**Demand, Supply, Equilibrium**

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

a. 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.

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

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

d. New technology for mixing and freezing ice cream lowers manufacturers’ costs of producing chocolate ice cream.

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Question: Show in a diagram the effect on the demand curve, the supply curve, the equilibrium price, and the equilibrium quantity of each of the following events.

a. The market for newspapers in your town Case 1: The salaries of journalists go up. Case 2: There is a big news event in your town, which is reported in the newspapers.

b. The market for St. Louis Rams cotton T-shirts Case 1: The Rams win the Super Bowl. Case 2: The price of cotton increases.

c. The market for bagels Case 1: People realize how fattening bagels are. Case 2: People have less time to make themselves a cooked breakfast.

d. The market for the Krugman and Wells economics textbook Case 1: Your professor makes it required reading for all of his or her students. Case 2: Printing costs for textbooks are lowered by the use of synthetic paper.