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Chapter 02
Demand and Supply

Multiple Choice Questions

1. Economists use the term demand to refer to:
A. a particular price-quantity combination on a demand curve
B. the total amount spent on a particular product over a given time period
C. the amount of a product that consumers are willing to purchase at a certain price
D. the relationship between the various possible prices of a product and the quantities that consumers are willing to purchase at each price
E. the price charged to consumers to purchase a given quantity of a product

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 Describe the nature of demand, changes in quantity demanded, changes in demand, and the factors that affect demand.
Topic: 02-02 What Is Demand?
Type: Definition

2. Quantity demanded refers to the:
A. amount of a product that consumers would be willing to purchase if they only had the income to afford it
B. amount of a product that consumers are willing to purchase at a certain price
C. independent variable in the relationship between price and quantity demanded
D. minimum amount of a product that a consumer purchases to continue collecting social assistance
E. amount of a product that consumers would be willing to purchase if its price were zero

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 Describe the nature of demand, changes in quantity demanded, changes in demand, and the factors that affect demand.
Topic: 02-02 What Is Demand?
Type: Definition

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3. The law of demand states that:
A. price and quantity demanded are inversely related
B. the larger the number of buyers in a market, the lower the price of the product
C. price and quantity demanded are directly related
D. consumers buy more of a given product at high prices than they buy at low prices
E. the larger the number of buyers in a market, the higher the price of the product

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 Describe the nature of demand, changes in quantity demanded, changes in demand, and the factors that affect demand.
Topic: 02-03 The Law of Demand
Type: Definition

4. One reason that the quantity demanded of a product increases when its price falls is that:
A. consumer incomes have decreased
B. the product is no longer new on the market
C. the product has greater value in terms of satisfaction per dollar spent
D. the product is being produced in Canada
E. the prices of other products must have fallen as well

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-01 Describe the nature of demand, changes in quantity demanded, changes in demand, and the factors that affect demand.
Topic: 02-03 The Law of Demand
Type: Application

5. The demand curve for a product may have a positive (upward) slope when:
A. the product is no longer fashionable
B. the "Veblen effect" applies
C. the quantity of the product demanded increases as its price falls
D. the prices of other products change
E. consumer incomes change

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-01 Describe the nature of demand, changes in quantity demanded, changes in demand, and the factors that affect demand.
Topic: 02-03 The Law of Demand
Type: Application

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6. A demand schedule:
A. reflects the relationship between quantity demanded and price, ceteris paribus, in a graphical form
B. is constructed on the assumption that price is constant
C. incorporates the effect of changes in consumer preferences
D. is a table that expresses possible combinations of prices and quantities demanded of a product
E. is developed based on the assumption that quantity is constant

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 Describe the nature of demand, changes in quantity demanded, changes in demand, and the factors that affect demand.
Topic: 02-04 The Demand Curve
Type: Definition

7. The demand curve shows the relationship between:
A. consumer income and quantity demanded, of which consumer income is the independent variable
B. price and production costs, of which price is the independent variable
C. price and quantity demanded, of which price is the independent variable on the vertical axis
D. consumer preferences and quantity demanded, of which quantity demanded is the dependent variable
E. the price of a certain product and the price of another closely related product

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-01 Describe the nature of demand, changes in quantity demanded, changes in demand, and the factors that affect demand.
Topic: 02-04 The Demand Curve
Type: Definition

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8. Graphically, the market demand curve is:
A. steeper than any individual demand curve that comprises it
B. greater than the sum of the individual demand curves
C. the horizontal sum of individual demand curves
D. the vertical sum of individual demand curves
E. less than the sum of the individual demand curves

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-01 Describe the nature of demand, changes in quantity demanded, changes in demand, and the factors that affect demand.
Topic: 02-05 Market Demand
Type: Definition

9. When an economist says that the demand for a product has increased, he or she means that:
A. consumers are now willing to purchase more of this product at every price
B. the product has become particularly scarce for some reason
C. the product's price has fallen and, consequently, consumers are buying a larger quantity of the product
D. the demand curve has shifted to the left
E. the product has suddenly become plentiful

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-01 Describe the nature of demand, changes in quantity demanded, changes in demand, and the factors that affect demand.
Topic: 02-06 Changes in Demand
Type: Definition

10. The demand curve for chocolate shifts to the right if:
A. the price of chocolate increases
B. medical studies conclusively find that chocolate helps fight migraines
C. consumers expect the price of chocolate to fall in the future
D. the government imposes a new tax on milk
E. the price of chocolate decreases

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-01 Describe the nature of demand, changes in quantity demanded, changes in demand, and the factors that affect demand.
Topic: 02-06 Changes in Demand
Type: Application

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11. An economist for a bicycle company predicts that, ceteris paribus, a rise in consumer incomes increases the demand for bicycles. This prediction is based upon the assumption that:
A. there are many goods that are substitutes for bicycles
B. there are many goods that are complementary to bicycles
C. there are few goods that are substitutes for bicycles
D. bicycles are normal products
E. bicycles are inferior products

