

# How Changes in Gas Prices Affect Demand and Supply Answer Key

### Class Discussion Questions:

What goods and services were exchanged in the Product Market?

Cars, trucks, etc.

Who were the buyers? Households or Businesses?

Households

Who were the sellers? Households or Businesses?

Businesses

What was exchanged in the Factor Market?

Factors of Production/Resources to build and equip the vehicles produced; wages for employees

Who were the buyers of these resources? Households or Businesses?

Businesses

Who were the sellers? Households or Businesses?

Households

How did the change in demand for vehicles impact the allocation of resources?

Factors of Production/Resources were re-allocated from building small, fuel efficient cars to building trucks and SUVs

What can you conclude from this situation?

When **more** (more/less) large vehicles were demanded in the Product Market, Business allocated **more** (more/less) resources to produce them.

When **less** (more/less) small cars were demanded in the Product Market, Business allocated **less** (more/less) resources to produce them.

What would happen to the resources used to produce tires for small cars at this time?

Resources would be re-allocated to produce tires for larger vehicles.