

5**Identifying Shortages and Surpluses****Exercise 19***Critical Thinking*

Every day, consumers are affected by shortages and surpluses. Read the following examples. Then answer the questions.

1. You see an ad for tickets to a concert by the most popular rock star in the United States. Which is more likely to happen, a surplus or a shortage? Why?

2. You see an ad for a furniture store. "Take a seat—please! Prices cut! Everything must go!" Do you think the store has a surplus or a shortage? Why?

3. Millions of people listen to a radio talk-show hosted by a doctor. Today, the doctor reports that eating a snack food called "Eat 'em Ups" may cause an upset stomach. Recently, the makers of "Eat 'em Ups" could hardly keep up with demand for their product. What do you think might happen now, and why?

4. You turn on the TV to watch the news and learn that a resort island has been hit by a hurricane. Several big hotels and thousands of houses have been destroyed. Only a few hundred construction workers live on the island. What are two ways that supply and demand will be affected?

5. In August, you see an ad for a preseason coat sale. One coat that you like costs \$99. The ad tells you to buy now because the price will be \$149 starting November 1. How do you explain the difference in equilibrium prices?