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-01 Describe the nature of demand, changes in quantity demanded, changes in demand, and the factors that affect demand.
Topic: 02-06 Changes in Demand
Type: Application

12. Which of the following is most likely to be an inferior product?
A. Canada Goose jackets
B. iPhone
C. used clothing
D. steak
E. craft beers

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-01 Describe the nature of demand, changes in quantity demanded, changes in demand, and the factors that affect demand.
Topic: 02-06 Changes in Demand
Type: Application

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13. A rightward shift in the demand curve for product C might be caused by a(n):
A. decrease in income if C is a normal product
B. increase in income if C is an inferior product
C. decrease in the price of a product that is a substitute for C
D. increase in the price of a product that is complementary to C
E. increase in income if C is a normal product

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-01 Describe the nature of demand, changes in quantity demanded, changes in demand, and the factors that affect demand.
Topic: 02-06 Changes in Demand
Type: Application

14. Digital music players and digital music are:
A. free products
B. substitute products
C. independent products
D. inferior products
E. complementary products

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-01 Describe the nature of demand, changes in quantity demanded, changes in demand, and the factors that affect demand.
Topic: 02-06 Changes in Demand
Type: Application

15. If the price of K declines, the demand curve for complementary product J:
A. shifts to the left
B. decreases
C. shifts to the right
D. remains unchanged
E. shifts so that each price of K is associated with a lower quantity demanded of K

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-01 Describe the nature of demand, changes in quantity demanded, changes in demand, and the factors that affect demand.
Topic: 02-06 Changes in Demand
Type: Application

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16. Ceteris paribus, which of the following might shift the demand curve for gasoline to the left?
A. the discovery of vast new oil reserves in Alberta
B. the expectation that gasoline prices will soon rise
C. an increase in the price of train and air transportation
D. a large decline in the price of automobiles
E. the development of a low-cost electric automobile

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-01 Describe the nature of demand, changes in quantity demanded, changes in demand, and the factors that affect demand.
Topic: 02-06 Changes in Demand
Type: Application

17. One might explain a shift to the right in the demand curve for normal product A by saying that:
A. incomes have declined, and consumers now want to buy less of A at every price
B. the price of A has increased and, as a result, consumers want to buy less of it
C. preferences have changed in favour of A, so consumers now want to buy more at every price
D. the price of A has declined and, as a result, consumers want to buy more of it
E. product A is now more plentiful than before

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-01 Describe the nature of demand, changes in quantity demanded, changes in demand, and the factors that affect demand.
Topic: 02-06 Changes in Demand
Type: Application

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18. Which of the following causes the demand curve for product A to shift to the left?
A. population growth that increases the number of persons consuming A
B. an increase in consumer incomes if A is a normal product
C. a decrease in consumer incomes if A is an inferior product
D. a decrease in the price of complementary product C
E. a general expectation that the price of A will decrease in the near future

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-01 Describe the nature of demand, changes in quantity demanded, changes in demand, and the factors that affect demand.
Topic: 02-06 Changes in Demand
Type: Application

19. An increase in demand means that:
A. the price of the product has fallen, so consumers move down to a new point on the demand curve
B. the quantity demanded at every price is greater than before
C. the quantity demanded at every price is less than before
D. the price of the product has risen, so consumers move up to a new point on the demand curve
E. the supply curve has shifted to the right

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-01 Describe the nature of demand, changes in quantity demanded, changes in demand, and the factors that affect demand.
Topic: 02-06 Changes in Demand
Type: Definition

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20. Which of the following does not cause the demand for product K to change?
A. a change in the price of substitute product J
B. an increase in consumer incomes
C. a change in the price of K
D. a change in consumer preferences
E. a change in the price of complementary product L

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-01 Describe the nature of demand, changes in quantity demanded, changes in demand, and the factors that affect demand.
Topic: 02-07 Change in Quantity Demanded versus Change in Demand
Type: Application

21. The quantity demanded of a product increases as its price declines because the lower price:
A. shifts the demand curve to the right
B. shifts the demand curve to the left
C. results in an increase in supply
D. results in a move down the demand curve
E. results in a move up the supply curve

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-01 Describe the nature of demand, changes in quantity demanded, changes in demand, and the factors that affect demand.
Topic: 02-07 Change in Quantity Demanded versus Change in Demand
Type: Application

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22. Assume that the demand curve for product C is downward-sloping. If the price of C falls from $2 to $1.75, then:
A. a smaller quantity of C is demanded
B. a larger quantity of C is demanded
C. the demand for C increases
D. the demand for C decreases
E. a smaller quantity of complementary product D is demanded

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-02 Summarize the nature of supply, changes in quantity supplied, changes in supply, and the factors that affect supply.
Topic: 02-09 What Is Supply?
Type: Application

23. The law of supply indicates that:
A. producers will offer more of a product at high prices than they will at low prices
B. the supply curve is downward-sloping
C. consumers will purchase less of a product at high prices than they will at low prices
D. producers will offer more of a product at low prices than they will at high prices
E. consumers will purchase more of a product at high prices than they will at low prices

