

# [People so they are changes in demand,](https://assignbuster.com/people-so-they-are-changes-in-demand/)

People looking to trade in their old car for money off of their new car becomediscouraged with the low trade in value, and decide either not to buy a new carat all or to buy a cheaper model. The lower car sales is a reduction in demand, because the decrease in resale value of used cars is not changing the prices ofthe new cars, as a change in quantity demanded would suggest, it is changingwhat people are willing to pay for the cars. A graph of the new demand curvewould actually be shifted to the left of the old demand curve, because the priceof new cars has not changed, but the number of new cars being sold has changed.

2. Escalating consumer debt, higher interest rates, and slow growth in realincome are all making it difficult for consumers to purchase cars. These factorsalso are not changing the price of cars, and so they are changes in demand, notquantity demanded. In other words, these factors are shifting the entire demandcurve to the left. 3.

Ford and Toyota are making the price of buying a new carcheaper, hoping that more people will want to purchase new cars. This is anattempt to change the quantity demanded. Ford and Toyota are hoping that theirefforts will move them downward on a demand curve, hence more will people buythe less-expensive new cars. An advertising campaign. If Toyota and Ford were tostart a new advertising campaign, they would be attempting to change the demand.

With a new advertising campaign, the car companies are hoping that the demandcurve would shift back to the right and more people would buy the cars they aremaking at a price that returns their profit to its original level. Answers to” Use Your Economic Reasoning” on pages 82 & 83 1. The U. S. hasalready mined most of its high-quality, accessible natural resource deposits. Other countries still have many high-quality, accessible deposits of naturalresources. 2.

Technology is helping U. S. firms to lower costs, by increasingtheir productivity while decreasing their human labor force.

Using technology, the productivity of each employee within the firm is very high. The pay role foremployees is less simply, because there are much fewer employees, but theprofits of the company increase, because the productivity increases. 3. Technological advances in the mining industry are not changing the prices of theproducts, but they are changing the amount of product produced. The coalindustry wants to sell more products at the same price, thereby moving thedemand curve to the right. This is a change in supply not in quantity supplied. Answers to “ Use Your Economic Reasoning” on pages 92 & 93 1. SeeGraphs at bottom of next page.

As the demand was going up for students withcollege degrees the supply was not able to keep up. More and more companies werewilling and able to pay for college educated people, but there were not enoughcollege graduates to “ go around.” So the companies that got thecollege graduates were the ones who were willing to pay the most money. Theseinflated the entire market of incomes for college graduates, because the demandwas so much greater than the supply.

2. Now we will find that the supply ofcollege graduates is gradually catching up to the demand for them. Unless thedemand for college graduates continues to grow, as I suspect and hope it will, we will reach an equilibrium were the only difference in pay between high schooland college graduates will be the cost of going to college.

In this case, theamount that people are willing to pay for a college graduate will not be as highbecause there are a lot more college graduates in the market. The supply willalso level out, because high school students will no longer believe that it isto their advantage to go to college, because the incentive is not that great. Answers to 1, 2, & 7 of “ Problems and Question for Discussion” onpages 104 & 105 1. To me a need is something that you literally can not livewithout.

If you have the ability to pay for a need, then you had better pay forit–needs are not really a choice. Needs are not things we choose, needs arethings that are existence as humans force upon us. Clearly the girl who won’tbuy a shirt because she