Name:

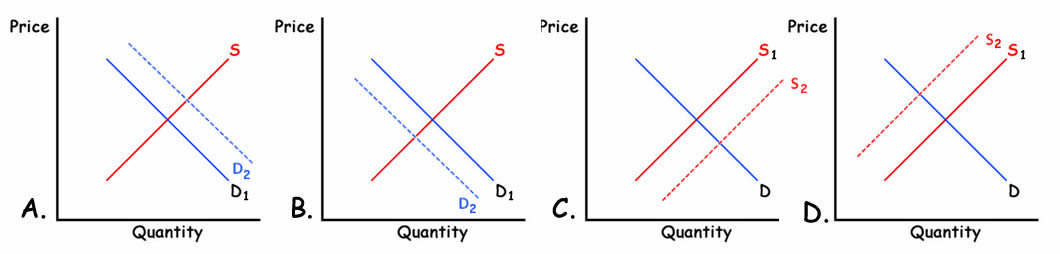
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3.06 Market Equilibrium

Total Points: 48



**Complete this activity in the table beginning on the next page.**

* **Determine how the market for the product in Column 1 is affected by the event in Column 2.**
* **Follow the five examples provided to you to complete column 3 as shown. Your answer choices for Column 3 are one of the following letters: T, R, I, B, E, R, O, T, T, E, N.**
* **For column 4, select the correct supply and demand graph above (A, B, C, or D) for each of the situations listed in the table.**
* **For each situation, assume that supply and demand are in a state of equilibrium to start.**

| **Product** | **Event** | **What non-price determinant is causing the curve to shift? Choose the specific letter in the correct acronym.**  **Hint: TRIBE affects demand and ROTTEN affects supply.** | **Answer** |
| --- | --- | --- | --- |
| ***Example: Oranges*** | ***A drought destroys half of the crop.*** | ***Supply is affected so choose ROTTEN. Answer is R for resource costs have increased.*** | ***D*** |
| 1. **Fast Food Restaurants** | The minimum wage is raised to $15. |  |  |
| 1. **T-bone Steaks** | Personal Income Tax rate reduction. | Demand is affected so choose TRIBE. Answer is **I** for income has increased. |  |
| 1. **Movie Popcorn** | The price of movie tickets increases. |  |  |
| 1. **Disney World hotels** | Disney World increases ticket prices. |  |  |
| 1. **New Housing Construction** | The cost of lumber decreases. | Supply is affected so choose ROTTEN. Answer is **R** for resource costs have decreased. |  |
| 1. **Pepsi** | The price of Coca Cola increases. |  |  |
| 1. **Firewood** | Your local TV weather reporter says “Snow is likely.” |  |  |
| 1. **Normal Goods** | People receive a 20% pay increase. |  |  |
| 1. **Inferior Goods** | People receive a 20% pay increase. | Demand is affected so choose TRIBE. Answer is **R** for related products (substitutes) expectations. |  |
| 1. **Samsung Galaxy phones** | Apple iPhone 6 lowers its prices. |  |  |
| 1. **Light bulbs** | The government places a tax on light bulb filaments. |  |  |
| 1. **Any business** | A wave of optimism sweeps the country causing everyone to whistle why they work. | Demand is affected so choose TRIBE. Answer is **E** for expectations. |  |
| 1. **Fireworks** | The government subsidizes the production of fireworks. |  |  |
| 1. **Soybeans** | A new tractor is invented that cuts harvesting time in half. |  |  |