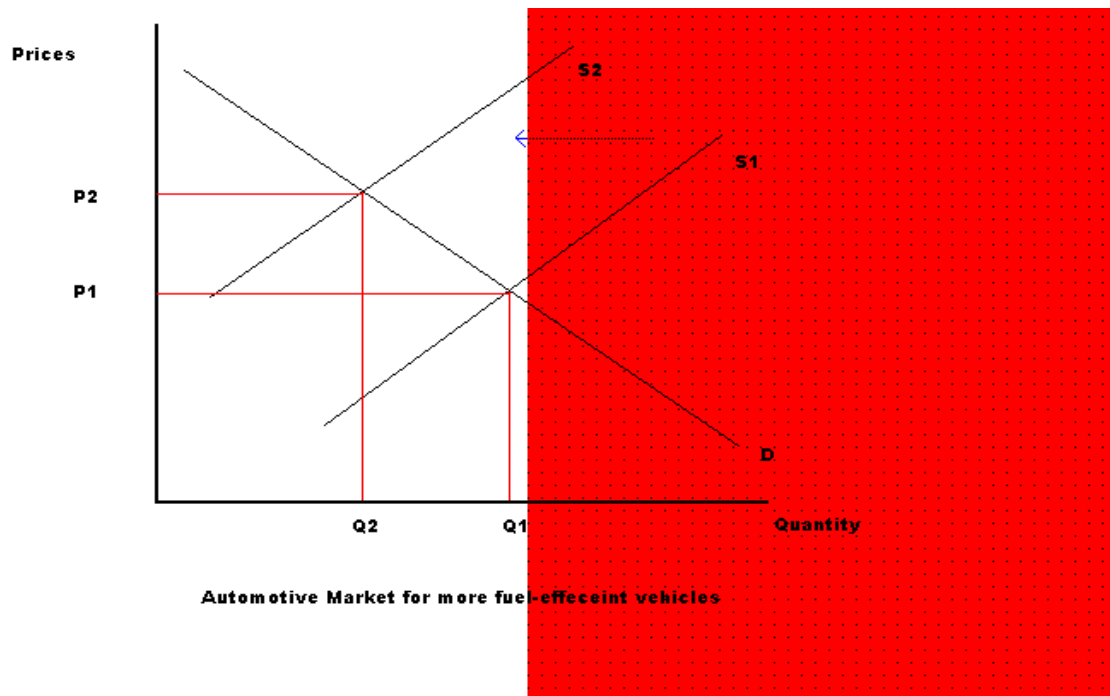


Ford Tells Union More Cuts Needed as Market Slumps

Because of the auto market worsening for Ford Motor Company, the company is going to reduce its factory work force. As a result, the US auto sales have decreased by at least 8 percent, which in turn consumers of Ford have traded in their trucks and sports utility vehicles for more fuel-efficient models as the gas prices continue to raise.

Also Ford needs to make additional cost cuts and have announced that it will decrease the production of trucks and sports utility vehicles, but in return they will increase the factory output of cars. Along with this they will cut their hourly work force by about 40,000 in the US and cut production with the rapid changes of the consumer demand.

This article shows how the auto market can be affected by the gas prices and how Ford will decrease the market for trucks and SUV's and allowing for more cars to be made that are more fuel-efficient. The graph below shows the demand model for the auto market.



The increase in gas prices increase the production for more fuel-efficient vehicles. This is represented by a shift of the supply curve to the left from S1 to S2. As a result the demand for more fuel-efficient cars goes up from P1 to P2.