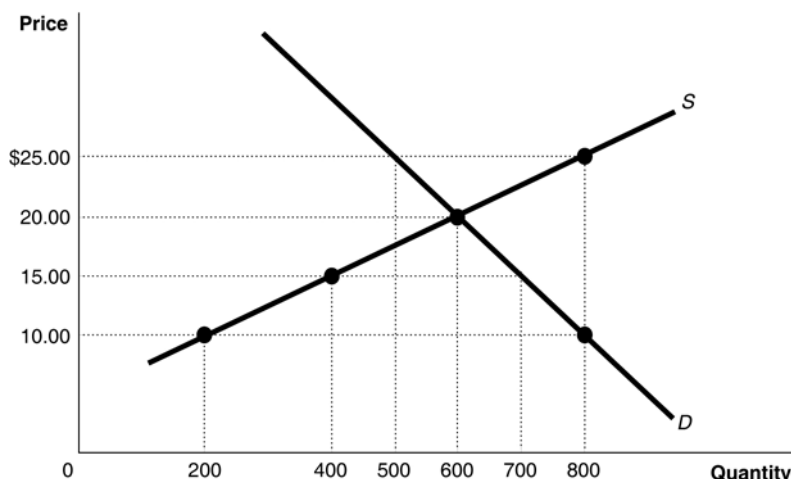


## Old Exam Questions Which Cover Chapter 3 Topics

**MULTIPLE CHOICE.** Choose the one alternative that best completes the statement or answers the question.

- 1) In 1996, a group of American doctors called for a limit on the number of foreign-trained physicians permitted to practice in the United States. Consider the impacts of such a limit on the market for doctor services in the United States. It is likely that the equilibrium price of doctor services would \_\_\_\_\_ and the equilibrium quantity of doctor services would \_\_\_\_\_.  
A) decrease ; increase  
B) increase ; decrease  
C) increase ; increase  
D) not change ; decrease  
E) decrease ; decrease  
1) \_\_\_\_\_
- 2) The law of demand defines a  
A) negative relationship between price and quantity demanded.  
B) positive relationship between income and quantity demanded.  
C) positive relationship between price and quantity demanded.  
D) negative relationship between income and quantity demanded.  
2) \_\_\_\_\_
- 3) If the costs of producing pizza increase, which will occur?  
A) The quantity of pizzas supplied will increase as sellers try to cover their costs.  
B) The supply of pizza will decrease.  
C) Pizza will no longer be produced and sold.  
D) The demand curve for pizza will shift leftward when the price of a pizza increases.  
E) More than one of the above is correct  
3) \_\_\_\_\_
- 4) Many students use U-Haul trucks to move their possessions into town in August. Hence renting a U-Haul truck in September in a college town will be  
A) less expensive than normal because of the small number of trucks available after the start of the fall semester.  
B) more expensive than normal because the company has to earn a profit.  
C) less expensive than normal because of the large number of trucks available.  
D) more expensive than normal because some students leave campus in the middle of the semester.  
4) \_\_\_\_\_
- 5) Suppose that good weather increases the supply of avocados. Avocados are an input in the production of guacamole, and guacamole is in turn a consumption substitute for salsa. The equilibrium price of salsa will \_\_\_\_\_ and the equilibrium quantity of salsa will \_\_\_\_\_.  
A) fall; rise  
B) fall; fall  
C) not change; not change  
D) rise; fall  
E) rise; rise  
5) \_\_\_\_\_

Figure 3-2



- 6) Refer to Figure 3-2. If the price is \_\_\_\_\_, then every willing buyer can find a willing seller, but not every willing seller can find a willing buyer. 6) \_\_\_\_\_

If the price is \_\_\_\_\_, then every willing seller can find a willing buyer, but not every willing buyer can find a willing seller.

- A) \$25 ; \$20      B) \$10 ; \$20      C) \$10 ; \$15      D) \$25 ; \$10      E) \$10 ; \$25
- 7) Refer to Figure 3-2. Suppose that you observe this market and see that store shelves are persistently empty of this product, and that many consumers come to the stores for this product, but there is none available. Which of the following is most likely the actual market price of the good? 7) \_\_\_\_\_
- A) \$25      B) \$15      C) \$20

- 8) Suppose that in 1996, 12 million cars were purchased at \$15,000 each, while in 1997, 14 million cars were purchased at \$18,000 each. What might have caused this change? 8) \_\_\_\_\_

- A) The price of airplane tickets (a substitute for cars) rose  
 B) The price of airplane tickets (a substitute for cars) fell  
 C) Automobile manufacturing technology decreased  
 D) Automobile manufacturing technology increased

- 9) Suppose that in 2011, 12 million cars were purchased at \$15,000 each, while in 2012, 10 million cars were purchased at \$13,000 each. What might have caused this change? 9) \_\_\_\_\_

- A) The price of airplane tickets (a consumption substitute for cars) fell  
 B) Automobile manufacturing technology decreased  
 C) Automobile manufacturing technology increased  
 D) The price of airplane tickets (a consumption substitute for cars) rose

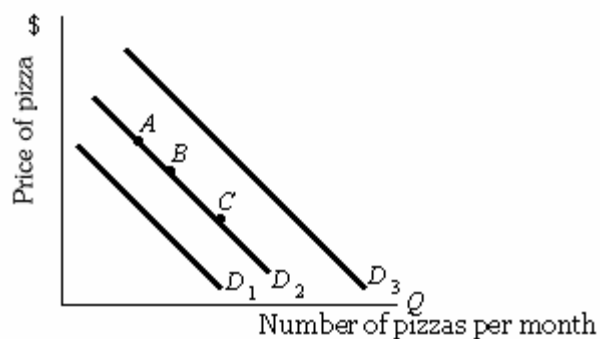
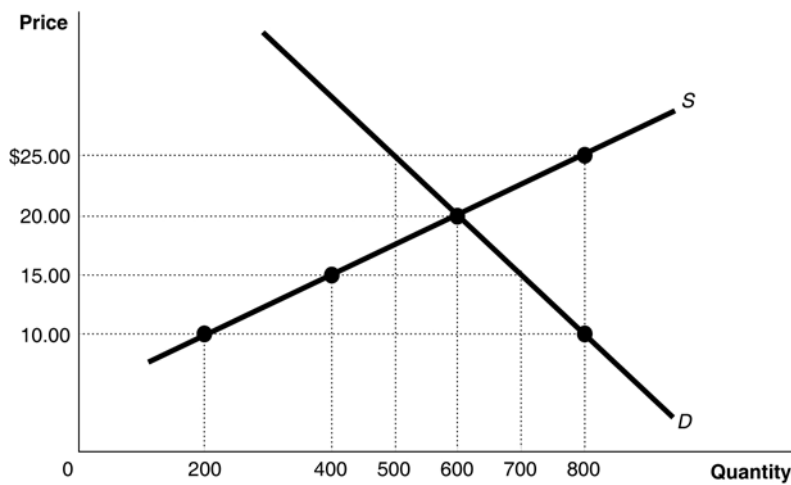


Figure 4.12

- 10) Refer to Figure 4.12. Assume that the pizza market is initially in equilibrium at Point B. If pizza and hamburgers are consumption substitutes, a decrease in the price of hamburgers will cause a movement from Point B on demand curve  $D_2$  to: 10) \_\_\_\_\_
- A) Point A on demand curve  $D_2$ . B) demand curve  $D_3$ .  
C) demand curve  $D_1$ . D) Point C on demand curve  $D_2$ .
- 11) Refer to Figure 4.12. Assume that the pizza market is initially in equilibrium at Point B. If pizza and beer are consumption complements, a decrease in the price of beer will cause a movement from Point B on demand curve  $D_2$  to \_\_\_\_\_ in the pizza market. 11) \_\_\_\_\_
- A) Point C on demand curve  $D_2$ . B) Point A on demand curve  $D_2$ .  
C) demand curve  $D_3$ . D) demand curve  $D_1$ .
- 12) Lettuce is an inferior good. During the winter, about 20% of the lettuce crop was destroyed by flooding. At the same time that part of the lettuce crop was destroyed, consumer income also decreased. Taken together, these two situations would have caused: 12) \_\_\_\_\_
- A) the equilibrium price of lettuce to either increase, decrease, or remain the same and the equilibrium quantity of lettuce to decrease.  
B) both the equilibrium price and quantity of lettuce to decrease.  
C) the equilibrium price to increase and the equilibrium quantity of lettuce to decrease.  
D) the equilibrium price of lettuce to increase. The equilibrium quantity of lettuce could have increased, decreased, or remained the same.
- 13) A change in which variable will change (shift) the market demand for a product? 13) \_\_\_\_\_
- A) the quantity supplied of the product  
B) the price of the product  
C) expected future prices  
D) the number of firms in the market  
E) More than one of the above is correct
- 14) Farmers can plant either corn or soybeans in their fields. Which of the following would cause the supply of soybeans to decrease? 14) \_\_\_\_\_
- A) A decrease in the price of corn. B) An increase in the price of corn.  
C) An increase in the price of soybeans. D) A decrease in the price of soybeans.

