

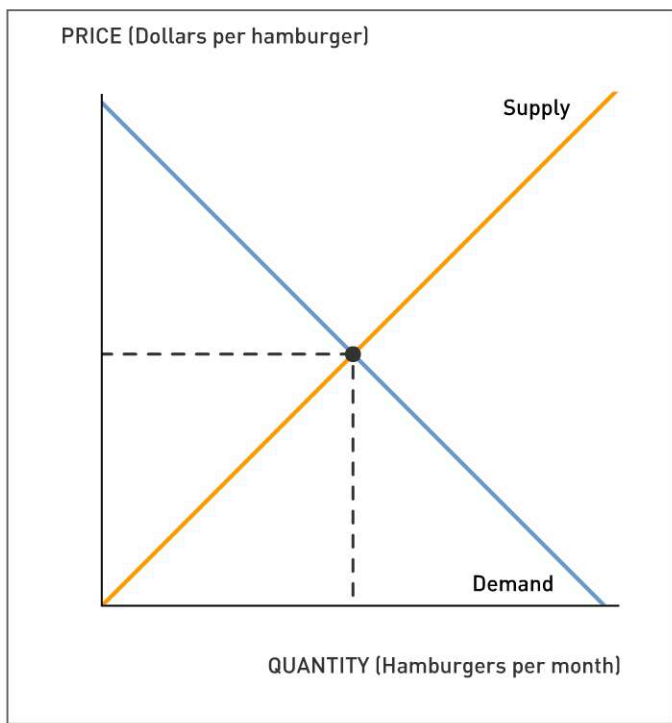
7. Another supply and demand puzzle

The market price of hamburgers in a college town increased recently, and the students in an economics class are debating the cause of the price increase. Some students suggest that the price increased because several burger joints in the area have recently gone out of business. Other students attribute the increase in the price of hamburgers to a recent increase in the price of pizza at local pizzerias.

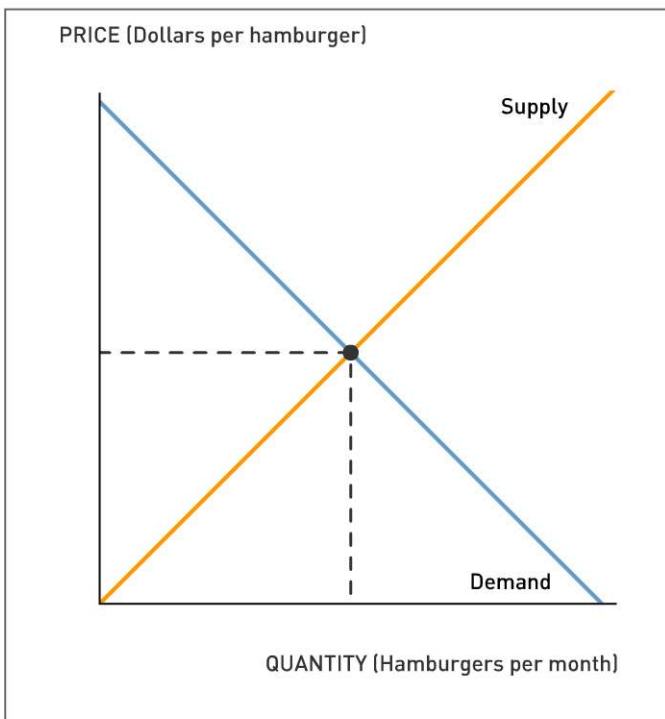
Everyone agrees that the increase in the price of pizza was caused by a recent increase in the price of pizza dough, which is not generally used in making hamburgers. Everyone also agrees that burger joints and pizzerias are entirely separate entities—that is, there aren't places that serve both hamburgers and pizza.

The first group of students thinks the increase in the price of hamburgers is due to the fact that several burger joints in the area have recently gone out of business. On the following graph, adjust the supply and demand curves to illustrate their explanation for the increase in the price of hamburgers.

Tool tip: Click and drag one or both of the curves. Curves will snap into position, so if you try to move a curve and it snaps back to its original position, just try again and drag it a little farther.



The second group of students attributes the increase in the price of hamburgers to the increase in the price of pizza. On the following graph, adjust the supply and demand curves to illustrate their claim.



Suppose that both of the events you previously analyzed are partly responsible for the increase in the price of hamburgers. Based on your analysis of the explanations offered by the two groups of students, how would you figure out which of the possible causes was the dominant cause of the increase in the price of hamburgers?

- If the price increase was small, then the supply shift in the market for hamburgers must have been larger than the demand shift.
- Whichever change occurred first must have been the primary cause of the change in the price of hamburgers.
- If the price increase was large, then the supply shift in the market for hamburgers must have been larger than the demand shift.
- If the equilibrium quantity of hamburgers increased, then the demand shift in the market for hamburgers must have been larger than the supply shift.
- If the equilibrium quantity of hamburgers increased, then the supply shift in the market for hamburgers must have been larger than the demand shift.