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CORRECT ANSWERS ARE LOCATED IN THE 2ND HALF OF THIS DOC.

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

1) A market must be in a physical location.
   - ◎ true
   - ◎ false

2) eBay does not qualify as a market for the good being sold because it is not a specific, physical location.
   - ◎ true
   - ◎ false

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

3) The mechanism by which buyers and sellers negotiate an exchange is called a(n)
   A) equilibrium.
   B) model.
   C) market.
   D) meeting.

4) The supply and demand model examines how prices and quantities are determined
   A) in markets.
   B) by governments.
   C) by churches.
   D) by monopolists.

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5) On the Heritage Foundation's Index of Economic Freedom, the least "free" country would be one with a(n) _____ economic system.
   A) capitalist
   B) socialist
   C) utilitarian
   D) communist

6) The amount of money that must be paid per unit of output is called the
   A) market.
   B) equilibrium.
   C) wage.
   D) price.

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7) The quantity demanded is the amount households wish to purchase
   A) at all possible prices during a specified period of time.
   B) at a particular price during a specified period of time.
   C) at a particular price (the time frame is irrelevant).
   D) at all possible prices (the time frame is irrelevant).

8) Economists argue that markets serve the interests of society primarily because
   A) consumers are made better off (regardless of whether producers are made better off).
   B) producers are made better off (regardless of whether consumers are made better off).
   C) both consumers and producers are made better off.
   D) money is made available for government.

9) Economists know that if consumers and producers are both made better off than they would be without free exchange because the exchanges are
   A) mandated by government.
   B) voluntary.
   C) able to make consumers better off by an amount that compensates producers for their losses.
   D) able to make producers better off by an amount that compensates consumers for their losses.

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10) People who are willing to provide goods and services in exchange for money are called
   A) profiteers.
   B) benefactors.
   C) consumers.
   D) producers.

11) People who are willing to offer money in exchange for goods and services are called
   A) profiteers.
   B) benefactors.
   C) consumers.
   D) producers.

12) The price at which the amount consumers wish to purchase equals the amount firms wish to sell is called the
   A) equilibrium quantity.
   B) equilibrium price.
   C) optimal quantity.
   D) optimal result.

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13) At the equilibrium price,
A) the amount buyers wish to purchase equals the amount producers wish to sell.
B) the amount buyers wish to purchase is greater than the amount producers wish to sell.
C) the amount buyers wish to purchase is less than the amount producers wish to sell.

14) The equilibrium quantity is
A) the amount exchanged at the equilibrium price.
B) an amount higher than consumers want to buy.
C) an amount lower than producers want to sell.
D) always less than the equilibrium price.

15) At the equilibrium price,
A) quantity demanded exceeds quantity supplied.
B) quantity demanded equals quantity supplied.
C) quantity demanded is less than quantity supplied.
D) quantity demanded is unrelated to quantity supplied.

16) The amount consumers are willing and able to buy at a particular price during a specified period of time is the
A) demand.
B) supply.
C) quantity demanded.
D) quantity supplied.

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17) The amount that firms are willing and able to sell at a particular price during a particular period of time is the
A) demand.
B) supply.
C) quantity demanded.
D) quantity supplied.

18) The underlying reason for the upward sloping nature of the supply curve is that
A) the production of most goods comes with increasing marginal benefits.
B) the production of most goods comes with increasing marginal costs.
C) the consumption of most goods comes with decreasing marginal utility.
D) the consumption of most goods comes with increasing marginal utility.

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19) The Latin phrase "ceteris paribus" is used by economists to mean
A) "all other things being equal" or "all other things held constant."
B) all is lost.
C) freedom is better than regulation.
D) the only constant is change.

20) Ceteris paribus is Latin for
A) all is lost.
B) at equilibrium.
C) equilibrium is optimal.
D) holding all other things constant.

21) When an economics student draws a supply and demand diagram to model an increase in the income, they are assuming this change happens
A) semper fidelis.
B) ceteris paribus.
C) ipso facto.
D) de facto.

22) The relationship between price and quantity demanded, ceteris paribus, is
A) demand.
B) supply.
C) equilibrium.
D) quantity supplied.

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23) The relationship between price and quantity supplied, ceteris paribus, is
A) demand.
B) supply.
C) quantity demanded.
D) equilibrium.

24) On the Heritage Foundation's *Index of Economic Freedom*, which country is considered the least "free?"
A) Singapore
B) United States
C) New Zealand
D) Russia

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25) On the Heritage Foundation's *Index of Economic Freedom*, which country is considered the most "free?"
A) Venezuela
B) Ireland
C) North Korea
D) Russia

26) On the Heritage Foundation's *Index of Economic Freedom*, which factor contributes to economic freedom?
A) high tariffs to protect domestic jobs
B) a guaranteed minimum wage
C) a legal system conducive to business
D) a vibrant labor union movement

27) In Figure 2.1, Box 1 would be labeled

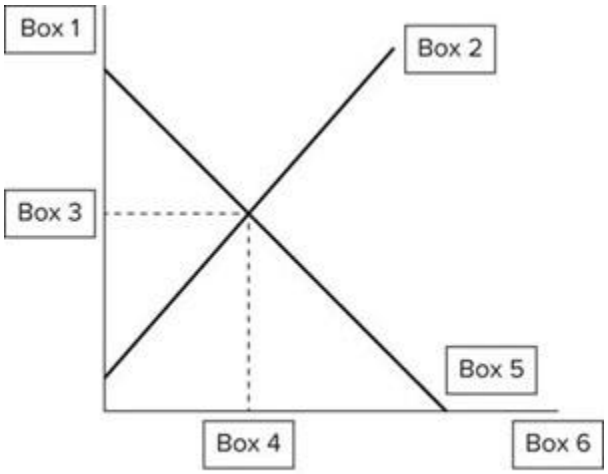


Figure 2.1

A) P* for equilibrium price.
B) P for price.
C) S for supply.
D) D for demand.

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28) In Figure 2.1, Box 2 would be labeled

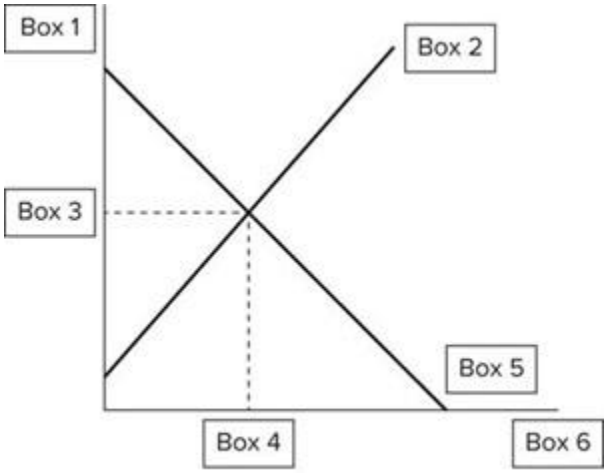


Figure 2.1

A) P* for equilibrium price.
B) P for price.
C) S for supply.
D) D for demand.

