

## Impact of Shifts in Supply and Demand Answers

**Directions:** For each of the following scenarios, predict what will happen in the auto market and the related markets listed. Label the axes and draw supply and demand curves. Then identify each shifter and show the resulting changes in equilibrium price and quantity.

- Henry Ford introduces innovations that reduce the cost of producing a Model T.
  - Supply of Model T shifts right. P decreases; Q increases*
  - Demand for auto workers shifts right. P increases; Q increases*
  - Demand for roads shifts right. P increases; Q increases*
  - Demand for horses shifts left. P decreases; Q decreases*
- The price of gas rises dramatically in the 1970s.
  - Demand for large cars shifts left. P decreases; Q decreases*
  - Demand for commuter trains shifts right. P increases; Q increases*
  - Demand for auto glass shifts left. P decreases; Q increases*
  - Supply of wheat shifts left (transportation costs). P increases; Q decreases*
- American auto workers go on strike to protest working conditions in factories.
  - Supply of American cars shifts left. P increases; Q decreases*
  - Demand for foreign cars shifts right. P increases; Q increases*
  - Demand for restaurant meals shifts left (normal good, incomes have decreased). P decreases; Q decreases*
  - Demand for auto-making robots shifts right. P increases; Q increases*
- The United States imposes tariffs on imported steel, causing higher steel prices throughout the United States.
  - Supply of American cars shifts left. P increases; Q decreases*
  - Demand for auto workers shifts left. P decreases; Q decreases*
  - Demand for tires shifts left. P decreases; Q decreases*
  - Demand for steelworkers shifts right. P increases; Q increases*
- American cities build more public transportation and reduce the number of parking spaces downtown, causing fewer consumers to demand new cars.
  - Demand for cars shifts left. P decreases; Q decreases*
  - Demand for auto workers shifts left. P decreases; Q decreases*
  - Demand for auto glass shifts left. P decreases; Q decreases*
  - Demand for gasoline shifts left. P decreases; Q decreases*