Chapter 3 – Demand and Supply – Sample Questions
Answers are at the end fo this file
MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) A relative price is 1) _____
A) the ratio of one price to another.
B) the difference between one price and another.
C) the slope of the supply curve.
D) the slope of the demand curve.

2) If the price of a candy bar is $1 and the price of a fast food meal is $5, 2) _____
A) the money price of a fast food meal is 1/5 of a candy bar.
B) the money price of a candy bar is 1/5 of a fast food meal.
C) the relative price of a fast food meal is 5 candy bars.
D) the relative price of a candy bar is 5 fast food meals.

3) If the price of a hot dog is $2 and the price of a hamburger is $4, 3) _____
A) the money price of a hamburger is 2 hot dogs.
B) the money price of a hot dog is 2 hamburgers.
C) the relative price of a hot dog is 1/2 of a hamburger.
D) the relative price of a hamburger is 1/2 of a hot dog.

4) The opportunity cost of good A in terms of good B is equal to the 4) _____
A) ratio of the price of good B to the price of good A.
B) ratio of the price of good A to the price of good B.
C) price of good A minus the price of good B.
D) price of good B minus the price of good A.

5) The opportunity cost of a hot dog in terms of hamburgers is 5) _____
A) the price of a hot dog minus the price of a hamburger.
B) the ratio of the slope of the supply curve for hot dogs to the slope of the supply curve for hamburgers.
C) the ratio of the slope of the demand curve for hot dogs to the slope of the demand curve for hamburgers.
D) the ratio of the price of a hot dog to the price of a hamburger.

6) Wants, as opposed to demands, 6) _____
A) depend on the price.
B) are the goods the consumer plans to acquire.
C) are the unlimited desires of the consumer
D) are the goods the consumer has acquired.

7) Demands differ from wants in that 7) _____

A) wants require a plan to acquire a good but demands require no such plan.

B) demands are unlimited, whereas wants are limited by income.

C) wants imply a decision about which demands to satisfy, while demands involve no specific plan to acquire the good.

D) demands reflect a decision about which wants to satisfy and a plan to buy the good, while wants are unlimited and involve no specific plan to acquire the good.

8) Scarcity guarantees that 8) _____

A) wants will exceed demands.

B) demands will be equal to wants.

C) demands will exceed wants.

D) most demands will be satisfied.

9) The quantity demanded is 9) _____

A) the amount of a good that consumers plan to purchase at a particular price.

B) independent of the price of the good.

C) independent of consumers' buying plans.

D) always equal to the equilibrium quantity.

10) The law of demand states that, other things remaining the same, the higher the price of a good, the 10) _____

A) smaller is the demand for the good.

B) smaller is the quantity of the good demanded.

C) larger is the quantity of the good demanded.

D) larger is the demand for the good.

11) The law of demand implies that, other things remaining the same, 11) _____

A) as the demand for cheeseburgers increases, the price of a cheeseburger will fall.

B) as the price of a cheeseburger rises, the quantity of cheeseburgers demanded will decrease.

C) as income increases, the quantity of cheeseburgers demanded will increase.

D) as the price of a cheeseburger rises, the quantity of cheeseburgers demanded will increase.

12) The law of demand states that the quantity of a good demanded varies 12) _____

A) inversely with its price.

B) directly with population.

C) directly with income.

D) inversely with the price of substitute goods.

13) Which of the following is consistent with the law of demand? 13) _____

A) A decrease in the price of a gallon of milk causes a decrease in the quantity of milk demanded.

B) An increase in the price of a soda causes a decrease in the quantity of soda demanded.

C) An increase in the price of a tape causes an increase in the quantity of tapes demanded.

D) A decrease in the price of juice causes no change in the quantity of juice demanded.

14) The law of demand implies that if nothing else changes, there is 14) _____

A) a linear relationship between price of a good and the quantity demanded.

B) a positive relationship between the price of a good and the quantity demanded.

C) a negative relationship between the price of a good and the quantity demanded.

D) an exponential relationship between price of a good and the quantity demanded.

15) Which of the following influences people's buying plans *and* varies moving along a demand curve? 15) _____

A) preferences B) the price of the good

C) income D) the prices of related goods

16) The law of demand states that 16) _____

A) a decrease in the price of a good shifts the demand curve leftward.

B) other things remaining the same, the higher the price of a good, the smaller is the quantity demanded.

C) other thing remaining the same, the higher the price of a good, the larger is the quantity demanded.

D) an increase in the price of a good shifts the demand curve leftward.

17) The law of demand implies that demand curves 17) _____

A) shift leftward whenever the price rises. B) shift rightward whenever the price rises.

C) slope down. D) slope up.

18) Each point on the demand curve reflects 18) _____

A) the highest price consumers are willing and able to pay for that particular unit of a good.

B) the highest price sellers will accept for all units they are producing.

C) the lowest-cost technology available to produce a good.

D) all the wants of a given household.

19) A drop in the price of a compact disc shifts the demand curve for prerecorded tapes leftward. From that you know compact discs and prerecorded tapes are 19) _____

A) normal goods. B) substitutes. C) inferior goods. D) complements.

20) A substitute is a good 20) _____

A) of higher quality than another good. B) that is not used in place of another good.

C) that can be used in place of another good. D) of lower quality than another good.

21) People buy more of good 1 when the price of good 2 rises. These goods are 21) _____

A) normal goods. B) complements. C) substitutes. D) inferior goods.

22) Which of the following pairs of goods are most likely substitutes? 22) _____

A) compact discs and compact disc players B) lettuce and salad dressing

C) cola and lemon lime soda D) peanut butter and gasoline

23) The demand for a good increases when the price of a substitute _____ and also increases when the price of a complement _____. 23) _____

A) falls; falls B) rises; falls C) rises; rises D) falls; rises

24) A complement is a good 24) _____

A) used in conjunction with another good. B) used instead of another good.

C) of lower quality than another good. D) of higher quality than another good.

25) Suppose people buy more of good 1 when the price of good 2 falls. These goods are 25) _____

A) substitutes. B) inferior. C) normal. D) complements.

26) As the opportunity cost of a good decreases, people buy 26) _____

A) more of that good but less of its complements.

B) less of that good and also less of its complements.

C) less of that good but more of its complements.

D) more of that good and also more of its complements.