29) In Figure 2.1, Box 3 would be labeled

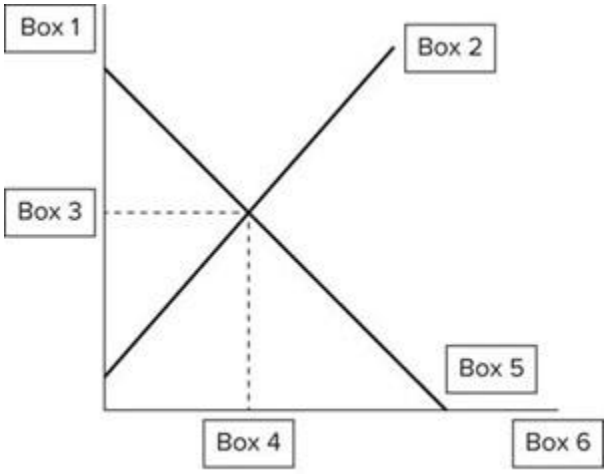


Figure 2.1

A) P* for equilibrium price.
B) P for price.
C) S for supply.
D) D for demand.

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30) In Figure 2.1, Box 4 would be labeled

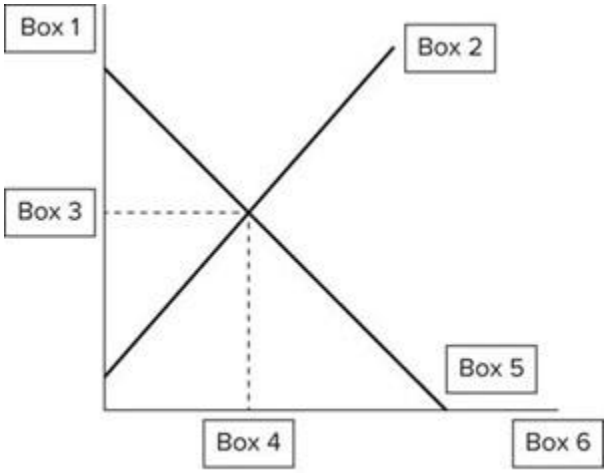


Figure 2.1

A) Q* for equilibrium quantity.
B) S for supply.
C) P for price.
D) D for demand.

31) In Figure 2.1, Box 5 would be labeled

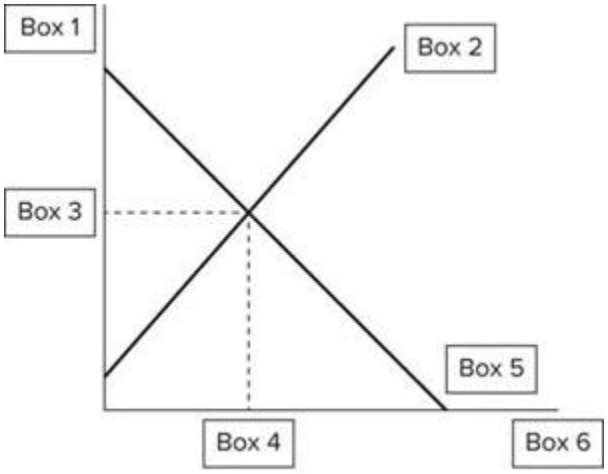


Figure 2.1

A) P* for equilibrium price.
B) P for price.
C) S for supply.
D) D for demand.

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32) In Figure 2.1, Box 6 would be labeled

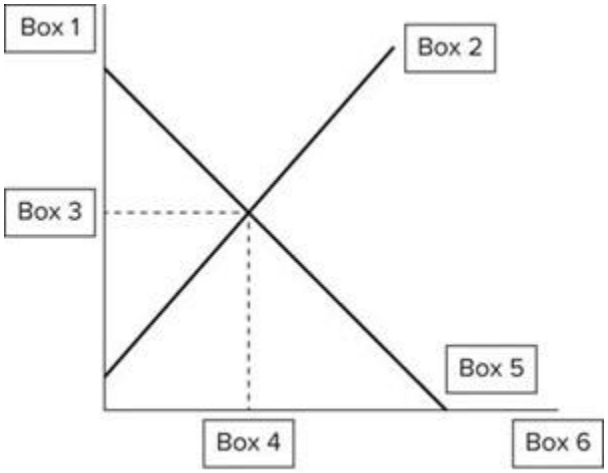
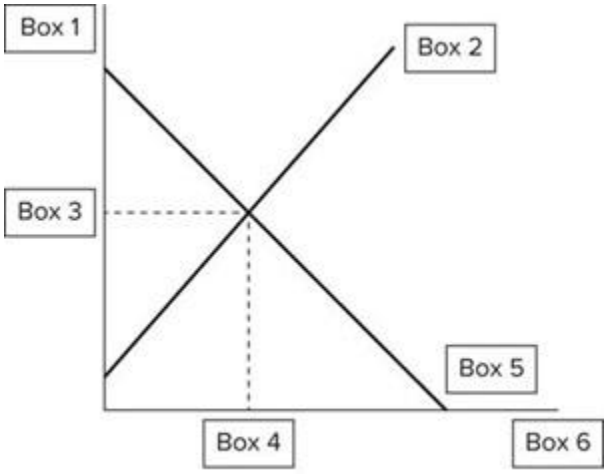


Figure 2.1

A) P* for equilibrium price.
B) S for supply.
C) P for price.
D) Q/t for quantity per unit of time.

33) In Figure 2.1, a "P" for price would go in



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Figure 2.1

A) Box 1.
B) Box 2.
C) Box 4.
D) Box 6.

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34) In Figure 2.1, a "P" for equilibrium price would go in

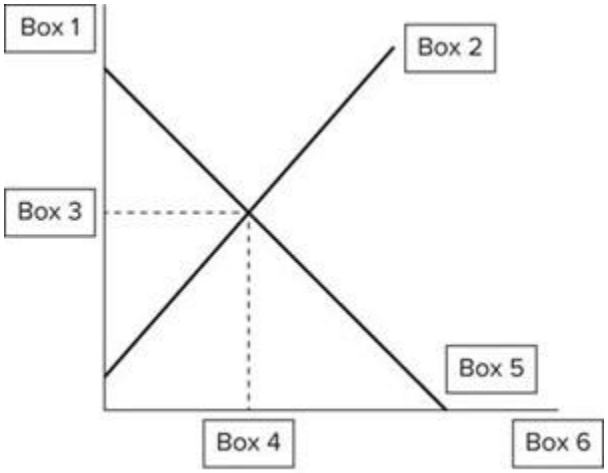
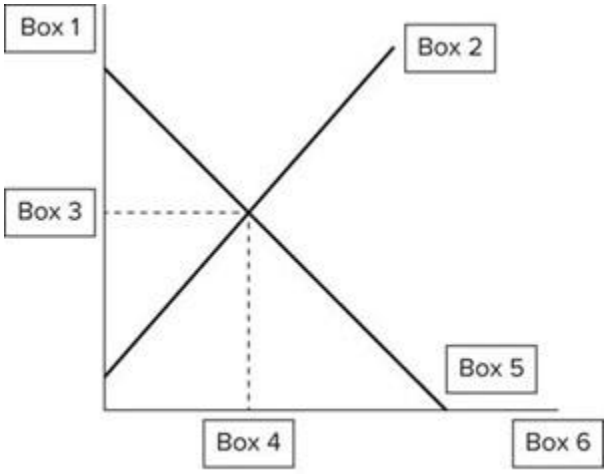


Figure 2.1

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

35) In Figure 2.1, a "D" for Demand would go in



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Figure 2.1

A) Box 2.
B) Box 4.
C) Box 5.
D) Box 6.

