NAME ______________________ CLASS ______________ DATE ______________

Section 2: Quiz

Shifts of the Demand Curve

CHAPTER 4

A. Key Terms

Match the definitions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

Column I	Column II
____ 1. two goods that are used together	a. normal goods
____ 2. goods that consumers demand more of when incomes increase	b. inferior goods
____ 3. goods used in place of one another	c. complements
____ 4. goods for which demand falls as income increases	d. substitutes

B. Main Ideas

Write the letter of the correct answer in the blank provided.

____ 5. What is the meaning of the phrase *ceteris paribus* to an economist?
   a. the way that economists consider the changes in demand for a good
   b. a conjecture about the changes in consumer behavior
   c. an assumption that nothing but the price of an item will change
   d. a projection about the change in availability of a good

____ 6. What do economists call a situation in which consumers buy a different quantity than they did before, at every price?
   a. a change in demand
   b. a change in expectations
   c. a shift in size of the demand curve
   d. a move along the demand curve

____ 7. How can expectations about the future change consumer behavior?
   a. Immediate demand for a good will drop if its price is expected to stay the same.
   b. Immediate demand for a good can rise if the good is expected to be plentiful.
   c. Immediate demand for a good will go up if its price is expected to rise.
   d. Immediate demand for a good is not related to future expectations.

____ 8. How can population changes affect demand for certain goods?
   a. Different levels of demand will cause different prices.
   b. More people demanding goods will cause prices to rise.
   c. Demand will exceed supply under some population conditions.
   d. People at different stages of their lives have different demands.

____ 9. How can the demand for one good be affected by increased demand for another one?
   a. When goods are bought together, increased demand for one will decrease demand for the other.
   b. If goods are used together, increased demand for one will increase demand for the other.
   c. If goods are substitutes for each other, increased demand for one will increase demand for the other.
   d. A drop in price for a good will increase demand for the good and its substitute.

____ 10. What causes a change in the demand curve or a shift in demand?
   a. a decrease in price
   b. an increase in price
   c. a change in an area other than price
   d. a change in price and availability

Name ______________________________ Date ____________________

ECONOMIC SKILLS LAB
INTERPRETING CARTOONS

DILBERT By Scott Adams

Questions for Understanding

1. Why is The Boss not using economic thinking when he says, "We can't make enough of our product to meet demand"? (Hint: Is demand a given quantity or many quantities? Is The Boss ignoring the price effect?)

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2. How does the cartoon illustrate a change in demand?

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3. What risks would The Boss take if he chose instead to raise the product price? (Hint: Consider price effect and the price elasticity of demand.)

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Name ______________________________ Date ____________________

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The Beef about Demand

What's going on with beef consumption in the United States? In 1985 beef consumption reached a peak of nearly 75 pounds per person. It then dropped steadily until 1994, when consumption was 63 pounds per person. In 1996 the average amount of beef consumed rose to 65 pounds, but fell again in 1997 to 64 pounds. By the end of 1999 consumption had increased yet again to nearly 70 pounds per person.
If changes in consumer preferences have contributed to the decline in beef consumption, why did it increase in 1996 and 1999? Did U.S. consumers decide to become big beef eaters again?

For a more likely reason, look at the price of beef. In 1993 ranchers received about 76 cents per pound for the beef they put on the market. This drove prices higher for consumers, which decreased the quantity demanded.

In 1996, however, the amount ranchers received fell. As a result, beef prices fell to record lows in the supermarket.

What happened in 1999, however, was particularly significant. Despite higher prices, consumers bought more beef. For the reason, one must look at the overall economy. In 1999 the U.S. economy was strong, experiencing rising wages, low inflation, and record low unemployment.

Source: Statistical Abstract of the United States, 1999 and "Beef Demand Stablizes After 20-Year Slide," www.beef.org, Jan. 26, 2000.

Questions for Understanding

1. Explain how the article illustrates the difference between the price effect and a change in demand.

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2. Construct a graph of beef demand to illustrate your answer in question 1. You don't have to use specific numbers for the price of beef or the amounts demanded. Instead, correctly label your graph's axes to show price and quantity. Then sketch a demand curve and illustrate your point by showing either movement along the curve or a shift of the curve.

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Demand for Beef

Name ______________________________ Date ____________________

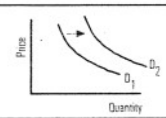
ECONOMIC SKILLS LAB
ANALYZING CHANGES IN DEMAND

The quantity of a product demanded depends on its price and on the prices of substitute and complementary products. Sometimes conditions change, and the demand for a product shifts so that different quantities are demanded at each and every price.

Changes in the following **variables** can lead to a shift in demand:

- a. income
- b. the price of substitutes
- c. the number of buyers
- d. the price of complements
- e. tastes and preferences
- f. expectations

After the "events" described in column 1, what will happen to the demand for the products listed in column 2? In the space provided in column 3, show how the demand curve shifts. Write the letter in column 4 of the variable that is responsible for the change.

1. Event	2. Product	3. Demand Shift	4. Variable
The price of steak increases.	Hamburger		b. The price of subsitutes
Low-fat diets grow in popularity.	Fresh grapes		
Disney World increases admission prices.	Hotel rooms near Disney World		
The price of eggs falls.	Bacon		
A hard freeze destroys much of the future orange crop.	Orange juice		
The price of gasoline increases dramatically.	Motorcycles		
People's incomes drop.	Chicken		