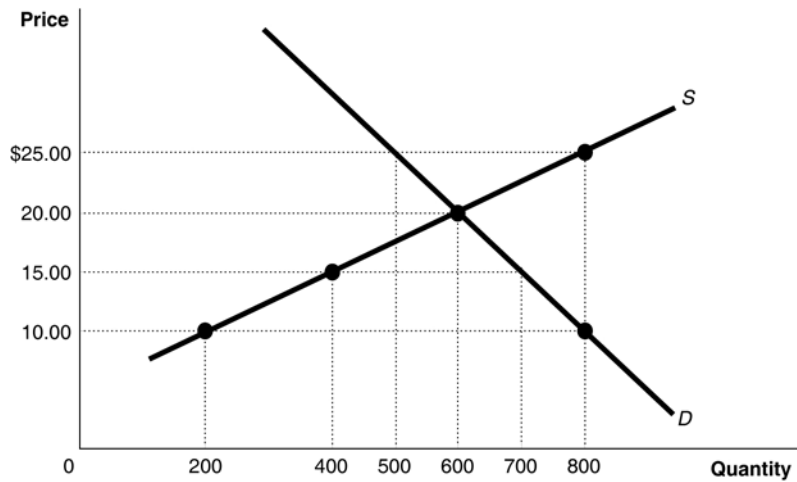
- 15) Suppose that when the price of hamburgers increases, the Ruiz family increases their purchases of hot dogs. To the Ruiz family, \_\_\_\_\_
- A) hamburgers and hot dogs are normal goods.
  - B) hamburgers and hot dogs are inferior goods.
  - C) hamburgers and hot dogs are complements.
  - D) hamburgers and hot dogs are substitutes.
- 16) Consider the market for tacos. If a new report warns that taco consumption is an unhealthy behavior at the same time that the price of beef (input to taco production) rises, the price of tacos will \_\_\_\_\_ and the quantity of tacos will \_\_\_\_\_. \_\_\_\_\_
- A) rise, fall, or not change ; rise
  - B) rise, fall, or not change ; fall
  - C) rise ; rise, fall, or not change
  - D) fall ; rise, fall, or not change
  - E) None of the above

Figure 3-2



- 17) Refer to Figure 3-2. At a price of \$25, how many units will be sold? \_\_\_\_\_
- A) 500
  - B) 400
  - C) 600
  - D) 800

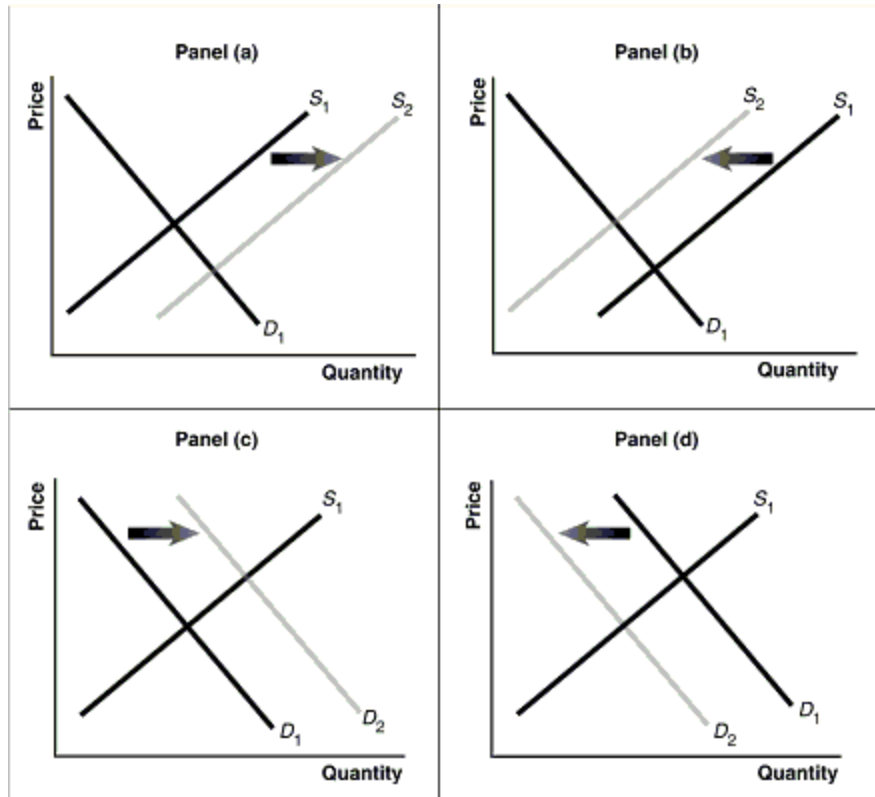
Figure 3-4



- 18) Refer to Figure 3-4. If the current market price is \$10, the market will achieve equilibrium by
- A) a price decrease, decreasing the supply and increasing the demand.
  - B) a price decrease, decreasing the quantity supplied and increasing the quantity demanded.
  - C) a price increase, increasing the quantity supplied and decreasing the quantity demanded.
  - D) a price increase, increasing the supply and decreasing the demand.

18) \_\_\_\_\_

Figure H



19) Refer to Figure H. Assume that the graphs in this figure represent the demand and supply curves for chicken sandwiches. What panel shows the effects of a decrease in the price of chicken (which is an input to the production of chicken sandwiches)?

- A) Panel (a)                      B) Panel (b)                      C) Panel (c)                      D) Panel (d)

19) \_\_\_\_\_

20) What is the difference between an "increase in supply" and an "increase in quantity supplied"?

- A) An "increase in supply" means the supply curve has shifted to the left while an "increase in quantity supplied" refers to a movement along a given supply curve in response to an increase in price.  
 B) There is no difference between the two terms; they both refer to a movement along a given supply curve  
 C) An "increase in supply" means the supply curve has shifted to the right while an "increase in quantity supplied" refers to a movement along a given supply curve in response to an increase in price.  
 D) There is no difference between the two terms; they both refer to a shift of the supply curve.

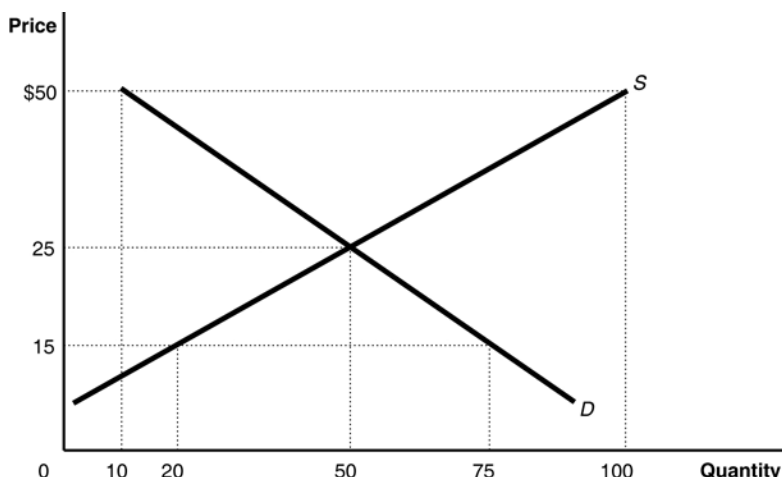
20) \_\_\_\_\_

21) Which of the following would cause a decrease in the supply of milk?