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36) In Figure 2.1, an "S" for Supply would go in

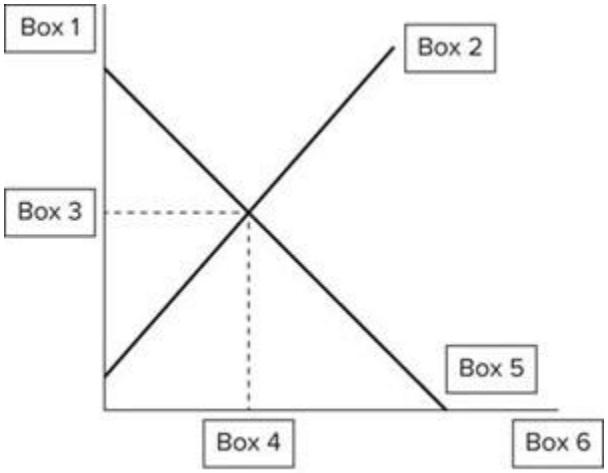


Figure 2.1

A) Box 2.
B) Box 4.
C) Box 5.
D) Box 6.

37) In Figure 2.1, a "q/t" for quantity per unit time price would go in

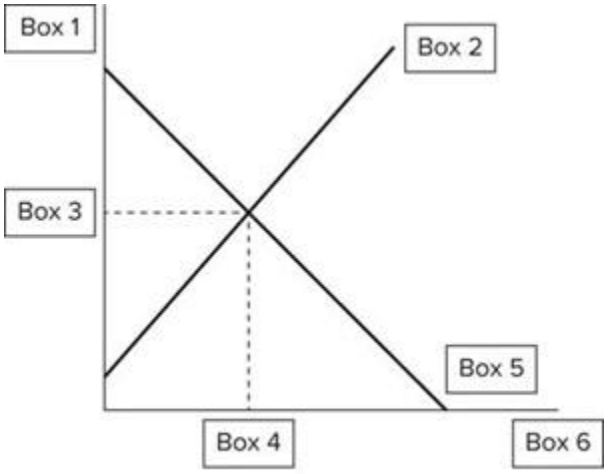


Figure 2.1

A) Box 1.
B) Box 2.
C) Box 4.
D) Box 6.

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38) In Figure 2.1, a "Q" for equilibrium quantity would go in

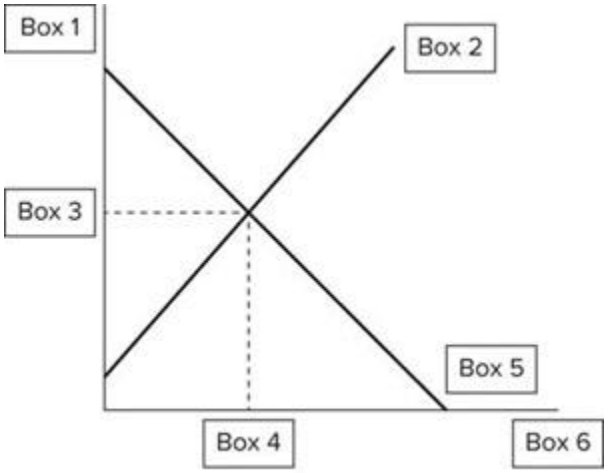


Figure 2.1

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

39) The condition where firms do not want to sell as many as consumers want to buy is called

A) a shortage.
B) a surplus.
C) an equilibrium.
D) a market collapse.

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40) The condition where firms want to sell more than consumers want to buy is called

A) a shortage.
B) a surplus.
C) an equilibrium.
D) a market collapse.

41) If the supply and demand curves cross at a price of $2, at any price above that, there will be

A) an equilibrium.
B) a surplus.
C) a shortage.
D) a crisis.

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42) If the supply and demand curves cross at a quantity of 100, then the price necessary to get firms to sell more than that will have to be _____ equilibrium.
A) above
B) at
C) below
D) within 10 percent either way of

43) A surplus exists when
A) quantity demanded > quantity supplied.
B) quantity demanded < quantity supplied.
C) quantity demanded = quantity supplied..
D) quantity demanded ≥ quantity supplied.

44) A shortage exists when
A) quantity demanded > quantity supplied.
B) quantity demanded < quantity supplied.
C) quantity demanded = quantity supplied.
D) quantity demanded ≤ quantity supplied.

45) Another term for surplus is
A) excess supply.
B) excess demand.
C) equilibrium supply.
D) equilibrium demand.

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46) Another term for shortage is
A) excess supply.
B) excess demand.
C) equilibrium supply.
D) equilibrium demand.

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47) From Table 2.1, which column is the one for shortage?

Price	Quantity Demanded	Quantity Supplied	Column A	Column B
$1	5	1		4
$2	4	2		2
$3	3	3	0	0
$4	2	4	2	
$5	1	5	4	

A) column A
B) neither A nor B
C) column B
D) Either A or B are equally likely.

48) From Table 2.1, which column is the one for surplus?

Price	Quantity Demanded	Quantity Supplied	Column A	Column B
$ 1	5	1		4
$ 2	4	2		2
$ 3	3	3	0	0
$ 4	2	4	2	
$ 5	1	5	4	

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A) column A
B) neither A nor B
C) column B
D) Either A or B are equally likely.

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49) From Table 2.2, at the price of $1, there is

Price	Quantity Demanded	Quantity Supplied
$1	5	1
$2	4	2
$3	3	3
$4	2	4
$5	1	5

A) a shortage of 5.
B) neither a shortage nor a surplus.
C) a shortage of 4.
D) a surplus of 4.

50) From Table 2.2, at the price of $2, there is

Price	Quantity Demanded	Quantity Supplied
$1	5	1
$2	4	2
$3	3	3
$4	2	4
$5	1	5

A) a shortage of 2.
B) neither a shortage nor a surplus.
C) a shortage of 4.
D) a surplus of 4.

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51) From Table 2.2, at the price of $3, there is

Price	Quantity Demanded	Quantity Supplied
$1	5	1
$2	4	2
$3	3	3
$4	2	4
$5	1	5

A) a shortage of 2.
B) neither a shortage nor a surplus.
C) a shortage of 4.
D) a surplus of 4.

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52) From Table 2.2, at the price of $4, there is

Price	Quantity Demanded	Quantity Supplied
$1	5	1
$2	4	2
$3	3	3
$4	2	4
$5	1	5

A) a shortage of 2.
B) a surplus of 2.
C) neither a shortage nor a surplus.
D) a surplus of 4.

53) From Table 2.2, at the price of $5, there is

Price	Quantity Demanded	Quantity Supplied
$1	5	1
$2	4	2
$3	3	3
$4	2	4
$5	1	5

A) a shortage of 4.
B) a surplus of 2.
C) neither a shortage nor a surplus.
D) a surplus of 4.

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54) If the price of a bottle of orange juice in the downtown area is $0.50 per bottle and, at that price, each of the 10,000 people working in the downtown area wants to buy two bottles of orange juice per day, the quantity demanded in the downtown orange juice market would be _____ per day.