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-02 Summarize the nature of supply, changes in quantity supplied, changes in supply, and the factors that affect supply.
Topic: 02-10 The Law of Supply
Type: Definition

24. The law of supply:
A. reflects the amounts businesses will demand at each price in a series of prices
B. is reflected in a downward-sloping supply curve
C. shows that the relationship between price and quantity supplied is inverse
D. reflects the amounts consumers will supply at each price in a series of prices
E. reflects the direct relationship between price and quantity supplied, ceteris paribus

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-02 Summarize the nature of supply, changes in quantity supplied, changes in supply, and the factors that affect supply.
Topic: 02-10 The Law of Supply
Type: Definition

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25. A supply curve:
A. is a graph that shows the relationship between the amount of labour used to produce a product and the product's quantity supplied
B. is constructed on the assumption that price is the dependent variable
C. is a graph that shows the relationship between price and quantity supplied with price on the horizontal axis and quantity supplied on the vertical axis
D. is a graph that expresses possible combinations of prices and quantities supplied of a product
E. reflects the relationship between quantity supplied and price, ceteris paribus, in the form of a table

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-02 Summarize the nature of supply, changes in quantity supplied, changes in supply, and the factors that affect supply.
Topic: 02-11 The Supply Curve
Type: Definition

26. The supply curve shows the relationship between:
A. production costs and the amount of labour used to produce a certain item
B. price and quantity supplied, with price as the dependent variable on the vertical axis
C. price and production costs, with production costs as the dependent variable on the horizontal axis
D. price and quantity supplied, with price as the independent variable on the vertical axis
E. price and production costs, with production costs as the independent variable on the vertical axis

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-02 Summarize the nature of supply, changes in quantity supplied, changes in supply, and the factors that affect supply.
Topic: 02-11 The Supply Curve
Type: Definition

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27. If businesses offer a lower quantity supplied than previously at every possible price, the result is a(n):
A. decrease in demand
B. increase in demand
C. decrease in supply
D. increase in supply
E. an increase in supply and a simultaneous decrease in demand

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-02 Summarize the nature of supply, changes in quantity supplied, changes in supply, and the factors that affect supply.
Topic: 02-12 Changes in Supply
Type: Application

28. A leftward shift of a product's supply curve might be caused by a(n):
A. improvement in the relevant technique of production
B. decline in the prices of needed resources
C. increase in consumer incomes
D. decrease in the number of businesses in an industry
E. change in consumer preferences

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-02 Summarize the nature of supply, changes in quantity supplied, changes in supply, and the factors that affect supply.
Topic: 02-12 Changes in Supply
Type: Application

29. An increase in the wages of construction workers will:
A. lead to an increase the quantity supplied of new homes
B. shift the supply curve of new homes to the left
C. shift the demand curve for construction workers to the right
D. decrease the average annual incomes of construction workers
E. shift the demand curve for construction workers to the left

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-02 Summarize the nature of supply, changes in quantity supplied, changes in supply, and the factors that affect supply.
Topic: 02-12 Changes in Supply
Type: Application

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30. An improvement in production technology will:
A. tend to increase equilibrium price
B. shift the supply curve to the left
C. shift the demand curve to the right
D. shift the demand curve to the left
E. shift the supply curve to the right

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-02 Summarize the nature of supply, changes in quantity supplied, changes in supply, and the factors that affect supply.
Topic: 02-12 Changes in Supply
Type: Application

31. "Because of unseasonably cold weather, the supply of oranges has substantially decreased." This statement indicates that:
A. consumers will be willing and able to buy fewer oranges at each possible price
B. the demand for oranges will necessarily rise
C. the amount of oranges that will be available at various prices has declined
D. the price of oranges will fall
E. there is now a surplus of oranges

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-02 Summarize the nature of supply, changes in quantity supplied, changes in supply, and the factors that affect supply.
Topic: 02-12 Changes in Supply
Type: Application

32. A decrease in the price of cigarettes leads to a(n):
A. change in the supply of cigarettes
B. decrease in the quantity demanded of cigarettes
C. increase in the supply of apples as tobacco farmers switch to the production of apples
D. increase in the quantity supplied of cigarettes
E. a change in the demand of cigarettes

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-02 Summarize the nature of supply, changes in quantity supplied, changes in supply, and the factors that affect supply.
Topic: 02-13 Change in Quantity Supplied versus Change in Supply
Type: Application

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33. A change in the price of a product will cause:
A. a change in consumer preferences
B. a change in demand for a product
C. a change in quantity supplied
D. a shift in the supply curve
E. a change in the prices of resources used in making the product

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-02 Summarize the nature of supply, changes in quantity supplied, changes in supply, and the factors that affect supply.
Topic: 02-13 Change in Quantity Supplied versus Change in Supply
Type: Application

