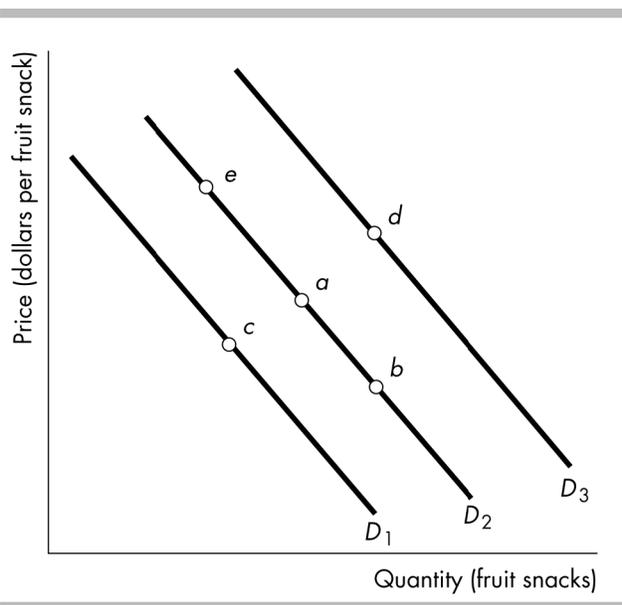


Name \_\_\_\_\_

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

- 1) Scarcity guarantees that 1) \_\_\_\_\_  
A) demands will exceed wants. B) wants will exceed demands.  
C) most demands will be satisfied. D) demands will be equal to wants.
- 2) Wants, as opposed to demands, 2) \_\_\_\_\_  
A) are the goods the consumer has acquired.  
B) are the goods the consumer plans to acquire.  
C) depend on the price.  
D) are the unlimited desires of the consumer
- 3) The law of demand implies that if nothing else changes, there is 3) \_\_\_\_\_  
A) a negative relationship between the price of a good and the quantity demanded.  
B) a positive relationship between the price of a good and the quantity demanded.  
C) a linear relationship between price of a good and the quantity demanded.  
D) an exponential relationship between price of a good and the quantity demanded.
- 4) Each point on the demand curve reflects 4) \_\_\_\_\_  
A) the highest price consumers are willing and able to pay for that particular unit of a good.  
B) all the wants of a given household.  
C) the lowest-cost technology available to produce a good.  
D) the highest price sellers will accept for all units they are producing.
- 5) A substitute is a good 5) \_\_\_\_\_  
A) of higher quality than another good.  
B) of lower quality than another good.  
C) that can be used in place of another good.  
D) that is not used in place of another good.
- 6) People buy more of good 1 when the price of good 2 rises. These goods are 6) \_\_\_\_\_  
A) substitutes. B) inferior goods. C) complements. D) normal goods.
- 7) Which of the following pairs of goods are most likely substitutes? 7) \_\_\_\_\_  
A) compact discs and compact disc players B) lettuce and salad dressing  
C) cola and lemon lime soda D) peanut butter and gasoline
- 8) A complement is a good 8) \_\_\_\_\_  
A) of higher quality than another good. B) used in conjunction with another good.  
C) of lower quality than another good. D) used instead of another good.
- 9) Suppose people buy more of good 1 when the price of good 2 falls. These goods are 9) \_\_\_\_\_  
A) substitutes. B) inferior. C) normal. D) complements.

- 10) A normal good is a good for which demand \_\_\_\_\_
- A) decreases when income increases.                      B) increases when population increases.  
 C) decreases when population increases.                  D) increases when income increases.
- 11) Most goods \_\_\_\_\_
- A) have vertical supply curves.                              B) are complements to each other.  
 C) are normal goods.    D) have vertical demand curves.
- 12) Inferior goods are those for which demand increases as \_\_\_\_\_
- A) the price of a substitute falls.                          B) income increases.  
 C) the price of a substitute rises.                          D) income decreases.
- 13) A decrease in quantity demanded caused by an increase in price is represented by a \_\_\_\_\_
- 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.
- 14) Which of the following would NOT shift the demand curve for turkey? \_\_\_\_\_
- A) a change in the price of a turkey                      B) an increase in income  
 C) a change in tastes for turkey                              D) a decrease in the price of ham



