COPYRIGHT PAGE:

Published by:
Flat World Knowledge, Inc.
One Bridge Street
Irvington, NY 10533

Chapter 3: Demand and Supply

Multiple Choice

1. When economists study the behavior of buyers, they are studying:
A) supply.
B) the role of government.
C) demand.
D) psychology.

Ans: C

2. Demand is defined as:
A) an amount that is purchased at a specific price, given supply.
B) a schedule that establishes the price of a good.
C) a schedule that shows how much will be purchased at various prices during a particular period, all other things unchanged.
D) the amount that will be bought at a specific price.

Ans: C

3. Demand is best defined as the:
A) amount of a commodity that buyers would be willing and able to purchase at a specific price.
B) price that buyers would be willing and able to pay for a specific quantity of a good.
C) relationship between the price of a good and the quantity people are able to purchase, all other things unchanged.
D) relationship between the price of a good and the quantity people are willing and able to purchase, all other things unchanged.

Ans: D

4. The relationship between the price of a good and the quantity people are willing and able to purchase is:
A) supply.
B) demand.
C) equilibrium.

D) disequilibrium.

Ans: B

5. A decrease in the price of eggs, all other things unchanged, will result in a(n):
A) increase in the demand for eggs.
B) increase in the supply of eggs.
C) greater quantity of eggs supplied.
D) greater quantity of eggs demanded.

Ans: D

The Demand for Chocolate-Covered Peanuts

Quantity Demanded
(bags per month)

Price (per bag)	George	Barbara	Dan
90¢	10	0	60
80¢	15	10	80
70¢	20	20	100
60¢	25	30	120
50¢	30	40	140
40¢	35	50	160
30¢	40	60	180

6. (Exhibit: The Demand for Chocolate-Covered Peanuts) If the price of chocolate-covered peanuts is 60 cents, the quantity demanded by George is ________ bags per month.
A) 10
B) 15
C) 20
D) 25

Ans: D

7. (Exhibit: The Demand for Chocolate-Covered Peanuts) If Barbara is only able to purchase 20 bags of chocolate-covered peanuts, the maximum price she is willing and able to pay for each

bag is ________ cents.
A) 90
B) 80
C) 70
D) 60

Ans: C

8. (Exhibit: The Demand for Chocolate-Covered Peanuts) If George is only able to purchase 30 bags of chocolate-covered peanuts, the maximum price he is willing and able to pay for each bag is ________ cents.
A) 80
B) 70
C) 60
D) 50

Ans: D

9. (Exhibit: The Demand for Chocolate-Covered Peanuts) If the price of chocolate-covered peanuts increases from 40 cents to 50 cents, Dan will reduce his quantity demanded from 160 bags to 140 bags due to:
A) the law of demand.
B) the law of supply.
C) a decline in his income.
D) a change in his tastes and preferences.

Ans: A

10. (Exhibit: The Demand for Chocolate-Covered Peanuts) If George, Barbara, and Dan are the only three buyers in the market, and the price of a bag of chocolate-covered peanuts is 80 cents, the total market demand is ________ bags per month.
A) 70
B) 80
C) 105
D) 280

Ans: C

11. (Exhibit: The Demand for Chocolate-Covered Peanuts) If George, Barbara, and Dan are the only three buyers in the market, and the price of a bag of chocolate-covered peanuts is 50 cents, the total market demand is ________ bags per month.
A) 80
B) 105
C) 210
D) 280

Ans: C

12. A negative relationship between the quantity demanded and price is called the law of ______.
A) demand
B) diminishing marginal returns
C) market clearing
D) supply

Ans: A

13. The principle stating that, for virtually all goods and services, there is a negative relationship between price and quantity demanded, all other things unchanged, is the law of:
A) supply.
B) demand.
C) scarcity.
D) increasing opportunity costs.

Ans: B

14. The law of demand is illustrated when:
A) an increase in tuition encourages more students to enroll in college because the quality of education has risen.
B) an increase in the purchases of personal computers results from lower prices.
C) higher oil prices cause oil companies to drill for new sources of oil.
D) higher fees for the use of public golf courses force golfers to purchase fewer golf balls.

Ans: B

15. The law of demand is illustrated by a demand curve that is:

A) horizontal.
B) downward-sloping.
C) vertical.
D) upward-sloping.

Ans: B

16. A decrease in the price of a good will, all other things unchanged, result in:
A) an increase in demand.
B) an increase in supply.
C) an increase in the quantity demanded.
D) more being supplied.

Ans: C

17. The demand curve for on-demand videos has shifted to the right. What could have caused it?
A) A fall in the price of on-demand videos.
B) An increase in the price of on-demand videos.
C) An increase in the supply of on-demand videos.
D) An increase in the income of buyers.

Ans: D

18. The law of demand implies that:
A) consumers are not responsive to price changes.
B) consumers will, all other things unchanged, buy more at lower prices.
C) sellers will, all other things unchanged, offer more on the market at higher prices.
D) sellers will, all other things unchanged, offer less on the market at lower prices.

Ans: B

19. Which of the following most correctly states the law of demand?
A) As the price falls all other things unchanged, demand will go up.
B) As the price goes up, all other things unchanged, demand will go down.
C) As the price falls, all other things unchanged, the quantity demanded will go down.
D) As the price falls, all other things unchanged, the quantity demanded will increase.

Ans: D

20. If the price of a commodity increases, all of the things unchanged, you would expect the:
A) demand to decrease.
B) quantity demanded to increase.
C) quantity demanded to decrease.
D) demand curve to shift to the left.

Ans: C

21. If people demand more of product A when the price of B falls, then A and B are:
A) not related.
B) substitutes.
C) complements.
D) inferior.

Ans: C

22. When the price of gas goes up and the demand for tires goes down, this means tires and gas are:
A) substitutes.
B) complements.
C) both expensive.
D) both inexpensive.

Ans: B

23. If the price of hamburger increases, it would probably result in ________ in the demand for hamburger buns.
A) a decrease
B) an increase
C) no change
D) random fluctuations

Ans: A

24. For most consumers, blu-ray players and blu-ray discs are likely to be:

A) substitute goods.
B) complementary goods.
C) inferior goods.
D) independent goods.

Ans: B

25. Which of the following will not cause the demand for milk (a normal good) to increase in the current time period?
A) a fall in the price of milk
B) an increase in income
C) an expected increase in milk prices
D) a decrease in the price of cookies (a complement)

Ans: A

26. Demand and supply curves are drawn assuming ceteris paribus. This means that:
A) economists ignore all assumptions.
B) economists don't watch for the fallacy of false cause.
C) changes will be proportional.
D) all other things besides price and quantity are assumed unchanged.

Ans: D

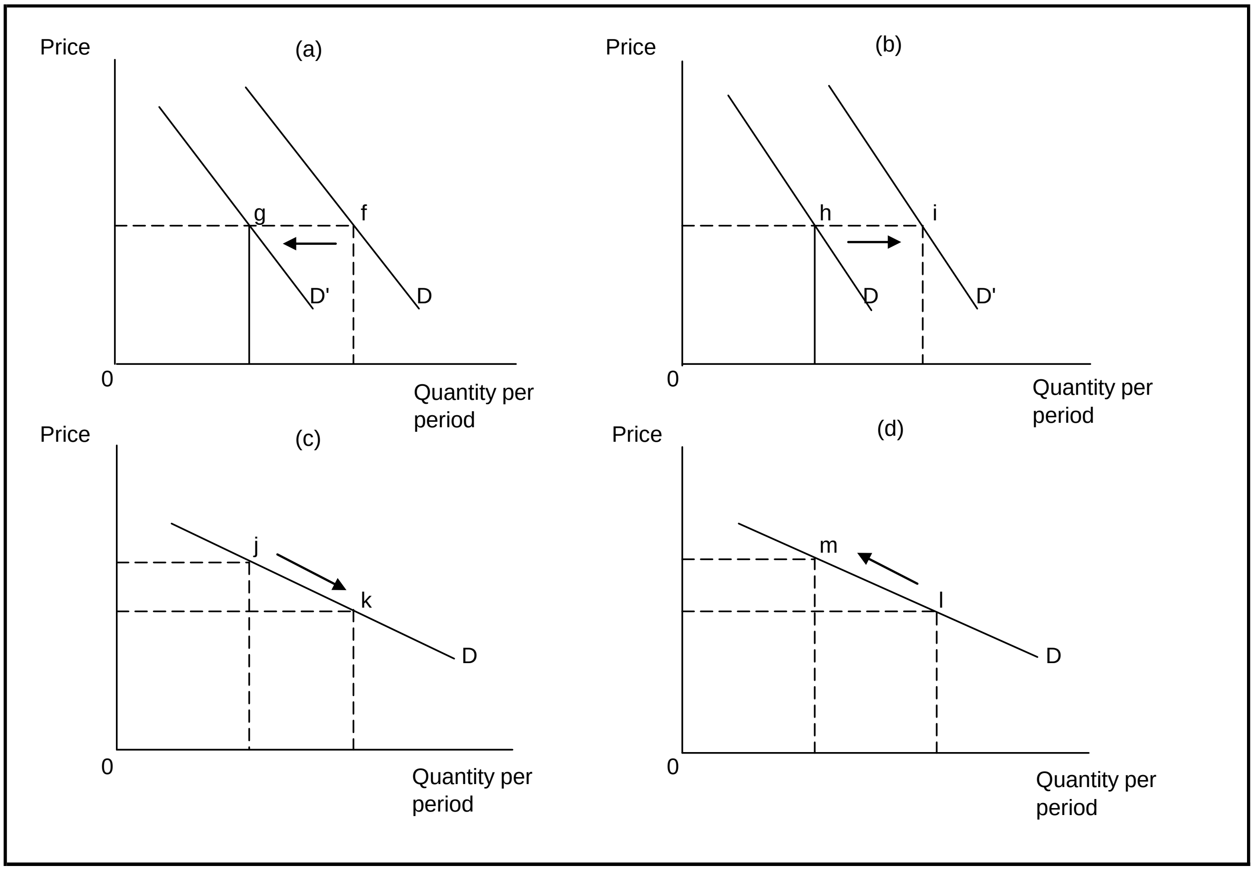
27. Which of the following would not change the demand for automobiles?
A) a change in the price of gasoline
B) a change in the cost of steel
C) a change in the price of motorcycles
D) a change in tastes

Ans: B

28. The primary difference between a change in demand and a change in the quantity demanded is:
A) a change in demand is a movement along the demand curve, and a change in quantity demanded is a shift in the demand curve.
B) a change in quantity demanded is a movement along the demand curve, and a change in demand is a shift in the demand curve.

C) both a change in quantity demanded and a change in demand are shifts in the demand curve, only in different directions.
D) both a change in quantity demanded and a change in demand are movements along the demand curve, only in different directions.

Ans: B



29. (Exhibit: The Demand for music downloads) A decrease in the fee charged for music downloads would result in a change illustrated by:
A) the move from f to g in Figure (a).
B) the move from h to i in Figure (b).
C) the move from j to k in Figure (c).
D) the move from l to m in Figure (d).

Ans: C

30. (Exhibit: The Demand for music downloads) A decrease in the price of iPods and other similar devices would result in a change illustrated by:
A) the move from f to g in Figure (a).
B) the move from h to i in Figure (b).
C) the move from j to k in Figure (c).
D) the move from l to m in Figure (d).

Ans: B

31. (Exhibit: The Demand for music downloads) A decrease in the price of CDs (a substitute) would result in a change illustrated by:
A) the move from f to g in Figure (a).
B) the move from h to i in Figure (b).
C) the move from j to k in Figure (c).
D) the move from l to m in Figure (d).

Ans: A

32. Which of the following would result in a movement along the demand curve?
A) a change in preferences
B) an increase in the number of buyers
C) an increase in the number of suppliers
D) a decrease in income

Ans: C

33. Consumer preferences, prices of related goods, income, and demographic characteristics are often termed:
A) market technologies.
B) demand prices.
C) demand shifters.
D) supply determinants.

Ans: C

34. An example of a demand shifter is:
A) factor prices.
B) technology.
C) consumer preferences.
D) producer expectations.

Ans: C

35. An announcement that smoking will harm your ability to think clearly will most likely result in:
A) an increase in the quantity of cigarettes demanded.
B) a decrease in the demand for cigarettes.
C) no change in smoking habits.
D) an increase in the equilibrium price of cigarettes.

Ans: B

36. The slope and location of the demand curve depend on:
A) the number of buyers.
B) production costs.
C) the number of producers.
D) all of the above.