34. A market is in equilibrium:
A. provided there is no surplus of the product
B. at all prices above that shown by the intersection of the supply and demand curves
C. if the amount that producers want to sell is equal to the amount that consumers want to buy
D. whenever the demand curve is downward-sloping and the supply curve is upward-sloping
E. at all prices below that shown by the intersection of the supply and demand curves

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 Explain how markets reach equilibrium—the point at which demand and supply meet.
Topic: 02-15 Market Equilibrium
Type: Definition

35. At the point where the demand and supply curves for a product intersect:
A. the "selling price" and the "buying price" need not to be equal
B. the market may, or may not, be in equilibrium
C. either a shortage or a surplus of the product might exist, depending upon the degree of competition
D. the quantity that consumers want to purchase and the amount producers choose to sell are the same
E. price will be pushed either up or down, depending on whether there is a shortage or surplus

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 Explain how markets reach equilibrium—the point at which demand and supply meet.
Topic: 02-15 Market Equilibrium
Type: Definition

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36.

Price per unit	Units of Farmers' Product Demanded per month	Units of Farmers' Product Supplied per month
$5	57	77
4	62	73
3	68	68
2	73	61
1	79	57

Equilibrium price will be:
A. $5
B. $4
C. $3
D. $2
E. $1

Accessibility: Keyboard Navigation
Difficulty: Easy
Learning Objective: 02-03 Explain how markets reach equilibrium—the point at which demand and supply meet.
Topic: 02-15 Market Equilibrium
Type: Numerical

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37.

Price per unit	Units of Farmers' Product Demanded per month	Units of Farmers' Product Supplied per month
$5	57	77
4	62	73
3	68	68
2	73	61
1	79	57

If the price in this market were $4:
A. farmers would keep on increasing the number of hectares allocated to the growing of the product
B. buyers would want to purchase more of the product than is currently being supplied
C. farmers would not be able to sell all of the product
D. there would be a shortage of the product
E. the price of the product would be forced higher

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-03 Explain how markets reach equilibrium—the point at which demand and supply meet.
Topic: 02-16 The Role of Price
Type: Numerical

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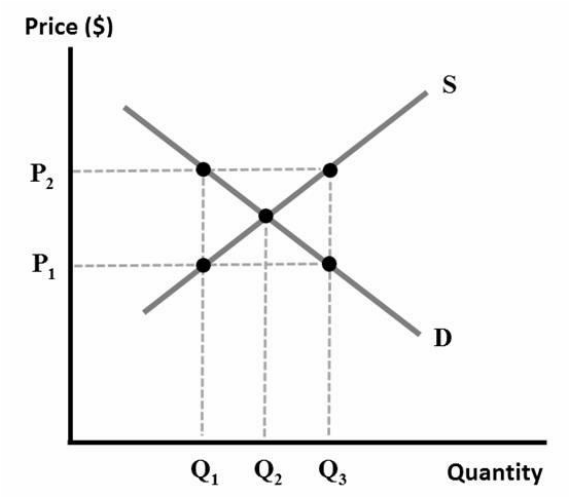
38.

Price per unit	Units of Farmers' Product Demanded per month	Units of Farmers' Product Supplied per month
$5	57	77
4	62	73
3	68	68
2	73	61
1	79	57

If the price in this market were $2:
A. farmers would keep on increasing the number of hectares allocated to the growing of the product.
B. buyers would want to purchase less of the product than is currently being supplied.
C. farmers would not be able to sell all of the product.
D. there would be a surplus of the product.
E. the price of the product would be forced lower.

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-03 Explain how markets reach equilibrium—the point at which demand and supply meet.
Topic: 02-16 The Role of Price
Type: Numerical

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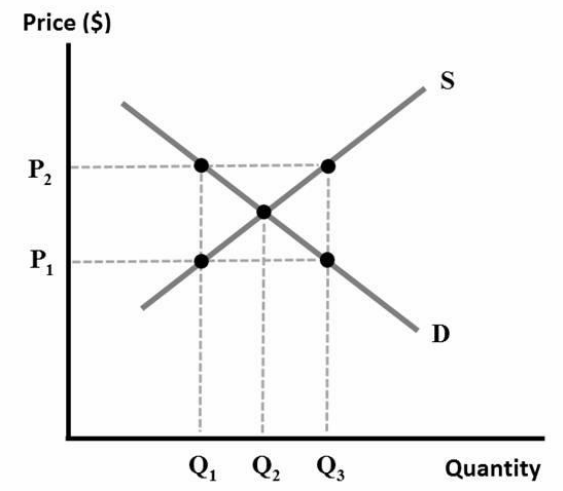
39. 

