Shifts in demand and supply curves

Show graphically what changes in price and quantity are to be expected in the following markets under the described circumstances:

a) Crude oil: when oil reserves decrease, it becomes harder to find and recover crude oil.

b) Air travel: concerns about air safety cause travelers to avoid air travel.

c) Train travel: concerns about air safety cause travelers to avoid air travel.

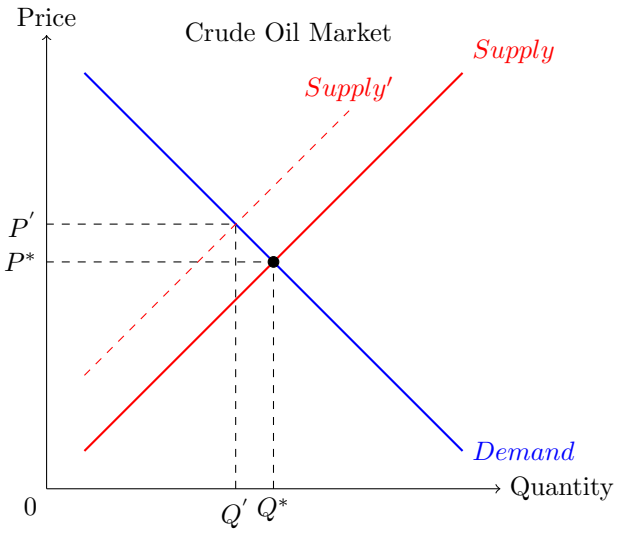
d) Hotel rooms in Hawaii: concerns about air safety cause travelers to avoid air travel.

e) Milk: a hormone resulting from genetic engineering that allows large milk producers to reduce production costs.

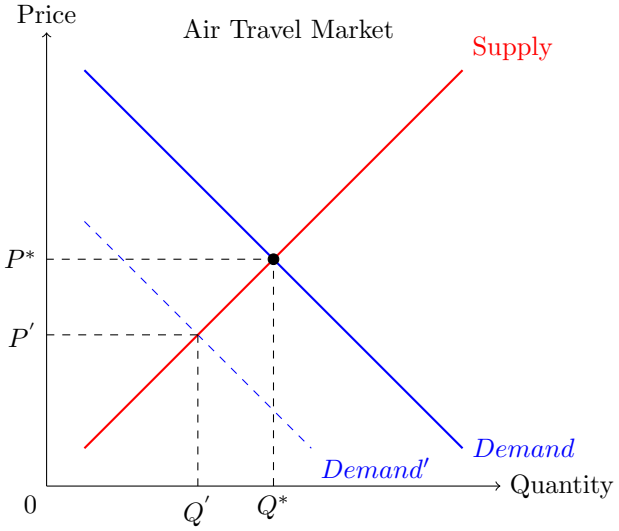
Indicate in each of the previous cases whether the effect is a change in demand or merely a change in the quantity demanded.

Solutions

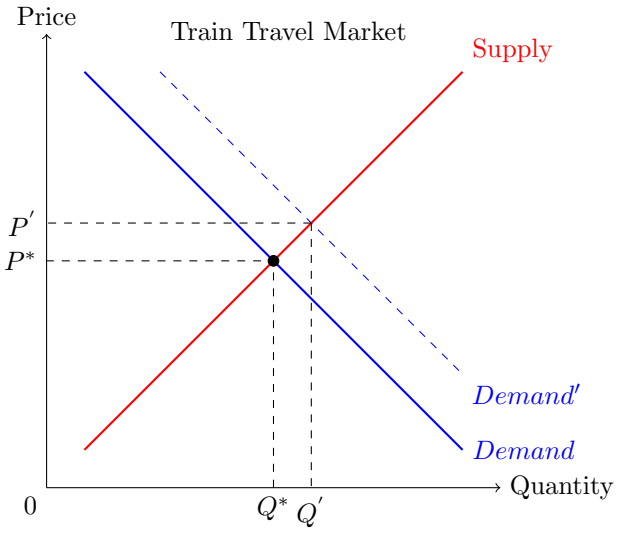
If it becomes more difficult to find and recover crude oil, then the supply decreases, which generates a price increase and a drop in the equilibrium quantity.



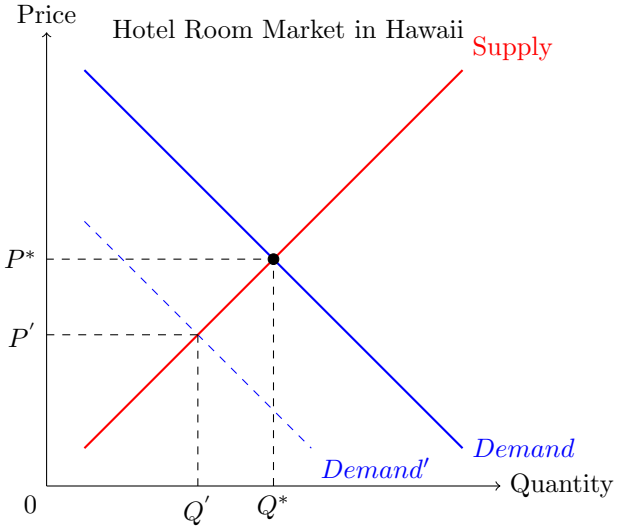
If people want to travel less by plane, the demand decreases, generating a lower price and a lower equilibrium quantity.



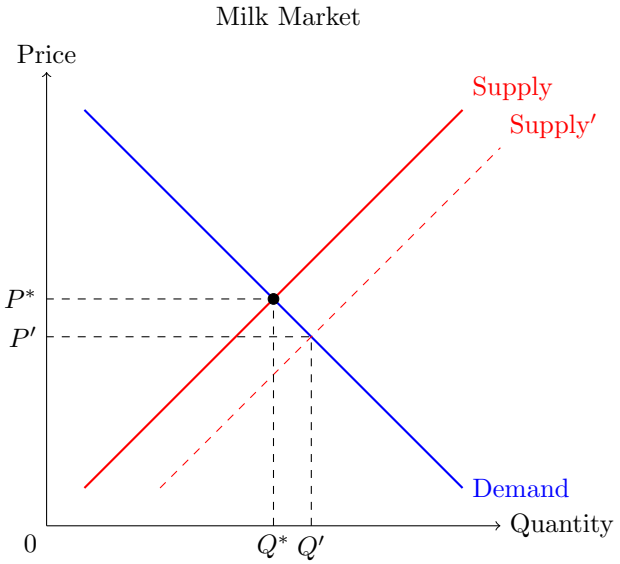
If people want to travel less by plane, then they will travel more by train. Since this is a substitute good, the demand increases, generating an increase in the equilibrium price and quantity.



If people want to travel less by plane, the demand for hotel rooms in Hawaii will also decrease, since it is a complementary good to air travel. This generates a lower price and a lower equilibrium quantity.



If producing milk becomes easier, then supply will increase, generating a lower price and a higher equilibrium quantity.



In the cases of crude oil and milk, only the quantity demanded changes, not the demand. In the cases of air travel, train travel, and hotel rooms in Hawaii, both the demand and the quantity demanded change.