A) 5,000
B) 10,000
C) 15,000
D) 20,000

55) Market quantity demanded measures the amount of the product that people in the market want to buy

A) if the government subsidizes their purchase.
B) if the sellers in the market force them to buy.
C) per person.
D) per unit time, such as a day or week.

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56) If the price of a bottle of orange juice in the downtown orange juice market is $0.50 per bottle, vendors will happily sell orange juice in the market only if their cost per bottle is
A) subsidized by the government.
B) greater than $0.50.
C) less than $0.50.
D) zero.

57) Where the supply and demand curves cross, the amount that consumers want to buy is
A) more than the amount they wanted to buy yesterday.
B) more than the amount firms want to sell.
C) equal to the amount firms want to sell.
D) less than the amount firms want to sell.

58) If the price is so low that vendors start to run out of bottled orange juice, they might ration their remaining inventory among willing buyers by
A) raising the price per bottle.
B) lowering the price per bottle.
C) closing early.
D) creating a shortage.

59) If the price is so high that vendors find too many unsold bottles remaining in inventory, they might dispose of their excess inventory by
A) raising the price per bottle.
B) lowering the price per bottle.
C) closing early.
D) creating a surplus.

60) The supply curve slopes upward because producers' cost per unit eventually
A) decreases as more units are sold.
B) remains unchanged as more units are sold.
C) increases as more units are sold.
D) will be subsidized by the government.

61) During flu season, as people try to boost their immune system believing that orange juice might aid in keeping viruses at bay, the _____ for orange juice would _____.
A) demand; rise
B) demand; fall
C) demand; remain unchanged
D) price; fall

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62) The law of demand indicates that there is a _____ relationship between quantity demanded and _____.
A) negative; quantity supplied
B) negative; price
C) positive; quantity supplied
D) positive; price

63) Unless circumstances are quite out of the ordinary, a demand curve will be
A) vertical.
B) horizontal.
C) downward sloping.
D) upward sloping.

64) If the price of a typical good rises, the quantity demanded for that good will
A) decrease.
B) increase.
C) remain the same.
D) automatically decrease to zero.

65) If the price of a typical good falls, the quantity demanded for that good will
A) decrease.
B) increase.
C) remain the same.
D) automatically increase to infinity.

66) In drawing a demand curve, the labels for the axes are
A) price (on the vertical axis) and quantity (on the horizontal axis).
B) price (on the vertical axis) and quantity per unit of time (on the horizontal axis).
C) price (on the horizontal axis) and quantity (on the vertical axis).
D) price (on the horizontal axis) and quantity per unit of time (on the vertical axis).

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67) From Table 2.3, which column is likely to be the one for quantity demanded?

Price	Column A	Column B
$1	5	1
$2	4	2
$3	3	3
$4	2	4
$5	1	5

A) column A
B) neither A nor B
C) column B
D) Either A or B are equally likely.

68) From Table 2.3, which column is likely to be the one for quantity supplied?

Price	Column A	Column B
$1	5	1
$2	4	2
$3	3	3
$4	2	4
$5	1	5

A) column A
B) neither A nor B
C) column B
D) Either A or B are equally likely.

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69) From Table 2.3, and under the most likely scenario where columns A and B are assigned to represent quantity demanded and quantity supplied, which is the equilibrium price?

Price	Column A	Column B
$1	5	1
$2	4	2
$3	3	3
$4	2	4
$5	1	5

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

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70) From Table 2.3, and under the most likely scenario where columns A and B are assigned to represent quantity demanded and quantity supplied, which is the equilibrium quantity?

Price	Column A	Column B
$1	5	1
$2	4	2
$3	3	3
$4	2	4
$5	1	5

A) 1 unit
B) 2 units
C) 3 units
D) 4 units

71) The notion that the second unit of a good consumed improves the happiness of the consumer by less than the first unit improved the happiness of the consumer is summarized as
A) the substitution effect.
B) the real-balances effect.
C) diminishing marginal utility.
D) increasing opportunity cost.

72) The notion that the money in your possession will buy less when the price rises is provided as the explanation for
A) the substitution effect.
B) the real-balances effect.
C) diminishing marginal utility.
D) increasing opportunity cost.

73) The notion that when the price of the good you want rises you will buy less of it because you will find another good that will do instead is provided as the explanation for
A) the substitution effect.
B) the real-balances effect.
C) diminishing marginal utility.
D) increasing opportunity cost.

74) If you are given $20 and told to go to the store and buy as many potatoes as you can, the reason your demand curve for potatoes is downward sloping most closely relates to
A) the substitution effect.
B) the real-balances effect.
C) diminishing marginal utility.
D) increasing opportunity cost.

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75) If you are grocery shopping and you see that the price of beef has risen, and as a result, you change your planned menu for the week and buy chicken instead, the reason your demand curve for beef is downward sloping most closely relates to
A) the substitution effect.
B) the real-balances effect.
C) diminishing marginal utility.
D) increasing opportunity cost.

76) A friend is telling you that they tend to drink more at parties than they do at home. You ask about why and they tell you that they enjoy their fifth and sixth drinks the same regardless of where they are. Based on the fact that it is free at the party and they have to pay to replace it at home, you can translate the statement into a verification of
A) the substitution effect.
B) the real-balances effect.
C) the notion of diminishing marginal utility.
D) increasing opportunity cost.

77) The substitution effect suggests that when prices are higher,
A) your buying power is less, so you buy less.
B) you buy less of what you originally wanted and use something else instead.
C) you buy fewer because the marginal utility of a good is diminishing.
D) you buy more.

78) The real-balances effect suggests that
A) your buying power is less, so you buy less.
B) you buy less of what you originally wanted and use something else instead.
C) you buy fewer because the marginal utility of a good is diminishing.
D) you buy more.

79) The law of diminishing marginal utility suggests that
A) when you consume more, you are less happy.
B) when you consume more, society is less well off.
C) the more you consume, the less extra enjoyment you get out of each additional unit.
D) when prices are higher, you buy more.

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80) The law of supply indicates that there is a _____ relationship between quantity _____.
A) negative; demanded and quantity supplied
B) negative; supplied and price
C) positive; demanded and quantity supplied
D) positive; supplied and price

81) The reason that the supply curve is upward sloping is
A) diminishing marginal costs.
B) diminishing average costs.
C) increasing marginal costs.
D) increasing average costs.

82) The quantity supplied is the amount firms wish to sell
A) at all possible prices during a specified period of time.
B) at a particular price during a specified period of time.
C) at a particular price (the timeframe is irrelevant).
D) at all possible prices (the timeframe is irrelevant).

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83) Unless circumstances are quite out of the ordinary, a supply curve will be
A) vertical.
B) horizontal.
C) downward sloping.
D) upward sloping.

84) If the price of a typical good rises, the quantity supplied for that good will
A) decrease.
B) increase.
C) remain the same.
D) automatically increase to infinity.

85) If the price of a typical good falls, the quantity supplied for that good will
A) decrease.
B) increase.
C) remain the same.
D) automatically increase to zero.

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86) In drawing a supply curve, the labels for the axes are
A) price (on the vertical axis) and quantity (on the horizontal axis).
B) price (on the vertical axis) and quantity per unit of time (on the horizontal axis).
C) price (on the horizontal axis) and quantity (on the vertical axis).
D) price (on the horizontal axis) and quantity per unit of time (on the vertical axis).

