1. In economics, they say a picture is worth a thousand words. Below, you will find two scenarios. Your assignment is to discuss the situation by writing the solutions, and then show the solutions and how you got here in one graph or flowcharts

**Scenario One**

Supply and demand are foundational concepts in understanding economic theory. Whether you are a coffee drinker or not, you have been tasked to examine the impact of supply and demand when dealing with the coffee retail industry. A few companies probably come to mind. Pick a major coffee retailer, and then contemplate what has been happening to both the supply and demand for this product.

Next, analyze the following scenario that deals with what happened in the coffee industry at the beginning of the last decade:

In the early part of the last decade, there was an overproduction of coffee. The price dropped so low that producers' costs were higher than the market price. The reason this happened was that market prices became high before this, and the supply of coffee increased substantially. In the meantime, demand for coffee and everything else remained the same.

Coffee prices, as a supply input, went down. In the meantime, gourmet coffee houses began appearing, which began charging a premium for coffee in the period of decreasing prices. Gourmet coffee houses tend to open in high-rent areas and cater to higher income consumers. Because of the change they created for taste and preferences and the higher income market, the gourmet coffee houses had a win-win in a period of falling wholesale prices and increasing retail prices. Explain in 300words

* Explain the changes in the supply and demand creating a supply and demand curve based on the above information.
  + In this graph, be sure to demonstrate how these changes affected the price and quantity levels of supply and demand.
* Based on this analysis, how were coffee retailers faring in the marketplace?

1. **Dissecting the GDP Equation**

**Explain in 500 words**

**Part I**

Assume that Country A has a population of 500,000 and only produces 1 good: cars. Country A produces 100,000 cars per year. The people in Country A purchase 90,000 cars, but there are not enough cars to fulfill all the demand. They decide to import 50,000 more. The government buys 25,000 cars for its police force, and 10,000 cars are bought by companies to transport employees to other locations to work. They also export 65,000 cars to nearby countries for sale. Discuss the following:

* What is Country A’s GDP?
* What is the composition of GDP by percentage?
* What is the GDP per capita?
* How does this relate to Keynesian economics?

**Part II**

Go to the Bureau of Economic Analysis at [this Web site](http://bea.gov/), and look up the latest new release for real GDP. Address the following questions after reading the latest release:

* Where is the United States in the business cycle?
* What is the real GDP today?
* What is the largest component of GDP?
* What is the smallest component of GDP?
* What is the fastest growing component of GDP, and why?
* What components of GDP were involved in the change from last month to this month?
* What is the price index today?
* What caused the change?

**Please submit your assignment.**

**Reference**

U.S. Department of Commerce Bureau of Economic Analysis. (2014). *U.S. economic accounts.* Retrieved from http://bea.gov/