Consider the market depicted in the accompanying figure. At a price of P_2 the quantity traded in the market would be:

A. Q_1
B. Q_2-Q_1
C. Q_2
D. Q_3-Q_2
E. Q_3

Difficulty: Medium
Learning Objective: 02-03 Explain how markets reach equilibrium—the point at which demand and supply meet.
Topic: 02-16 The Role of Price
Type: Numerical

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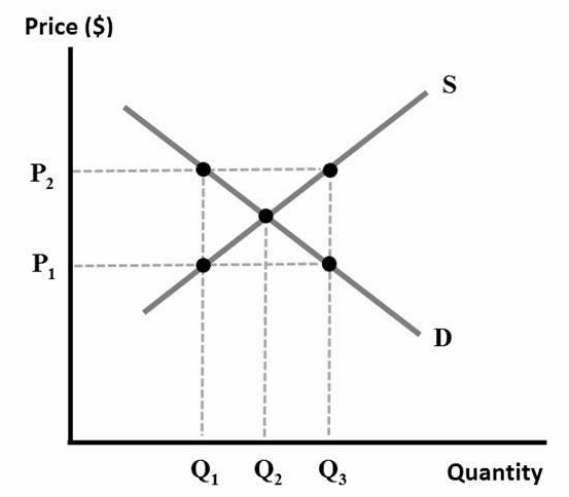
40. 

Consider the market depicted in the accompanying figure. At a price of P_1 the quantity traded in the market would be:

A. Q_1
B. Q_2-Q_1
C. Q_2
D. Q_3-Q_2
E. Q_3

Difficulty: Medium
Learning Objective: 02-03 Explain how markets reach equilibrium—the point at which demand and supply meet.
Topic: 02-16 The Role of Price
Type: Numerical

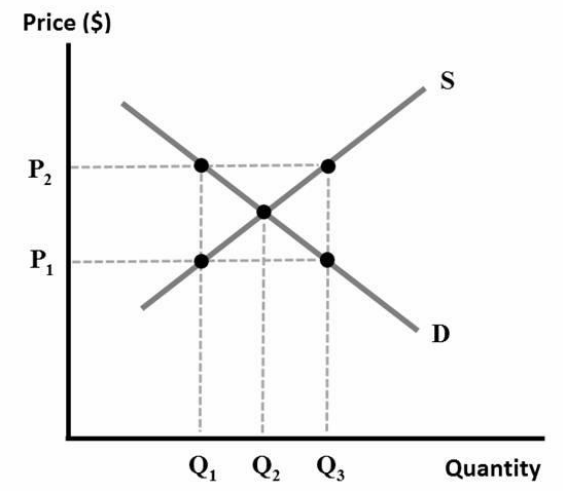
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41. 

Consider the market depicted in the accompanying figure. At a price of P_1 there will be a:
A. surplus equal to the distance of Q_3-Q_2
B. shortage equal to the distance of Q_2-Q_1
C. surplus equal to the distance of Q_2-0
D. shortage equal to the distance Q_3-Q_1
E. shortage equal to the distance Q_3-0

Difficulty: Medium
Learning Objective: 02-03 Explain how markets reach equilibrium—the point at which demand and supply meet.
Topic: 02-16 The Role of Price
Type: Numerical

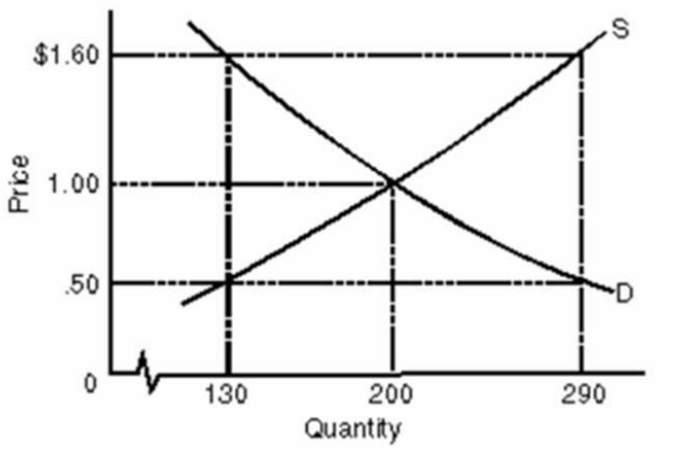
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42. 

Consider the market depicted in the accompanying figure. At a price of P_2 there will be a:
A. surplus equal to the distance of Q_3-Q_1
B. shortage equal to the distance of Q_2-Q_1
C. surplus equal to the distance of Q_2-0
D. shortage equal to the distance Q_3-Q_2
E. shortage equal to the distance Q_3-0

Difficulty: Medium
Learning Objective: 02-03 Explain how markets reach equilibrium—the point at which demand and supply meet.
Topic: 02-16 The Role of Price
Type: Numerical

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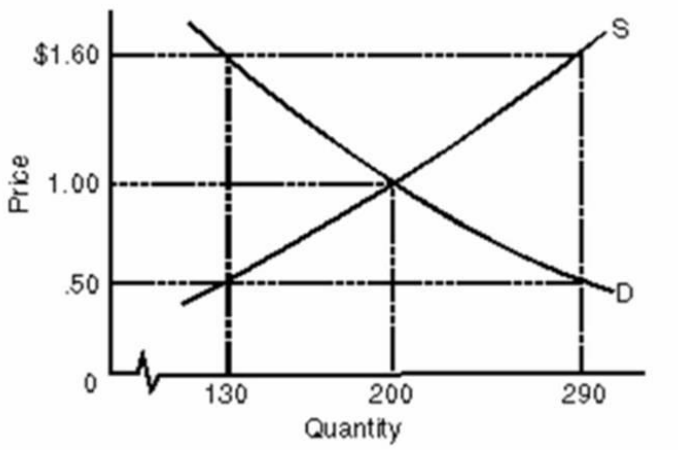


43.