Ans: A

37. If steak and potatoes are complements, when the price of steak goes up, the demand curve for potatoes:
A) shifts to the right.
B) shifts to the left.
C) stays the same.
D) shifts to the right and then moves back.

Ans: B

38. Two goods are substitutes if:
A) an increase in the price of one leads to a shift to the left in the demand curve for the other.
B) an increase in the price of one leads to an increase in demand for the other.
C) an increase in the price of one will increase the supply of the other.

D) a fall in the price of one leads to a reduction in supply for the other.

Ans: B

39. A decrease in the demand for eggs caused by concerns over cholesterol is most likely attributable to which demand shifter?
A) income
B) prices
C) consumer preferences
D) prices of other goods

Ans: C

40. Given that meat and potatoes are complementary goods, if the price of meat decreases substantially, there would be:
A) an increase in the demand for potatoes.
B) an increase in the quantity of potatoes demanded.
C) a decrease in the demand for potatoes.
D) no change in the demand for potatoes.

Ans: A

41. Given that chicken and beef are substitute goods, if the price of chicken decreases substantially, there would be:
A) an increase in the demand for beef.
B) a decrease in the demand for beef.
C) a decrease in the quantity of beef demanded.
D) no change in the demand for beef.

Ans: B

42. Every day for the past two years you've had ham and cheese on a whole wheat bagel for lunch at Bungalow Bob's Bagel Boutique. However, the price of whole wheat bagels has risen by 10 cents so today you decide to have ham and cheese on a rye bagel. In this case, whole wheat and rye bagels are best considered:
A) superior goods.
B) normal goods.
C) substitute goods.

D) complementary goods.

Ans: C

43. Which statement best illustrates complementary goods?
A) The price of tennis rackets declines so your economics instructor decides to take tennis lessons and purchases several cans of new tennis balls.
B) The price of Apple Macintosh computers declines so your economics instructor sells his or her IBM personal computer and buys a Macintosh.
C) After receiving a promotion and a hefty year-end bonus from the college, your economics instructor decides to stop buying denim jeans and switches to clothing befitting his or her loftier position on the faculty.
D) Fearing that the price of pipe tobacco will rise next year, your economics professor goes to his local tobacconist and purchases an ample supply to last for several years.

Ans: A

44. An increase in the price of football tickets will cause the ________ for (of) basketball tickets (a substitute) to ________ .
A) demand; increase
B) demand; decrease
C) supply; decrease
D) supply; increase

Ans: A

45. For most goods, purchases tend to rise with increases in buyers' incomes and to fall with decreases in buyers' incomes. Such goods are known as:
A) inferior goods.
B) direct goods.
C) normal goods.
D) luxury goods.

Ans: C

46. Economists know that a particular good can be classified as an inferior good if a(n) ________ in buyers' income causes a(n) ________ .
A) increase; increase in demand

B) increase; increase in quantity demanded
C) increase; decrease in demand
D) decrease; decrease in demand

Ans: C

47. Assuming that pizza is a normal good, if students' income at your college increases substantially, there would be:
A) a reduction in the demand for pizza.
B) an increase in the quantity of pizza demanded.
C) no change in the demand for pizza.
D) an increase in the demand for pizza.

Ans: D

48. After graduation from college you will receive a substantial increase in your income from a new job. If you decide that you will purchase more T-bone steak and less hamburger, then for you hamburger would be considered a(n):
A) normal good.
B) substitute good.
C) complementary good.
D) inferior good.

Ans: D

49. An increase in the demand for medical services caused by an increase in the number of people over 65 is most likely attributable to which demand shifter?
A) income
B) consumer preferences
C) prices of other goods
D) demographic characteristics

Ans: D

50. An increase in the demand for gasoline today caused by concerns that gasoline prices will be higher tomorrow is most likely attributable to which demand shifter?
A) income
B) consumer expectations

C) consumer preferences
D) prices of other goods

Ans: B

51. Which of the following would shift the demand curve for new textbooks to the right?
A) A decrease in the price of paper.
B) A fall in the price of used textbooks.
C) An increase in college enrollments.
D) A fall in the price of new textbooks.

Ans: C

52. The Case in Point on campus parking suggested that giving students lower fares for taking public transportation was what kind of factor in the demand for parking spaces?
A) supply shifter
B) demand shifter
C) false prophet
D) spoiler

Ans: B

53. In the Case in Point on campus parking, the implication was that existing prices for parking spaces on university campuses are generally:
A) too high.
B) too low.
C) about right.
D) unconscionable.

Ans: B

54. A supply curve that is upward sloping means that:
A) demand is being ignored.
B) consumers will buy less at lower prices.
C) suppliers will want to sell more at higher prices.
D) suppliers will want to sell less at higher prices.

Ans: C

55. When economists study the behavior of sellers, they are studying:
A) supply.
B) the role of government.
C) demand.
D) accounting.

Ans: A

56. Supply is best defined as the:
A) relationship between the quantity of a good or service buyers are able to purchase, all other things unchanged.
B) relationship between the quantity of a good or service buyers are willing to purchase, all other things unchanged.
C) relationship between the quantity of a good or service sellers are willing to offer for sale and various prices, all other things unchanged.
D) quantity of a good or service sellers are willing to offer for sale at a specific price, all other things unchanged.

Ans: C

57. The relationship between the quantity of a good or service sellers are willing to offer for sale at different prices is:
A) supply.
B) demand.
C) equilibrium.
D) disequilibrium.

Ans: A

58. A curve that shows the relationship between the price and quantity supplied during a particular period, all other things unchanged, is the:
A) price curve.
B) supply curve.
C) quantity function.
D) production possibilities curve.

Ans: B

59. How a supply curve is sloped and located is affected by:
A) consumer preferences.
B) resource prices.
C) the number of consumers.
D) all of the above.

Ans: B

60. A decrease in supply means:
A) a shift to the left of the entire supply curve.
B) moving downward (to the left) along the supply curve with lower prices.
C) less will be demanded at every price.
D) more will be supplied at every price.

Ans: A

61. A shift of a demand curve to the right, all other things unchanged, will:
A) increase equilibrium price and quantity.
B) decrease equilibrium price and quantity.
C) decrease quantity and increase price.
D) increase quantity and decrease price.

Ans: A

62. A shift in the demand curve to the left, all other things unchanged:
A) will cause the supply curve to shift to the left, too.
B) will cause a movement upward along the supply curve and a higher equilibrium price.
C) will cause a movement downward along the supply curve and a lower equilibrium quantity.
D) will result in a lower equilibrium price and greater equilibrium quantity.

Ans: C

63. The price of eggs might go up because:
A) of an increase in the price of bacon.
B) the price of chicken feed increased.

C) the supply of eggs increased.
D) the demand for eggs fell.

Ans: B

64. Which of the following is true?
A) If demand decreases, equilibrium price increases.
B) If demand increases, equilibrium price decreases.
C) If demand decreases, the demand curve shifts to the left.
D) If demand decreases, the demand curve shifts to the right.

Ans: C

65. If a demand curve shifts to the left, then:
A) the equilibrium price would go up and the equilibrium quantity would go down.
B) the equilibrium price would go down and the equilibrium quantity would go up.
C) a lower equilibrium price and quantity would result.
D) a higher equilibrium price and quantity would result.

Ans: C

66. Which of the following will result in an increased price of milk?
A) A shift to the right of the supply curve for milk.
B) A shift to the right of the demand curve for milk.
C) An increase in the number of milk suppliers.
D) A decrease in the number of milk buyers.

Ans: B

67. Given a supply curve that is positively sloped and a demand curve for a normal good that is negatively sloped, an increase in income will most likely result in:
A) an increase in price and quantity.
B) a decrease in price and an increase in quantity.
C) a decrease in both price and quantity.
D) an increase in price and a decrease in quantity.

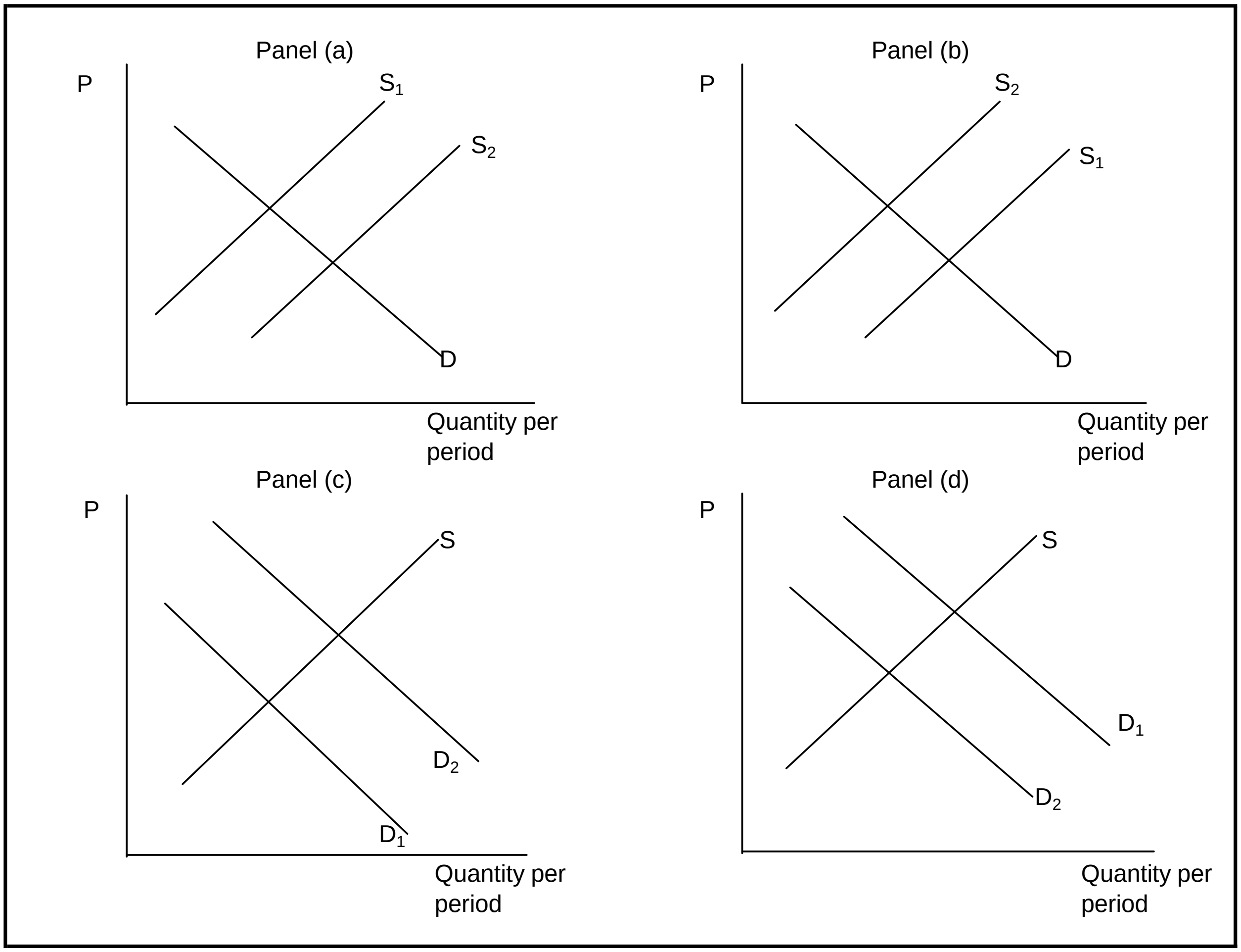
Ans: A

68. An increase in demand, all other things unchanged, will result in a(n) ________ in the equilibrium price and a(n) ________ in the equilibrium quantity.
A) increase; increase
B) decrease; decrease
C) decrease; increase
D) increase; decrease

Ans: A

69. It is true that the equilibrium quantity will always go up if supply:
A) and demand both increase.
B) increases and demand decreases.
C) and demand both decrease.
D) decreases and demand remains unchanged.