87) If you overheard a farmer discussing their planting plans for the upcoming season and they said, "The price of corn has gone way up. I know I'll have to put some money into fertilizer on that field on the hill that's been idle all these years, but it will be worth it this year." This would be consistent with which justification for an upward sloping supply curve?
A) increasing marginal cost
B) the need for higher prices in one good to motivate a shift in production from another
C) the real-balances effect
D) diminishing marginal utility

88) If you overheard a farmer discussing their planting plans for the upcoming season and they said, "The price of corn has gone way up. I know I'll have to put some money into fertilizer on the field where I was going to plant soybeans, but it will be worth it this year." This would be consistent with which justification for an upward sloping supply curve?
A) increasing marginal cost
B) the need for higher prices in one good to motivate a shift in production from another
C) the real-balances effect
D) diminishing marginal utility

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89) Which change will impact both supply and demand?
A) a change in price
B) a change in expected future price
C) a change in quantity
D) a change in income

90) An increase in which determinant of demand will have an ambiguous (uncertain) effect on price?
A) taste
B) price of a complement
C) income
D) price of a substitute

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91) An increase in the income of consumers will cause the
A) supply of all goods to rise.
B) demand for all goods to rise.
C) supply of all goods to fall.
D) demand for some goods to rise and for others to fall.

92) The increase in the price of a good would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

93) The decrease in the price of a good would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

94) An increase in the degree a good is liked (the increase in the taste for a good) would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

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95) A decrease in the degree a good is liked (the increase in the taste for a good) would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

96) An increase in household income for a good that is considered normal would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

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97) An increase in household income for a good that is considered inferior would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

98) A decrease in household income for a good that is considered normal would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

99) A decrease in household income for a good that is considered inferior would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

100) If goods A and B are considered substitutes, an increase in the price of A would cause
A) the demand curve for B to shift to the right.
B) the demand curve for B to shift to the left.
C) a movement along the demand curve for B to a (higher price, lower quantity) point.
D) a movement along the demand curve for B to a (lower price, higher quantity) point.

101) If goods A and B are considered complements, an increase in the price of A would cause
A) the demand curve for B to shift to the right.
B) the demand curve for B to shift to the left.
C) a movement along the demand curve for B to a (higher price, lower quantity) point.
D) a movement along the demand curve for B to a (lower price, higher quantity) point.

102) If goods A and B are considered substitutes, a decrease in the price of A would cause
A) the demand curve for B to shift to the right.
B) the demand curve for B to shift to the left.
C) a movement along the demand curve for B to a (higher price, lower quantity) point.
D) a movement along the demand curve for B to a (lower price, higher quantity) point.

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103) If goods A and B are considered complements, a decrease in the price of A would cause
A) the demand curve for B to shift to the right.
B) the demand curve for B to shift to the left.
C) a movement along the demand curve for B to a (higher price, lower quantity) point.
D) a movement along the demand curve for B to a (lower price, higher quantity) point.

104) If there is a good that is consumed almost entirely by people over age 65, an aging of the overall population would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

105) If there is a good that is consumed almost entirely by children, a significant reduction in the birth rate would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

106) If there is an expectation that the price of a good will increase in the next month, this would immediately
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

107) If there is an expectation that the price of a good will decrease in the next month, this would immediately
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

108) If a tax (paid by consumers) is levied on a good, this would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

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109) If a subsidy (going to consumers) is created for a good, this would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

110) If a tax (paid by consumers) on a good is reduced, this would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

111) If a subsidy (going to consumers) on a good is eliminated, this would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

112) The increase in the price of a good would
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

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113) The decrease in the price of a good would
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

114) Which of these goods is the best example of an inferior good?
A) SUVs
B) Coke (relative to Pepsi)
C) ramen noodles
D) hot dogs (relative to hot dog buns)

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115) The quintessential example of a normal good is
A) steak for someone who likes beef.
B) the substitution of Granny Smith for Golden Delicious apples.
C) ramen noodles for a college student with low income.
D) peanut butter and jelly for a child.

116) The quintessential example of an inferior good is
A) steak for someone who likes beef.
B) the substitution of Granny Smith for Golden Delicious apples.
C) ramen noodles for a college student with low income.
D) peanut butter and jelly for a child.

117) The quintessential example of complementary goods is
A) steak for someone who liked beef.
B) the substitution of Granny Smith for Golden Delicious apples.
C) ramen noodles for a college student with low income.
D) peanut butter and jelly for a child.

118) The quintessential example of substitute goods is
A) steak for someone who likes beef.
B) the substitution of Granny Smith for Golden Delicious apples.
C) ramen noodles for a college student with low income.
D) peanut butter and jelly for a child.

119) Which of these goods is the best example of a normal good?
A) SUVs
B) Coke (relative to Pepsi)
C) ramen noodles
D) hot dogs (relative to hot dog buns)

120) Which of these goods is the best example of another potential output?
A) SUVs
B) ramen noodles
C) Coke (relative to Pepsi)
D) corn (relative to soybeans)

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121) Which of these goods is the best example of a complement?
A) SUVs
B) Coke (relative to Pepsi)
C) ramen noodles
D) hot dogs (relative to hot dog buns)

122) Which goods are likely to be considered complements by American children?
A) steak and chicken
B) apple slices and orange slices
C) peanut butter and almond butter
D) peanut butter and jelly

123) Which of these good combinations are likely to be considered complements?
A) Sprite and 7UP
B) gasoline and diesel fuel
C) peanut butter and jelly
D) Coke and Pepsi

124) Which of these goods is the best example of a substitute?
A) SUVs
B) Coke (relative to Pepsi)
C) ramen noodles
D) hot dogs (relative to hot dog buns)

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125) Which of these good combinations are likely to be considered substitutes?
A) hot dogs and hot dog buns
B) gasoline and diesel fuel
C) peanut butter and jelly
D) 7UP and Sprite

126) Which good combinations are likely to be considered substitutes?
A) toothbrushes and toothpaste
B) gasoline and diesel fuel
C) peanut butter and jelly
D) ground turkey and ground chicken

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127) The quintessential example for the price of an input and its impact on an output is
A) hot dogs and hot dog buns.
B) crude oil and gasoline.
C) corn and soybeans.
D) 7UP and Sprite.

128) The quintessential example for the price of another potential output and the impact of the price of one good on the market for another is
A) hot dogs and hot dog buns.
B) crude oil and gasoline.
C) corn and soybeans.
D) 7UP and Sprite.

129) If technology increases, then the _____ curve will shift to the _____.
A) demand; right
B) demand; left
C) supply; right
D) supply; left

130) If technology decreases, then the _____ curve will shift to the _____.
A) demand; right
B) demand; left
C) supply; right
D) supply; left

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131) If a firm has two production alternatives and the price of one decreases, this will cause the other good's _____ curve to shift to the _____.
A) demand; right
B) supply; right
C) demand; left
D) supply; left

132) If a firm has two production alternatives and the price of one increases, this will cause the other good's _____ curve to shift to the _____.
A) demand; right
B) supply; right
C) demand; left
D) supply; left

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133) If the price of a good is expected to fall in the future, its _____ curve will shift to the _____.
A) demand; right
B) supply; right
C) demand; left
D) supply; right and its demand curve will shift to the left

134) If the price of a good is expected to rise in the future, its _____ curve will shift to the _____.
A) demand; right
B) supply; left
C) demand; left
D) demand; right and its supply curve will shift to the left.

