Quiz 1

Name__________________________________________

Explain whether each of the following events represents (i) a shift of the demand curve, (ii) a movement along the demand curve, (iii) a shift of the supply curve, (iv) a movement along the supply curve. *You must draw graphs otherwise you won’t earn any credit.*

a. A store owner finds that consumers are willing to pay more for umbrellas on rainy days.

*The quantity of umbrellas demanded is higher at any given price on a rainy day than on a dry day. This is a rightward shift of the demand curve, since at any given price the quantity demanded rises. This implies that any specific quantity can now be sold at a higher price.*

b. Many strawberry farmers open temporary roadside stands during harvest season, even though prices are usually low at that time.

*The quantity of strawberries supplied is higher at any given price. This is a rightward shift of the supply curve.*

c. The sharp rise in the price of gasoline leads many commuters to join carpools in order to reduce their gasoline purchases.

*The quantity of gasoline demanded falls in respond to an increase in price. This is a movement along the demand curve.*

d. More homeowners put their houses up for sale during a real state boom that causes house prices to rise.

*The quantity of houses supplied rises as a result of an increase in prices. This is a movement along the supply curve*