Ans: A



70. (Exhibit: The Determinants of Demand and Supply) The exhibit shows how supply and demand might shift in response to specific events. Suppose consumer incomes increase. Which panel best describes how this will affect the market for used furniture, an inferior good?
A) Panel (a)
B) Panel (b)
C) Panel (c)
D) Panel (d)

Ans: D

71. (Exhibit: The Determinants of Demand and Supply) The exhibit shows how supply and demand might shift in response to specific events. Suppose scientists discover that eating a tomato a day prevents aging. Which panel best describes how this will affect the market for tomatoes?
A) Panel (a)
B) Panel (b)

C) Panel (c)
D) Panel (d)

Ans: C

72. (Exhibit: The Determinants of Demand and Supply) The exhibit shows how supply and demand might shift in response to specific events. Suppose a fall frost destroys one-third of the nation's orange crop. Which panel best describes how this will affect the market for oranges?
A) Panel (a)
B) Panel (b)
C) Panel (c)
D) Panel (d)

Ans: B

73. (Exhibit: The Determinants of Demand and Supply) The exhibit shows how supply and demand might shift in response to specific events. Suppose a fall frost destroys one-third of the nation's orange crop. Which panel best describes how this will affect the market for Vitamin C tablets, which are a substitute for oranges?
A) Panel (a)
B) Panel (b)
C) Panel (c)
D) Panel (d)

Ans: C

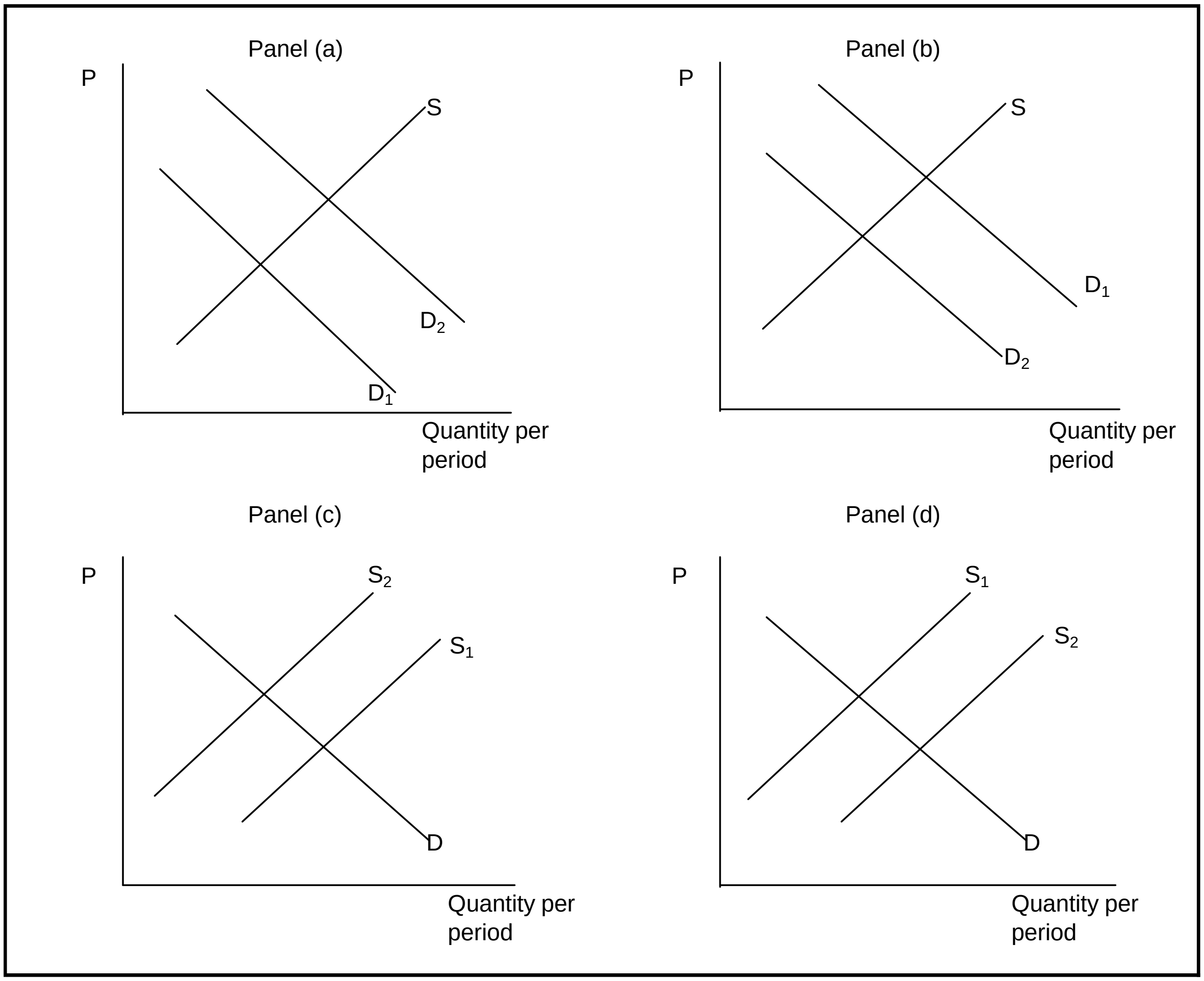
74. (Exhibit: The Determinants of Demand and Supply) The exhibit shows how supply and demand might shift in response to specific events. Suppose the population increases. Which panel best describes how this will affect the market for apples?
A) Panel (a)
B) Panel (b)
C) Panel (c)
D) Panel (d)

Ans: C

75. (Exhibit: The Determinants of Demand and Supply) The exhibit shows how supply and demand might shift in response to specific events. Suppose a new machine is developed that

allows restaurants and fast-food outlets to produce French fries at a lower cost. Which panel best describes how this will affect the market for French fries?
A) Panel (a)
B) Panel (b)
C) Panel (c)
D) Panel (d)

Ans: A



76. (Exhibit: Demand and Supply-Determinants) The exhibit shows how supply and demand might shift in response to specific events. Suppose consumer incomes decrease. Which panel best describes how this will affect the market for used clothing, an inferior good?
A) Panel (a)

B) Panel (b)
C) Panel (c)
D) Panel (d)

Ans: A

77. (Exhibit: Demand and Supply-Determinants) The exhibit shows how supply and demand might shift in response to specific events. Suppose scientists discover that eating pomegranates causes premature aging. Which panel best describes how this will affect the market for pomegranates?
A) Panel (a)
B) Panel (b)
C) Panel (c)
D) Panel (d)

Ans: B

78. (Exhibit: Demand and Supply-Determinants) The exhibit shows how supply and demand might shift in response to specific events. Suppose a drought destroys one-third of the nation's peanut crop. Which panel best describes how this will affect the market for peanuts?
A) Panel (a)
B) Panel (b)
C) Panel (c)
D) Panel (d)

Ans: C

79. (Exhibit: Demand and Supply-Determinants) The exhibit shows how supply and demand might shift in response to specific events. Suppose a fall frost destroys one-third of the nation's grapefruit crop. Which panel best describes how this will affect the market for Vitamin B-12 tablets, which are a substitute for grapefruit?
A) Panel (a)
B) Panel (b)
C) Panel (c)
D) Panel (d)

Ans: A

80. (Exhibit: Demand and Supply-Determinants) The exhibit shows how supply and demand might shift in response to specific events. Suppose the birth rate (the number of babies per female in the childbearing age bracket) decreases. Which panel best describes how this will affect the market for diapers?
A) Panel (a)
B) Panel (b)
C) Panel (c)
D) Panel (d)

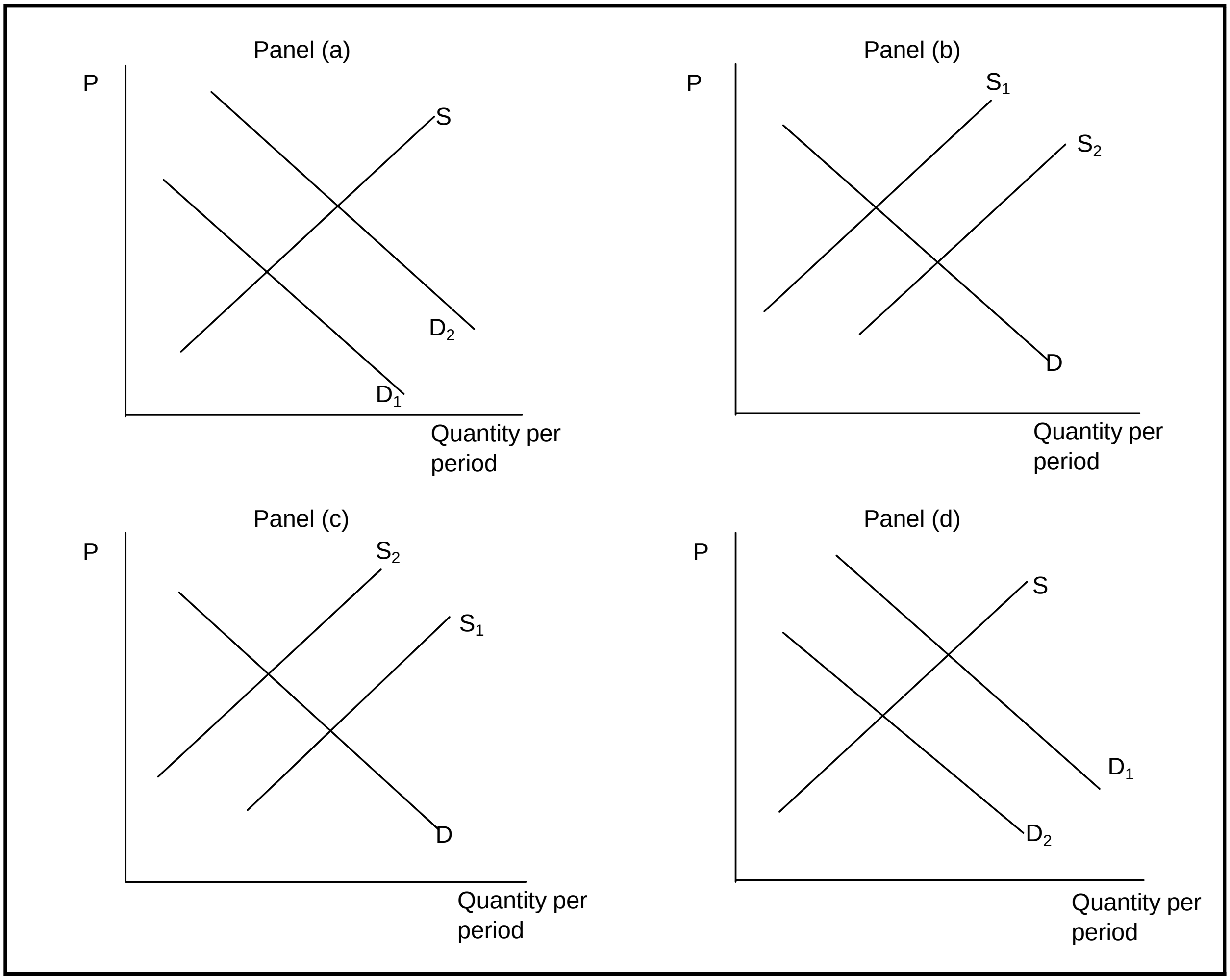
Ans: B

81. (Exhibit: Demand and Supply-Determinants) The exhibit shows how supply and demand might shift in response to specific events. Suppose the technology for producing automotive gasoline improves. Which panel best describes how this will affect the market for gasoline additives, a complement of automotive gasoline?
A) Panel (a)
B) Panel (b)
C) Panel (c)
D) Panel (d)

Ans: A

82. (Exhibit: Demand and Supply-Determinants) The exhibit shows how supply and demand might shift in response to specific events. Suppose the technology for producing automotive gasoline improves. Which panel best describes how this will affect the market for automotive gasoline?
A) Panel (a)
B) Panel (b)
C) Panel (c)
D) Panel (d)

Ans: D



83. (Exhibit: Demand Shifters and Supply Shifters) The exhibit shows how supply and demand might shift in response to specific events. Suppose consumer incomes increase. Which panel best describes how this will affect the market for tuxedoes, a normal good?
A) Panel (a)
B) Panel (b)
C) Panel (c)
D) Panel (d)

Ans: A

84. (Exhibit: Demand Shifters and Supply Shifters) The exhibit shows how supply and demand might shift in response to specific events. Suppose scientists discover that eating asparagus slows down the aging process. Which panel best describes how this will affect the market for asparagus?
A) Panel (a)

B) Panel (b)
C) Panel (c)
D) Panel (d)

Ans: A

85. (Exhibit: Demand Shifters and Supply Shifters) The exhibit shows how supply and demand might shift in response to specific events. Suppose a wet and sunny year increases the nation's corn crop by 20 percent. Which panel best describes how this will affect the market for corn?
A) Panel (a)
B) Panel (b)
C) Panel (c)
D) Panel (d)

Ans: B

86. (Exhibit: Demand Shifters and Supply Shifters) The exhibit shows how supply and demand might shift in response to specific events. Suppose a spring frost destroys one-third of the nation's artichoke crop. Which panel best describes how this will affect the market for mayonnaise, which is a complement to artichokes?
A) Panel (a)
B) Panel (b)
C) Panel (c)
D) Panel (d)