- A) An increase in the price of cookies (assuming that milk and cookies are complements).  
 B) An increase in the number of firms that produce milk.  
 C) An increase the price of a product that producers sell instead of milk.  
 D) A decrease in the price of milk  
 E) More than one of the above would decrease the supply of milk

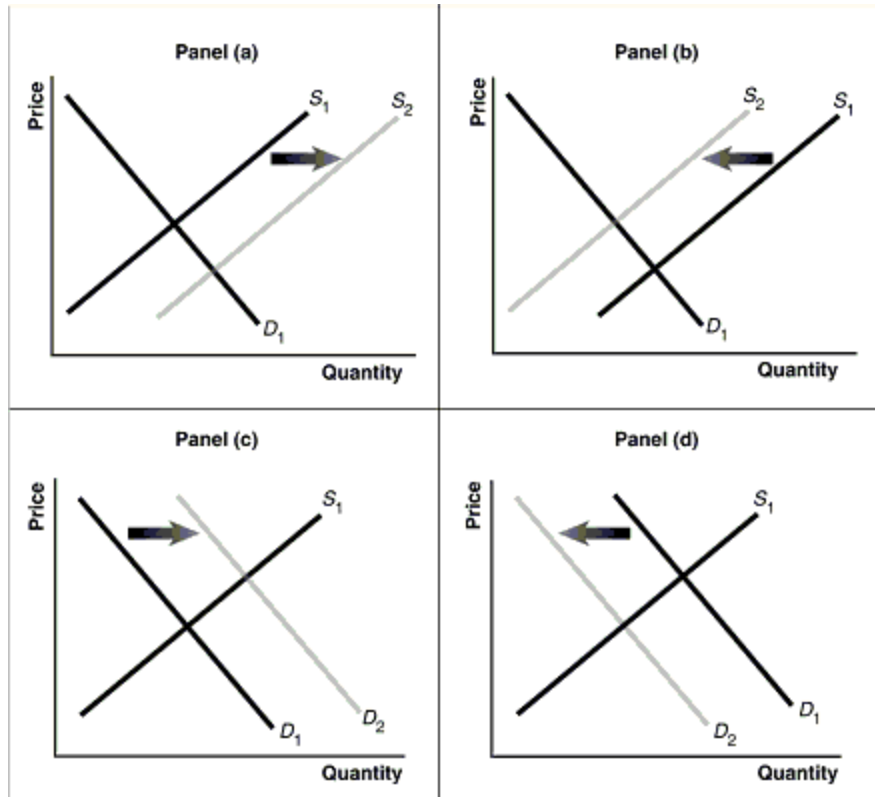
21) \_\_\_\_\_

Figure G



- 22) Refer to Figure G. The figure above represents the market for canvas tote bags. Assume that the market price is \$35. Which of the following statement is true? 22) \_\_\_\_\_
- A) There is a surplus that will cause the price to decrease; quantity demanded will then increase and quantity supplied will decrease until the price equals \$25.
  - B) There is a surplus that will cause the price to decrease; quantity supplied will then increase and quantity demanded will decrease until the price equals \$25.
  - C) There will be a surplus that will cause the price to decrease; demand will then increase and supply will decrease until the price equals \$25.
  - D) There is a surplus that will cause the price to increase; quantity demanded will then decrease and quantity supplied will increase until the price equals \$25.
- 23) Which of the following statements is true? 23) \_\_\_\_\_
- A) If demand decreases and supply increases one cannot determine if equilibrium price will increase or decrease without knowing which change is greater.
  - B) An increase in demand causes a change in equilibrium price; the change in price does not cause a further change in demand or supply.
  - C) If both demand and supply increase there must be an increase in equilibrium price; equilibrium quantity may either increase or decrease.
  - D) A decrease in supply causes equilibrium price to rise; the increase in price then results in a decrease in demand.
  - E) All of the above are true
- 24) Suppose that the market for bottled water (a normal good) is initially in equilibrium. If the incomes of potential buyers fall, but the price of bottled water stays at the initial equilibrium price, then 24) \_\_\_\_\_
- A) There will be a shortage of bottled water.
  - B) There will be a surplus of bottled water.
  - C) The bottled water market will be in equilibrium.
- 25) If a decrease in income leads to an increase in the demand for macaroni, then macaroni is 25) \_\_\_\_\_
- A) a normal good.
  - B) a neutral good.
  - C) a necessity.
  - D) an inferior good.

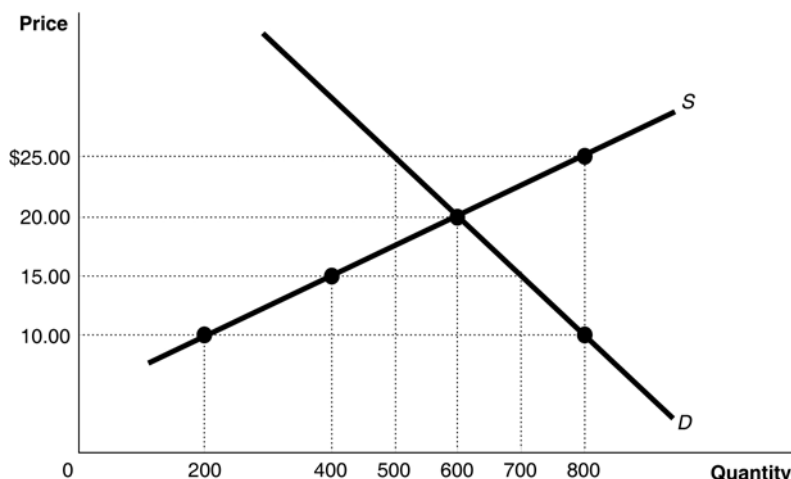
Figure H



- 26) Refer to Figure H. Assume that the graphs in this figure represent the demand and supply curves for almonds. Which panel best describes what happens in this market when there is a new well-publicized health report proclaiming the health benefits of almond consumption? 26) \_\_\_\_\_  
 A) Panel (a)                      B) Panel (b)                      C) Panel (c)                      D) Panel (d)
- 27) Refer to Figure H. Assume that the graphs in this figure represent the demand and supply curves for cheese. Which panel best describes what happens in the cheese market when there is an increase in demand for yogurt (a production substitute for cheese)? 27) \_\_\_\_\_  
 A) Panel (a)                      B) Panel (b)                      C) Panel (c)                      D) Panel (d)
- 28) Refer to Figure H. Assume that the graphs in this figure represent the demand and supply curves for computer memory. What panel describes the current effect when buyers expect a decrease in computer memory prices in the future? 28) \_\_\_\_\_  
 A) Panel (a)                      B) Panel (b)                      C) Panel (c)                      D) Panel (d)
- 29) During 2002 the supply of petroleum increased while at the same time the demand for petroleum increased. If the magnitude of the increase in demand was greater than the magnitude of the increase in supply, which of the following occurred? 29) \_\_\_\_\_  
 A) The equilibrium price of petroleum decreased and the equilibrium quantity increased.  
 B) The equilibrium price of petroleum increased and the equilibrium quantity decreased.  
 C) The equilibrium price of petroleum increased and the equilibrium quantity increased.  
 D) The equilibrium price of petroleum decreased and the equilibrium quantity did not change.  
 E) The equilibrium price of petroleum decreased and the equilibrium quantity decreased.



Figure 3-2



- 30) Refer to Figure 3-2. If the price is \$25, 30) \_\_\_\_\_
- A) there is a surplus of 5 units.
  - B) there is pressure on the price to fall.
  - C) every willing seller can find a willing buyer, but not every willing buyer can find a willing seller.
  - D) there is a shortage of 400 units.
  - E) More than one of the above is correct.
- 31) Petroleum and solar power are substitutes (in consumption). Petroleum and automobiles are complements (in consumption). When the price of petroleum decreases, the demand for solar power will \_\_\_\_\_ and the demand for automobiles will \_\_\_\_\_. 31) \_\_\_\_\_
- A) not change ; not change
  - B) increase ; decrease
  - C) decrease ; decrease
  - D) increase ; increase
  - E) decrease ; increase
- 32) If buyers and sellers both expect the price of washing machines to rise within the next six months, today in the washing machine market, the demand will 32) \_\_\_\_\_
- A) increase, supply will increase, and the change in the equilibrium price will be ambiguous.
  - B) decrease, supply will increase, and the change in the equilibrium price will be ambiguous.
  - C) increase, supply will decrease, and the equilibrium price will fall.
  - D) increase, supply will decrease, and the equilibrium price will rise.
  - E) decrease, supply will increase, and the equilibrium price will fall.
- 33) Economists often say that prices are a "rationing mechanism." If the supply of a good falls, how do prices "ration" these now-scarce goods in a competitive market? 33) \_\_\_\_\_
- A) Prices allocate goods to the people with the highest willingness to pay.
  - B) Prices allocate goods to the people who deserve them the most.
  - C) Prices allocate goods to those with the lowest value of their own time.
  - D) Prices allocate goods to the people with the lowest willingness to pay.
  - E) Prices allocate goods to the people with the lowest opportunity cost of their time.