27) People come to expect that the price of a gallon of gasoline will rise next week. As a result, 27) _____

A) next week's supply of gasoline decreases.

B) the price of a gallon of gasoline falls today.

C) today's supply of gasoline increases.

D) today's demand for gasoline increases.

28) The demand curve for a normal good shifts leftward if income _____ or the expected future price _____. 28) _____

A) decreases; falls B) increases; rises C) increases; falls D) decreases; rises

29) If income increases or the price of a complement falls, 29) _____

A) the supply curve of a normal good shifts leftward.

B) the supply curve of a normal good shifts rightward.

C) the demand curve for a normal good shifts rightward.

D) the demand curve for a normal good shifts leftward.

30) If income decreases or the price of a complement rises, 30) _____

A) there is an upward movement along the demand curve for the good.

B) there is a downward movement along the demand curve for the good.

C) the demand curve for a normal good shifts leftward.

D) the demand curve for a normal good shifts rightward.

31) Normal goods are those for which demand decreases as 31) _____

A) the price of a substitute falls. B) the price of a complement falls.

C) the good's own price rises. D) income decreases.

32) A normal good is a good for which 32) _____

A) there are very few complements.

B) demand decreases when income increases.

C) demand increases when income increases.

D) there are few substitutes.

33) Most goods 33) _____

A) have vertical demand curves. B) have vertical supply curves.

C) are normal goods. D) are complements to each other.

34) A normal good is a good for which demand 34) _____

A) increases when income increases. B) decreases when population increases.

C) increases when population increases. D) decreases when income increases.

35) Inferior goods are those for which demand increases as 35) _____

A) income decreases. B) income increases.

C) the price of a substitute rises. D) the price of a substitute falls.

36) By definition, an inferior good is a 36) _____

A) normal substitute good.

B) good for which demand decreases when its price rises.

C) want that is not expressed by demand.

D) good for which demand decreases when income increases.

37) If a good is an inferior good, then purchases of that good will decrease when 37) _____

A) the demand for it increases. B) population increases.

C) income increases. D) the price of a substitute rises.

38) An inferior good is a good for which demand 38) _____

A) increases when population increases. B) decreases when income increases.

C) decreases when population increases. D) increases when income increases.

39) When economists speak of preferences as influencing demand, they are referring to 39) _____

A) the availability of a good to all income classes.

B) directly observable changes in prices and income.

C) the excess of wants over the available supplies.

D) an individual's attitudes toward goods and services.

40) In 2000 there were 200,000 gas grills demanded at a price of $500. In 2001 there were more than 200,000 gas grills demanded at the same price. This increase could be the result any of the following EXCEPT 40) _____

A) an increase in the supply of gas grills.

B) an increase in population.

C) an increase in income if gas grills are a normal good.

D) a fall in the price of natural gas, a complement for a gas grill.

41) A change in the price of a good 41) _____

A) shifts the good's demand curve but does not cause a movement along it.

B) does not shift the good's demand curve but does cause a movement along it.

C) shifts the good's demand curve and also causes a movement along it.

D) neither shifts the good's demand curve nor causes a movement along it.

42) A reduction in the price of a good 42) _____

A) does not shift the good's demand curve leftward but does decrease the quantity demanded.

B) shifts the good's demand curve leftward but does not decrease the quantity demanded.

C) shifts the good's demand curve leftward and also decreases the quantity demanded.

D) neither shifts the good's demand curve leftward nor decreases the quantity demanded.

43) A decrease in quantity demanded caused by an increase in price is represented by a 43) _____

A) movement up and to the left along the demand curve.

B) movement down and to the right along the demand curve.

C) leftward shift of the demand curve.

D) rightward shift of the demand curve.

44) A change in which of the following alters buying plans for cars but does NOT shift the demand curve for cars? 44) _____

A) a 10 percent decrease in the price of car insurance

B) a 20 percent increase in the price of a car

C) a 5 percent increase in people's income

D) an increased preference for walking rather than driving

45) Which of the following would NOT shift the demand curve for turkey? 45) _____

A) a change in tastes for turkey

B) a decrease in the price of ham

C) an increase in income

D) a change in the price of a turkey

46) When we say demand increases, we mean that there is a 46) _____

A) movement to the right along a demand curve.

B) movement to the left along a demand curve.

C) leftward shift of the demand curve.

D) rightward shift of the demand curve.

47) In the figure above, which movement reflects an increase in demand? 47) _____

A) from point *a* to point *e*
B) from point *a* to point *c*
C) from point *a* to point *b*
D) from point *a* to point *d*

48) In the figure above, which movement reflects a decrease in demand? 48) _____

A) from point *a* to point *d*
B) from point *a* to point *e*
C) from point *a* to point *c*
D) from point *a* to point *b*

49) In the figure above, which movement reflects a decrease in quantity demanded but NOT a decrease in demand? 49) _____

A) from point *a* to point *c*
B) from point *a* to point *e*
C) from point *a* to point *d*
D) from point *a* to point *b*

50) In the figure above, which movement reflects how consumers would react to an increase in the price of a non–fruit snack? 50) _____

A) from point *a* to point *b*
B) from point *a* to point *d*
C) from point *a* to point *c*
D) from point *a* to point *e*

51) In the figure above, which movement reflects an increase in the price of a substitute for fruit snacks? 51) _____

A) from point *a* to point *d*
B) from point *a* to point *e*
C) from point *a* to point *b*
D) from point *a* to point *c*

52) In the figure above, which movement reflects an increase in the price of a complement for fruit snacks? 52) _____

A) from point *a* to point *b*
B) from point *a* to point *d*
C) from point *a* to point *e*
D) from point *a* to point *c*

53) In the figure above, which movement reflects how consumers would react to an increase in the price of a fruit snack that is expected to occur in the future? 53) _____

A) from point *a* to point *b*
B) from point *a* to point *e*
C) from point *a* to point *c*
D) from point *a* to point *d*

54) In the figure above, which movement reflects an increase in income if fruit snacks are an inferior good? 54) _____

A) from point *a* to point *d*
B) from point *a* to point *c*
C) from point *a* to point *b*
D) from point *a* to point *e*

55) In the figure above, which movement reflects an increase in income if fruit snacks are a normal good? 55) _____

A) from point *a* to point *d*
B) from point *a* to point *e*
C) from point *a* to point *b*
D) from point *a* to point *c*

56) In the figure above, which movement reflects a decrease in population? 56) _____

A) from point *a* to point *d*
B) from point *a* to point *c*
C) from point *a* to point *e*
D) from point *a* to point *b*

57) The quantity supplied of a good is 57) _____

A) equal to the difference between the quantity available and the quantity desired by all consumers and producers.
B) the same thing as the quantity demanded at each price.
C) the amount that the producers are planning to sell at a particular price during a given time period.
D) the amount the firm would sell if it faced no resource constraints.