- 15) In the figure above, which movement reflects an increase in demand? \_\_\_\_\_
- 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*
- 16) In the figure above, which movement reflects a decrease in demand? \_\_\_\_\_
- 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*

- 17) In the figure above, which movement reflects a decrease in quantity demanded but NOT a decrease in demand? 17) \_\_\_\_\_  
 A) from point *a* to point *c* B) from point *a* to point *d*  
 C) from point *a* to point *e* D) from point *a* to point *b*
- 18) In the figure above, which movement reflects how consumers would react to an increase in the price of a non-fruit snack? 18) \_\_\_\_\_  
 A) from point *a* to point *b* B) from point *a* to point *e*  
 C) from point *a* to point *d* D) from point *a* to point *c*
- 19) In the figure above, which movement reflects an increase in the price of a complement for fruit snacks? 19) \_\_\_\_\_  
 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*
- 20) In the figure above, which movement reflects an increase in the price of a substitute for fruit snacks? 20) \_\_\_\_\_  
 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*
- 21) In the figure above, which movement reflects an increase in income if fruit snacks are a normal good? 21) \_\_\_\_\_  
 A) from point *a* to point *c* B) from point *a* to point *b*  
 C) from point *a* to point *d* D) from point *a* to point *e*
- 22) In the figure above, which movement reflects a decrease in population? 22) \_\_\_\_\_  
 A) from point *a* to point *c* B) from point *a* to point *d*  
 C) from point *a* to point *b* D) from point *a* to point *e*
- 23) The "law of supply" states that, other things remaining the same, 23) \_\_\_\_\_  
 A) firms will produce more of a good the higher its price.  
 B) firms will produce less of a good as the required resources become scarcer.  
 C) firms will produce more of a good the less it costs to produce it.  
 D) firms will produce less of a good the more it costs to produce it.
- 24) The "law of supply" holds because as the price of a good increases, the opportunity cost of 24) \_\_\_\_\_  
 A) not producing the good increases. B) not producing the good decreases.  
 C) producing the good decreases. D) producing the good increases.
- 25) Which of the following will decrease the supply of restaurant meals? 25) \_\_\_\_\_  
 A) Waiters get a pay raise.  
 B) The demand for restaurant meals decreases.  
 C) Consumers' income increases and restaurant meals are a normal good.  
 D) The price of movies, a complement to restaurant meals, falls.

26) A bakery can produce either cakes or cookies. If the price of cookies rises, then, in the market for cake, 26) \_\_\_\_\_  
A) there would be a movement upward along the supply curve for cake.  
B) the supply curve of cake shifts leftward.  
C) there would be a movement downward along the supply curve for cake.  
D) the supply curve of cake shifts rightward.

27) By itself, an increase in the number of suppliers in a market results in a 27) \_\_\_\_\_  
A) leftward shift in the supply curve. B) movement down along the supply curve.  
C) rightward shift in the supply curve. D) Both answers A and C are correct.

28) Which of the following will increase the quantity supplied of compact discs but NOT increase the supply of compact discs? 28) \_\_\_\_\_  
A) an increase in the price of a compact disc  
B) an increase in the price of the resources used to produce compact discs  
C) a decrease in the number of suppliers of compact discs  
D) a decrease in the price of a compact disc

29) The equilibrium price is the price at which the quantity 29) \_\_\_\_\_  
A) sold equals the quantity bought. B) demanded equals the quantity sold.  
C) supplied equals the quantity bought. D) demanded equals the quantity supplied.

30) When a market is in equilibrium, 30) \_\_\_\_\_  
A) there is no shortage and no surplus at the equilibrium price.  
B) the supply curve has the same slope as the demand curve.  
C) everyone has all they want of the commodity in question.  
D) the number of buyers is exactly equal to the number of sellers.

