Review of Demand and Supply

Which of these will shift your demand for coffee? Which will shift supply? What will be the effect on the equilibrium price and quantity?

a. Study announcing health problems associated with coffee

b. A hot summer in the US (temperatures unchanged in coffee producing countries)

c. A new technique that make coffee production cheaper

d. You win the lottery and have more disposable income

e. A decrease in the price of tea

f. An increase in the price of cream and sugar (you hate drinking it black)

g. Unionization of coffee workers that raises their wages

h. Decrease in price of fertilizer used to grow coffee

i. An increase in the price of coffee
What is wrong with these statements?

1. When the price of corn feed rises, farmers raise fewer pigs. This means there are fewer pork chops in supermarkets. Consumers therefore bid up the price of porkchops. This means that farmers raise more pigs. These effects net each other out and the price of porkchops is unchanged.

2. If the price of artwork goes up, we know that the supply has increased.

3. Though sales of homes are down in San Jose, the price continues to rise. This is a violation of the law of supply and demand.

4. When demand for parrots exceeds the supply, prices for parrots remain high.

5. When the baby-boomers retire, this will lead to a shortage of workers in many occupations. Perhaps as many as 25% of jobs will go unfilled.

6. “The rules of classical economics just don't seem to operate very well on the farm. When prices fall, for example, it would make sense for farmers to cut back on production, shrinking the supply of food to drive up its price. But in reality, farmers do precisely the opposite, planting and harvesting more food to keep their total income from falling, a practice that of course depresses prices even further.”

7. OPEC restricts oil production, forcing the rest of the world to overproduce high-cost oil, which keeps the current oil prices too high. This masks many changes in long term supply of oil.