58) The quantity supplied of a good or service is the quantity that a producer 58) _____

A) actually sells at a particular price during a given time period.
B) should sell at a particular price during a given time period.
C) is willing to sell at a particular price during a given time period.
D) needs to sell at a particular price during a given time period.

59) A fall in the price of a good causes producers to reduce the quantity of the good they are willing to produce. This fact illustrates 59) _____

A) a change in supply.
B) the law of demand.
C) the nature of an inferior good.
D) the law of supply.

60) Each point on a supply curve represents 60) _____

A) the highest price sellers can get for each unit over time.
B) the lowest price buyers will accept per unit of the good.
C) the lowest price for which a supplier can profitably sell another unit.
D) the highest price buyers will pay for the good.

61) Because of increasing marginal cost, most supply curves 61) _____

A) are horizontal.
B) have a negative slope.
C) are vertical.
D) have a positive slope.

62) A supply curve shows the relation between the quantity of a good supplied and 62) _____

A) the price of the good. Usually a supply curve has negative slope.
B) income. Usually a supply curve has positive slope.
C) income. Usually a supply curve has negative slope.
D) the price of the good. Usually a supply curve has positive slope.

63) A supply curve differs from a supply schedule because a supply curve 63) _____

A) is a graph and the supply schedule is a table.
B) holds the number of suppliers constant, whereas the supply schedule allows the number to vary.
C) holds resource prices constant, whereas the supply schedule allows them to vary.
D) represents one firm, whereas the supply schedule represents all firms in the market.

64) Which of the following is NOT held constant while moving along a supply curve? 64) _____

A) prices of resources used in production
B) expected future prices
C) the number of sellers
D) the price of the good itself

65) If a producer can use resources to produce either good A or good B, then A and B are 65) _____

A) substitutes in consumption.
B) complements in consumption.
C) complements in production.
D) substitutes in production.

66) Good A and good B are substitutes in production. The demand for good A increases so that the price of good A rises. The increase in the price of good A shifts the 66) _____

A) demand curve for good B rightward.
B) demand curve for good B leftward.
C) supply curve of good B rightward.
D) supply curve of good B leftward.

67) Blank tapes and prerecorded tapes are substitutes in production. An increase in the price of a blank tape will cause 67) _____

A) a decrease in the supply of prerecorded tapes.
B) an increase in the quantity supplied of prerecorded tapes but not in the supply.
C) a decrease in the quantity supplied of prerecorded tapes but not in the supply.
D) an increase in the supply of prerecorded tapes.

68) Good A and good B are substitutes in production. The demand for good A decreases, which lowers the price of good A. The decrease in the price of good A 68) _____

A) increases the demand for good B.
B) decreases the demand for good B.
C) increases the supply of good B.
D) decreases the supply of good B.

69) An increase in the number of fast-food restaurants 69) _____

A) increases the demand for substitutes for fast-food meals.

B) raises the price of fast-food meals.

C) increases the supply of fast-food meals.

D) increases the demand for fast-food meals.

70) Over the past decade technological improvements that have lowered the cost of producing an automobile have increased 70) _____

A) the demand but not the supply of automobiles.

B) both the supply and the demand for automobiles.

C) the supply but not the demand for automobiles.

D) neither the supply nor the demand for automobiles.

71) Which of the following will shift the supply curve for good X leftward? 71) _____

A) a situation in which quantity demanded exceeds quantity supplied

B) an increase in the cost of the machinery used to produce X

C) a decrease in the wages of workers employed to produce X

D) a technological improvement in the production of X

72) Which of the following does NOT shift the supply curve? 72) _____

A) an increase in the price of the good

B) a fall in the price of a substitute in production

C) a decrease in the wages of labor used in production of the good

D) a technological advance

73) If the price of a good changes but everything else influencing suppliers' planned sales remains constant, there is a 73) _____

A) rotation of the initial supply curve around the initial price.

B) new supply curve that is to the right of the initial supply curve.

C) new supply curve that is to the left of the initial supply curve.

D) movement along the supply curve.

74) A decrease in the quantity supplied is represented by a 74) _____

A) rightward shift in the supply curve.

B) movement down the supply curve.

C) leftward shift in the supply curve.

D) movement up the supply curve.

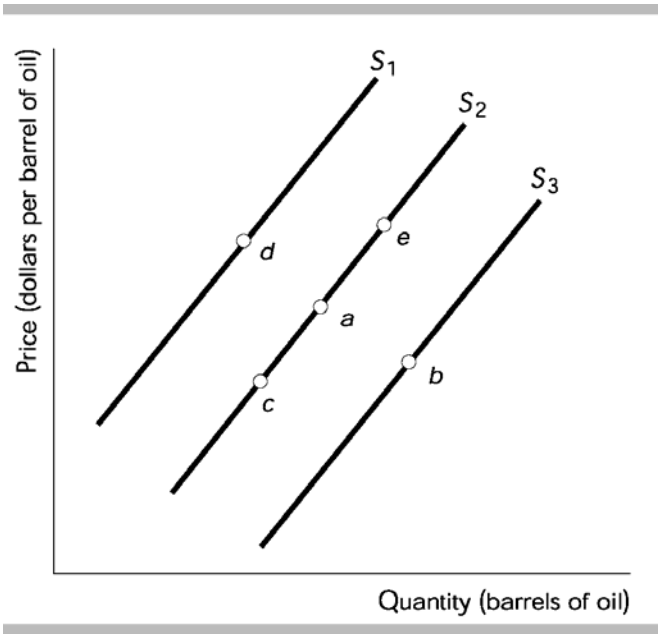
75) Which of the following causes an increase in the quantity supplied of good X but NOT in the supply of good X? 75) _____

A) an increase in the price of X

B) an increase in the price of good Y, a complement in the production of X

C) an improvement in the technology for producing X

D) a reduction in the price of resources used to produce X



76) In the figure above, an increase in the supply of oil would result in a movement from 76) _____

A) point *a* to point *d*.
B) point *a* to point *e*.
C) point *a* to point *b*.
D) point *a* to point *c*.

