

People so they are
changes in demand,



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People looking to trade in their old car for money off of their new car become discouraged with the low trade in value, and decide either not to buy a new car at 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 of the new cars, as a change in quantity demanded would suggest, it is changing what people are willing to pay for the cars. A graph of the new demand curve would actually be shifted to the left of the old demand curve, because the price of 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 real income are all making it difficult for consumers to purchase cars. These factors also are not changing the price of cars, and so they are changes in demand, not quantity demanded. In other words, these factors are shifting the entire demand curve to the left. 3.

Ford and Toyota are making the price of buying a new car cheaper, hoping that more people will want to purchase new cars. This is an attempt to change the quantity demanded. Ford and Toyota are hoping that their efforts will move them downward on a demand curve, hence more will people buy the less-expensive new cars. An advertising campaign. If Toyota and Ford were to start a new advertising campaign, they would be attempting to change the demand.

With a new advertising campaign, the car companies are hoping that the demand curve would shift back to the right and more people would buy the cars they are making 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. has already mined most of its high-quality, accessible natural resource deposits. Other countries still have many high-quality, accessible deposits of natural resources.
- 2.

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

Using technology, the productivity of each employee within the firm is very high. The pay role for employees is less simply, because there are much fewer employees, but the profits of the company increase, because the productivity increases.

3. Technological advances in the mining industry are not changing the prices of the products, but they are changing the amount of product produced. The coal industry wants to sell more products at the same price, thereby moving the demand 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. See Graphs at bottom of next page.

As the demand was going up for students with college degrees the supply was not able to keep up. More and more companies were willing and able to pay for college educated people, but there were not enough college graduates to "go around." So the companies that got the college graduates were the ones who were willing to pay the most money. This inflated the entire market of incomes for college graduates, because the demand was so much greater than the supply.

2. Now we will find that the supply of college graduates is gradually catching up to the demand for them. Unless the demand for college graduates

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continues to grow, as I suspect and hope it will, we will reach an equilibrium where the only difference in pay between high school and college graduates will be the cost of going to college.

In this case, the amount that people are willing to pay for a college graduate will not be as high because there are a lot more college graduates in the market. The supply will also level out, because high school students will no longer believe that it is to their advantage to go to college, because the incentive is not that great. Answers to 1, 2, & 7 of "Problems and Questions for Discussion" on pages 104 & 105. 1. To me a need is something that you literally can not live without.

If you have the ability to pay for a need, then you had better pay for it—needs are not really a choice. Needs are not things we choose, needs are things that exist as humans force upon us. Clearly the girl who won't buy a shirt because she