- 34) Suppose that "safe cars" and "dangerous cars" are substitutes in consumption. If there is a technological advance in the production of "safe cars" then the equilibrium price of "safe cars" will \_\_\_\_\_ and the equilibrium quantity of "safe cars" will \_\_\_\_\_. Additionally, the equilibrium quantity of "dangerous cars" will \_\_\_\_\_. 34) \_\_\_\_\_
- A) rise ; decrease ; increase
  - B) rise ; increase ; increase
  - C) fall ; increase ; increase
  - D) fall ; increase ; decrease
  - E) None of the above
- 35) The Law of Supply states that 35) \_\_\_\_\_
- A) producers should only sell the items when the price is right.
  - B) producers are legally required to make necessary items available in the marketplace.
  - C) producers should only produce what they can sell.
  - D) there is a positive relationship between price and quantity supplied, *ceteris paribus*.
- 36) Suppose that automobile workers were to negotiate a very large wage increase. As a result, the equilibrium price of automobiles would \_\_\_\_\_, and the equilibrium quantity of automobiles would \_\_\_\_\_. 36) \_\_\_\_\_
- A) decrease; decrease
  - B) increase; increase
  - C) increase; decrease
  - D) decrease; increase
- 37) You observe that the equilibrium price of internet service has risen and its equilibrium quantity has risen. Which of the following is the likely reason? 37) \_\_\_\_\_
- A) A decrease in demand for internet service
  - B) A decrease in supply of internet service
  - C) An increase in supply of internet service
  - D) An increase in demand for internet service
- 38) You observe that the equilibrium price of internet service has fallen and its equilibrium quantity has risen. Which of the following is the likely reason? 38) \_\_\_\_\_
- A) An increase in supply of internet service
  - B) A decrease in demand for internet service
  - C) A decrease in supply of internet service
  - D) An increase in demand for internet service
- 39) When supply decreases, equilibrium price \_\_\_\_\_ and equilibrium quantity \_\_\_\_\_. 39) \_\_\_\_\_
- A) increases; increases
  - B) increases; decreases
  - C) decreases; decreases
  - D) decreases; increases
- 40) Suppose that in October the price of a cup of cafe latte was \$2.50 and 400 lattes were consumed. In November the price of a latte was \$2.00 and 300 lattes were consumed. What might have caused this change? 40) \_\_\_\_\_
- A) The price of tea (a substitute for cafe lattes) rose.
  - B) The price of coffee beans (an input of production of cafe lattes) fell.
  - C) The price of coffee beans (an input of production of cafe lattes) rose.
  - D) The price of tea (a substitute for cafe lattes) fell.

41) Suppose that the price of crude oil (a major input in gasoline production) rises. Additionally, assume that consumers buy larger vehicles which get less miles per gallon of gasoline than their previous vehicles. When these two events occur simultaneously, we should expect the equilibrium price of gasoline to \_\_\_\_\_ and the equilibrium quantity of gasoline to \_\_\_\_\_.

41) \_\_\_\_\_

- A) fall ; either "rise", "fall", or "not change"
- B) either "rise", "fall", or "not change" ; fall
- C) rise ; rise
- D) rise ; either "rise", "fall", or "not change"
- E) either "rise", "fall", or "not change" ; rise

42) Suppose that the price of crude oil falls. (Crude oil is a major input for gasoline production.) Additionally, assume that consumers buy smaller vehicles which get more miles per gallon of gasoline than their previous vehicles. When these two events occur simultaneously, we should expect the equilibrium price of gasoline to \_\_\_\_\_ and the equilibrium quantity of gasoline to \_\_\_\_\_.

42) \_\_\_\_\_

- A) fall ; either "rise", "fall", or "not change"
- B) rise ; either "rise", "fall", or "not change"
- C) fall ; fall
- D) either "rise", "fall", or "not change" ; rise
- E) either "rise", "fall", or "not change" ; fall

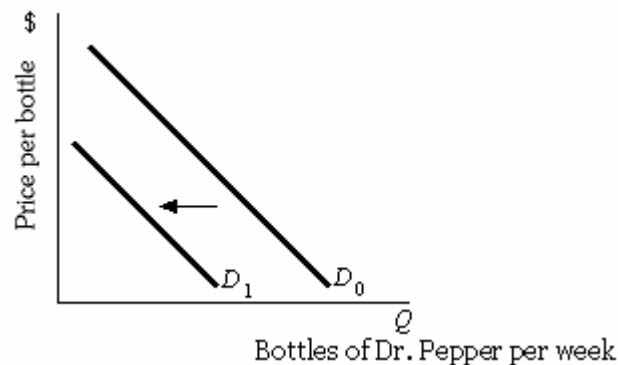


Figure 4.8

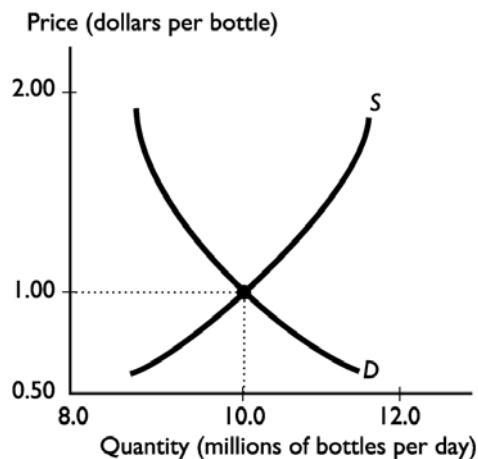
43) Refer to Figure 4.8. Which of the following would be most likely to cause the demand for Dr. Pepper to shift from  $D_0$  to  $D_1$ ?

43) \_\_\_\_\_

- A) an increase in the price of 7-UP, assuming 7-UP is a consumption substitute for Dr. Pepper.
- B) an increase in income, assuming that Dr. Pepper is a normal good.
- C) a reduction in the price of corn syrup used to make Dr. Pepper.
- D) a decrease in the price of Dr. Pepper.
- E) None of the above

- 44) Suppose you are given the following information about tattoos. (1) the Center for Disease Control reports that tattoos can cause liver and kidney problems; and (2) the price of dye use in tattooing has increased. Given this information, what can you say about the equilibrium price and quantity of tattoos? 44) \_\_\_\_\_
- A) equilibrium price will rise and the effects on equilibrium quantity are uncertain
  - B) equilibrium price will fall and equilibrium quantity will fall
  - C) equilibrium price will fall and the effects on equilibrium quantity are uncertain
  - D) equilibrium quantity will fall and the effects on equilibrium price are uncertain
  - E) None of the above

- 45) Consider the market for mattresses. If the price of foam used in making mattresses declines, which one of the following is the likely outcome? 45) \_\_\_\_\_
- A) the demand for mattresses will increase (shift right)
  - B) there will be a shortage of mattresses
  - C) the supply of mattresses will increase (shift right)
  - D) the price of mattresses will rise
  - E) both A and B are correct



- 46) The graph illustrates the market for bottled water. If there is a technological innovation in the production of bottled water, then the \_\_\_\_\_. 46) \_\_\_\_\_
- A) price of bottled water rises.
  - B) supply of bottled water decreases.
  - C) the demand for bottled water increases.
  - D) quantity demanded of bottled water increases.
  - E) More than one of the above is correct
- 47) Which of the following is NOT one of the basic questions that an economic system attempts to answer? 47) \_\_\_\_\_
- A) For whom will goods and services be produced?
  - B) How to eliminate choices?
  - C) How many goods and services will be produced?
  - D) What to produce?
- 48) In a market system, \_\_\_\_\_ provide signals about whether resources are relatively scarce or abundant. 48) \_\_\_\_\_
- A) government officials
  - B) economists
  - C) scientists and engineers
  - D) prices

49) Which of the following is held constant along a given demand curve?