77) In the figure above, an increase in the quantity of oil supplied but NOT in the supply of oil is shown by a movement from 77) _____

A) point *a* to point *c*.
B) point *a* to point *b*.
C) point *a* to point *e*.
D) point *a* to point *d*.

78) In the figure above, a decrease in the quantity of oil supplied but NOT in the supply of oil is shown by a movement from 78) _____

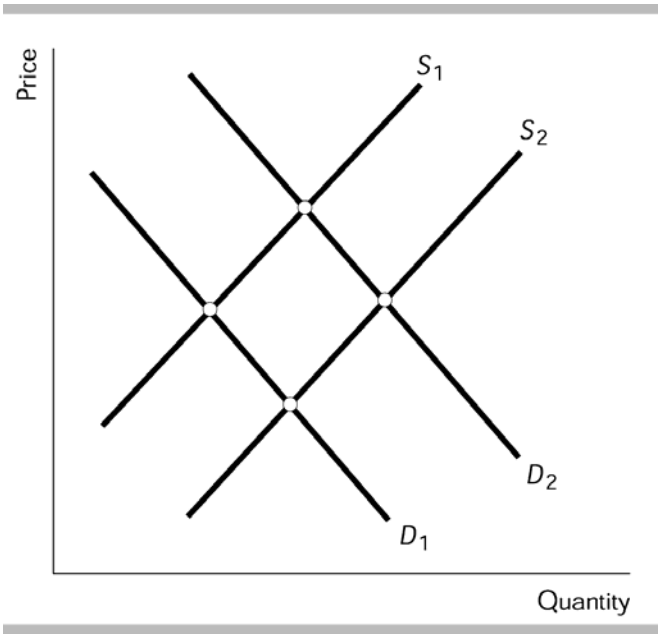
A) point *a* to point *e*.
B) point *a* to point *d*.
C) point *a* to point *b*.
D) point *a* to point *c*.

79) In the figure above, which movement could be caused by an increase in the wages of oil workers? 79) _____

A) point *a* to point *d*
B) point *a* to point *b*
C) point *a* to point *c*
D) point *a* to point *e*

80) In the figure above, which movement could be caused by the development of a new, more efficient refining technology? 80) _____

A) point *a* to point *e*
B) point *a* to point *c*
C) point *a* to point *b*
D) point *a* to point *d*



81) The figure above represents the market for candy. People become more concerned that eating candy causes them to gain weight, which they do not like. As a result, the 81) _____

A) demand curve will not shift, and the supply curve shifts from S_1 to S_2.

B) demand curve shifts from D_1 to $D_2$and the supply curve shifts from S_1 to S_2.

C) demand curve shifts from D_2 to D_1 and the supply curve shifts from S_2 to S_1.

D) demand curve shifts from D_2 to D_1 and the supply curve will not shift.

82) The above figure represents the market for oil. Because of the development of a new deep sea drilling technology the 82) _____

A) demand curve shifts from D_1 to D_2 and the supply curve shifts from S_1 to S_2.

B) demand curve shifts from D_1 to D_2 and the supply curve will not shift.

C) demand curve will not shift, and the supply curve shifts from S_1 to S_2.

D) demand curve will not shift, and the supply curve shifts from S_2 to S_1.

83) The above figure represents the market for oil. When terrorists blow up a major refinery the 83) _____

A) demand curve for oil will not shift, and the supply curve for oil shifts from S_2 to S_1.

B) demand curve for oil shifts from D_1 to D_2 and the supply curve for oil will not shift.

C) demand curve for oil shifts from D_1 to D_2 and the supply curve for oil shifts from S_2 to S_1.

D) demand curve for oil will not shift, and the supply curve for oil shifts from S_1 to S_2.

84) The above figure represents the market for bicycles. When there is a physical fitness craze the 84) _____

A) demand curve for bicycles shifts from D_1 to D_2.

B) demand curve for bicycles shifts from D_2 to D_1.

C) supply curve of bicycles shifts from S_1 to S_2.

D) demand curve and the supply curve of bicycles do not shift.

85) The above figure represents the market for french fries at fast food joints. If the price of potatoes rises and simultaneously people become concerned that french fries can cause heart attacks 85) _____

A) the demand curve for french fries will shift from D_2 to D_1 and the supply curve of french fries will shift from S_2 to S_1.

B) the demand curve for french fries will shift from D_2 to D_1 and the supply curve of french fries will not shift.

C) the demand curve for french fries will not shift, and the supply curve of french fries will shift from S_1 to S_2.

D) the demand curve for french fries will shift from D_2 to D_1 and the supply curve of french fries will shift from S_1 to S_2.

86) The interaction of supply and demand explains 86) _____

A) both the prices and the quantities of goods and services.

B) the quantities of goods and services but not their prices.

C) the prices of goods and services but not their quantities.

D) neither the prices nor the quantities of goods and services.

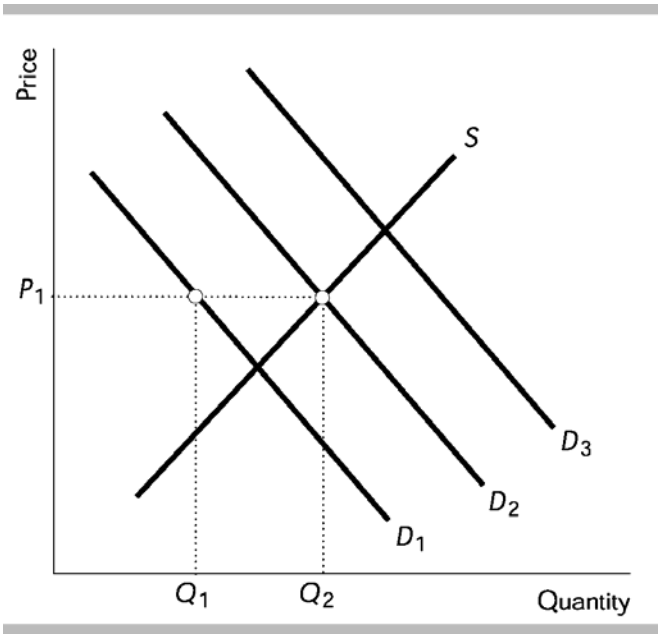
87) When the quantity demanded equals quantity supplied 87) _____

A) the government must be intervening in the market.