Ans: D

87. (Exhibit: Demand Shifters and Supply Shifters) The exhibit shows how supply and demand might shift in response to specific events. Suppose the birth rate (the number of babies per female in the childbearing age bracket) increases. Which panel best describes how this will affect the market for diapers?
A) Panel (a)
B) Panel (b)
C) Panel (c)
D) Panel (d)

Ans: A

88. (Exhibit: Demand Shifters and Supply Shifters) The exhibit shows how supply and demand might shift in response to specific events. Suppose the technology for producing snowboards improves. Which panel best describes how this will affect the market for winter parkas, a complement of snowboards?
A) Panel (a)
B) Panel (b)
C) Panel (c)
D) Panel (d)

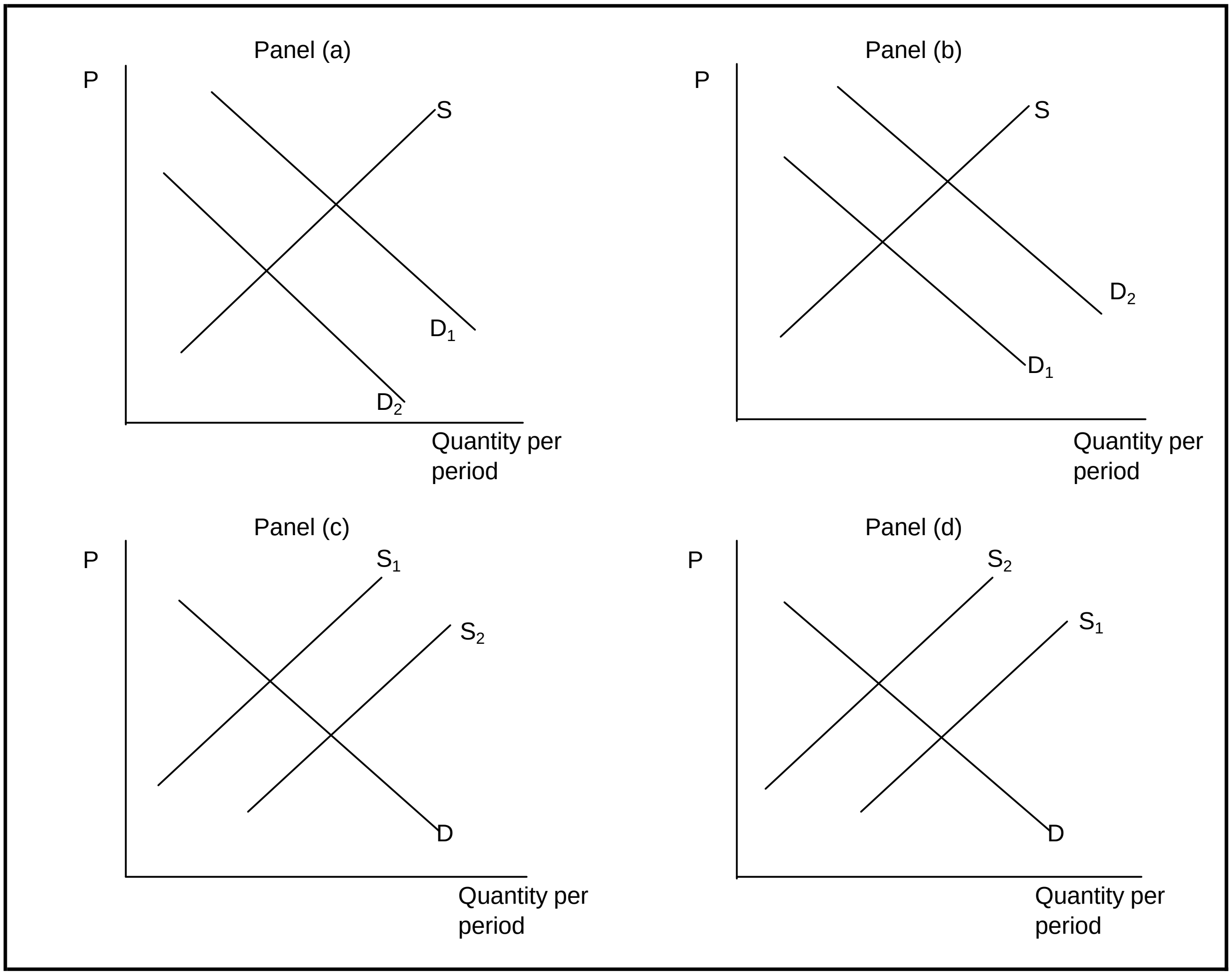
Ans: A

89. (Exhibit: Demand Shifters and Supply Shifters) The exhibit shows how supply and demand might shift in response to specific events. Suppose the technology for producing automotive gasoline improves. Which panel best describes how this will affect the market for automotive gasoline?
A) Panel (a)
B) Panel (b)
C) Panel (c)
D) Panel (d)

Ans: B

90. (Exhibit: Demand Shifters and Supply Shifters) The exhibit shows how supply and demand might shift in response to specific events. Suppose a wet and sunny year increases the nation's sweet corn crop by 20 percent. Which panel best describes how this will affect the market for frozen peas, a substitute for sweet corn?
A) Panel (a)
B) Panel (b)
C) Panel (c)
D) Panel (d)

Ans: D



91. (Exhibit: Demand and Supply Shifters) The exhibit shows how supply and demand might shift in response to specific events. Suppose consumer incomes increase. Which panel best describes how this will affect the market for dress ties, a normal good?
A) Panel (a)
B) Panel (b)
C) Panel (c)
D) Panel (d)

Ans: B

92. (Exhibit: Demand and Supply Shifters) The exhibit shows how supply and demand might shift in response to specific events. Suppose the Surgeon General announces that eating chocolate prevents heart disease. Which panel best describes how this will affect the market for chocolate?
A) Panel (a)

B) Panel (b)
C) Panel (c)
D) Panel (d)

Ans: B

93. (Exhibit: Demand and Supply Shifters) The exhibit shows how supply and demand might shift in response to specific events. Suppose the price of lumber falls dramatically. Which panel best describes how this will affect the market for houses?
A) Panel (a)
B) Panel (b)
C) Panel (c)
D) Panel (d)

Ans: C

94. (Exhibit: Demand and Supply Shifters) The exhibit shows how supply and demand might shift in response to specific events. Suppose oil becomes more expensive. Which panel best describes how this will affect the market for gasoline, which is made from oil?
A) Panel (a)
B) Panel (b)
C) Panel (c)
D) Panel (d)

Ans: D

95. (Exhibit: Demand and Supply Shifters) The exhibit shows how supply and demand might shift in response to specific events. Suppose half the people in San Diego move to Colorado Springs. Which panel best describes how this will affect the market for houses in Colorado Springs?
A) Panel (a)
B) Panel (b)
C) Panel (c)
D) Panel (d)

Ans: B

96. (Exhibit: Demand and Supply Shifters) The exhibit shows how supply and demand might

shift in response to specific events. Suppose half the people in San Diego pack up and move to Colorado Springs. Which panel best describes how this will affect the supply of houses in San Diego?
A) Panel (a)
B) Panel (b)
C) Panel (c)
D) Panel (d)

Ans: C

97. (Exhibit: Demand and Supply Shifters) The exhibit shows how supply and demand might shift in response to specific events. Suppose the technology for producing handheld calculators improves. Which panel best describes how this will affect the market for handheld calculators?
A) Panel (a)
B) Panel (b)
C) Panel (c)
D) Panel (d)

Ans: C

98. (Exhibit: Demand and Supply Shifters) The exhibit shows how supply and demand might shift in response to specific events. Suppose a wet and sunny year increases the nation's sweet pea crop by 20 percent. Which panel best describes how this will affect the market for frozen sweet corn, a substitute for sweet peas?
A) Panel (a)
B) Panel (b)
C) Panel (c)
D) Panel (d)

Ans: A

99. There is an increase in incomes. What happens in the market for steak?
A) The equilibrium price falls, and the equilibrium quantity rises.
B) The equilibrium price rises, and the equilibrium price falls.
C) The equilibrium price and quantity rise.
D) The equilibrium price and quantity fall.

Ans: C

100. The price of apples falls. What happens in the market for apple pies?
A) The equilibrium price falls, and the equilibrium quantity rises.
B) The equilibrium price rises, and the equilibrium quantity falls.
C) The equilibrium price and quantity rise.
D) The equilibrium price and quantity fall.

Ans: A

101. The price of cotton rises. What happens in the market for cotton shirts?
A) The equilibrium price falls and the equilibrium quantity rises.
B) The equilibrium price rises and the equilibrium quantity falls.
C) The equilibrium price and quantity rise.
D) The equilibrium price and quantity fall.

Ans: B

102. The price of oranges rises. What happens in the market for apples, which are a substitute for oranges?
A) The equilibrium price falls, and the equilibrium quantity rises.
B) The equilibrium price rises, and the equilibrium quantity falls.
C) The equilibrium price and quantity rise.
D) The equilibrium price and quantity fall.

Ans: C

103. Researchers demonstrate conclusively that drinking 4-6 ounces of ginger ale each day increases life expectancy by 3 years. What happens in the market for ginger ale?
A) The equilibrium price falls, and the equilibrium quantity rises.
B) The equilibrium price rises, and the equilibrium quantity falls.
C) The equilibrium price and quantity rise.
D) The equilibrium price and quantity fall.

Ans: C

104. The price of oranges falls. What happens in the market for apples, which are a substitute for oranges?
A) The equilibrium price falls and the equilibrium quantity rises.

B) The equilibrium price rises and the equilibrium quantity falls.
C) The equilibrium price and quantity rise.
D) The equilibrium price and quantity fall.

Ans: D

105. A decrease in the price of milk (and ingredient of ice cream) will result in a(n):
A) shift of the supply curve of ice cream to the left.
B) shift of the supply curve of ice cream to the right.
C) lower price of ice cream, and thus an increase in the demand for ice cream.
D) increase in the demand for ice cream and a decrease in the supply of milk.

Ans: B

106. In the textbook, the prices of the factors of production, returns from alternative activities, technology, seller expectations regarding future prices, and the number of sellers are called:
A) demand shifters.
B) supply prices.
C) market realities.
D) supply shifters.

Ans: D

107. Factor prices, returns from alternative activities, technology, number of firms, producer expectations, and natural events are often termed:
A) demand determinants.
B) demand quantities.
C) supply prices.
D) supply shifters.

Ans: D

108. An increase in supply of a good is caused by:
A) resource prices rising.
B) a fall in the price of the good.
C) an increase in the number of sellers.
D) expectations of future price increases.

Ans: C

109. All other things unchanged, a tax on a product that leads to an increase in the cost of production would:
A) lead to an increase in supply.
B) lead to a decrease in demand.
C) result in an increased price.
D) lead to a decrease in supply.

