

### **Homework Assignment #1 Part B: New Review**

Article: "Durable-Goods Demand Rise, And Pace Expected to Continue"  
By Kemba J. Dunham  
Source: The Wall Street Journal, January 28, 2005

The main point of this article is that the demand for durable goods, which include computers, aircraft, autos, appliances and other machinery, increased by a lot last year and is expected to increase this year as well. Even with military and aircraft orders excluded, demand increased and is "very, very strong". Additionally, the Conference Board, which measures the demand for labor by studying the number of classified ads in major newspapers, says demand increased in December.

This article relates directly to our discussion of demand in Chapter 3, pp. 59-63 in the textbook, and also the January 28<sup>th</sup> lecture, outline part II: Demand. The article demonstrates how an increase in demand leads to a higher equilibrium quantity for a good, in this case, durable goods. Dunham notes in paragraph four that price is not a factor of demand by differentiating between the price increase and an increase in demand. Also, the article makes an implicit connection between an increase in demand for durable goods and an increase in demand for labor, which brings up the idea of related good affecting each other. Perhaps the increase in demand for durable goods led suppliers of durable goods to increase their demand for labor. Conversely, an increase in demand for labor could have led to higher wages for workers who purchase durable goods. Then, an increase in income would be what caused the change in demand, as mentioned on page 61 of the text. In either case, the article highlights an interesting example of changes in demand and how those might be influenced by changes in the demand for related goods.

Word Count: 310