B) there is a shortage.

C) there is a surplus.

D) none of the above



88) In the above figure, if the demand curve is D_2, then 88) _____

A) an increase in price will cause the demand curve to shift to D_3.

B) the equilibrium price will be P_1 and the equilibrium quantity will be Q_2.

C) the equilibrium price will be P_1 and the equilibrium quantity will be Q_1.

D) there will be a shortage equal to $Q_2 - Q_1$.

89) When the price is below the equilibrium price, the quantity demanded 89) _____

A) is less than the equilibrium quantity. The quantity supplied exceeds the equilibrium quantity.

B) exceeds the equilibrium quantity. The quantity supplied is less than the equilibrium quantity.

C) exceeds the equilibrium quantity. So does the quantity supplied.

D) is less than the equilibrium quantity. So is the quantity supplied.

90) A price below the equilibrium price results in 90) _____

A) a further price fall.

B) a shortage.

C) excess supply.

D) a surplus.

91) Which of the following correctly describes how price adjustments eliminate a shortage? 91) _____

A) As the price falls, 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 rises, the quantity demanded increases while the quantity supplied decreases.

92) A shortage causes the 92) _____

A) supply curve to shift rightward.

B) price to rise.

C) price to fall.

D) demand curve to shift leftward.

93) If the quantity demanded exceeds the quantity supplied, then there is 93) _____

A) a shortage and the price is above the equilibrium price.

B) a surplus and the price is below the equilibrium price.

C) a shortage and the price is below the equilibrium price.

D) a surplus and the price is above the equilibrium price.

94) A surplus occurs when the price is 94) _____

A) equal to the equilibrium price.

B) greater than the equilibrium price.

C) less than the equilibrium price.

D) None of the above because the existence of a surplus is independent of the price of the good.

95) If the quantity supplied exceeds the quantity demanded, then there is 95) _____

A) a shortage and the price is below the equilibrium price.

B) a surplus and the price is below the equilibrium price.

C) a surplus and the price is above the equilibrium price.

D) a shortage and the price is above the equilibrium price.

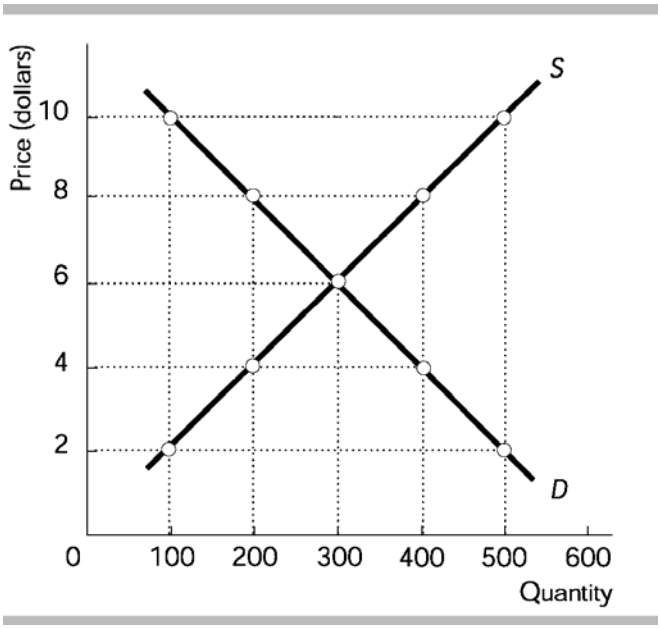
96) The price of a good will fall if 96) _____

A) the price of a complement falls.

B) there is a surplus at the current price.

C) the quantity demanded exceeds the quantity supplied.

D) the current price is less than the equilibrium price.



97) The equilibrium price in the above figure is 97) _____

A) $2. B) $8. C) $4. D) $6.

98) The equilibrium quantity in the above figure is 98) _____

A) 400 units. B) 300 units. C) 600 units. D) 200 units.

99) At a price of $10 in the above figure, there is 99) _____

A) a surplus of 400 units.
B) a shortage of 200 units.
C) a surplus of 200 units.
D) a shortage of 400 units.

100) At a price of $4 in the above figure, 100) _____

A) there is a surplus of 200 units.
B) the equilibrium quantity is 400 units.
C) the quantity supplied is 400 units.
D) there is a shortage of 200 units.

101) If the good in the above figure is a normal good and income rises, then the new equilibrium quantity 101) _____

A) is more than 300 units.
B) is less than 300 units.
C) could be less than, equal to, or more than 300 units.
D) is 300 units.

102) The initial supply and demand curves for a good are illustrated in the above figure. If there are technological advances in the production of the good, then the new price for the good 102) _____

A) is $6.
B) is more than $6.
C) could be less than, equal to, or more than $6.
D) is less than $6.

103) The initial supply and demand curves for a good are illustrated in the above figure. If there is a rise in the price of the resources used to produce the good, then the new price 103) _____

A) is less than $6.
B) is more than $6.
C) could be less than, equal to, or more than $6.
D) is $6.

The Market for Wapanzo Beans

Quantity Demanded (millions of pounds per year)			Price (dollars per pound)	Quantity Supplied (millions of pounds per year)		
Case 1	Case 2	Case 3		Case A	Case B	Case C
15	10	5		1	2	3
12	8	4	2	2	4	6
9	6	3	3	3	6	9
6	3	2	4	4	8	12
3	2	1	5	5	10	15

104) Refer to the table above. Suppose that in normal years demand is represented by Case 2 and supply is represented by Case B. In a normal year the price of wapanzo beans will be 104) _____

A) $3 per pound. B) $4 per pound. C) $2 per pound. D) $1 per pound.

105) Refer to the table above. Suppose that in normal years demand is represented by Case 2 and supply is represented by Case B. In a normal year the equilibrium quantity of wapanzo beans will be 105) _____

A) 8 million pounds. B) 4 million pounds.

C) 6 million pounds. D) 2 million pounds.