49) \_\_\_\_\_

- A) the incomes of buyers
- B) the price of the good
- C) Both of the above
- D) None of the above

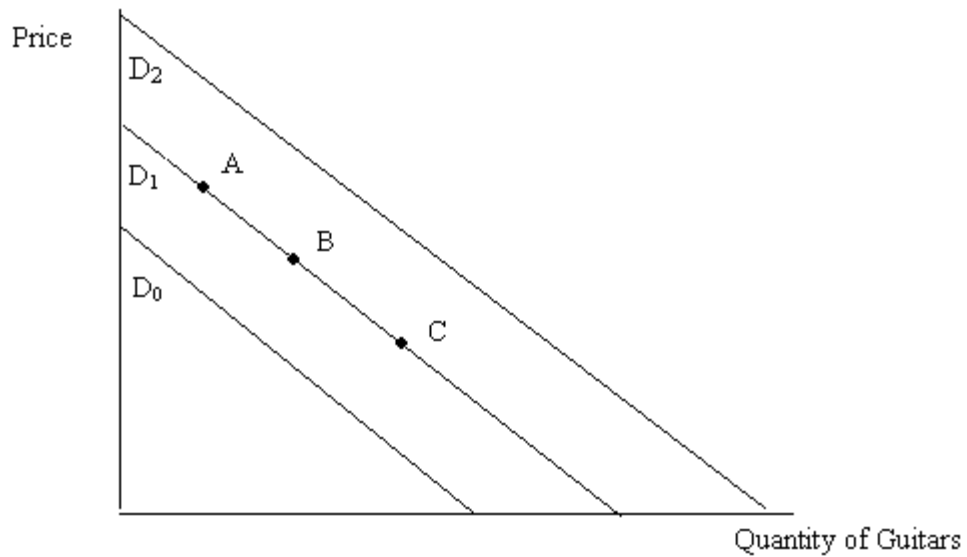


Figure 4.4

50) Figure 4.4 illustrates the demand for guitars. If buyers expect the price of guitars to decrease in the near future, this would most likely bring about (in the current time frame) a movement from:

50) \_\_\_\_\_

- A)  $D_1$  to  $D_0$ .
- B) point B to point A.
- C)  $D_1$  to  $D_2$ .
- D) point B to point C.

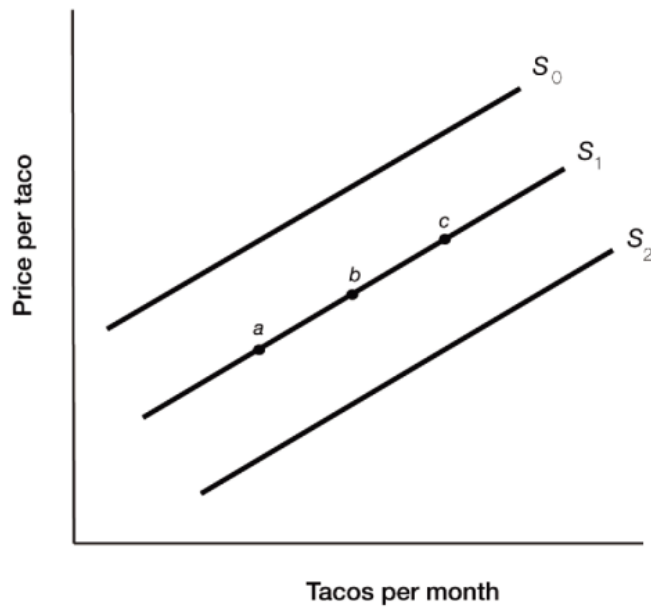


Figure 4.4

- 51) Figure 4.4 illustrates the supply of tacos. An increase in the price of ground beef, which is used to make tacos, would most likely cause a movement from \_\_\_\_\_
- A) point *a* to point *b*. B) point *c* to point *b*.  
 C)  $S_2$  to  $S_1$ . D)  $S_0$  to  $S_1$ .
- 52) Figure 4.4 illustrates the supply of tacos. A decrease in the price of ground beef, which is used to make tacos, would most likely cause a movement from \_\_\_\_\_
- A) point *a* to point *b*. B) point *c* to point *b*.  
 C)  $S_1$  to  $S_0$ . D)  $S_1$  to  $S_2$ .
- 53) If the demand for jelly decreases at the same time that the price of grapes (used to make jelly) rises \_\_\_\_\_
- A) the equilibrium price of jelly rises and the equilibrium quantity of jelly might rise or fall.  
 B) the equilibrium price of jelly might rise or fall, and the equilibrium quantity of jelly falls.  
 C) the equilibrium price of jelly falls and the equilibrium quantity of jelly might rise or fall.  
 D) the equilibrium price of jelly might rise or fall, and the equilibrium quantity of jelly rises.
- 54) Consider the market for flavored mineral water. If the price of soda (a consumption substitute for flavored mineral water) increases, which one of the following is likely to be the outcome? \_\_\_\_\_
- A) the demand for soda will decrease (shift left)  
 B) the equilibrium quantity of flavored mineral water will fall  
 C) the demand for flavored mineral water will increase (shift right)  
 D) the price of flavored mineral water will fall  
 E) More than one of the above are correct

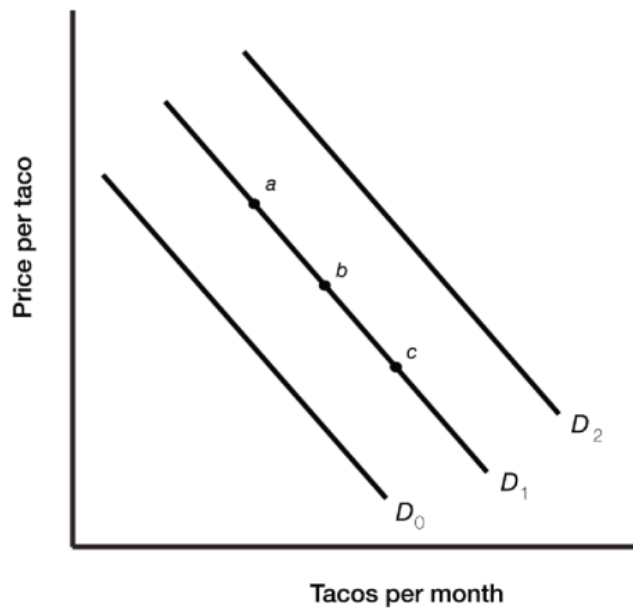
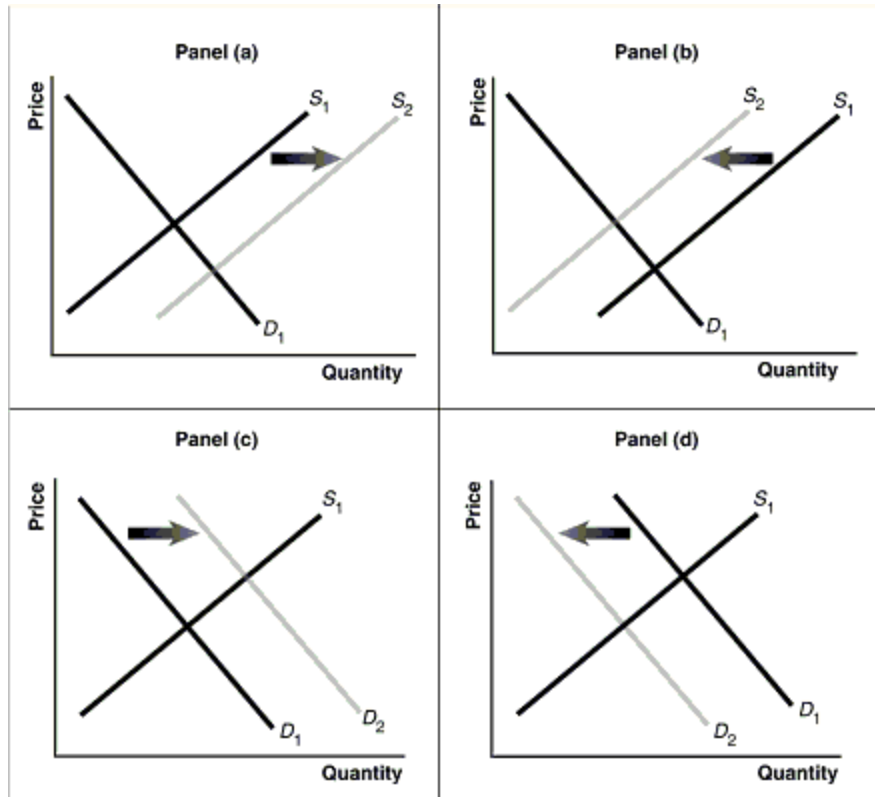


Figure 4.3

- 55) Figure 4.3 illustrates the demand for tacos. Assume that tacos and beer are consumption complements. An increase in the price of beer would bring about a movement from \_\_\_\_\_
- A) point *a* to point *b*. B) point *c* to point *b*.  
 C)  $D_1$  to  $D_0$ . D)  $D_1$  to  $D_2$ .
- 56) Figure 4.3 illustrates the demand for tacos. Assume tacos are an inferior good. A decrease in income would bring about a movement from \_\_\_\_\_
- A) point *a* to point *b*. B) point *c* to point *b*.  
 C)  $D_1$  to  $D_0$ . D)  $D_1$  to  $D_2$ .
- 57) Lettuce and tomatoes are consumption complements. Lettuce and spinach are consumption substitutes. During the winter, about 20% of the lettuce crop was destroyed by flooding. The floods that destroyed part of the lettuce crop would have caused the equilibrium price of spinach to \_\_\_\_\_ and the equilibrium price of tomatoes to \_\_\_\_\_.  
 A) not change; increase  
 B) decrease; increase  
 C) decrease; decrease  
 D) increase; increase  
 E) increase; decrease

Figure H



58) Refer to Figure H. Assume that the graphs in this figure represent the demand and supply curves for cheese. Which panel best describes what happens in the cheese market when there is a decrease in the price of yogurt (a production substitute for cheese)?