31) Doctors find that one aspirin per day reduces the risk of heart attacks. Demand for aspirin will 31) \_\_\_\_\_  
A) increase, so that equilibrium price and equilibrium quantity will increase.  
B) increase, but the new equilibrium price and quantity are indeterminate.  
C) increase, so that equilibrium price will decrease and equilibrium quantity will increase.  
D) decrease, so that equilibrium price and equilibrium quantity will increase.

32) When supply and demand both increase, the 32) \_\_\_\_\_  
A) quantity definitely decreases. B) price definitely decreases.  
C) price definitely increases. D) quantity definitely increases.

**TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.**

33) If house purchases and apartment rentals are substitutes, then an increase in the price of a new house results in an increase in apartment rents. 33) \_\_\_\_\_

34) An increase in price results in increase in supply but not an increase in the quantity supplied. 34) \_\_\_\_\_

**ESSAY. Write your answer in the space provided or on a separate sheet of paper.**

Price (dollars per disk)	Quantity demanded (millions of disks per month)	Quantity supplied (millions of disks per month)
0.50	50	0
1.00	40	15
1.50	30	30
2.00	20	45
2.50	10	60
3.00	0	75

- 35) Suppose the market for CD-Rs has the demand and supply schedules shown in the table above. Graph the demand and supply curves. What is the equilibrium price and the equilibrium quantity in this market? Suppose the current price is \$2.00. What is the quantity of CD-Rs sold? Explain. Is there a shortage or a surplus? How big is it? Explain.

Price (dollars per pizza)	Quantity demanded (pizzas per week)	Quantity supplied (pizzas per week)
5	750	300
6	700	400
7	650	500
8	600	600
9	550	700
10	500	800
11	450	900
12	400	1,000

- 36) A market research team has come up with the demand and supply schedules for pizza in Cheeseboro. These schedules are given in the table above. Use these data to analyze the situation in the market for pizza.
- Draw a figure showing the demand curve for pizza and the supply curve of pizza. What are the equilibrium price and quantity?
  - Suppose the price is \$10. Describe the situation in the market and explain how the price of pizza adjusts. Now suppose the price is \$6. Describe the situation in the market and explain how the price of pizza adjusts.
  - The market research report also includes a prediction about the effect on the market for pizza in Cheeseboro of a recent news published in Cheeseboro Herald. The Herald reported that pizza has been discovered to help prevent heart diseases. Unfortunately, your dog chewed up the report and all you can read about the prediction is "quantity... by 150 at each price." What does the prediction say? Use your graph to show the predicted effects on the market for pizza. What are the predicted equilibrium price and quantity? How will the market adjust?

## Answer Key

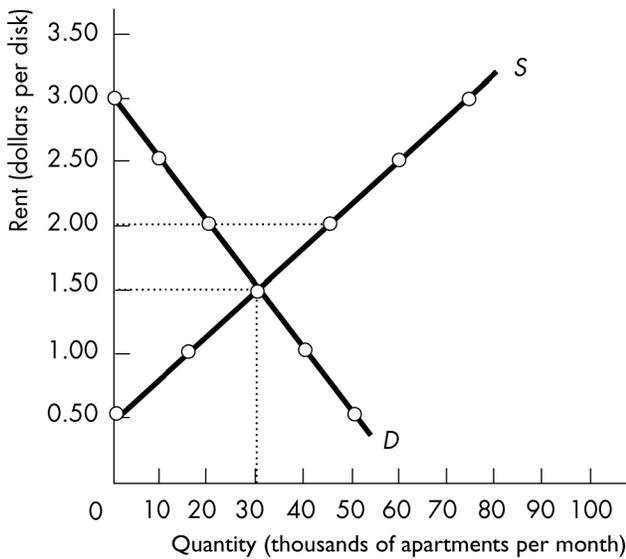
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- 1) B
- 2) D
- 3) A
- 4) A
- 5) C
- 6) A
- 7) C
- 8) B
- 9) D
- 10) D
- 11) C
- 12) D
- 13) A
- 14) A
- 15) D
- 16) C
- 17) C
- 18) C
- 19) C
- 20) A
- 21) C
- 22) A
- 23) A
- 24) A
- 25) A
- 26) B
- 27) C
- 28) A
- 29) D
- 30) A
- 31) A
- 32) D
- 33) TRUE
- 34) FALSE