106) Refer to the table above. Suppose that in normal years demand is represented by Case 2 and supply is represented by Case B. If there is a drought in the wapanzo bean growing region then supply will _____ and demand will _____. 106) _____

A) stay at case B; become case 3 B) stay at case B; become case 1

C) become case A; become case 1 D) become case A; stay at case 2

107) Refer to the table above. Suppose that in normal years demand is represented by Case 2 and supply is represented by Case B. If there is exceptionally good growing weather in the wapanzo bean growing region then supply will _____ and demand will _____. 107) _____

A) stay at case B; become case 1 B) become case C; stay at case 2

C) become case C; become case 3 D) become case C; become case 1

108) Refer to the table above. Suppose that in normal years demand is represented by Case 2 and supply is represented by Case B. If it is discovered that wapanzo beans help prevent cancer then supply will _____ and demand will _____. 108) _____

A) stay at case B; become case 1 B) become case C; stay at case 2

C) become case A; become case 1 D) become case C; become case 1

109) When the demand for a good decreases, its equilibrium price _____ and equilibrium quantity _____. 109) _____

A) rises; decreases B) falls; decreases C) falls; increases D) rises; increases

110) If good A is a normal good and income increases, the equilibrium price of A 110) _____

A) and the equilibrium quantity will increase.

B) and the equilibrium quantity will decrease.

C) will rise and the equilibrium quantity will decrease.

D) will fall and the equilibrium quantity will increase.

111) The price of a gallon of milk falls. Which of the following is a possible cause? 111) _____

A) a discovery that milk cause diabetes

B) a drought that reduces supplies of feed grains fed to cows that produce milk

C) an increase in the income of the average household, with milk being a normal good

D) a decrease in the price of oatmeal, a complement to milk

112) Assume that beef and pork are substitutes for consumers. There is a drought in the cattle grazing areas. The drought will cause the 112) _____

A) supply curve for pork to shift rightward.

B) supply curve for pork to shift leftward.

C) demand curve for pork to shift leftward.

D) demand curve for pork to shift rightward.

113) An increase in demand combined with no change in supply causes 113) _____

A) a decrease in demand because the supply curve does not shift.

B) the equilibrium price to fall.

C) a movement rightward along the demand curve.

D) the equilibrium price to rise.

114) Goods A and B are complementary goods (in consumption). The cost of a resource used in the production of A decreases. As a result, 114) _____

A) the equilibrium price of B will fall and the equilibrium price of A will rise.

B) the equilibrium prices of both A and B will rise.

C) the equilibrium price of B will rise and the equilibrium price of A will fall.

D) the equilibrium prices of both A and B will fall.

115) When demand decreases and supply does not change, the equilibrium price 115) _____

A) rises and the equilibrium quantity decreases.

B) rises and the equilibrium quantity increases.

C) falls and the equilibrium quantity increases.

D) falls and the equilibrium quantity decreases.

116) When supply decreases and demand does not change, the equilibrium quantity 116) _____

A) decreases and the price rises.

B) increases and the price falls.

C) decreases and the price falls.

D) increases and the price rises.

117) Beef and leather belts are complements in production. If people's concern about health shifts the demand curve for beef leftward, the result in the market for leather belts will be a 117) _____

A) lower equilibrium price for a leather belt because there is an increase in the supply of leather belts.

B) higher equilibrium price for a leather belt because there is a decrease in the supply of leather belts.

C) lower equilibrium price for a leather belt because there is a decrease in the supply of leather belts.

D) higher equilibrium price for a leather belt because there is an increase in the supply of leather belts.

118) You observe that the price of a good rises and the quantity decreases. These observations can be the result of 118) _____

A) the supply curve shifting rightward.

B) the demand curve shifting rightward.

C) the demand curve shifting leftward.

D) the supply curve shifting leftward.

119) Leather belts and leather shoes are substitutes in production. If style changes increase the demand for leather belts, the supply curve of leather shoes will shift 119) _____

A) rightward and the equilibrium price of leather shoes will fall.

B) leftward and the equilibrium price of leather shoes will rise.

C) leftward and the equilibrium price of leather shoes will fall.

D) rightward and the equilibrium price of leather shoes will rise.

120) If both demand and supply increase, what will be the effect on the equilibrium price and quantity? 120) _____

A) The price will rise but the quantity could either increase, decrease, or remain the same.

B) The quantity will increase but the price could either rise, fall, or remain the same.

C) Both the price and the quantity will increase.

D) The price will fall but the quantity will increase.

121) If both the demand and supply increase, the equilibrium quantity 121) _____

A) decreases and the price rises.

B) increases and the effect on price is indeterminate.

C) decreases and the effect on price is indeterminate.

D) increases and the price falls.

122) The price will rise and the equilibrium quantity might increase, decrease, or stay the same when the 122) _____

A) demand and the supply of a good both increase.

B) demand and the supply of a good both decrease.

C) demand for a good decreases and the supply of it increases.

D) demand for a good increases and the supply of it decreases.

123) The price will fall and the equilibrium quantity might increase, decrease, or stay the same when the 123) _____

A) demand for a good increases and the supply of it decreases.

B) demand and the supply of a good both decrease.

C) demand for a good decreases and the supply of it increases.

D) demand and the supply of a good both increase.

124) The equilibrium quantity will decrease and the price might rise, fall, or stay the same when the 124) _____

A) demand and the supply of a good both decrease.

B) demand for a good increases and the supply of it decreases.

C) demand for a good decreases and the supply of it increases.

D) demand and the supply of a good both increase.

125) The equilibrium quantity of a good will increase and its equilibrium price might rise, fall, or stay the same when 125) _____

A) its demand decreases and supply increases.

B) its demand increases and supply decreases.

C) its demand and supply both increase.

D) its demand and supply both decrease.

126) The price of compact disc players fell over the past decade because a combination of improving technology, rising incomes, and falling prices of compact discs caused the 126) _____

A) demand curve for compact disc players to shift rightward faster than the supply curve of compact disc players shifted rightward.

B) supply curve of compact disc players to shift rightward faster than the demand curve for compact disc players shifted rightward.

C) demand curve for compact disc players to shift leftward and the supply curve of compact disc players to shift leftward.

D) supply curve of compact disc players to shift rightward and the demand curve for compact disc players to shift leftward.