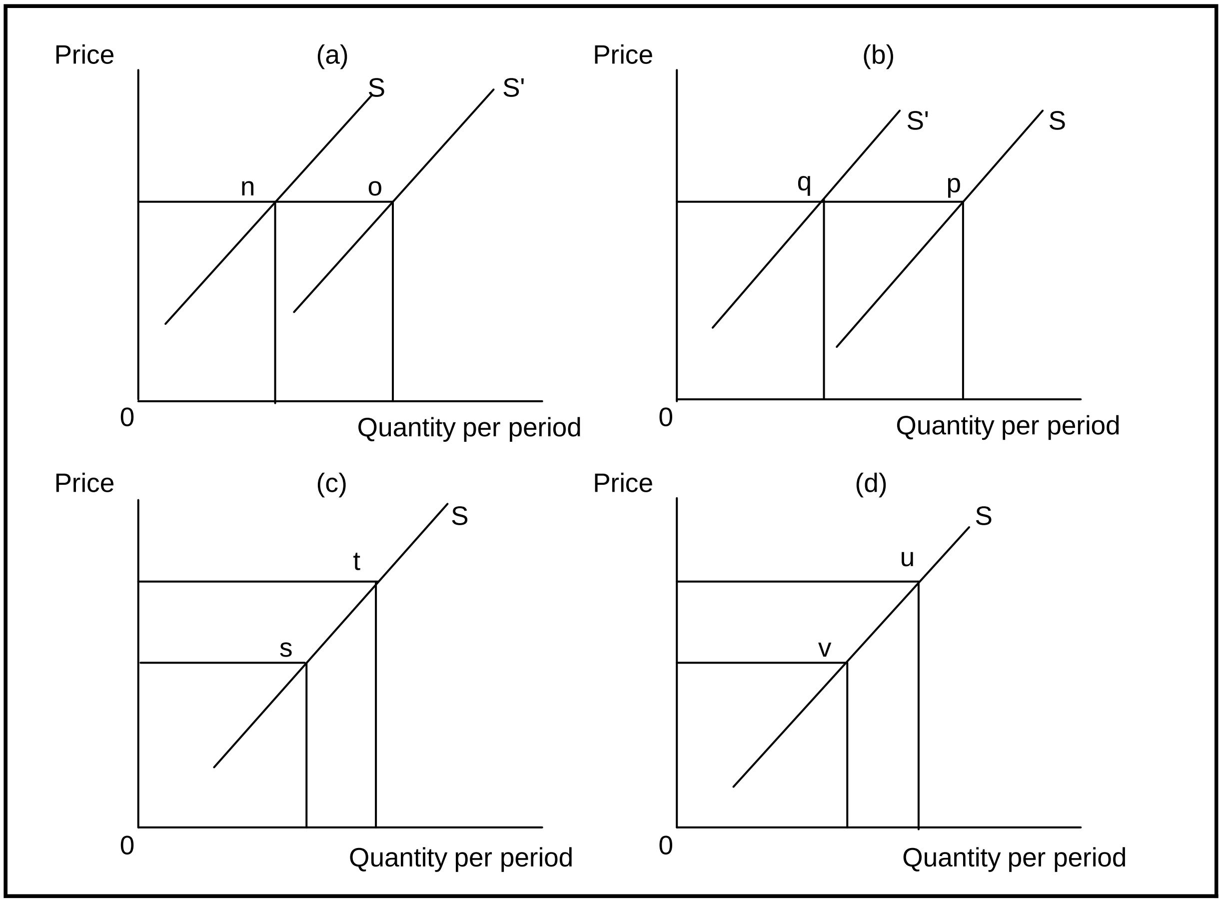
Ans: D

110. The primary difference between a change in supply and a change in the quantity supplied is:
A) a change in quantity supplied is a shift in the supply curve, and a change in supply is a movement along the supply curve.
B) both a change in quantity supplied and a change in supply are movements along the supply curve, only in different directions.
C) a change in quantity supplied is a movement along the supply curve, and a change in supply is a shift of the supply curve.
D) a change in supply is a movement to the left along the supply curve and a change in quantity supplied is a movement to the right along the supply curve.

Ans: C

111. If the price of a commodity increases as the result of increased demand, you would expect the:
A) supply to increase.
B) quantity supplied to increase.
C) quantity supplied to decrease.
D) supply curve to shift to the right.

Ans: B



112. (Exhibit: The Supply of Music Downloads) A decrease in the fee charged for music downloads would result in a change illustrated by the move from:
A) n to o in Figure (a).
B) p to q in Figure (b).
C) s to t in Figure (c).
D) u to v in Figure (d).

Ans: D

113. (Exhibit: The Supply of Music Downloads) A decrease in the price of music licenses sold by music companies to online sites would result in a change illustrated by:
A) the move from n to o in Figure (a).
B) the move from p to q in Figure (b).
C) the move from s to t in Figure (c).
D) the move from u to v in Figure (d).

Ans: A

114. (Exhibit: The Supply of Music downloads) A decrease in the number of websites supplying music downloads would result in a change illustrated by:
A) the move from n to o in Figure (a).
B) the move from p to q in Figure (b).
C) the move from s to t in Figure (c).
D) the move from u to v in Figure (d).

Ans: B

115. An increase in supply is caused by:
A) an increase in resource prices.
B) suppliers' expectations of higher prices in the future.
C) an increase in the price of a good using the same resources.
D) a decrease in the price of a good using the same resources.

Ans: D

116. A decrease in supply is caused by:
A) an increase in returns from other alternative activities.
B) suppliers' expectations of lower prices in the future.
C) an advancement in the technology for producing the good.
D) a decrease in the price of a good using the same resources.

Ans: A

117. An example of a supply shifter is:
A) demographic characteristics.
B) technology.
C) income.
D) consumer expectations.

Ans: B

118. If the price of mozzarella cheese (an ingredient in pizzas) declines due to a major technological breakthrough in the dairy industry, there would be:

A) a decrease in the supply of pizza.
B) an increase in the supply of pizza.
C) an increase in the quantity of pizza supplied.
D) no change in the supply of pizza.

Ans: B

119. An increase in supply is caused by:
A) an increase in resource prices.
B) a decrease in the number of sellers in the market.
C) suppliers' expectations of higher prices in the future.
D) an advancement in the technology for producing the good.

Ans: D

120. A decrease in supply is caused by:
A) a decrease in resource prices.
B) an increase in the number of sellers in the market.
C) suppliers' expectations of higher prices in the future.
D) an advancement in the technology for producing the good.

Ans: C

121. A substantial increase in the price of oranges (a normal good) is likely to result from:
A) an increase in the amount of imported oranges.
B) a prolonged freeze in Florida.
C) a decline in buyers' incomes.
D) a decrease in the public's demand for orange juice.

Ans: B

122. A decrease in supply is caused by:
A) a decrease in resource prices.
B) a decrease in the number of sellers in the market.
C) suppliers' expectations of lower prices in the future.
D) an advancement in the technology for producing the good.

Ans: B

123. Which would *not* cause the supply curve to shift?
A) a change in technology
B) a change in factor costs
C) a change in the price of the good
D) a change in the prices of related goods

Ans: C

124. A shift to the left of a supply curve is caused by:
A) an increase in the number of sellers.
B) a technological improvement.
C) an increase in the returns from other supply possibilities.
D) an increase in the number of buyers.

Ans: C

125. In the Case in Point on "The Monks of St. Benedict's," the Monks got out of the egg business largely because:
A) there was a large increase in the supply of eggs from other producers.
B) of the increase in the price of chicken feed.
C) the Pope forbade them from working on Sunday.
D) a huge increase in the demand for eggs caused the price of eggs to increase, and their operation was too small to meet the demand.

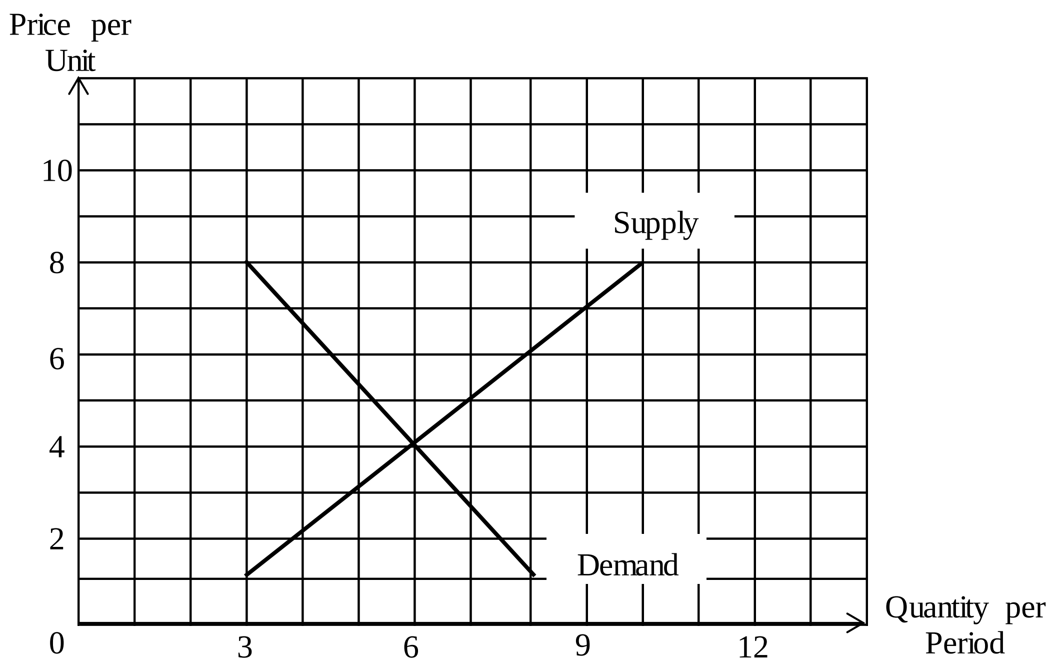
Ans: B

126. In the 1990s, the Monks of St. Benedict's the Monks determined that their ________ were ________ in the egg and cookie business, so they ________ .
A) opportunity costs; too low; switched to providing private retreats
B) opportunity costs; too high; switched to providing private retreats
C) profits; too high; went out of business
D) operating costs; too low; opened a new business

Ans: B

127. The intersection of the supply and demand curves indicates:
A) the equilibrium solution in the market.
B) a surplus that will cause the price to fall.
C) a shortage that will cause the price to rise.
D) the quantity demanded exceeds the quantity supplied.

Ans: A



128. (Exhibit: Demand and Supply) Given the demand curve, what is the price some buyers are willing and able to pay for 3 units?
A) $2
B) $4
C) $6
D) $8

Ans: D

129. (Exhibit: Demand and Supply) What is the equilibrium price?
A) $2
B) $4
C) $6

D) $8

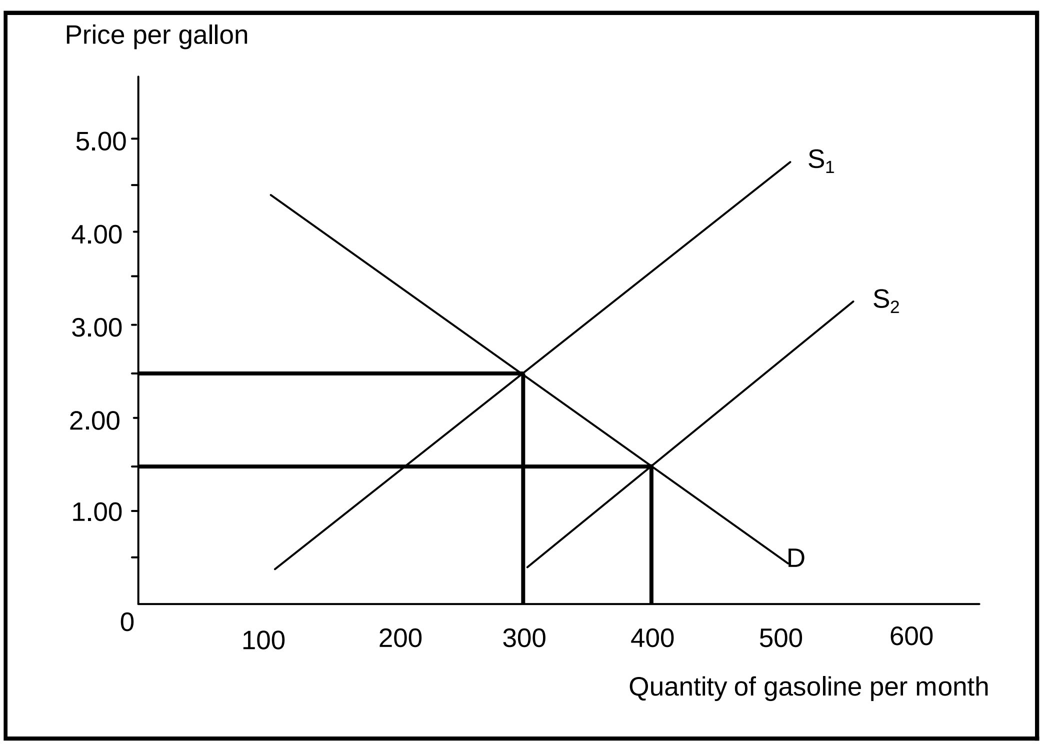
Ans: B

130. (Exhibit: Demand and Supply) What is the equilibrium quantity?
A) 3
B) 6
C) 9
D) 12

Ans: B

131. (Exhibit: Demand and Supply) If the equilibrium price fell to $2 because of a shift to the left of the demand curve, the quantity supplied would be:
A) 3
B) 4
C) 5
D) 6

Ans: B



132. (Exhibit: Demand and Supply of Gasoline) The initial price and quantity (at intersection of S_1 and D) in equilibrium are:
A) $2.00 and 450 gallons.
B) $1.50 and 400 gallons.
C) $2.00 and 200 gallons.
D) $2.50 and 300 gallons.

Ans: D

133. (Exhibit: Demand and Supply of Gasoline) A factor that may have changed supply from S_1 to S_2 is
A) better technology in the production of gasoline.
B) increased demand.
C) lower labor productivity.
D) increased prices of substitutes for gasoline.