Answer Key

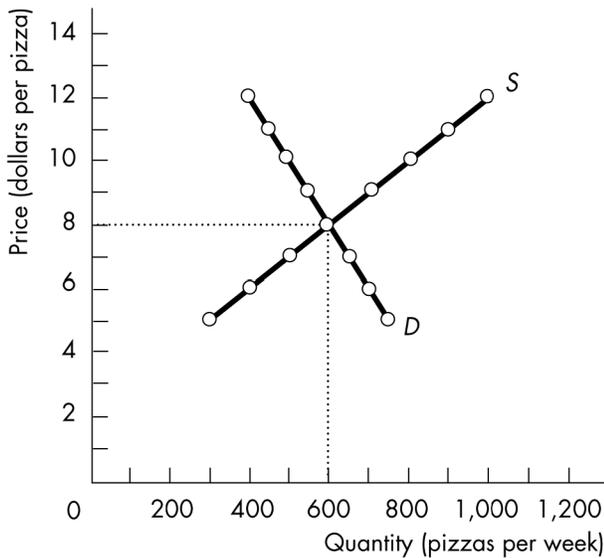
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35)



The graph is shown above. The equilibrium price is \$1.50. The equilibrium quantity is 30 million disks per month. The quantity sold is 20 million disks per month. Although at \$2.00 suppliers want to sell 45 million disks, the buyers want to buy only 20 million and so 25 million disks won't be sold. Since the quantity supplied, 45 million disks, is greater than the quantity demanded, 20 million, there is a surplus, 25 million disks.

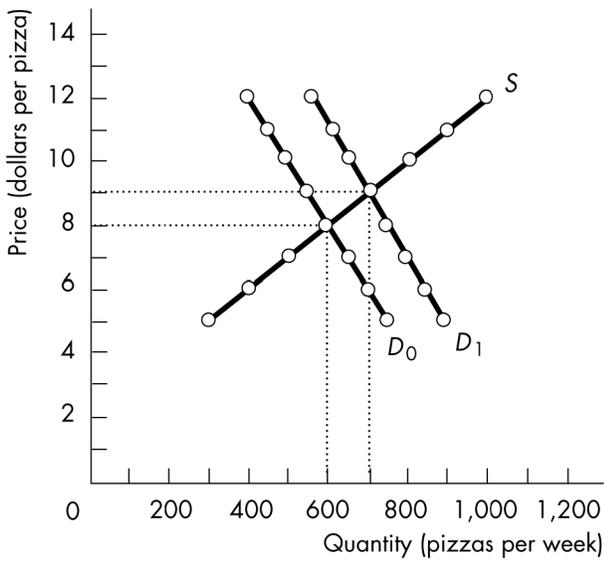
36)



- See the figure above. The equilibrium price is \$8 and the equilibrium quantity is 600 pizzas.
- If the price is \$10, there is a surplus of 300 pizzas. The surplus leads to a fall in the price. The lower price increases the quantity demanded and decreases the quantity supplied bringing the market to equilibrium at \$8, where the quantity demanded equals the quantity supplied. If the price is \$6, there is a shortage of 300 pizzas. The shortage leads to a rise in the price. The higher price decreases the quantity demanded and increases the quantity supplied bringing the market to equilibrium at \$8.

Answer Key

Testname: INTROSPRING18\_QUIZ3



c) The report predicts that the news will change consumer preferences in favor of pizza, which will "increase the quantity of pizza demanded by 150 at each price." The increase in demand means the demand curve shifts rightward by 150 pizza at every price, as illustrated in the above figure by the shift from  $D_0$  to  $D_1$ . The equilibrium price is \$9 and quantity is 700. When the demand curve shifts, at the old price, \$8, there is a shortage of 150 pizzas and therefore the price rises bringing the market to equilibrium at \$9.