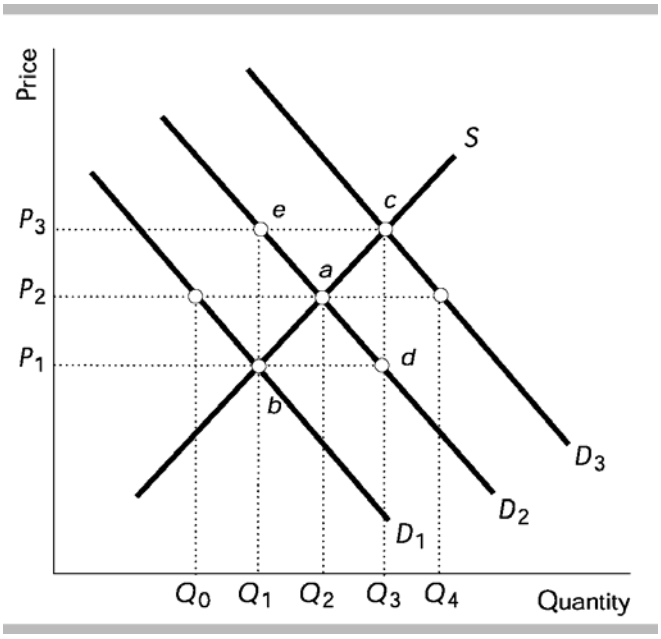
127) Which of the following will always raise the equilibrium price? 127) _____

A) an increase in demand combined with a decrease in supply

B) a decrease in both demand and supply

C) an increase in both demand and supply

D) a decrease in demand combined with an increase in supply



128) In the above figure, a change in quantity demanded with unchanged demand is represented by a movement from 128) _____

A) point *a* to point *c*.

B) point *a* to point *e*.

C) point *a* to point *b*.

D) None of the above represent a change in the quantity demanded with an unchanged demand.

129) In the above figure, a change in quantity supplied with unchanged supply is represented by a movement from 129) _____

A) point *b* to point *e*.

B) point *b* to point *a*.

C) point *e* to point *c*.

D) point *a* to point *e*.

130) In the above figure, if D_2 is the demand curve, then a price of P_3 would result in 130) _____

A) a surplus of $Q_3 - Q_1$.

B) a shortage of $Q_4 - Q_3$.

C) a surplus of $Q_4 - Q_0$.

D) a shortage of $Q_3 - Q_1$.

131) In the above figure, if D_2 is the original demand curve for a normal good and income decreases, which price and quantity may result? 131) _____

A) point *c*, with price P_3 and quantity Q_3

B) point *a*, with price P_2 and quantity Q_2

C) point *b*, with price P_1 and quantity Q_1

D) point *d*, with price P_1 and quantity Q_3

132) In the above figure, if D_2 is the original demand curve and the price of a substitute in consumption rises, which price and quantity may result? 132) _____

A) point *c*, with price P_3 and quantity Q_3

B) point *d*, with price P_1 and quantity Q_3

C) point *a*, with price P_2 and quantity Q_2

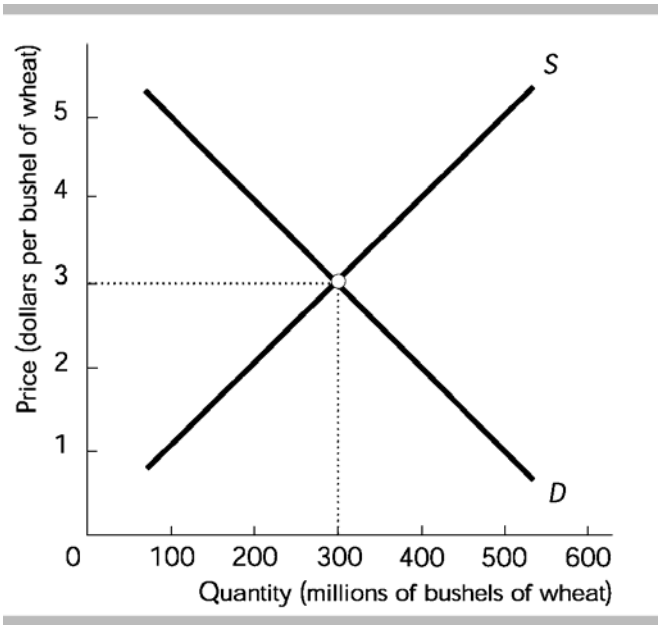
D) point *b*, with price P_1 and quantity Q_1

133) In the above figure, if D_2 is the original demand curve and consumers come to expect that the price of the good will rise in the future, which price and quantity may result? 133) _____

A) point *a*, with price P_2 and quantity Q_2
B) point *c*, with price P_3 and quantity Q_3
C) point *d*, with price P_1 and quantityQ_3
D) point *b*, with price P_1 and quantity Q_1.

134) In the above figure, if D_2 is the original demand curve and the population falls, which price and quantity may result? 134) _____

A) point d, with price P_1 and quantity Q_3
B) point c, with price P_3 and quantity Q_3
C) point b, with price P_1 and quantity Q_1
D) point a, with price P_2 and quantity Q_2



135) In the figure, the equilibrium price is initially $3 per bushel of wheat. If suppliers come to expect that the price of a bushel of wheat will rise in the future, but buyers do not, the *current* equilibrium price will 135) _____

A) not change.
B) fall.
C) rise.
D) perhaps rise, fall, or stay the same, depending on whether there are more demanders or suppliers in the market.

136) In the figure, the equilibrium price is initially $3 per bushel of wheat. If buyers come to expect that the price of a bushel of wheat will rise in the future, but sellers do not, the *current* equilibrium price will 136) _____

A) rise.
B) fall.
C) not change.
D) perhaps rise, fall, or stay the same, depending on whether there are more demanders or suppliers in the market.

137) Let Q_d stand for the quantity demanded, Q_S stand for the quantity supplied, and P stand for price. If $Q_d = 20 - 2P$ and $Q_S = 5 + 3P$, then the equilibrium price is 137) _____

A) $2. B) $3. C) $4. D) $1.

138) LetQ_d stand for the quantity demanded, Q_S stand for the quantity supplied, and P stand for price. If $Q_d = 20 - 2P$ and$Q_S = 5 + 3P$, then the equilibrium quantity is 138) _____

A) 14. B) 5. C) 20. D) 3.

