

Class questions

Question 1

A survey indicated that chocolate is Americas' favorite ice cream flavor. For each following, indicate the possible effects on demand, supply, or both as well as equilibrium price and quantity of chocolate ice cream

- A severe drought in the Midwest causes dairy farmers to reduce the number of milk-producing cattle in their herds by a third. These dairy farmers supply cream that is used to manufacture chocolate ice cream.

- A new report by the American Medical Association reveals that chocolate does, in fact, have significant health benefits.

- The discovery of cheaper synthetic vanilla flavoring lowers the price of vanilla ice cream

- New Technology for mixing and freezing ice cream lowers manufacturer's costs of producing chocolate ice cream

Question 2

In a supply and demand diagram, draw the shift of the demand curve for hamburgers in your hometown due to the following events. In each case show the effect on equilibrium price and quantity.

- The Price of taco increases

- All hamburger sellers raise the price of their french fries

- Income falls in town. Assume that hamburgers are a normal good for most people

- Income falls in town. Assume that hamburgers are an inferior good for most people

- Hot dog stands cut the price of hot dogs