135) In the market for baby diapers, an increase in the birth rate will cause the _____ curve to shift to the _____.
A) demand; right
B) supply; right
C) demand; left
D) supply; left

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136) In the market for baby diapers, a decrease in the birth rate will cause the _____ curve to shift to the _____.
A) demand; right
B) supply; right
C) demand; left
D) supply; left

137) If the price of inputs increases, the _____ curve with shift to the _____.
A) demand; right
B) supply; right
C) demand; left
D) supply; left

138) If the price of inputs decreases, the _____ curve will shift to the _____.
A) demand; right
B) supply; right
C) demand; left
D) supply; left

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139) If the number of sellers increases, the _____ curve will shift to the _____.
A) demand; right
B) supply; right
C) demand; left
D) supply; left

140) If the number of sellers decreases, the _____ curve will shift to the _____.
A) demand; right
B) supply; right
C) demand; left
D) supply; left

141) If the taste for a good increases, the _____ curve will shift to the _____.
A) demand; right
B) supply; right
C) demand; left
D) supply; left

142) If the taste for a good decreases, the _____ curve will shift to the _____.
A) demand; right
B) supply; right
C) demand; left
D) supply; left

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143) If two goods are considered complements and the price of one decreases, the other good's _____ curve will shift to the _____.
A) demand; right
B) supply; right
C) demand; left
D) supply; left

144) If two goods are considered substitutes and the price of one decreases, the other good's _____ curve will shift to the _____.
A) demand; right
B) supply; right
C) demand; left
D) supply; left

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145) If two goods are considered complements and the price of one increases, the other good's _____ curve will shift to the _____.
A) demand; right
B) supply; right
C) demand; left
D) supply; left

146) If two goods are considered substitutes and the price of one increases, the other good's _____ curve will shift to the _____.
A) demand; right
B) supply; right
C) demand; left
D) supply; left

147) The increase in the price of a good that is used as an input for a second good would (for the second good)
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

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148) The decrease in the price of a good that is used as an input for a second good would (for the second good)
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

149) The increase in technology used to produce a good would
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

150) The decrease in technology used to produce a good would
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

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151) The increase in the price of a good that is another potential output for another good would (for the second good)
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

152) The decrease in the price of a good that is another potential output for another good would (for the second good)
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

153) The increase in the number of sellers of a good would
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

154) The decrease in the number of sellers of a good would
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

155) If there is an expectation that the price of a good will increase in the next month, this would immediately
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

156) If there is an expectation that the price of a good will decrease in the next month, this would immediately
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

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157) If a tax (paid by producers) on a good is reduced, this would
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

158) If a subsidy (going to producers) is created for a good, this would
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

159) If a subsidy (going to producers) on a good is eliminated, this would
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

160) If demand increases and the price doesn't change, there will be
A) a surplus.
B) both a shortage and a surplus.
C) a shortage.
D) neither a shortage nor a surplus.

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161) If supply increases and the price doesn’t change, there will be
A) a surplus.
B) both a shortage and a surplus.
C) a shortage.
D) neither a shortage nor a surplus.

162) If demand decreases and the price doesn’t change, there will be
A) a surplus.
B) both a shortage and a surplus.
C) a shortage.
D) neither a shortage nor a surplus.

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163) If supply decreases and the price doesn't change, there will be
A) a surplus.
B) both a shortage and a surplus.
C) a shortage.
D) neither a shortage nor a surplus.

164) Which statement best describes the slopes of the supply and demand curves?
A) The supply curve is downward sloping and demand curve is upward sloping.
B) Demand is downward sloping and supply is upward sloping.
C) Both the supply curve and the demand curve are downward sloping.
D) Both the supply curve and the demand curve are upward sloping.

165) On a supply and demand diagram, the horizontal axis is labeled _____ and the vertical axis is labeled _____.
A) price; quantity per unit time
B) quantity per unit time; price
C) supply; demand
D) demand; supply

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166) Of the collection of supply and demand diagrams shown, which one(s) could show the result of an increase in income?

Figure 1

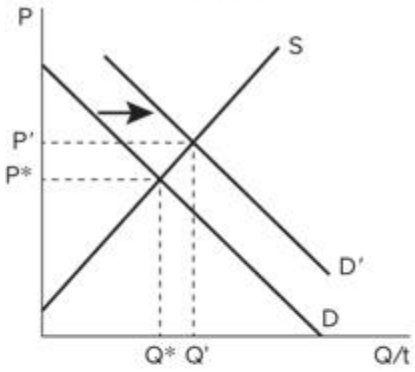


Figure 2

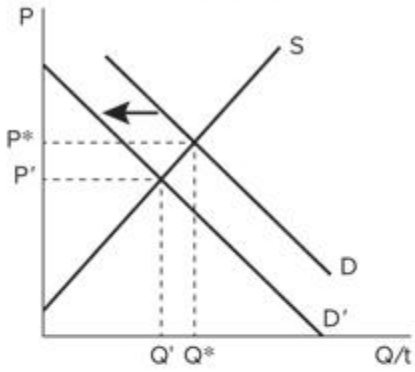


Figure 3

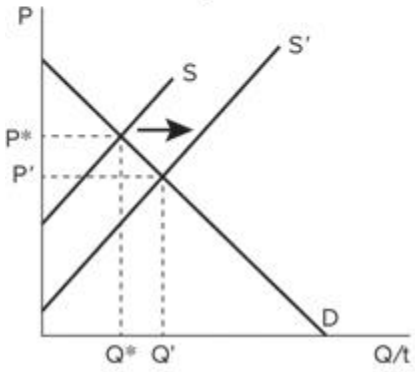
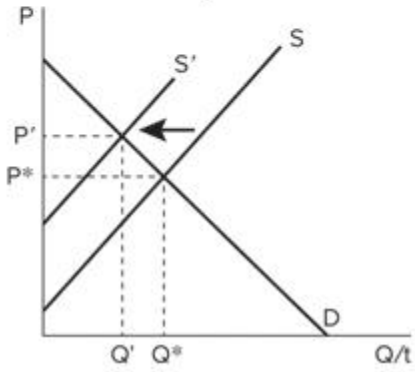


Figure 4



A) Figure 1
B) Figure 2
C) Figure 3
D) Figures 1 and 2

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167) Of the collection of supply and demand diagrams shown, which one(s) could show the result of a decrease in income?