139) A consumer might consider in-line skates and elbow-pads to be 139) _____

A) unrelated goods.

B) substitutes.

C) products with upward sloping demand curves.

D) complements.

140) A decrease in the price of a game of bowling shifts the 140) _____

A) demand curve for bowling balls rightward.

B) supply curve of bowling balls leftward.

C) supply curve of bowling balls rightward.

D) demand curve for bowling balls leftward.

141) If a decrease in the price of gasoline increases the demand for large cars, then 141) _____

A) gasoline and large cars are complements in consumption.

B) large cars are an inferior good.

C) gasoline is an inferior good.

D) gasoline and large cars are substitutes in consumption.

142) Gruel is an inferior good. Hence, a decrease in people's incomes 142) _____

A) shifts the supply curve of gruel leftward.

B) shifts the demand curve for gruel rightward.

C) shifts the demand curve for gruel leftward.

D) decreases the quantity of gruel supplied.

143) An unusually warm winter 143) _____

A) shifts the supply curve of gloves leftward.

B) shifts the demand curve for gloves rightward.

C) shifts the demand curve for gloves leftward.

D) shifts the supply curve of gloves rightward.

144) A rise in the price of a good causes producers to supply more of the good. This statement illustrates 144) _____

A) the nature of an inferior good. B) the law of demand.

C) the law of supply. D) a change in supply.

145) The price of jet fuel falls. This fall shifts the 145) _____

A) supply curve of airplane trips rightward.

B) demand curve for airplane trips leftward.

C) demand curve for airplane trips rightward.

D) supply curve of airplane trips leftward.

146) If there is surplus of a good, then the quantity demanded _____ the quantity supplied and the price will _____. 146) _____

A) is less than; rise

B) is less than; fall

C) is greater than; fall

D) is greater than; rise

147) Pizza and hamburgers are substitutes for consumers. A fall in the price of a pizza _____ the price of a hamburger and _____ the quantity of hamburgers. 147) _____

A) raises; decreases

B) lowers; decreases

C) raises; increases

D) lowers; increases

148) How does an unusually warm winter affect the equilibrium price and quantity of gloves? 148) _____

A) It lowers both the price and the quantity.

B) It raises both the price and the quantity.

C) It raises the price and decreases the quantity.

D) It lowers the price and increases the quantity.

149) You notice that the price and quantity of wheat both decrease. This observation can be the result of the 149) _____

A) demand curve for wheat shifting leftward.

B) supply curve of wheat shifting rightward.

C) demand curve for wheat shifting rightward.

D) supply curve of wheat shifting leftward.

150) A technological improvement lowers the cost of producing coffee. At the same time, consumers' preferences for coffee increase. The equilibrium price of coffee will 150) _____

A) rise, fall, or stay the same, depending on the relative size of the shifts in the demand and supply curves.

B) remain the same.

C) fall.

D) rise.

151) Which of the following definitely causes a fall in the equilibrium price? 151) _____

A) a decrease in both demand and supply

B) an increase in demand combined with a decrease in supply

C) a decrease in demand combined with an increase in supply

D) an increase in both demand and supply

152) CD players rise in price while pre-recorded audio tapes fall in price. The combined effect of these two changes is to create 152) _____

A) a leftward shift of the demand curve for portable audio tape players, such as a Walkman.

B) a rightward shift of the demand curve for portable audio tape players, such as a Walkman.

C) a rightward shift of the supply curve for portable audio tape players, such as a Walkman.

D) a leftward shift of the supply curve of portable audio tape players, such as a Walkman.

153) Walkman Watch expects a recession to occur. Knowing that a Walkman is a normal good, you predict that the demand for a Walkman 153) _____

A) will increase.

B) might increase or decrease.

C) will decrease.

D) will remain unchanged.

154) Wages for workers producing Walkmans and similar products will rise next year. Walkman Watch asks you to predict the effect of this change in next year's market for Walkmans. You predict that the major effect will be that the 154) _____

A) demand curve for a Walkman will shift leftward.

B) supply curve for a Walkman will shift rightward.

C) supply curve for a Walkman will shift leftward.

D) demand curve for a Walkman will shift rightward.

155) Producers of Walkmans are able to lower the wage rate that they pay to their workers. Walkman Watch asks you to predict the effect on the Walkmans. You predict that the 155) _____

A) quantity supplied will decrease.

B) price will rise.

C) supply curve will shift leftward.

D) supply curve will shift rightward.

156) The wage rate paid by Walkman producers falls and at the same time the price of raw materials used in the production of Walkmans rises. You predict that the supply curve of Walkmans will 156) _____

A) surely shift leftward.

B) surely become steeper.

C) shift either leftward or rightward.

D) surely shift rightward.

157) Walkmans play cassette tapes. Producers of Walkmans expect that a new technology for producing CD players will be available next year. Walkman Watch asks you to predict the effect of the new technology on the market for Walkmans. You predict that 157) _____

A) the demand curve for Walkmans will shift leftward and the price will fall.

B) the price will rise, and so will the quantity demanded.

C) the price will fall, and the quantity demanded will increase.

D) the demand curve for Walkmans will shift rightward and the price will rise.

158) Producers of Walkmans will be able to lower the wage rate that they pay to their workers. Walkman Watch asks you to predict the effects on the supply of Walkmans, and the price of a Walkman. You predict that the supply curve shifts 158) _____

A) leftward, and the price is constant.

B) rightward, and the price falls.

C) leftward, and the price rises.

D) rightward, and the price is constant.

Answer Key
Testname: UNTITLED3.TST

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

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

101) A
102) D
103) B
104) A
105) C
106) D
107) B
108) A
109) B
110) A
111) A
112) D
113) D
114) C
115) D
116) A
117) B
118) D
119) B
120) B
121) B
122) D
123) C
124) A
125) C
126) B
127) A
128) B
129) B
130) A
131) C
132) A
133) B
134) C
135) C
136) A
137) B
138) A
139) D
140) A
141) A
142) B
143) C
144) C
145) A
146) B
147) B
148) A
149) A
150) A

Answer Key
Testname: UNTITLED3.TST

151) C
152) B
153) C
154) C
155) D
156) C
157) A
158) B