1.- (28 points) Explain briefly whether each of the following events represents (i) a shift of the demand curve or (ii) a movement along the demand curve.

a) A store owner finds that customers are willing to pay more for umbrellas on rainy days.
b) When T+T Telecom, a long distance telephone service provider, offered reduced rates on weekends, the volume of weekend calling increased sharply.
c) People buy more long-stem roses the week of Valentine’s Day, even though the prices are higher than other times during the year.
d) The sharp rise in the price of gasoline leads many consumers to join carpools in order to reduce their gasoline purchases.

2.- (20 points) Which of the following statements is a positive statement? Which is a normative statement?

a) Society should take measures to prevent people from engaging in dangerous personal behavior.
b) People who engage in dangerous personal behavior impose higher costs on society through higher medical costs.

3.- (26 points) Think about two countries, North and South, which could engage in international trade. Assume the two countries produce just two goods. If North has an absolute advantage in the production of both goods, can still these two countries benefit from international trade? Why?

4.- (26 points) Name two of the four principal factors that economists believe to shift the demand curve. In each case, indicate when these factors produce an increase in demand. Make a graph to illustrate your answers.