Ans: A

134. (Exhibit: Demand and Supply of Gasoline) Given the equilibrium after a change in supply from S_1 to S_2:
A) at the old price of $2.50, there will be pressure for the price to fall.
B) the new price will be $2.00.
C) the new quantity will be 400.
D) all of the above are true.

Ans: A

135. (Exhibit: Demand and Supply of Gasoline) Given the initial equilibrium of S_1 and D, any price lower than ________ will create pressure for the price to ________ .
A) $2.00; fall
B) $2.50; rise
C) $3.00; rise
D) none of the above are true

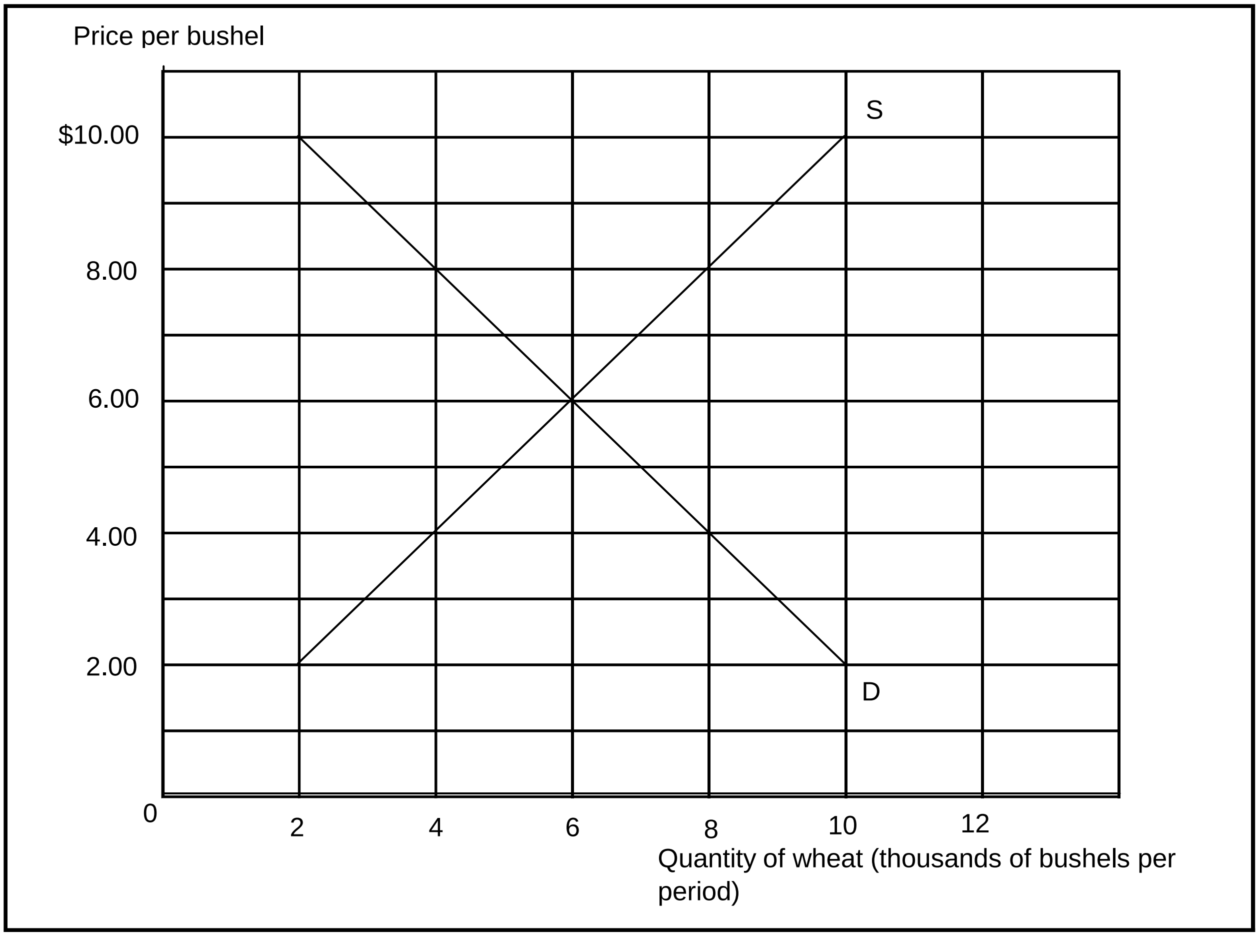
Ans: B

136. (Exhibit: Demand and Supply of Gasoline) When the supply curve shifted from the initial equilibrium to the new intersection of supply and demand at a price of ________ and quantity of 400, this could have resulted from ________ .
A) $1.50; an increase in consumers' income
B) $1.50; an improvement in refining technology
C) $2.00; an increase in the number of buyers
D) A and B are true

Ans: B

137. (Exhibit: Demand and Supply of Gasoline) What might cause the supply curve to shift from S_2 back to the initial supply curve S_1?
A) The Organization of Petroleum Exporting Countries (OPEC) restricts the production of crude oil.
B) The Organization of Petroleum Exporting Countries (OPEC) increases the production of crude oil.
C) Americans want to buy more gas.
D) Technology in the refinement of gasoline greatly improves.

Ans: A



138. (Exhibit: Demand and Supply of Wheat) What are the equilibrium price and quantity in this wheat market?
A) $6 and 6,000 bushels
B) $4 and 2,000 bushels
C) $4 and 10,000 bushels
D) $8 and 12,000 bushels

Ans: A

139. (Exhibit: Demand and Supply of Wheat) If a price of $10 temporarily exists in this market, a:
A) shortage of 10,000 bushels will result.
B) shortage of 8,000 bushels will result.
C) surplus of 8,000 bushels will result.
D) surplus of 6,000 bushels will result.

Ans: C

140. (Exhibit: Demand and Supply of Wheat) A temporary price of $2 in this market would result in:
A) a surplus of 8,000 bushels.
B) a shortage of 8,000 bushels.
C) a shortage of 10,000 bushels.
D) a surplus of 10,000 bushels.

Ans: B

141. (Exhibit: Demand and Supply of Wheat) A price of ________ will result in a ________ , and a price of ________ will result in a ________ .
A) $6; shortage; $8; surplus
B) $8; surplus; $4; shortage
C) $8; shortage; $6; surplus
D) $4; surplus; $8; shortage

Ans: B

142. If the quantity supplied in a market exceeds the quantity demanded in a market, we would expect price to:
A) stay the same.
B) increase.
C) decrease.
D) rise in order to clear the market.

Ans: C

143. There is equilibrium in the market when:
A) there is no shortage.
B) there is no surplus.
C) price is established where the supply curve and the demand curve intersect.
D) all of the above are true.

Ans: D

144. A competitive market with flexible prices and many buyers and sellers will:
A) tend to create surpluses.
B) tend to create shortages.
C) reach an equilibrium where the market clears.
D) reach and equilibrium only if a government agency sets the price.

Ans: C

145. When the market price is established where demand and supply curves intersect:
A) consumer buying tends to exceed the quantity producers supply.
B) the quantity consumers demand generally fall short of the quantity producers supply.
C) the quantity demanded and the quantity supplied are equal.
D) all of the above will result.

Ans: C

146. The theory underlying demand and supply curves assumes that, all other things unchanged, the primary variable that assures the equality of the quantities demanded and supplied is:
A) consumer income.
B) the preferences of consumers.
C) the expectations of consumers and producers.
D) price.

Ans: D

147. The key signals that send messages to buyers and sellers to buy or not to buy or to sell or not to sell are, all other things unchanged:
A) prices.
B) preferences.
C) government mandates.
D) expectations.

Ans: A

The Market for Chocolate-Covered Peanuts

Price	Quantity	Quantity Supplied

(per bag)	Demanded (bags per month)	(bags per month)
90¢	70	280
80¢	105	245
70¢	140	210
60¢	175	175
50¢	210	140
40¢	245	105
30¢	280	70

148. (Exhibit: The Market for Chocolate-Covered Peanuts) If the price of chocolate-covered peanuts is 60 cents, the price will:
A) remain unchanged.
B) fall to 30 cents.
C) fall to 50 cents.
D) rise to 70 cents.

Ans: A

149. (Exhibit: The Market for Chocolate-Covered Peanuts) The equilibrium quantity and the equilibrium price are ________ bags and ________ cents.
A) 140; 40
B) 175; 60
C) 175; 80
D) 210; 50

Ans: B

150. (Exhibit: The Market for Chocolate-Covered Peanuts) If the price of chocolate-covered peanuts is 80 cents, there is:
A) a surplus of 140 bags per month.
B) a shortage of 140 bags per month.
C) a surplus of 70 bags per month.
D) a shortage of 70 bags per month.

Ans: A

151. (Exhibit: The Market for Chocolate-Covered Peanuts) A surplus of 210 bags of chocolate-covered peanuts exists if the price is ________ cents per bag.
A) 90
B) 80
C) 60
D) 40

Ans: A

152. (Exhibit: The Market for Chocolate-Covered Peanuts) If the price of chocolate-covered peanuts is 40 cents, the price will:
A) remain unchanged.
B) fall to 30 cents.
C) rise to 50 cents.
D) rise to 60 cents.

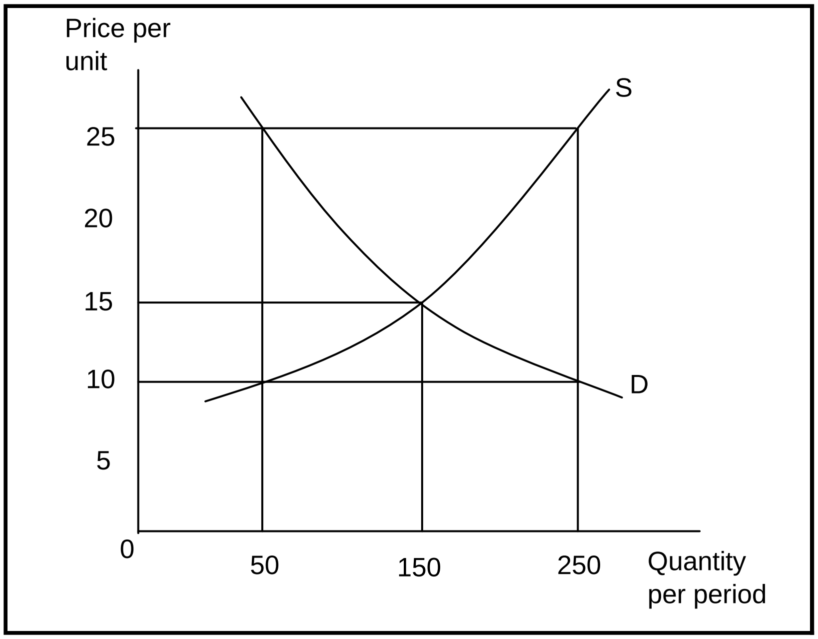
Ans: D

153. (Exhibit: The Market for Chocolate-Covered Peanuts) If the price of chocolate-covered peanuts is 50 cents, there is:
A) a surplus of 140 bags per month.
B) a shortage of 140 bags per month.
C) a surplus of 70 bags per month.
D) a shortage of 70 bags per month.

Ans: D

154. (Exhibit: The Market for Chocolate-Covered Peanuts.) A shortage of 210 bags of chocolate-covered peanuts exists if the price is ________ cents per bag.
A) 80
B) 60
C) 40
D) 30

Ans: D



155. (Exhibit: Demand and Supply Curves) The highest price per unit that buyers would be willing to pay for 250 units is:
A) $0.
B) $5.
C) $10.
D) $15.

Ans: C

156. (Exhibit: Demand and Supply Curves) The lowest price per unit that sellers would be willing to accept for 50 units is:
A) $25.
B) $15.
C) $10.
D) $5.

Ans: C

157. (Exhibit: Demand and Supply Curves) If there are no restrictions on the actions of buyers and sellers, the market price and quantity will tend toward ________ and ________ units, respectively.
A) $25; 50

B) $25; 250
C) $15; 150
D) $10; 50

Ans: C

158. (Exhibit: Demand and Supply Curves) A surplus of 200 units will occur at a price of ________ and a shortage of 200 units will occur at a price of ________.
A) $15; $10
B) $15; $15
C) $15; $25
D) $25; $10

Ans: D

159. (Exhibit: Demand and Supply Curves) A price of $25 per unit will result in:
A) a surplus of 50 units.
B) a surplus of 200 units.
C) a surplus of 250 units.
D) quantity demanded exceeding quantity supplied.

Ans: B

160. (Exhibit: Demand and Supply Curves) A price of $10 per unit will result in:
A) a shortage of 50 units.
B) a shortage of 200 units.
C) a shortage of 250 units.
D) quantity supplied exceeding quantity demanded.