- A) Panel (a)      B) Panel (b)      C) Panel (c)      D) Panel (d)

58) \_\_\_\_\_

59) According to the law of demand, ceteris paribus, the quantity demanded of a product increases as

A) consumer income rises.      B) the price of the product falls.  
C) the price of the product rises.      D) the prices of other products fall.

59) \_\_\_\_\_



Refer to the information provided in Figure 3.12 below to answer the questions that follow.

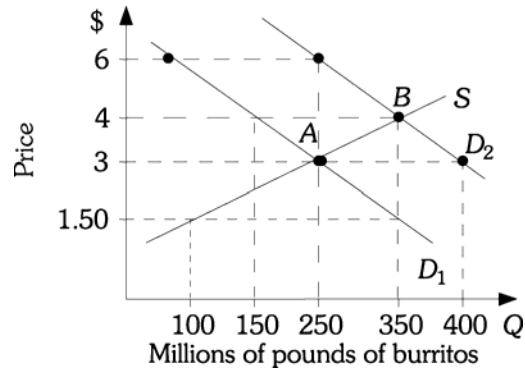
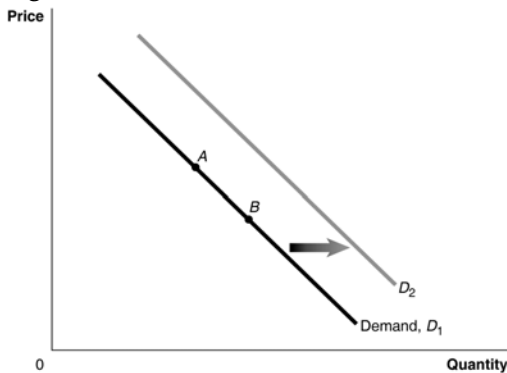


Figure 3.12

- 60) Refer to Figure 3.12. The market is initially in equilibrium at Point A. If demand shifts from  $D_1$  to  $D_2$  and the price of burritos remains constant at \$3.00, there will be \_\_\_\_\_
- A) an excess demand of 100 million pounds of burritos.  
 B) an excess supply of 50 million pounds of burritos.  
 C) an excess demand of 150 million pounds of burritos.  
 D) an excess supply of 150 million pounds of burritos.
- 61) When there's a change in anything that affects the demand for a good, other than a change in the price, graphically we must: \_\_\_\_\_
- A) shift the entire demand curve  
 B) slide along the given demand curve

Figure 3-1

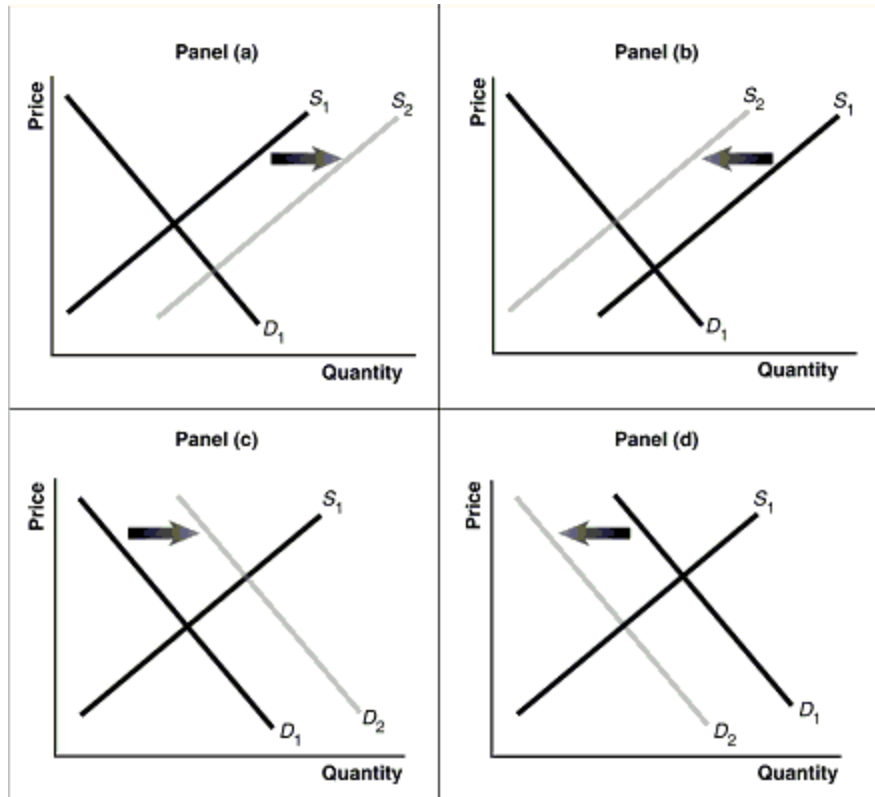


- 62) Refer to Figure 3-1. If the product represented is an inferior good, a decrease in income would be represented by a movement from \_\_\_\_\_
- A) B to A.  
 B)  $D_1$  to  $D_2$ .  
 C) A to B.  
 D)  $D_2$  to  $D_1$ .
- 63) Which of the following would shift the demand curve of a good to the right? \_\_\_\_\_
- A) a decrease in the price of the good  
 B) an increase in the price of a complement  
 C) an increase in income if the good is inferior  
 D) an increase in the expected future price of the good  
 E) More than one of the above is correct

- 64) Select the phrase that correctly completes the following statement. "An increase in input prices caused a decrease in the supply of baseballs. As a result \_\_\_\_\_." 64) \_\_\_\_\_
- A) the price of baseballs increased and the quantity demanded of baseballs decreased
  - B) the price of baseballs increased. The higher price caused the supply of baseballs to increase
  - C) the equilibrium quantity of baseballs increased
  - D) the price of baseballs increased and the demand for baseballs decreased
- 65) Suppose favorable weather resulted in a bumper crop of oranges in Florida. In the market for oranges 65) \_\_\_\_\_
- A) the supply curve shifted to the right resulting in an increase in the equilibrium price.
  - B) the demand curve shifted to the left resulting in a decrease in the equilibrium price.
  - C) the demand curve shifted to the right resulting in an increase in the equilibrium price.
  - D) the supply curve shifted to the right resulting in a decrease in the equilibrium price.
- 66) Suppose the demand curve for a good shifts rightward, causing the equilibrium price to increase. This increase in the price of the good results in 66) \_\_\_\_\_
- A) an increase in quantity supplied.
  - B) a rightward shift of the supply curve (an increase in supply).
  - C) a leftward shift of the supply curve (a decrease in supply).
  - D) a decrease in quantity supplied.
- 67) Which of the following would cause increases in both the equilibrium price and quantity of white bread? 67) \_\_\_\_\_
- A) An increase in the price of flour, an input to white bread production.
  - B) An increase in the price of butter, a consumption complement for white bread.
  - C) A decrease in the price of flour, an input to white bread production.
  - D) An increase in the price of rye bread, a consumption substitute for white bread.
- 68) Many people buy new cars, drive them for a few years, then sell them (as used cars) and buy another new car. During the recent tough economic times, many of these people held on to their original cars longer than they have in the past. What does this change mean for the used car market? 68) \_\_\_\_\_
- Ceteris paribus, this change causes the \_\_\_\_\_ used cars to \_\_\_\_\_, which \_\_\_\_\_ the equilibrium price of used cars.
- A) demand for ; decrease ; increases
  - B) supply of; increase ; increases
  - C) supply of ; decrease ; increases
  - D) supply of ; increase ; decreases
  - E) demand for ; increase ; increases
- 69) Which of the following definitely results in a product's equilibrium price rising? 69) \_\_\_\_\_
- A) an increase in both demand and supply
  - B) a decrease in demand combined with an increase in supply
  - C) an increase in demand combined with a decrease in supply
  - D) a decrease in both demand and supply
  - E) More than one of the above

