Demand and Supply Practice
Use economic analysis to determine what happens to the price and quantity of cereal in each scenario.

#	Change	Graph	Economic Analysis
1		P	1. Draw and Label Equilibrium:
			2. The Change:
	The workers who produce		Supply or Demand
	cereal go on strike.		Increase or Decrease
			Shifter
		a	3. After: Price Quantity
2		P	1. Draw and Label Equilibrium:
	The economy goes into a		2. The Change:
	recession causing incomes to decrease		Supply or Demand
	(Assume cereal is a		Increase or Decrease
	normal good).		Shifter
	normar good).	a	3. After: Price Quantity
3		P	1. Draw and Label Equilibrium:
	The price of milk, a		2. The Change:
	complement to cereal,		Supply or Demand
	decreases (Analyze		Increase or Decrease
	cereal).		Shifter
		Q Q	3. After: Price Quantity
4.		P	1. Draw and Label Equilibrium:
	The price of wheat and		2. The Change:
	corn, key resources in the		Supply or Demand
	production of cereal,		Increase or Decrease
	decreases.		Shifter
		a	3. After: Price Quantity
5.		P	1. Draw and Label Equilibrium:
			2. The Change:
	Cereal producers increase		Supply or Demand
	the price of cereal.		Increase or Decrease
			Shifter
		Q Q	3. After: Price Quantity
6.	A reputable private	P	1. Draw and Label Equilibrium:
	research institute		2. The Change:
	announces that children		Supply or Demand
	who eat cereal improve		Increase or Decrease
	their grades in school.		Shifter
7.		Q	3. After: Price Quantity
/•		P	Draw and Label Equilibrium:
	The government places a		2. The Change:
	per-unit tax on cereal		Supply or Demand
	manufacturers.		Increase or Decrease
			Shifter
		Q a	3. After: Price Quantity

8.			
0.		P	Draw and Label Equilibrium:
	An improvement in		2. The Change:
	equipment and		Supply or Demand
	technology for cereal		Increase or Decrease
	firms.		Shifter
		Q	3. After: Price Quantity
9.		P	1. Draw and Label Equilibrium:
	The supply of eggs, a		2. The Change:
	close substitute of cereal,		Supply or Demand
	increases. (Analyze		Increase or Decrease
	cereal)		Shifter
		Q	3. After: Price Quantity
10		P	1. Draw and Label Equilibrium:
	An increase in population		2. The Change:
	leading to an increase in		Supply or Demand
	cereal customers		Increase or Decrease
			Shifter
		Q	3. After: Price Quantity
11	In order to promote	P	1. Draw and Label Equilibrium:
	American production, the		2. The Change:
	government subsidizes		Supply or Demand
	cereal producers.		Increase or Decrease
	(Analyze only American		Shifter
	firms)	Q	3. After: Price Quantity
12		P	Draw and Label Equilibrium:
			2. The Change:
	New firms begin to start		Supply or Demand
	making cereal (Analyze		Increase or Decrease
	the entire industry).		Shifter
		Q	3. After: Price Quantity
13		P	Draw and Label Equilibrium:
			2. The Change:
	The government		Supply or Demand
	establishes a binding		Increase or Decrease
	price ceiling for cereal.		Shifter
		a	3. After: Price Quantity
14	The popularity of the	P	Draw and Label Equilibrium:
	cereal increases at the		2. The Change:
	same time new		
	technology lowers		Demand- Up or Down Shifter-
	production costs.		Supply- Up or Down Shifter-
	(Double Shift)		3. After: Price Quantity