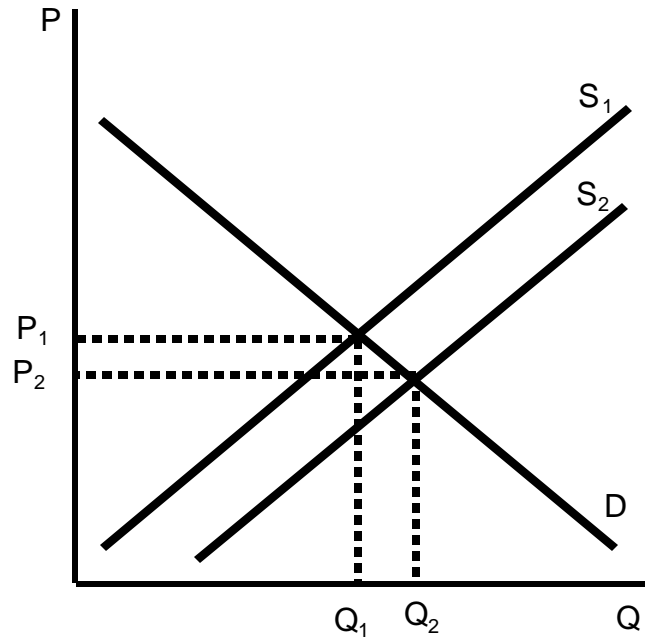
2. Draw normal supply and demand curves for the US market for organic carrots. Identify the equilibrium price and quantity. Now, in the same diagram, represent:  
 a. Because of a big increase in military spending, the US economy rebounds; unemployment falls while wages rise.



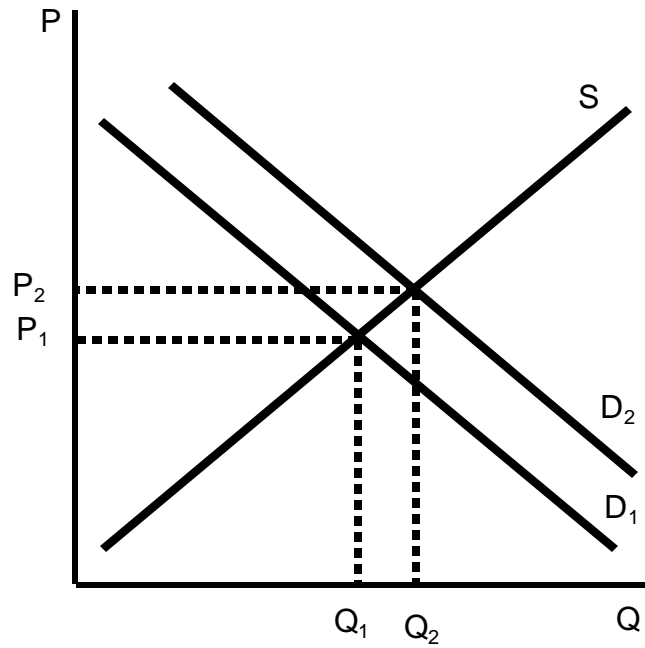
b. The chemical industry launches a successful multi-billion dollar campaign to convince consumers that pesticide residues are safe.



c. New organic produce ventures are begun in Mexico for export to the US market.

