**ECON528, Microeconomics for Business**Spring 2022

Due Saturday, March 19, 2022

**High-Engagement Individual Assignment 1 (Module 1) (10 points; extra credit)**

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*Please follow all directions provided in Canvas for submission of this assignment. You must submit your work in the form of* ***either*** *a Microsoft Word document* ***or*** *a PDF file,* ***one file only****.* ***No other formats will be accepted.*** *You are welcome to use this document and the graph below as a template for your response.*

Assumptions:

In the graph below, assume that the original demand and supply curves are given by D1 and S1 respectively.

Tasks:

1. Locate the **original equilibrium point**, graphically identifying both the original equilibrium price and quantity. Clearly label the equilibrium price as P1 and equilibrium quantity as Q1.
2. Now assume that **supply decreases**. How is this represented on the graph? Clearly show and label the changes.
3. Locate the **new equilibrium point**. What happens to the equilibrium price when supply decreases? What happens to the equilibrium quantity? Clearly label the new equilibrium price as P2 and the new equilibrium quantity as Q2.
4. Finally, discuss the idea of **price as a rationing device** in the context of this example. *(Suggested response length: one paragraph or 3 to 4 sentences).*