A surplus of 160 units would be encountered if price were:
A. $1.10, that is, $1.60 minus $0.50
B. $1.60
C. $1.00
D. $0.50
E. $2.10, that is $1.60 plus $0.50

Difficulty: Medium
Learning Objective: 02-03 Explain how markets reach equilibrium—the point at which demand and supply meet.
Topic: 02-16 The Role of Price
Type: Graphical

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44.

A shortage of 160 units would be encountered if price were:
A. $1.10, that is, $1.60 - $0.50
B. $1.60
C. $1.00
D. $0.50
E. $2.10, that is $1.60 plus $0.50

Difficulty: Medium
Learning Objective: 02-03 Explain how markets reach equilibrium—the point at which demand and supply meet.
Topic: 02-16 The Role of Price
Type: Graphical

45. A surplus of product will arise when price is:
A. above equilibrium with the result that quantity demanded exceeds quantity supplied
B. above equilibrium with the result that quantity supplied exceeds quantity demanded
C. below equilibrium with the result that quantity demanded exceeds quantity supplied
D. below equilibrium with the result that quantity supplied exceeds quantity demanded
E. at equilibrium, with the result that quantity demanded equals quantity supplied

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-03 Explain how markets reach equilibrium—the point at which demand and supply meet.
Topic: 02-16 The Role of Price
Type: Application

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46. The effect on the new car market of a lower price for used cars can best be described by:
A. a shift in the supply curve to the right, decreasing the equilibrium price
B. a shift in the supply curve to the left, increasing the equilibrium price
C. a shift in the demand curve to the left, decreasing the equilibrium price
D. a shift in both the supply and demand curves to the right, leaving the equilibrium price the same
E. a shift in the demand curve to the right and a shift in the supply curve to the left, increasing the equilibrium price

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-03 Explain how markets reach equilibrium—the point at which demand and supply meet.
Topic: 02-17 Changes in Demand
Type: Application

47. Given a downward-sloping demand curve and an upward-sloping supply curve for a product, an increase in consumer incomes will:
A. increase equilibrium price and quantity if the product is a normal product
B. decrease equilibrium price and quantity if the product is a normal product
C. have no effect on equilibrium price and quantity
D. reduce the quantity demanded, but not shift the demand curve
E. increase equilibrium price and decrease equilibrium quantity if the product is an inferior product

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-03 Explain how markets reach equilibrium—the point at which demand and supply meet.
Topic: 02-17 Changes in Demand
Type: Application

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48. Given a downward-sloping demand curve and an upward-sloping supply curve for a product, a technological innovation in making the product will:
A. increase equilibrium price and quantity
B. decrease equilibrium price and quantity
C. decrease equilibrium price and increase equilibrium quantity
D. increase equilibrium price and decrease equilibrium quantity
E. keep equilibrium price and quantity the same

Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-03 Explain how markets reach equilibrium—the point at which demand and supply meet.
Topic: 02-18 Changes in Supply
Type: Application

49. Given a downward-sloping demand curve and an upward-sloping supply curve for a product, an increase in resource prices will:
A. increase equilibrium price and quantity
B. decrease equilibrium price and quantity
C. decrease equilibrium price and increase equilibrium quantity
D. increase equilibrium price and decrease equilibrium quantity
E. keep equilibrium price and quantity the same

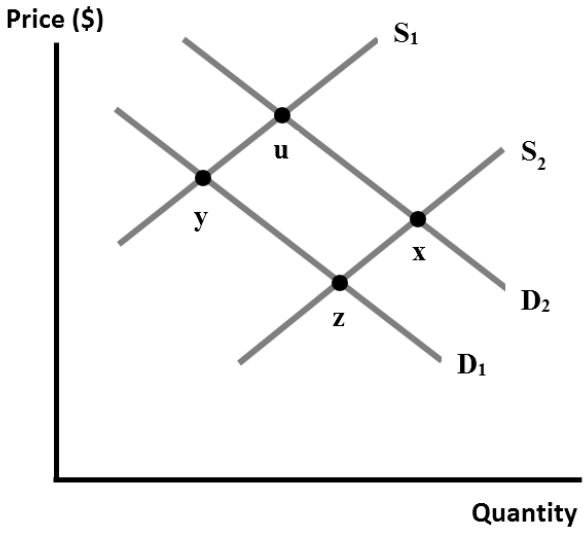
Accessibility: Keyboard Navigation
Difficulty: Medium
Learning Objective: 02-03 Explain how markets reach equilibrium—the point at which demand and supply meet.
Topic: 02-18 Changes in Supply
Type: Application

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50. Assuming competitive markets with typical supply and demand curves, which of the following statements is correct?
A. An increase in supply with a decrease in demand will result in an increase in price.
B. An increase in supply with no change in demand will result in an increase in price.
C. An increase in supply with no change in demand will result in a decline in the quantity exchanged in the market.
D. An increase in demand with no change in supply will result in a decrease in the quantity exchanged in the market.
E. An increase in demand with no change in supply will result in an increase in the quantity exchanged in the market.

