AGEC 350
Lecture #3 due 9/8/2009

Questions based on “Politics Failed, but Fuel Prices Cut Congestion”

1. How did gas prices reduce traffic congestion in New York City?

2. Opinion: Should we tax gasoline to reduce traffic congestion across the country? Why or why not?

Questions based on the Berck and Helfand (B&H) chapter 2

3. Why does the supply curve for electricity slope upward?

4. What is the difference between “quantity supplied” and “supply”?

5. Suppose that the government decided to tax coal, an important input in the generation of electricity. Would this lead to movement along the supply curve or a shift in the supply curve?
6. Why does the demand curve for electricity slope downward?

7. Suppose that suppliers decide to increase the price that they charge for electricity. Would this lead to movement along the demand curve or a shift in the demand curve?

8. Using Figure 2.5 on page 25, why is any price less than or greater than $32 not an equilibrium price?


10. Referring to Figure 2.10 on page 38, why do producers typically prefer a quota over a tax?