- 70) Which of the following would shift the demand curve of a good to the left? 70) \_\_\_\_\_
- A) an increase in the expected future price of the good
  - B) an increase in the price of a complement
  - C) a decrease in income if the good is inferior
  - D) an increase in the price of the good
  - E) More than one of the above is correct
- 71) Suppose that the market for pineapples (a normal good) is initially in equilibrium. If the incomes of potential buyers rise, but the price of pineapples stays at the initial equilibrium price, then 71) \_\_\_\_\_
- A) The pineapple market will be in equilibrium.
  - B) There will be a shortage of pineapples.
  - C) There will be a surplus of pineapples.
- 72) According to a recent study, "Stricter college alcohol policies, such as raising the price of alcohol, or banning alcohol on campus, decrease the number of students who use marijuana." On the basis of this information, how would you describe alcohol and marijuana? 72) \_\_\_\_\_
- A) They are both luxury goods.
  - B) There is no relationship between the two goods.
  - C) The two goods are substitutes in consumption.
  - D) The two goods are complements in consumption.
- 73) The demand for lobster is lower in the spring than in the summer. If the price of lobster is higher in spring than in summer then: 73) \_\_\_\_\_
- A) The supply of lobster is greater in summer than in spring.
  - B) There are more substitutes for lobster in summer than there are in spring.
  - C) There is a shortage of lobster in spring and a surplus of lobster in summer.
  - D) The supply of lobster is greater in the spring than in the summer.
- 74) In recent years the cost of producing wines in the U.S. has increased largely due to rising rents for vineyards. At the same time, more and more Americans prefer wine over beer. Which of the following best explains the effect of these events in the wine market? 74) \_\_\_\_\_
- A) The supply curve has shifted to the left and the demand curve has shifted to the right. As a result there has been an increase in the equilibrium quantity and an uncertain effect on the equilibrium price.
  - B) Both the supply and demand curves have shifted to the right. As a result, there has been an increase in the equilibrium price and an uncertain effect on the equilibrium quantity.
  - C) The supply curve has shifted to the left and the demand curve has shifted to the right. As a result, there has been an increase in the equilibrium price and an uncertain effect on the equilibrium quantity.
  - D) Both the supply and demand curves have shifted to the right. As a result, there has been an increase in both the equilibrium price and the equilibrium quantity.

Figure 3-5



- 75) Refer to Figure 3-5. Assume that the graphs in this figure represent the demand and supply curves for used clothing, an inferior good. Which panel describes what happens in this market as a result of a decrease in income? 75) \_\_\_\_\_
- A) Panel (a)                      B) Panel (b)                      C) Panel (c)                      D) Panel (d)
- 76) The law of demand states that, other things remaining the same, the higher the price of a good, the 76) \_\_\_\_\_
- A) larger is the quantity demanded of the good.  
 B) larger is the demand for the good.  
 C) smaller is the quantity demanded of the good.  
 D) smaller is the demand for the good.
- 77) Ham and eggs are complements. If the price of ham rises, the demand for eggs will 77) \_\_\_\_\_
- A) decrease and the demand curve for eggs will shift leftward.  
 B) not change but there will be a movement along the demand curve for eggs.  
 C) increase or decrease but the demand curve for ham will not change.  
 D) decrease and the demand curve for ham will shift rightward.
- 78) The price of a tomato increases and people buy more lettuce. You infer that lettuce and tomatoes are \_\_\_\_\_. 78) \_\_\_\_\_
- A) substitutes                      B) normal goods                      C) complements                      D) inferior goods

- 79) If consumers but not producers expect that the price of soda will rise in November, the \_\_\_\_\_  
 A) supply of soda in October will increase.  
 B) demand for soda in October will increase.  
 C) supply of soda in October will decrease.  
 D) demand for soda in October will decrease.
- 80) If macaroni and cheese is an inferior good, an increase in income will \_\_\_\_\_  
 A) not affect the demand for macaroni and cheese.  
 B) increase the demand for macaroni and cheese.  
 C) decrease the supply of macaroni and cheese.  
 D) decrease the demand for macaroni and cheese.
- 81) A change in which of the following affects buying plans for cars but does NOT shift the demand curve for cars? \_\_\_\_\_  
 A) An increased preference for walking rather than driving.  
 B) A 5 percent increase in people's income.  
 C) A 20 percent increase in the price of a car.  
 D) A 10 percent decrease in the price of car insurance.

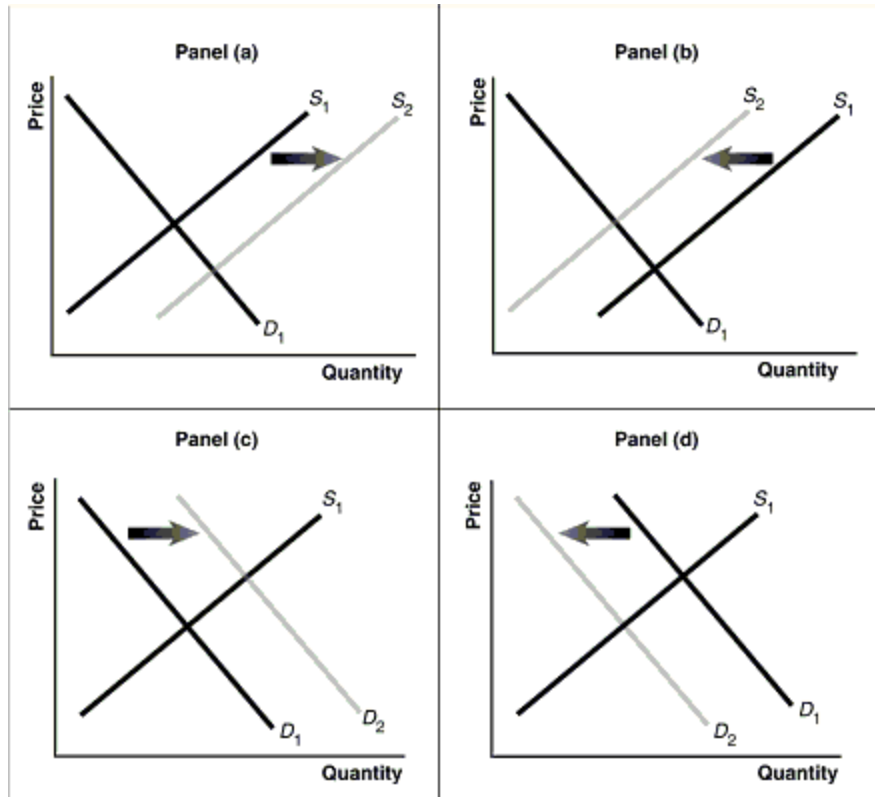


- 82) Consider the demand curves for soft drinks shown in the figure above. Moving from point *a* to point *c* means that \_\_\_\_\_  
 A) the marginal benefit of each additional soft drink falls.  
 B) people's incomes have decreased.  
 C) the price of a soft drink has increased.  
 D) the opportunity cost of drinking another soft drink increases.
- 83) The supply curve slopes upward when graphed against \_\_\_\_\_, because of \_\_\_\_\_. \_\_\_\_\_  
 A) income; decreasing marginal cost  
 B) income; increasing marginal cost  
 C) the price of the good; decreasing marginal cost  
 D) the price of the good; increasing marginal cost



- 84) The figure above shows supply curves for soft drinks. Consider the shift of the supply curve from  $S_1$  to  $S_2$ . Which of the following best describes this shift? 84) \_\_\_\_\_
- A) for each quantity, the lowest price that sellers are willing to accept has risen
  - B) the costs of production are higher at each quantity than before
  - C) for each quantity, the lowest price that sellers are willing to accept has fallen
  - D) for each possible price, suppliers are willing to sell a smaller quantity than before
- 85) An increase in technology for producing personal computers leads to 85) \_\_\_\_\_
- A) an increase in the demand for personal computers.
  - B) a decrease in the demand for personal computers.
  - C) a decrease in the supply of personal computers.
  - D) an increase in the supply of personal computers.
- 86) Which of the following shifts the supply curve rightward? 86) \_\_\_\_\_
- A) an increase in the number of potential buyers
  - B) a decrease in the price of the good
  - C) a positive change in tastes and preferences for the good
  - D) a decrease in the price of an input used to produce the good
  - E) More than one of the above is correct
- 87) Which of the following correctly describes how price adjustments eliminate a shortage? 87) \_\_\_\_\_
- A) As the price rises, the quantity demanded increases while the quantity supplied decreases.
  - B) As the price rises, the quantity demanded decreases while the quantity supplied increases.
  - C) As the price falls, the quantity demanded decreases while the quantity supplied increases.
  - D) As the price falls, the quantity demanded increases while the quantity supplied decreases.