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-03 Explain how markets reach equilibrium—the point at which demand and supply meet.
Topic: 02-19 Changes in Both Demand and Supply
Type: Application

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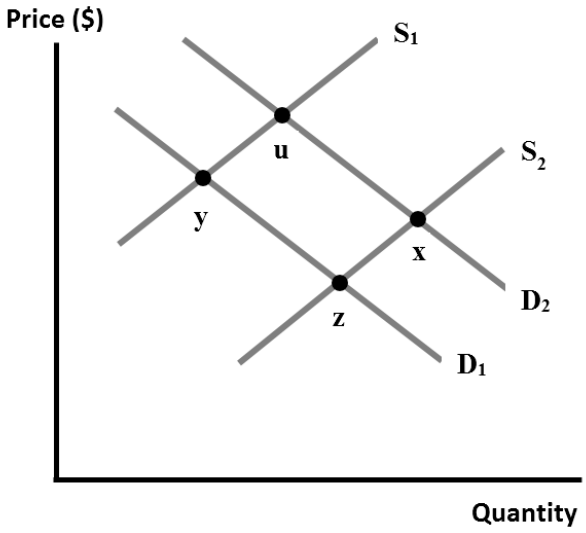


51.

S_1 and D_1 represent the original supply and demand curves, and S_2 and D_2 represent the new curves. In this market:
A. supply has decreased and the equilibrium price has increased
B. supply has decreased and the equilibrium price has decreased
C. demand has decreased and equilibrium price has increased
D. demand has increased and equilibrium price has increased
E. demand has increased and equilibrium price has decreased

Difficulty: Medium
Learning Objective: 02-03 Explain how markets reach equilibrium—the point at which demand and supply meet.
Topic: 02-19 Changes in Both Demand and Supply
Type: Graphical

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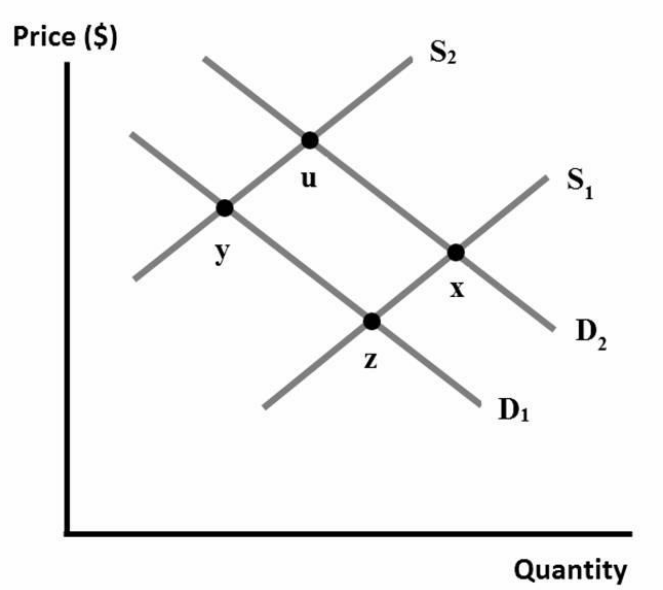


52.

S_1 and D_1 represent the original supply and demand curves, and S_2 and D_2 represent the new curves. In this market:
A. the equilibrium position has shifted from z to u
B. the increase in demand is not as great as the increase in supply
C. the new equilibrium price and quantity are both greater than originally
D. point u shows the new equilibrium position
E. the increase in demand equals the increase in supply

Difficulty: Hard
Learning Objective: 02-03 Explain how markets reach equilibrium—the point at which demand and supply meet.
Topic: 02-19 Changes in Both Demand and Supply
Type: Graphical

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53.

S_1 and D_1 represent the original supply and demand curves, and S_2 and D_2 represent the new curves. In this market:

A. the equilibrium position has shifted from y to x
B. the increase in demand is greater than the increase in supply
C. the new equilibrium price and quantity are both greater than originally
D. point z shows the new equilibrium position
E. the new equilibrium price is higher and the new quantity is lower than originally

Difficulty: Hard
Learning Objective: 02-03 Explain how markets reach equilibrium—the point at which demand and supply meet.
Topic: 02-19 Changes in Both Demand and Supply
Type: Graphical

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54. Consider the Canadian market for fidget spinners. A recent groundbreaking study has found that those who frequently use fidget spinners have a significantly lower risk of cancer and heart disease. At the same time, the government imposed a 25 percent tariff on imported fidget spinners significantly increasing the cost for Canadian retailers who sell these gadgets. The demand and supply model predicts these scenarios would cause:
A. the price and quantity of fidget spinners to certainly increase.
B. the price to increase but the change in the quantity sold cannot be determined with the information provided.
C. the quantity sold to increase but the change in price cannot be determined with the information provided.
D. the price to decrease but the change in the quantity sold cannot be determined with the information provided.
E. the price and quantity of fidget spinners to certainly decrease.

