

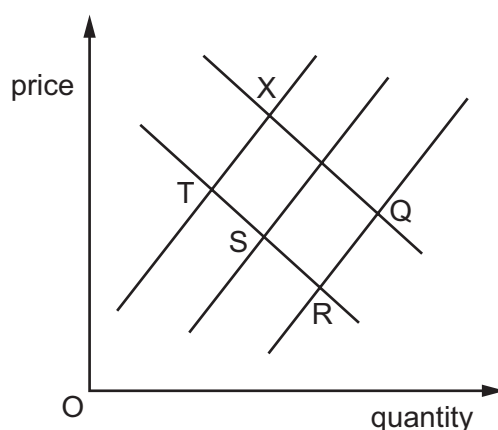
- 8 Over a four year period, as the price of new houses increases, the price elasticity of supply for new houses falls, as shown. All new houses were sold.

	supply of new houses	price of new houses (\$)	price elasticity of supply
year 1	10 000	100 000	–
year 2	10 250	110 000	0.25
year 3	10 450	125 000	0.13
year 4	10 600	140 000	0.12

What shows price elasticity of supply became more inelastic from year to year?

- A** Dollar revenues to house builders declined each year.
- B** Each year, the government released more land for house building.
- C** The proportionate price change was greater than the proportionate supply change.
- D** The proportionate price change was the same as the proportionate supply change.
- 9 Prices of gold, silver and copper fell considerably in 2011 and again in 2015. The fall in 2011 was said to be because miners increased production. The fall in 2015 was because demand, especially from China, decreased.

Assuming that the equilibrium before 2011 was X, how would these movements in 2011 and subsequently in 2015 be shown on the demand and supply diagram?



	initial equilibrium	2011 equilibrium	2015 equilibrium
A	X	Q	R
B	X	R	Q
C	X	S	R
D	X	T	S