

## QUIZ 4

Use a separate sheet of paper to draw a graph illustrating each scenario change. Be sure to label your P and Q axes, and the D and S curves. Use your graphs to answer questions 1-10.

For questions 1-5, there is ONE curve shift (D or S, but not both). What happens to  $P_e$  and  $Q_e$  in each scenario? Your answer options for questions 1-5 are:

- |                     |                     |                     |                     |
|---------------------|---------------------|---------------------|---------------------|
| a. P rises, Q rises | b. P rises, Q falls | c. P falls, Q rises | d. P falls, Q falls |
|---------------------|---------------------|---------------------|---------------------|

1. In the market for popcorn: the effect of an increase in the price of movies (a complement to popcorn).
2. In the market for coffee: the effect of good weather in coffee-growing countries.
3. In the market for cars: the effect of a strike by the United Auto Workers union.
4. In the market for hot dogs (an inferior good): the effect of an increase in consumers' incomes.
5. In the market for tacos: Taco Bell closes all its Charleston area restaurants.

For questions 6-10, there are TWO simultaneous curve shifts (both D and S shift). What happens to  $P_e$  and  $Q_e$  in each scenario? Your answer options for questions 6-10 are:

- |                                   |                                   |
|-----------------------------------|-----------------------------------|
| a. P rises, uncertain change in Q | c. Q rises, uncertain change in P |
| b. P falls, uncertain change in Q | d. Q falls, uncertain change in P |

6. In the market for wheat: a scientific report shows that wheat bread prevents cancer; farmers experience good weather this year.
7. In the market for marijuana: police begin ignoring marijuana offenses of less than 2 oz.; more people start smoking weed.
8. In the market for compact discs (CDs): the price of plastic falls; new cars are no longer equipped with CD players.
9. In the market for water skis: ski-factory workers go on strike; the weather and water are turning warmer.
10. In the market for gasoline: both consumers and producers expect the price of gas to *fall next week*. What happens in the gas market this week?