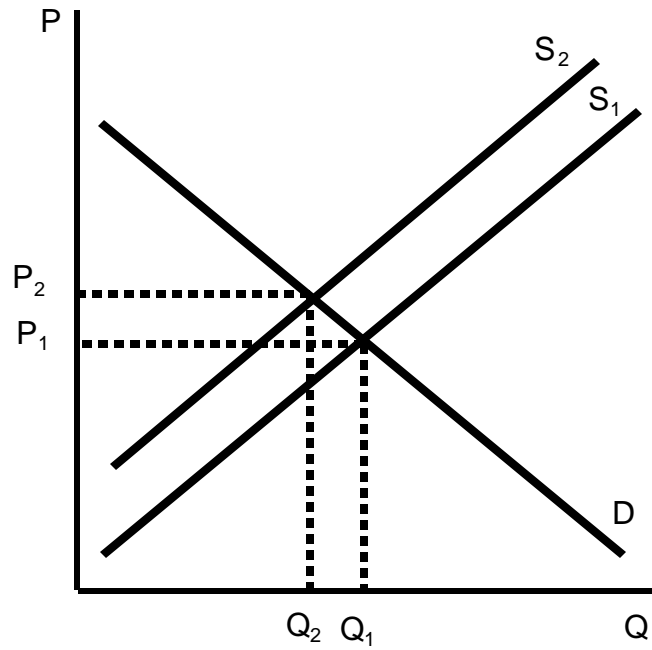


d. The federal government requires all public schools to buy only organic produce.

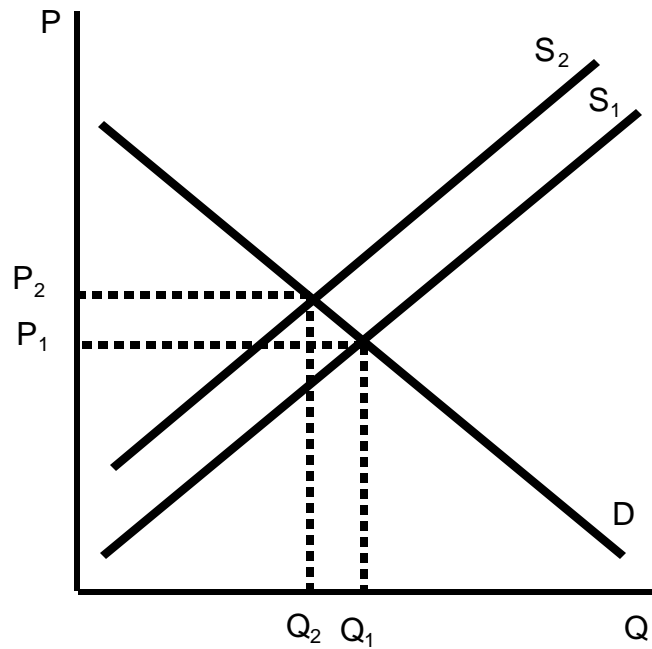


3. Draw normal supply and demand curves for the US market for old growth timber. Identify the equilibrium price and quantity. Now, in the same diagram, represent:

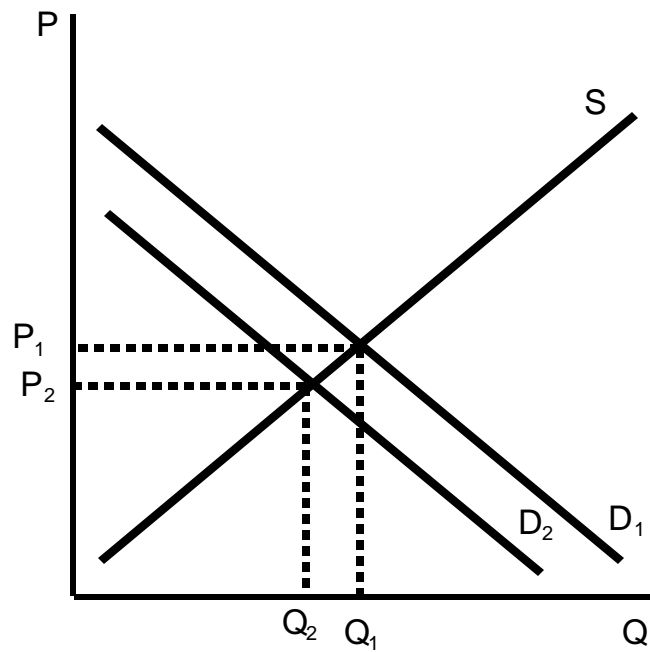
a. The US Forest Service imposes a ban on all further logging of old growth in the US.



b. Groups of angry environmentalists stage large, noisy demonstrations at companies that harvest or sell old growth.



c. Environmentalists place prominent ads on TV explaining why consumers should not buy products containing old growth.



d. Due to economic growth, there is an upsurge in new housing starts.