Ans: B

161. In a competitive market, if there should be a surplus of a product at a given price:
A) sellers will drive the price down.
B) sellers will drive the price up.
C) buyers will drive the price up.
D) the price will tend to remain constant.

Ans: A

162. If the price in the market for a commodity is above the market equilibrium price, the:
A) price will remain unchanged.
B) price will rise to clear the market.
C) quantity supplied exceeds the quantity demanded.
D) quantity demanded exceeds the quantity supplied.

Ans: C

163. A market surplus occurs if the quantity:
A) demanded is greater than the quantity supplied.
B) demanded is less than the quantity supplied.
C) demanded is equal to the quantity supplied.
D) supplied is less than the quantity demanded.

Ans: B

164. A market surplus occurs if the:
A) price is below the equilibrium price.
B) price is equal to the equilibrium price.
C) equilibrium price is above the actual price.
D) equilibrium price is below the actual price.

Ans: D

165. If the quantity of housing supplied in a community is greater than the quantity of houses demanded, the existing price:
A) is above the market equilibrium price.
B) will rise to clear the market.
C) will either rise or remain unchanged.
D) is below the market equilibrium price.

Ans: A

166. If economists say, "the price is too high," they mean that:
A) quantity demanded is greater than quantity supplied.

B) quantity supplied is greater than quantity demanded.
C) the equilibrium price exceeds the current price.
D) the price of a good will tend to increase.

Ans: B

167. In a competitive market, when price is below the equilibrium price, there will be pressure for the price to:
A) fall.
B) stay the same.
C) rise.
D) change only if demand and/or supply change.

Ans: C

168. A market shortage occurs if the quantity:
A) demanded is greater than the quantity supplied.
B) demanded is less than the quantity supplied.
C) demanded is equal to the quantity supplied.
D) supplied is greater than the quantity demanded.

Ans: A

169. If the price in the market for a commodity is below the equilibrium price, the:
A) price will remain unchanged.
B) price will decline to clear the market.
C) quantity supplied exceeds the quantity demanded.
D) quantity demanded exceeds the quantity supplied.

Ans: D

170. If the quantity of housing supplied in a community is less than the quantity of houses demanded, the existing price:
A) will remain unchanged.
B) will fall to clear the market.
C) will either fall or remain unchanged.
D) is below the market equilibrium price.

Ans: D

171. A market shortage occurs if the:
A) price is above the equilibrium price.
B) price is equal to the equilibrium price.
C) equilibrium price is above the current price.
D) equilibrium price is below the current price.

Ans: C

172. A price above the equilibrium price will:
A) result in quantity supplied being less than quantity demanded.
B) result in a shortage.
C) create pressure for price to fall.
D) tend to rise over time.

Ans: C

173. A price below the equilibrium price will:
A) result in pressure for price to rise.
B) result in a surplus.
C) never be the case.
D) result in pressure for price to fall.

Ans: A

174. If a market reflects a shortage and prices are allowed to move:
A) supply will increase.
B) demand will decrease.
C) price will decrease.
D) price will increase.

Ans: D

175. If the current price is above the equilibrium price, we would expect:
A) quantity demanded to exceed quantity supplied.

B) upward pressure on price.
C) quantity supplied to exceed quantity demanded.
D) no change in the market price.

Ans: C

176. If the current price is less than the market clearing or equilibrium price, we would expect:
A) a surplus.
B) downward pressure on price.
C) upward pressure on price.
D) no change in the market price.

Ans: C

177. What is the difference between a shortage and scarcity?
A) Scarcity will always exist because choices must be made, but a shortage will only exist if the price is kept below the equilibrium level.
B) Scarcity is a result of two or more alternative uses and will always exist, and quantities of supply and demand adjusting to flexible prices will create shortages.
C) A surplus will exist when a good is scarce; a shortage merely implies that there isn't as much of something as people would like, which is nearly always the case.
D) There is no distinction between the two. They are the same thing.

Ans: A

178. Assume a market initially exhibits a shortage. Assuming that both prices and quantities are flexible, which of the following will be true after the market adjusts to equilibrium?
A) Price is lower.
B) Quantity demanded is greater.
C) Quantity supplied is more.
D) Quantity supplied will be reduced.

Ans: C

179. Which of the following always results in an increase in equilibrium price and quantity?
A) an increase in supply and a decrease in demand
B) an increase in demand with no change in supply
C) an increase in supply with no change in demand

D) all of the above

Ans: B

Demand and Supply Schedules for a Good

Price (per unit)	Quantity Demanded (units)	Quantity Supplied (units)
$2.00	260	200
2.50	245	220
3.00	240	240
3.50	200	250
4.00	160	260
4.50	130	280
5.00	100	300

180. (Exhibit: Demand and Supply Schedules for a Good) The equilibrium price is ________ and the equilibrium quantity is ________.
A) $2.00; 230 units
B) $3.00; 240 units
C) $4.00; 210 units
D) impossible to determine; impossible to determine

Ans: B

181. (Exhibit: Demand and Supply Schedules for a Good.) If there were an increase in demand by 50 units at each price, the equilibrium price and quantity would be ________ and ________ units, respectively.
A) $2.00; 310
B) $2.50; 295
C) $3.00; 290
D) $3.50; 250

Ans: D

182. (Exhibit: Supply and Demand Schedules for a Good) If there were a decrease in supply by

100 units at each price, the equilibrium price and quantity would be ________ and ________ units, respectively.
A) $2.00; 100
B) $3.00; 140
C) $3.50; 175
D) $4.00; 160

Ans: D

183. An increase in demand, with no change in supply, will lead to ________ in equilibrium quantity and ________ in equilibrium price.
A) an increase; an increase
B) an increase; a decrease
C) a decrease; an increase
D) a decrease; a decrease

Ans: A

184. An increase in supply, with no change in demand, will lead to ______ _ in equilibrium quantity and ________ in equilibrium price.
A) an increase; an increase
B) an increase; a decrease
C) a decrease; an increase
D) a decrease; a decrease

Ans: B

185. A decrease in demand, with no change in supply, will lead to ________ in equilibrium quantity and ________ in equilibrium price.
A) an increase; an increase
B) an increase; a decrease
C) a decrease; an increase
D) a decrease; a decrease

Ans: D

186. A decrease in supply, with no change in demand, will lead to ________ in equilibrium quantity and ________ in equilibrium price.

A) an increase; an increase
B) an increase; a decrease
C) a decrease; an increase
D) a decrease; a decrease

Ans: C

187. A decrease in demand and a decrease in supply, will lead to a(n) ________ in equilibrium quantity and a(n) ________ in equilibrium price.
A) decrease; indeterminate change
B) indeterminate change; increase
C) indeterminate change; decrease
D) increase; indeterminate change

Ans: A

188. An increase in demand and a decrease in supply, will lead to a(n) ________ in equilibrium quantity and a(n) ________ in equilibrium price.
A) decrease; decrease
B) indeterminate change; increase
C) indeterminate change; decrease
D) increase; indeterminate change

Ans: B

189. If both the demand for a product and the supply of it increase, then the equilibrium quantity will ________ and the equilibrium price will ________.
A) decrease; increase
B) decrease; decrease
C) decrease; remain constant
D) increase; either increase, decrease, or remain constant

Ans: D

190. If both the demand for a product and the supply of it decrease, then the equilibrium quantity will ________ and the equilibrium price will ________.
A) increase; either increase, decrease, or remain constant
B) decrease; either increase, decrease, or remain constant

C) increase; increase
D) increase; decrease

Ans: B

191. The Case in Point on obesity suggested that:
A) the demand for food has increased more than the supply of food has increased resulting in an increase in price.
B) the supply of food has increased more than the demand for food has increased resulting in a decrease in price.
C) the supply of food has decreased more than the demand for food has decreased resulting in an increase in price.
D) the demand for food has decreased more than the supply of food has decreased resulting in a decrease in price.

Ans: B

192. The fact that food consumption in the U.S. has increased and the relative price of food has decreased suggests that supply and demand both:
A) decreased with supply shifting by a greater degree.
B) decreased with demand shifting by a greater degree.
C) increased with supply shifting by a greater degree.
D) increased with demand shifting by a greater degree.

Ans: C

193. Given that milk and cookies are complements, suppose the price of flour (an ingredient in cookies) rises. What happens in the market for cookies?
A) The equilibrium price and quantity rise.
B) The equilibrium price rises, and the equilibrium quantity falls.
C) The equilibrium price and quantity fall.
D) The equilibrium price falls, and the equilibrium quantity rises.

Ans: B

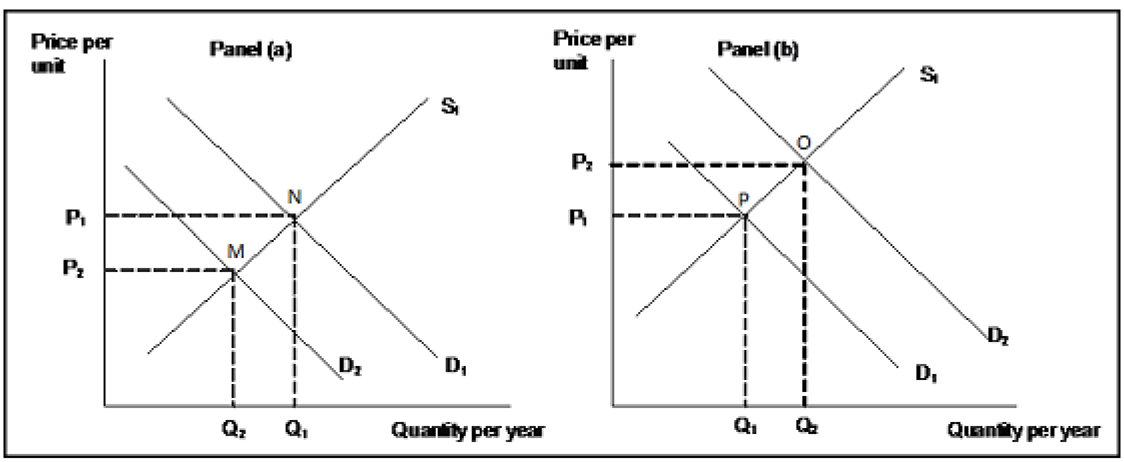
194. Plastic and steel are substitutes in the production of automobiles. If steel prices go up, all other things unchanged:
A) the equilibrium price of plastic will fall.

B) the demand curve for plastic will shift to the left.
C) the demand curve for plastic will shift to the right.
D) the equilibrium quantity of plastic demanded will increase and the equilibrium price will fall.

Ans: C

195. Given that milk and cookies are complements, suppose the price of flour (an ingredient in cookies) rises. What happens in the market for milk?
A) The equilibrium price and quantity rise.
B) The equilibrium price rises and the equilibrium quantity falls.
C) The equilibrium price and quantity fall.
D) The equilibrium price falls and the equilibrium quantity rises.

Ans: C



196. (Exhibit: Shifts in Demand and Supply) Which graph best illustrates what happened in the desktop calculators market when handheld calculators were invented and came on the market?
A) the movement from M to N in Panel (a).
B) the movement from O to P in Panel (b).
C) the movement from N to M in Panel (a).
D) the movement from P to O in Panel (b).

Ans: C

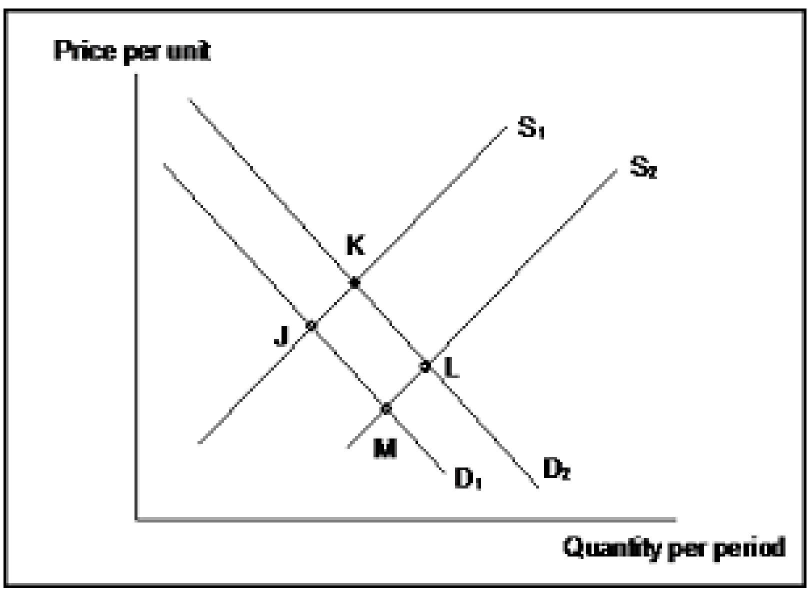
197. (Exhibit: Shifts in Demand and Supply) Which diagram best illustrates what would happen

in the handheld calculator industry if elementary schools encouraged their use?
A) the movement from M to N in panel (a)
B) the movement from P to O in panel (b)
C) the movement from O to P in panel (b)
D) the movement from M to N in panel (a)

Ans: B

198. (Exhibit: Shifts in Demand and Supply) Assume that the market in Panel (a) is in equilibrium at point M. Compared to the initial equilibrium at point N, what changes could explain what happened in this market?
A) supply decreased
B) demand decreased
C) both demand and supply decreased
D) both demand and supply increased

Ans: B



199. (Exhibit: Simultaneous Shifts in Demand and Supply) D_1 and S_1 are original supply and demand curves, and S_2 and D_2 are new curves. In this market for a normal good:
A) supply has increased and price has increased.
B) demand has increased and price has increased.
C) demand has decreased and price has fallen.
D) demand has increased and price has fallen.