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-03 Explain how markets reach equilibrium—the point at which demand and supply meet.
Topic: 02-19 Changes in Both Demand and Supply
Type: Graphical

55. Consider the Canadian market for bicycles. A successful lobbying campaign by consumer groups has resulted in the removal of all tariffs on imported bicycles—substantially increasing the number of competitors in the market. At the same time, many cities across the country, in an effort to combat climate change, have announced their intentions to increase the number of bike lanes and offer a generous property tax rebate for anyone commuting to work with their bike. The demand and supply model predicts these scenarios would cause:
A. the price and quantity of bicycles to certainly increase.
B. the price to increase but the change in the quantity sold cannot be determined with the information provided.
C. the quantity sold to increase but the change in price cannot be determined with the information provided.
D. the price to decrease but the change in the quantity sold cannot be determined with the information provided.
E. the price and quantity of fidget spinners to certainly decrease.

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-03 Explain how markets reach equilibrium—the point at which demand and supply meet.
Topic: 02-19 Changes in Both Demand and Supply
Type: Graphical

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56. Suppose demand increases by 25 percent and supply increases by 50 percent. The demand and supply model predicts that these changes would cause:
A. the price and quantity to certainly increase.
B. the price to decrease and the change in the quantity sold to increase.
C. the quantity sold to increase but the change in price cannot be determined with the information provided.
D. the price to decrease but the change in the quantity sold cannot be determined with the information provided.
E. the price to increase and the change in the quantity sold to increase.

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-03 Explain how markets reach equilibrium—the point at which demand and supply meet.
Topic: 02-19 Changes in Both Demand and Supply
Type: Graphical

57. Given a downward-sloping demand curve and an upward-sloping supply curve for product A, an increase in the price of substitute product B and a simultaneous technological innovation in making product A will:
A. increase equilibrium quantity, but the change in equilibrium price will depend on the relative sizes of the shifts in demand and supply
B. decrease equilibrium quantity, but the change in equilibrium price will depend on the relative sizes of the shifts in demand and supply
C. increase equilibrium price, but the change in equilibrium quantity will depend on the relative sizes of the shifts in demand and supply
D. decrease equilibrium price, but the change in equilibrium quantity will depend on the relative sizes of the shifts in demand and supply
E. keep equilibrium price and quantity the same

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-03 Explain how markets reach equilibrium—the point at which demand and supply meet.
Topic: 02-19 Changes in Both Demand and Supply
Type: Application

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58. Given a downward-sloping demand curve and an upward-sloping supply curve for product A, an increase in the price of complementary product B and the decrease in the price of a resource used in making product A will:
A. increase equilibrium quantity, but the change in equilibrium price will depend on the relative sizes of the shifts in demand and supply
B. decrease equilibrium quantity, but the change in equilibrium price will depend on the relative sizes of the shifts in demand and supply
C. increase equilibrium price, but the change in equilibrium quantity will depend on the relative sizes of the shifts in demand and supply
D. decrease equilibrium price, but the change in equilibrium quantity will depend on the relative sizes of the shifts in demand and supply
E. keep equilibrium price and quantity the same

Accessibility: Keyboard Navigation
Difficulty: Hard
Learning Objective: 02-03 Explain how markets reach equilibrium—the point at which demand and supply meet.
Topic: 02-19 Changes in Both Demand and Supply
Type: Application

59. The law of diminishing marginal utility states that:
A. total utility is maximized when consumers obtain the same amount of utility per unit of each product consumed
B. price must be increased to encourage businesses to supply more of a product
C. price must be lowered to induce businesses to supply more of a product
D. it takes increasingly larger amounts of resources, beyond a particular point, to produce successive units of a product
E. additional units of a given product yield less and less extra satisfaction to a consumer

Accessibility: Keyboard Navigation
Difficulty: Easy

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60. The first Pepsi yields Craig 18 units of utility and the second Pepsi yields him an additional 12 units of utility. His total utility from three Pepsis is 38 units of utility. The marginal utility of the third Pepsi:
A. is 26 units of utility
B. is 6 units of utility
C. is 8 units of utility
D. is 4 units of utility
E. is 2 units of utility

Accessibility: Keyboard Navigation
Difficulty: Hard

61. Suppose that MUx/Px exceeds MUy/Py. To maximize utility, the consumer who is exhausting her income should buy:
A. less of X only if its price falls
B. more of Y only if its price rises
C. more of Y and less of X
D. more of X and less of Y
E. the same amounts of X and Y

Accessibility: Keyboard Navigation
Difficulty: Hard

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