Figure H



88) Refer to Figure H. Assume that the graphs in this figure represent the demand and supply curves for cheese. Which panel best describes what happens in the cheese market when there is a decrease in the price of yogurt (a production substitute for cheese)?

A) Panel (a)

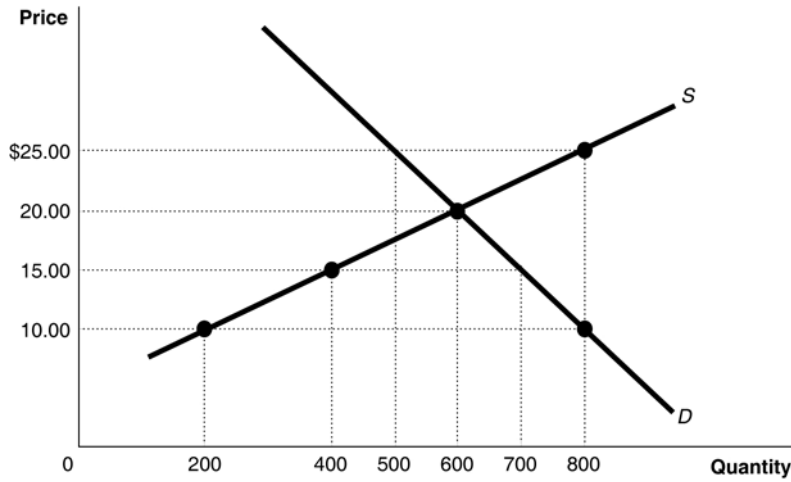
B) Panel (b)

C) Panel (c)

D) Panel (d)

88) \_\_\_\_\_

Figure 3-2

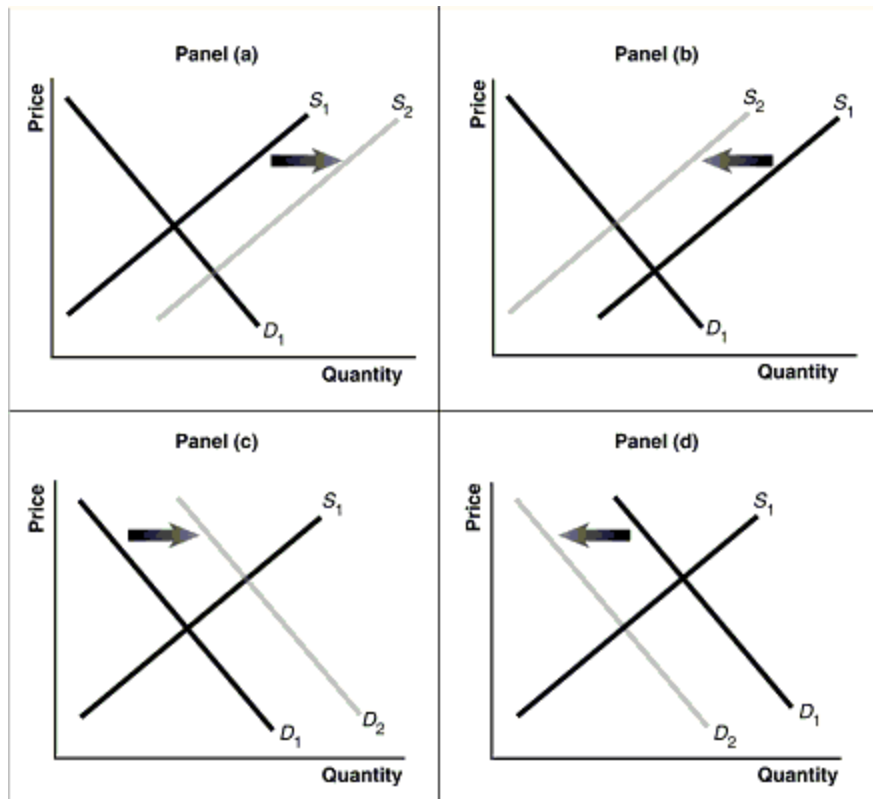


- 89) Refer to Figure 3-2. If the price is \$25,
- A) every willing buyer can find a willing seller, but not every willing seller can find a willing buyer.
  - B) there is no pressure on the price to rise or fall.
  - C) there is a surplus of 100 units.
  - D) there is a shortage of 300 units.
  - E) More than one of the above is correct.

89) \_\_\_\_\_



Figure 3-5



- 90) Refer to Figure 3-5. Assume that the graphs in this figure represent the demand and supply curves for used clothing, an inferior good. Which panel describes what happens in this market as a result of an increase in income? 90) \_\_\_\_\_
- A) Panel (a)                      B) Panel (b)                      C) Panel (c)                      D) Panel (d)
- 91) If the demand for jelly increases at the same time that the price of grapes (used to make jelly) rises 91) \_\_\_\_\_
- A) the equilibrium price of jelly might rise or fall, and the equilibrium quantity of jelly falls.  
 B) the equilibrium price of jelly rises and the equilibrium quantity of jelly might rise or fall.  
 C) the equilibrium price of jelly might rise or fall, and the equilibrium quantity of jelly rises.  
 D) the equilibrium price of jelly falls and the equilibrium quantity of jelly might rise or fall.
- 92) The cost of raising beef cattle has fallen at the same time as consumer preference for beef has fallen (i.e. decrease in beef demand). In the market for beef, these events result in the equilibrium price \_\_\_\_\_ and the equilibrium quantity \_\_\_\_\_. 92) \_\_\_\_\_
- A) increasing, decreasing, or not changing;                      increasing  
 B) increasing, decreasing, or not changing;                      decreasing  
 C) increasing;                      increasing, decreasing, or not changing  
 D) decreasing ;                      increasing, decreasing, or not changing
- 93) Which of the following would cause decreases in both the equilibrium price and quantity of white bread? 93) \_\_\_\_\_
- A) A decrease in the price of flour, an input to white bread production.  
 B) An increase in the price of flour, an input to white bread production.  
 C) An increase in the price of butter, a consumption complement for white bread.  
 D) An increase in the price of rye bread, a consumption substitute for white bread.

94) Petroleum and solar power are substitutes (in consumption). Petroleum and automobiles are complements (in consumption). When the price of petroleum increases, the demand for solar power will \_\_\_\_\_ and the demand for automobiles will \_\_\_\_\_.

- A) increase ; decrease
- B) decrease ; decrease
- C) not change ; not change
- D) decrease ; increase
- E) increase ; increase

94) \_\_\_\_\_

Answer Key

Testname: 201 CHAPTER 3 OLD EXAM QUESTIONS

- 1) B
- 2) A
- 3) B
- 4) C
- 5) B
- 6) D
- 7) B
- 8) A
- 9) A
- 10) C
- 11) C
- 12) D
- 13) C
- 14) B
- 15) D
- 16) B
- 17) A
- 18) C
- 19) A
- 20) C
- 21) C
- 22) A
- 23) B
- 24) B
- 25) D
- 26) C
- 27) B
- 28) D
- 29) C
- 30) B
- 31) E
- 32) D
- 33) A
- 34) D
- 35) D
- 36) C
- 37) D
- 38) A
- 39) B
- 40) D
- 41) D
- 42) A
- 43) E
- 44) D
- 45) C
- 46) D
- 47) B
- 48) D
- 49) A
- 50) A

## Answer Key

Testname: 201 CHAPTER 3 OLD EXAM QUESTIONS

- 51) C
- 52) D
- 53) B
- 54) C
- 55) C
- 56) D
- 57) E
- 58) A
- 59) B
- 60) C
- 61) A
- 62) B
- 63) D
- 64) A
- 65) D
- 66) A
- 67) D
- 68) C
- 69) C
- 70) B
- 71) B
- 72) D
- 73) A
- 74) C
- 75) C
- 76) C
- 77) A
- 78) A
- 79) B
- 80) D
- 81) C
- 82) A
- 83) D
- 84) C
- 85) D
- 86) D
- 87) B
- 88) A
- 89) A
- 90) D
- 91) B
- 92) D
- 93) C
- 94) A