Figure 1

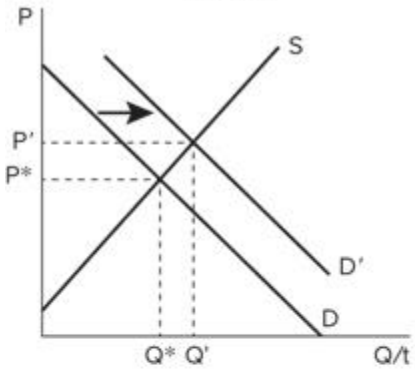


Figure 2

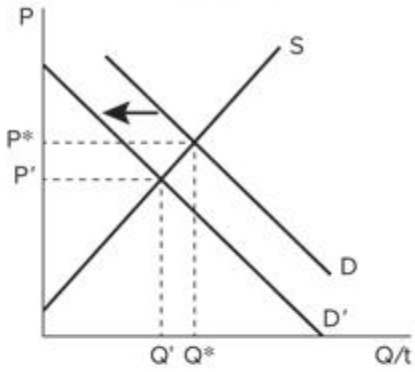


Figure 3

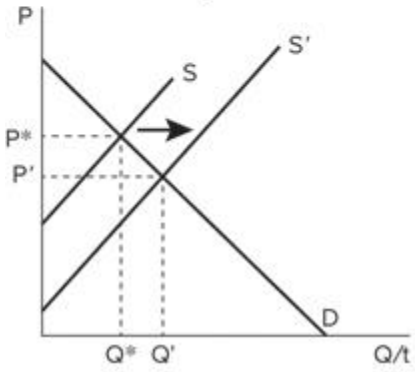
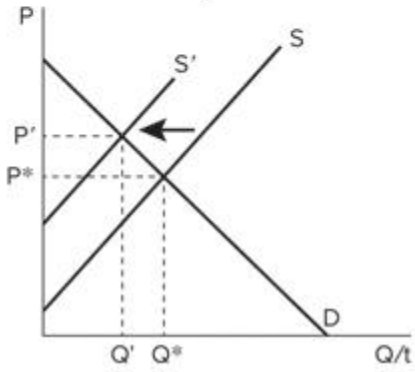


Figure 4



A) Figure 1
B) Figure 2
C) Figure 3
D) Figures 1 and 2

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168) Of the collection of supply and demand diagrams shown, which one shows the result of an increase in the taste for a good?

Figure 1

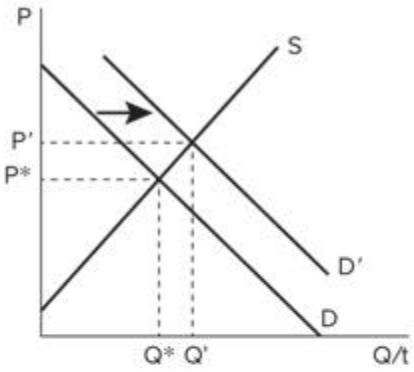


Figure 2

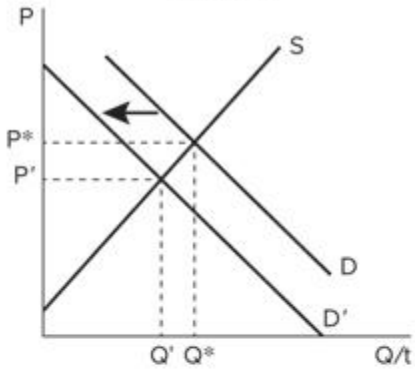


Figure 3

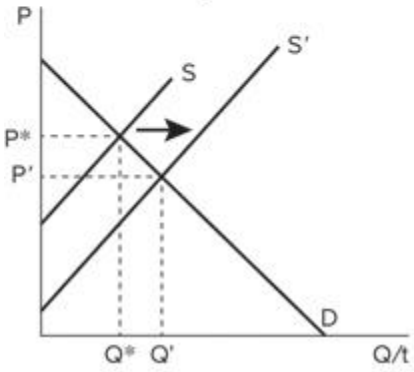
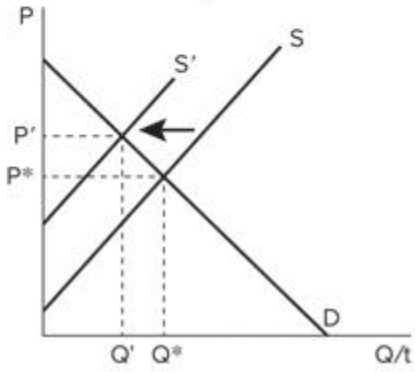


Figure 4



A) Figure 1
B) Figure 2
C) Figure 3
D) Figure 4

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169) Of the collection of supply and demand diagrams shown, which one shows the result of a decrease in the taste for a good?

Figure 1

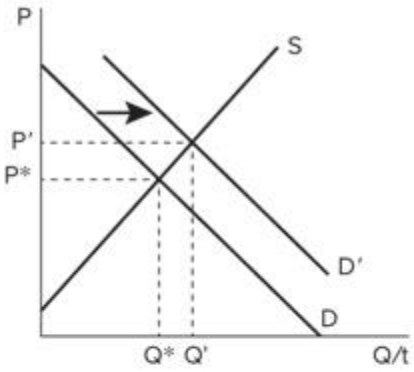


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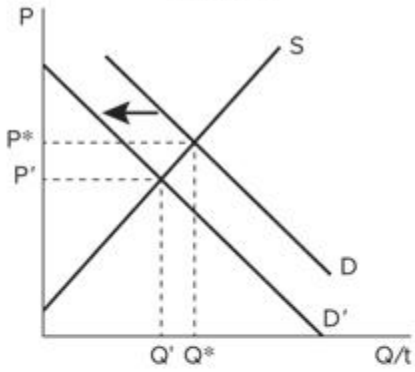


Figure 3

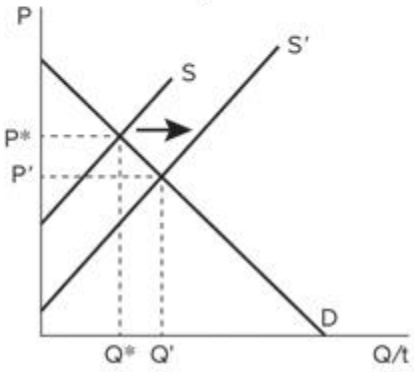
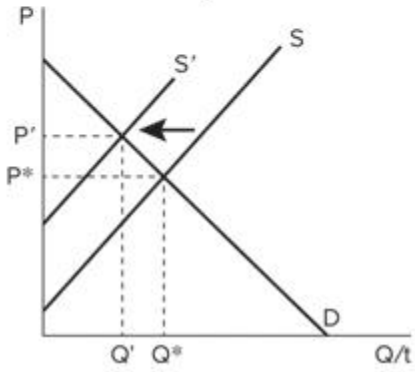


Figure 4



A) Figure 1
B) Figure 2
C) Figure 3
D) Figure 4

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170) Of the collection of supply and demand diagrams shown, which one shows the result of an increase in the price of a complement for a good?

