*NAME*_____ *PERIOD*_____

For each of the following problems, state which curve would shift: the supply curve or the demand curve. Then state whether the curve would shift to the right (an increase in supply or demand), or shift to the left (a decrease in supply or demand). (Hint: Beware of two trick questions!)

Market	**Event**	**Would the demand curve or supply curve shift?**	**Would the curve shift to the right or left?**
wheat	A drought destroys much of the crop.	Supply	Left
redwood lumber	Environmentalists urge consumers to boycott redwood products.		
cigars	A new study shows that smoking cigars results in lots of wrinkles.		
butter	The price of margarine goes up.		
paper	The price of wood pulp rises.		
Hula hoops	Brad Pitt confides to People magazine that "he gets a big kick out of his hula hoop."		
yachts	The average price of stocks falls by over 20% between now and the end of the year.		
gasoline	Large sports-utility vehicles (like Suburbans and Expeditions) become more popular.		
umbrellas	Heavy rain is forecast.		
tofu	E. Coli bacteria is found in another meat plant.		
gasoline	Two oil supertankers collide.		
hamburger	The price of hamburger rises.		
oranges	There's an early frost which destroys much of the crop.		
apples	A new pesticide is developed which controls tent caterpillars.		
grapes	The National Marines Fisheries Service bans pesticide spraying within 1,000 feet of waterways containing coho salmon.		
wine	The average wage of grape harvesters rises by 10%.		
U.S. cars	The U.S. imposes a tariff on Japanese car imports.		

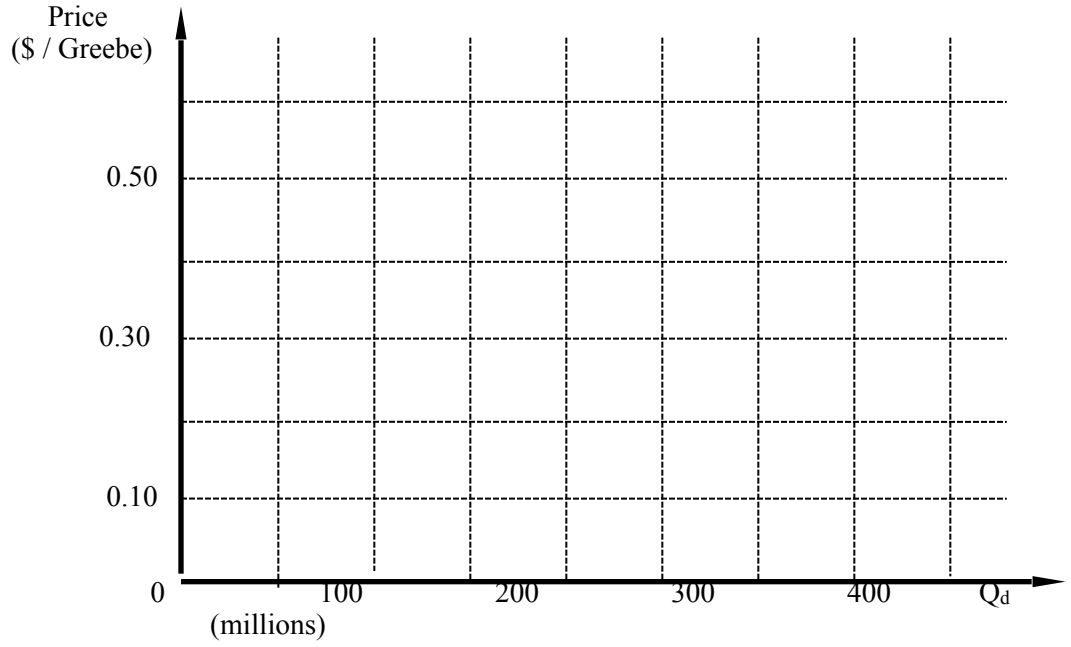
hospital beds	Scientists discover a pill that cures cancer.		
cement	A 7.9 earthquake hits San Francisco.		
Video rentals	The price of getting cable TV goes up.		
windshields	A new law is passed requiring gravel trucks to cover their loads with tarps.		
Taxi service	Local subway workers go on strike		
Bike helmets	The price of bicycles goes down		
melons	The cost of water goes up.		

Demand

Below is a table showing the market demand for greebes, a hypothetical product introduced to spare you the confusion of real world associations. Study the data in the table, and plot the demand for greebes on the axes provided below. Label the demand curve "D," and answer the questions on the following pages.

Demand for Greebes

Price $/Greebe	$0.10	$0.15	$0.20	$0.25	$0.30	$0.35	$0.40
Q (millions)	350	300	250	200	150	100	50



The data for demand curve "D" indicate that at a price of #0.30 per greebe, buyers would be willing to buy _____ million greebes. Other things constant, if the price of greebes increased to $0.40 per greebe, buyers would be willing to buy _____ million greebes. Such a change would be called a(n) (increase / decrease) in (demand / quantity demanded). Other things constant, if the price of greebes decreased to $0.20, buyers would be willing to buy _____ million greebes. Such a change would be called a(n) (increase / decrease) in (demand / quantity demanded).

The data for demand curve "D" indicate that for a quantity of 150 million greebes, buyers would be willing to offer a maximum "demand price" of $_____ per greebe. Other things constant, if the quantity of greebes were increased to 250 million greebes, buyers would be willing to offer a maximum price of $_____ per greebe.

Now see if you have the point by circling what you think is the one best alternative in each of the following multiple choice questions.

1. Other things constant, which of the following would NOT cause a change in the demand (shift in the demand curve) for mopeds.
a. A decrease in consumer incomes.
b. A decrease in the price of mopeds.
c. An increase in the price of bicycles.
d. An increase in people's taste for mopeds.

2. "Rising oil prices have caused a sharp decrease in the demand for oil." Speaking precisely, and using terms as they are defined by economists, this quotation is:
a. correct -- an increase in price always causes a decrease in "demand."
b. incorrect -- an increase in price causes an increase in the "demand," not a decrease in "demand."
c. incorrect -- an increase in price causes an increase in the "quantity demanded," not a decrease in "demand."
d. incorrect -- an increase in prices cause a decrease in the "quantity demanded," not a decrease in "demand."

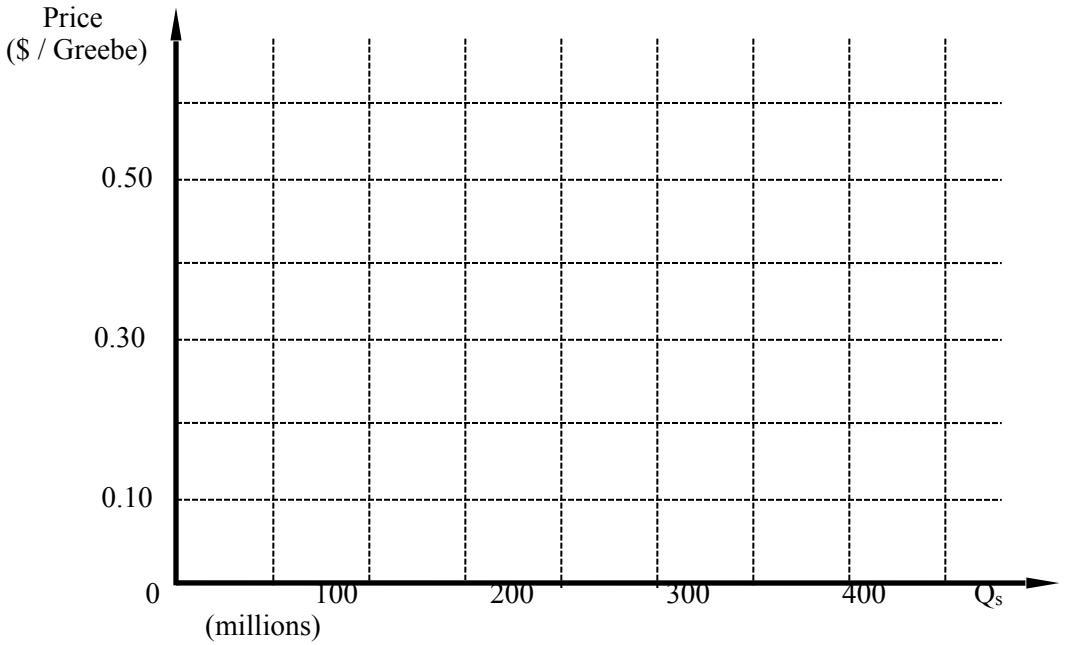
3. "As the price of domestic automobiles has inched upwards, customers have found foreign autos to be a better bargain. Consequently, domestic auto sales have been slipping and foreign auto sales have been moving briskly." Using only the information in this quotation, and assuming everything else constant, which of the following best describes this statement?
a. A shift in the demand curves for both domestic and foreign automobiles.
b. A movement along the demand curves for both foreign and domestic automobiles.
c. A movement along the demand curve for domestic autos and a shift in the demand curve for f foreign autos.
d. A shift in the demand curve for domestic autos and a movement along the demand curve for foreign autos.

Supply

In this homework problem, and those that follow, we will assume that the long run supply curve for greebes is "upward sloping." Study the data in the table below, and plot the supply for greebes on the axes provided. Label the supply curve "S," and answer the questions on the following pages.

Supply of Greebes

Price $/Greebe	$0.15	$0.20	$0.25	$0.30	$0.35
Q (millions)	100	150	200	250	300



The data for supply curve "S" indicates that at a price of $0.25 per greebe suppliers would be willing to offer _____ million greebes. Other things constant, if the price of greebes increased to $0.30 per greebe, suppliers would be willing to offer _____ million greebes. Such a change would be a(n) (increase / decrease) in (supply / quantity supplied). Other things constant, if the price of greebes decreased to $0.20 per greebe, suppliers would be willing to offer _____ million greebes. Such a change would be called a(n) (increase / decrease) in (supply / quantity supplied).

The data for supply curve "S" indicates that for a quantity of 200 million greebes, the minimum price acceptable to suppliers is $_____ per greebe. Other things constant, if the quantity of greebes increased to 250 million greebes, the minimum acceptable price would be $_____ per greebe.

Now let's suppose that there is a dramatic increase in the price of several of the raw materials used in making greebes. This change in the **ceteris paribus** conditions underlying the original supply of greebes will result in an increase in marginal cost and a decrease in supply, and we would have a new set of data such as that shown in the following table. Study the data in the new table, and plot this supply of greebes on the graph on page five. Label the new supply curve "S_1" and answer the questions below.

Decrease in the Supply of Greebes

Price ($ / Greebe)	Quantity Supplied (Millions)
$0.20	50
$0.25	100
$0.30	150
$0.35	200
$0.40	250

Comparing the new supply curve (S_1) with the old supply curve (S), we can say that a decrease in the supply of greebes results in a shift of the supply curve to the (right / left) Such a shift indicates that at each of the possible prices shown,

suppliers are now willing to offer a (smaller / larger) quantity, and at each of the possible quantities shown, suppliers require a (higher / lower) minimum price.

Now, to take another example, let's suppose that there is a dramatic decrease in the price of several of the raw materials used in making greebes. This change in the **ceteris paribus** conditions underlying the original supply of greebes will result in a decrease in marginal cost and an increase in supply, and we would have a new set of data such as that shown in the following table. Study the data in the new table, and plot this supply of greebes on the graph on page five. Label the new supply curve "S_2" and answer the questions below.

Increase in the Supply of Greebes

Price ($ / Greebe)	Quantity Supplied (Millions)
$0.10	150
$0.15	200
$0.20	250
$0.25	300
$0.30	350

Comparing the new supply curve (S_2) with the original supply curve (S), we can say that an increase in the supply of greebes results in a shift of the supply curve to the (right / left) Such a shift indicates that at each of the possible prices shown, suppliers are now willing to offer a (smaller / larger) quantity, and at each of the possible quantities shown, suppliers require a (higher / lower) minimum price.

Now see if you have the point by circling what you think is the one best alternative in each of the following multiple choice questions.

1. Other things constant, which of the following would NOT cause a change in the long run supply of beef.
a. A decrease in the price of beef.
b. A decrease in the price of cattle feed.
c. An increase in the price of cattle feed.
d. An increase in the cost of transporting cattle to market.

2. "Falling oil prices have caused a sharp decrease in the supply of oil." Speaking precisely, and using terms as they are defined by economists, this quotation is:
a. correct -- a decrease in price always causes a decrease in "supply."
b. incorrect -- a decrease in price always causes an increase in "supply," not a decrease in "supply."
c. incorrect -- a decrease in price causes an increase in the "quantity supplied," not a decrease in "supply."
d. incorrect -- a decrease in price causes a decrease in the "quantity supplied," not a decrease in "supply."