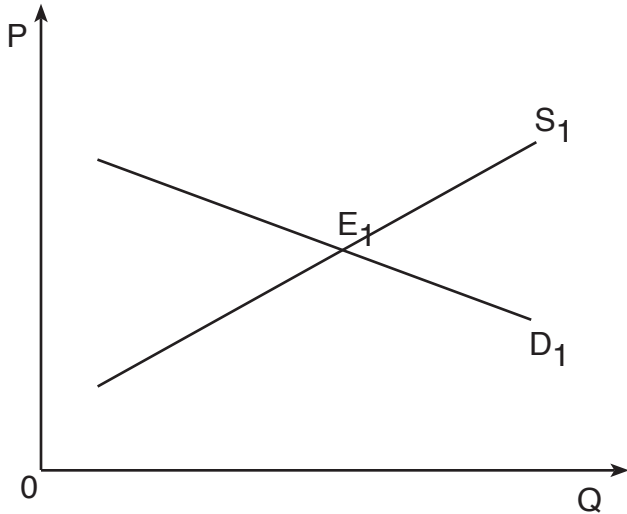


Name: _____ Date: _____ Problem Set 2

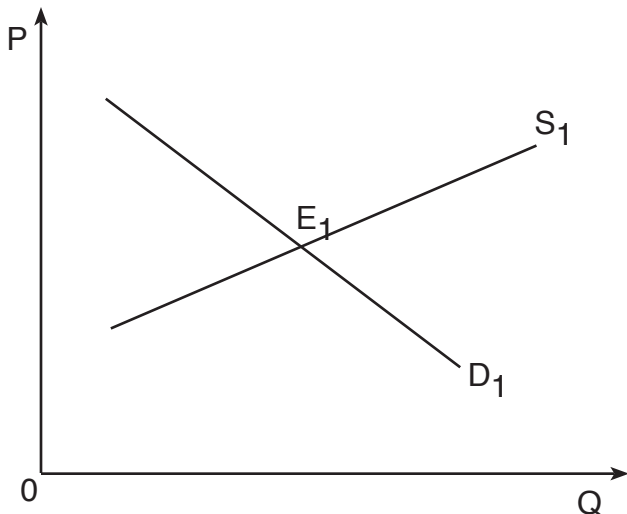
Graphically show what affect the headlines will have on the Supply and Demand curves. Explain why this occurs. Label the new curve(s), new equilibrium, new price and quantities. Explain what has happened to the Price and Quantity (Increase, Decrease, Remains the Same).



1. This graph illustrates the supply and demand for milk.

Today's Headline:

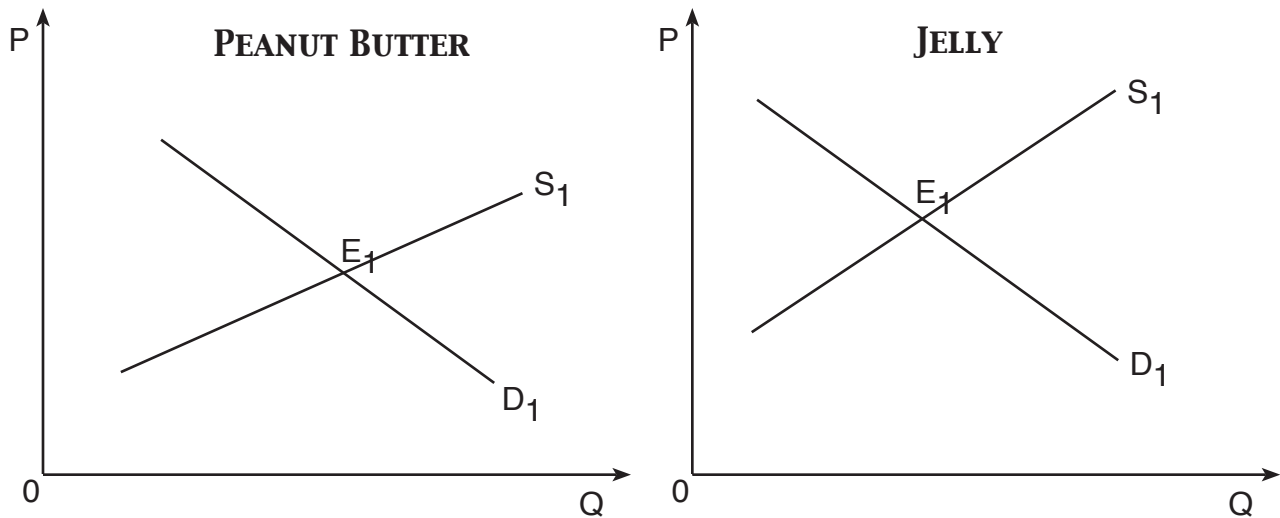
**“IMMIGRATION LAWS LOOSEN UP,
1 MILLION REFUGEES ALLOWED TO
ENTER THE US”**



2. This graph illustrates the supply and demand for Ford Explorers.

Today's Headlines:

**“AUTOWORKERS UNION WINS PAY
RAISE!”
&
“EXPLORER'S FAULTY TIRES CAUSE
HIGHWAY FATALITIES”**



3. These graphs illustrate the supply and demand for Peanut Butter and Jelly.

Today's Headlines:

“NABISCO ENTERS THE PEANUT BUTTER MARKET TODAY”

Answer the following:

The Coca-Cola production plant in Atlanta, GA expands by 20,000 ft².

1. What affect will this have on the price of Coca-Cola? Why?
2. What affect will this have on the price of Snapple? Why?