Ans: D

200. (Exhibit: Simultaneous Shifts in Demand and Supply) D_1 and S_1 are original supply and demand curves, and S_2 and D_2 are new curves. In this market for a normal good, the shift in the demand curve may have been a result of:
A) a decrease in the price of a substitute good.
B) a decrease in the number of buyers.
C) falling incomes.
D) consumers' expecting the price to go up.

Ans: D

201. (Exhibit: Simultaneous Shifts in Demand and Supply) D_1 and S_1 are original supply and demand curves, and S_2 and D_2 are new curves. In this market, the original equilibrium changed from point ________ to point ________ .
A) J; L
B) L; J
C) J; M
D) J; K

Ans: A

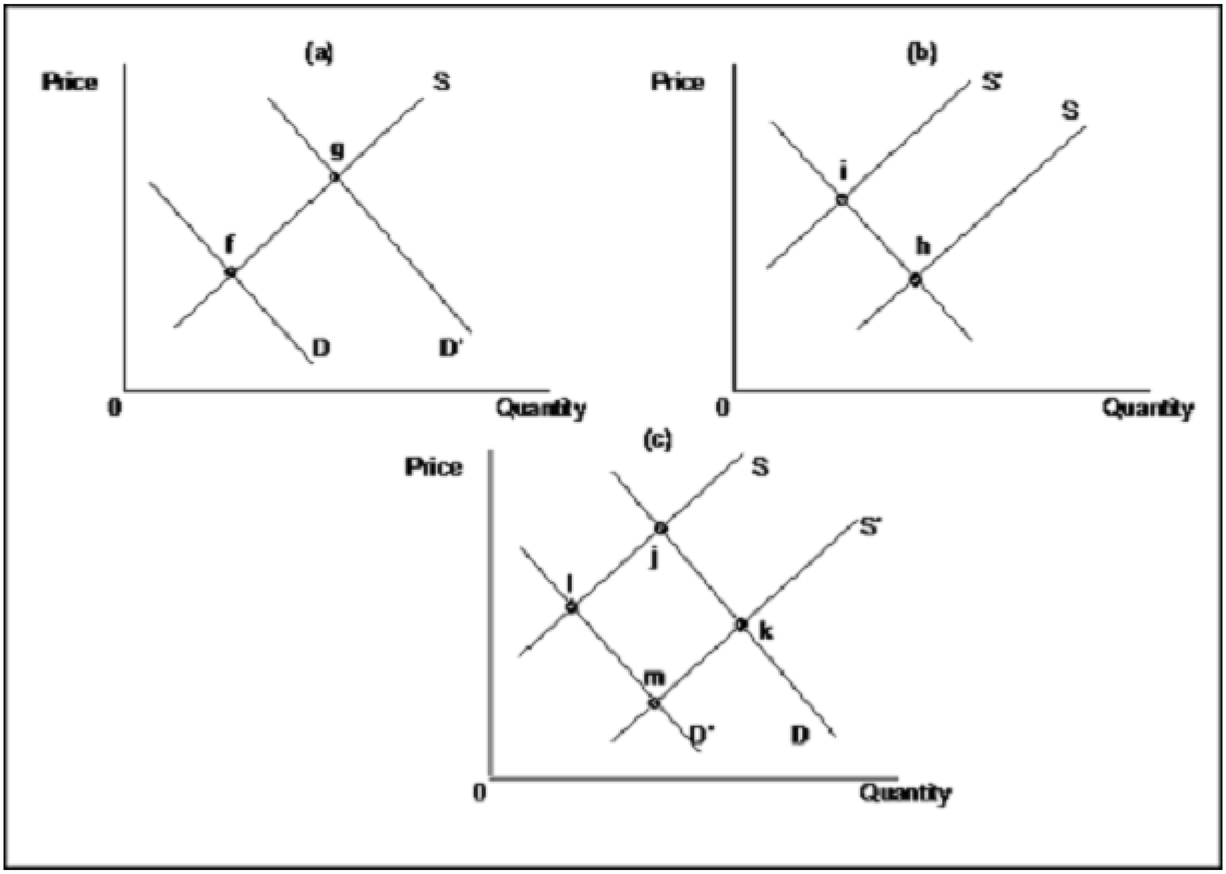
202. (Exhibit: Simultaneous Shifts in Demand and Supply) D_1 and S_1 are original supply and demand curves, and S_2 and D_2 are new curves. In this market, following the adjustment shown:
A) both demand and supply increased.
B) price fell and quantity increased.
C) quantity had to increase, given the changes in supply and demand.
D) all of the above are true.

Ans: D

203. (Exhibit: Simultaneous Shifts in Demand and Supply) D_1 and S_1 are original supply and demand curves, and S_2 and D_2 are new curves. In this market, the change in supply may have resulted from:
A) wage increases for the workers.
B) an improvement in technology.
C) a decrease in the number of sellers.

D) all of the above.

Ans: B



204. (Exhibit: The Market for Music Downloads) An increase in buyers' income, assuming music downloads are a normal good, would result in a change illustrated by the move from:
A) f to g in Figure (a).
B) g to f in Figure (a).
C) i to h in Figure (b).
D) j to m in Figure (c).

Ans: A

205. (Exhibit: The Market for Music Downloads) An increase in the wage rate paid to web site technical support employees would result in a change illustrated by the move from:

A) f to g in Figure (a).
B) g to f in Figure (a).
C) i to h in Figure (b).
D) h to i in Figure (b).

Ans: D

206. (Exhibit: The Market for Music Downloads) A decrease in buyers' income, assuming music downloads are a normal good, combined with a decrease in the wage rate paid to web site technical support employees would result in a change illustrated by the move from:
A) j to m in Figure (c).
B) g to f in Figure (a).
C) i to h in Figure (b).
D) h to i in Figure (b).

Ans: A

207. Which of the following is false?
A) If demand increases and supply decreases, equilibrium price will go up.
B) If demand remains constant and supply increases, equilibrium price will go down.
C) If demand decreases and supply increases, equilibrium price will rise.
D) If supply is unchanged and demand decreases, equilibrium price will fall.

Ans: C

208. It's certain that the equilibrium price will fall when:
A) the supply curve and the demand curve both shift to the right.
B) the supply curve shifts to the right and the demand curve shifts to the left.
C) supply and demand both increase.
D) supply decreases and demand stays the same.

Ans: B

209. If demand and supply both decrease:
A) both price and quantity will be less.
B) both price and quantity will go up.
C) price will fall but quantity will go up.
D) quantity will go down but the effect on price is indeterminate.

Ans: D

210. If the demand for housing increases and the supply of housing decreases:
A) price will go up and quantity will go down.
B) price and quantity will both go up.
C) price will increase, but the quantity change is indeterminate.
D) the quantity will be higher, but the change in price is indeterminate.

Ans: C

211. If demand and supply both shift to the right, then:
A) both price and quantity will go up.
B) price will go down and quantity will go up.
C) quantity will go down and price will go up.
D) quantity will go up, but price could go up, down, or stay the same

Ans: D

212. The Case in Point on obesity suggests that food prices are lower because of:
A) an increase in the in the demand for food only.
B) an increase in the supply of food only.
C) an increase in the demand for food was less than the increase in the supply of food.
D) an increase in the supply of food that was lessthan the increase in demand forfood.

Ans: C

213. The Case in Point on obesity argues that agricultural innovation led to:
A) the increase in the demand for food.
B) theincrease in the supply of food.
C) higher food prices.
D) B and C occurred.

Ans: B

214. A market is a set of arrangements where:

A) buyers and sellers can get together and buy and sell.
B) buyers compete with sellers.
C) sellers compete with buyers.
D) A and C are true, but B is not true.

Ans: A

True/False

215. The demand for a product is the quantity of it that people buy.

Ans: False

216. The law of demand implies that the quantity demanded of a commodity is inversely related to income, assuming other things that may affect demand remain the same.

Ans: False

217. Consumer preferences are a demand shifter.

Ans: True

218. Price changes for complements and substitutes have the same effect on demand.

Ans: False

219. The same factors that lead to a change in quantity demanded also cause a change in demand.

Ans: False

220. Technology is a demand shifter.

Ans: False

221. At any price below the equilibrium price, the quantity demanded exceeds the quantity supplied, and the price tends to rise.

Ans: True

222. There can be no shortages or surpluses at the equilibrium price.

Ans: True

223. A shortage occurs at any price above the equilibrium price.

Ans: False

224. A surplus will cause pressure on the price to fall.

Ans: True

225. A shortage will exert pressures for the price to decrease.

Ans: False

226. A decrease in price will lead to an increase in the quantity demanded.

Ans: True

227. A decrease in price will lead to an increase in demand.

Ans: False

228. An increase in price will result in a decrease in the quantity supplied.

Ans: False

229. An increase in price will result in an increase in supply.

Ans: False

230. According to the textbook, demand and supply determine prices, and prices allocate scarce resources in the economy.

Ans: True

231. Demand and supply are terms that refer to the behavior of people and firms as they interact in markets.

Ans: True

232. An increase in income will lead to an increase in demand for inferior goods.

Ans: False

233. A surplus is a result of equilibrium price being below the current price.

Ans: True

234. A shortage results from a current price being below the equilibrium price.

Ans: True

235. A decrease in the price of a factor of production will lead to an increase in the supply of goods that use the factor in production.

Ans: True

236. A decrease in the price of a good will result in a decrease in supply.

Ans: False

237. An increase in the price of a good will lead to an increase in the quantity supplied.

Ans: True

238. An increase in both supply and demand must increase both equilibrium price and quantity.

Ans: False

239. A decrease in both supply and demand will lead to a decrease in equilibrium quantity.

Ans: True

240. A shortage or a surplus can exist when the current price is equal to the equilibrium price.

Ans: False

241. An improvement in technology will lead to a change in demand.

Ans: False

242. An increase in consumer income will lead to an increase in supply.

Ans: False

243. If two goods are substitutes, a decrease in the price of one will result in an increase in demand for the other.

Ans: True

244. If two goods are complements, a fall in the price of one will lead to an increase in demand for the other.

Ans: True

245. A current price below the equilibrium price will result in a surplus.

Ans: False

Short Answer

246. Define demand, supply, and equilibrium price.
Ans:

247. Differentiate between a change in demand and a change in quantity demanded.
Ans:

248. Differentiate between a change in supply and a change in quantity supplied.
Ans:

249. List and explain the demand shifters.
Ans:

250. List and explain the supply shifters.
Ans:

251. Given the events listed below that take place in the corn market, decide if demand or quantity demanded changes and determine the direction of change.
A. The economy prospers and incomes rise dramatically.
B. The price of corn falls.
C. The price of pork increases, and corn is a significant input in the pork market.
D. The price of oats, a substitute for corn, falls.
E. The price of corn increases.
F.A new fertilizer comes on the market that leads to tremendous increases in corn productivity.
Ans:

252. Given the events listed below that take place in the bread market, decide if demand changes or quantity demanded changes and determine the direction of change.
A. The economy prospers and incomes increase dramatically.
B. The price of bread falls.
C. The price of flour, an ingredient of bread, falls.
D. The price of bread increases.
E. A severe weather problem occurs and most grain crops are destroyed.
F. The price of potatoes, a substitute for bread, rises.
Ans:

253. Describe what would happen in a market if the current price were above the equilibrium price (assume no government interference). Using the same assumptions, describe what would happen if the current price were below the equilibrium price. Use a graph to explain your answer.
Ans: