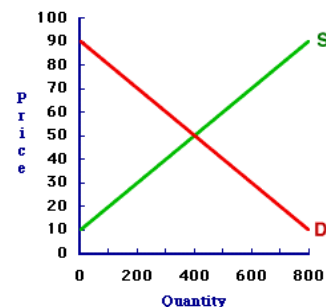


Quiz: Economics of Supply, Demand, and Price Elasticity of Demand

Multiple Choice: Circle the best answer.

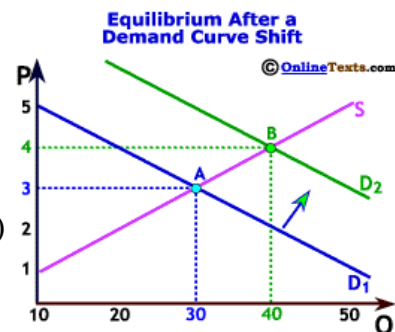
- Picture a demand and supply curve for Silver. If the price of silver were to rise, and there were no other influencing factors, what is the most accurate description of what might happen?
 - The demand curve would shift to the left
 - The demand curve would shift to the right
 - The price would settle at a new point along the original demand curve
 - Both supply and demand curves would move to the right
- Which of the following factors DOES NOT shift the demand curve (“change in demand”)?
 - Change in consumer preference
 - Change in consumer income
 - Change in the price of a substitute good
 - All factors above reflect a change in demand
- An increase in the price of what good below would be MOST LIKELY to increase the demand for Gatorade sports drink?
 - Powerade sports drink
 - Pepsi products
 - Salad (lets assume salads and Gatorade are complementary goods)
 - Gasoline

- Using the supply/demand graph to your right, which of the following is the equilibrium quantity?
 - 50
 - 90
 - 200
 - 400



- Which of the following goods would have the flattest demand curve (or, which good has the slowest decrease in marginal utility)?
 - Gasoline
 - Pepsi
 - Refrigerators
 - Textbooks in your backpack

- Look at shift in demand for jeans illustrated on the graph to the right. What economic factor could account for this shift from point A to point B?
 - A lowering of the minimum wage
 - A decrease in the price of jeans
 - An increase in price of denim jackets (lets assume its the 1980s, and denim jackets and denim jeans are complementary)
 - An autumn cooling trend alters consumer preferences



True/False:

_____ 1. For a given change in price, a good that is “elastic” will have a relatively large change in quantity demanded.

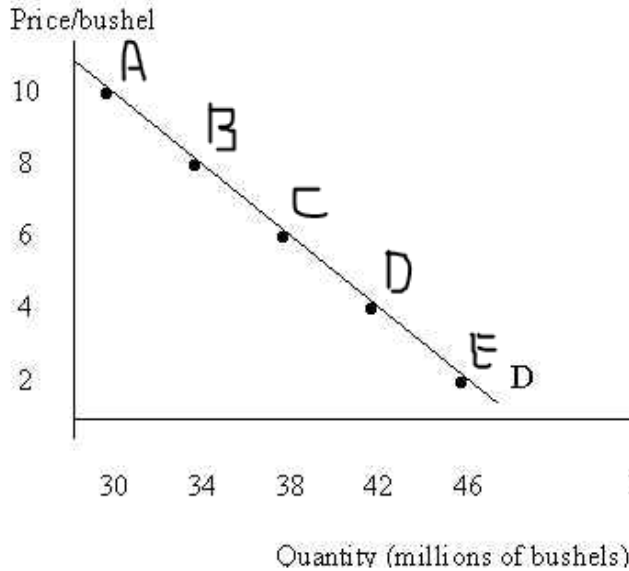
_____ 2. The Law of Supply can be appropriately summarized by saying that producers can be expected to produce more of a good if it will sell for a higher price.

_____ 3. In order for two goods to be considered “substitute goods” an increase in the price of one will increase the demand for the other.

_____ 4. If the price of a good or service is set BELOW the equilibrium price, we can expect a supply surplus.

Part III: Shifting Supply and Demand Curves. For each problem below, use what you know about the factors that shift supply and demand for a good or service. Indicate which curve will move, and in which direction by drawing a dotted line where the new curve would be (approximately).

Market Demand Schedule, Bushels of Wheat: Use the graph below to answer the following questions.



Midpoint Formula for Price Elasticity of Demand

$$E_d = \frac{\% \text{ Change in Quantity Demanded}}{\% \text{ Change in Price}}$$

- Using the graph above and the demand schedule below, calculate the elasticity coefficients for each of the line segments. Be sure to use the midpoint formula. (2 points each)
- Calculate total revenue earned at each point (2 points each)
- Indicate if total revenue increases or decreases by putting an up or down arrow in the box on the right. (1 point each)
- If you were a producer, at what price would you choose to sell? (1 point) _____

Price	Quantity Demanded	Elasticity Coefficient	Total Revenue at point...	Total Revenue up or down? (arrows)
10	30		A:	
8	34	Segment AB =	B:	
6	38	Seg. BC =	C:	
4	42	Seg. CD =	D:	
2	46	Seg. DE =	E:	