Figure 1

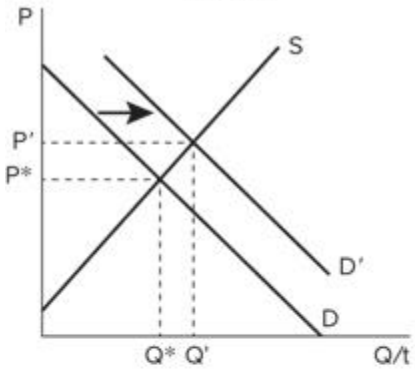


Figure 2

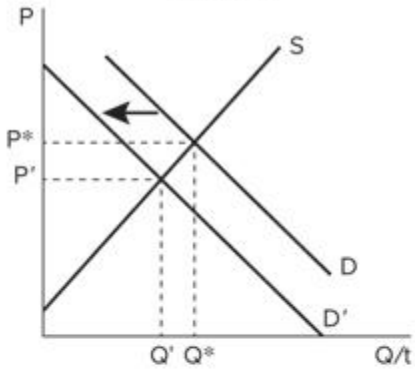


Figure 3

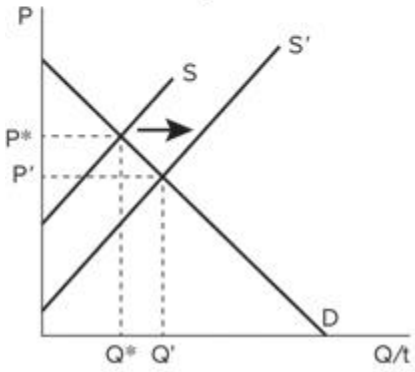
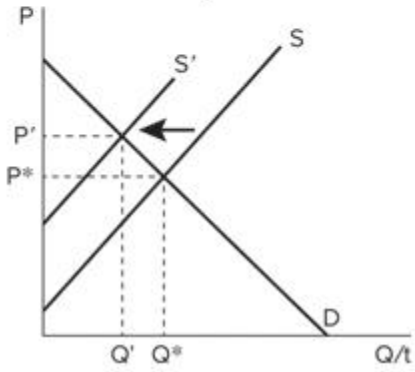


Figure 4



A) Figure 1
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171) Of the collection of supply and demand diagrams shown, which one shows the result of a decrease in the price of a complement for a good?

Figure 1

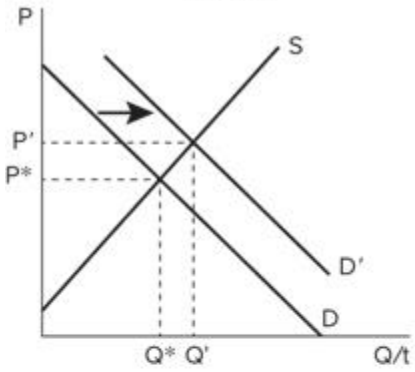


Figure 2

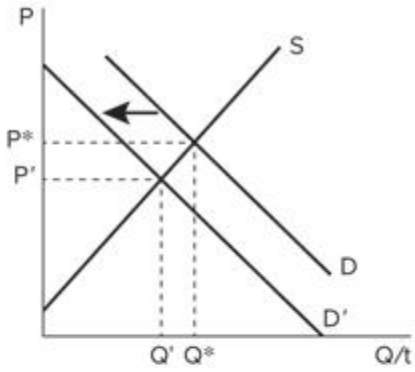


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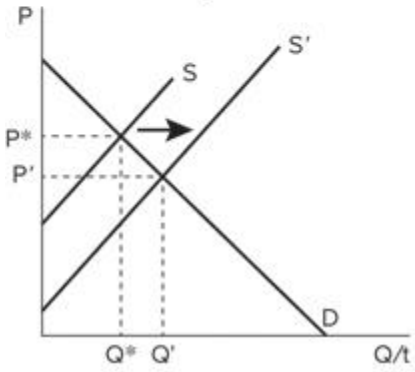
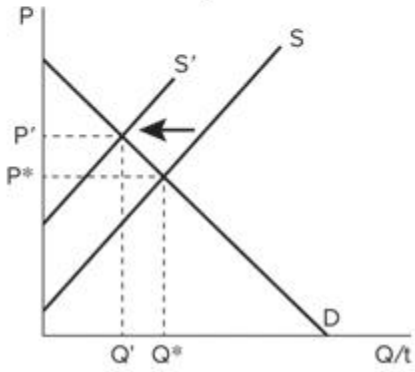


Figure 4



A) Figure 1
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172) Of the collection of supply and demand diagrams shown, which one shows the result of an increase in the price of a substitute for a good?

Figure 1

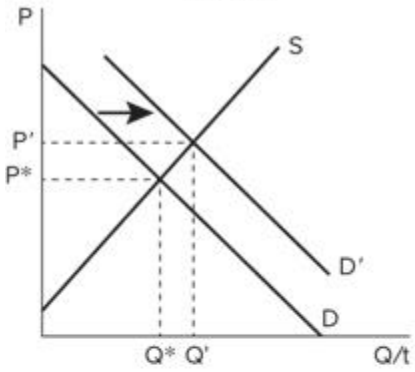


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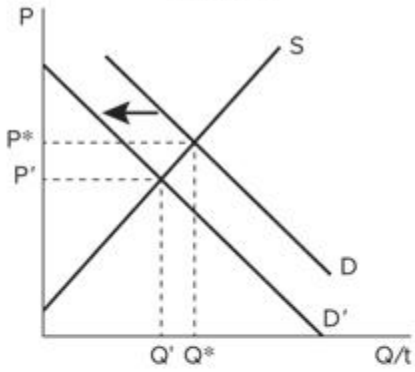


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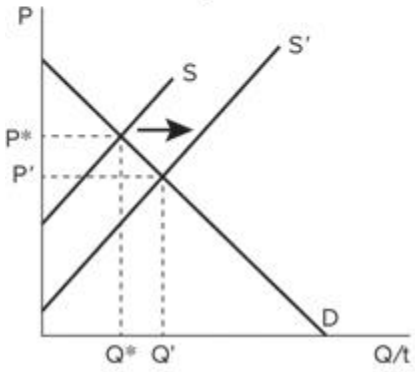
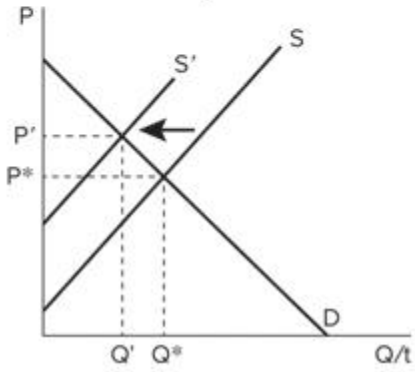


Figure 4



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173) Of the collection of supply and demand diagrams shown, which one shows the result of a decrease in the price of a substitute for a good?

Figure 1

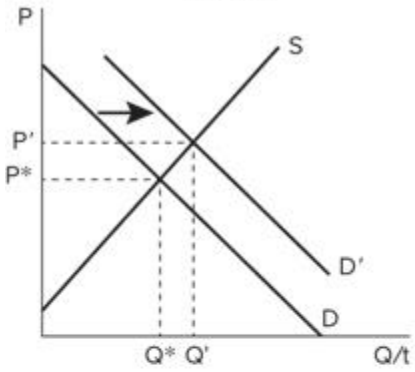


Figure 2

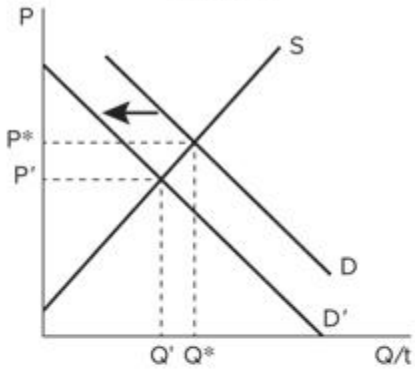


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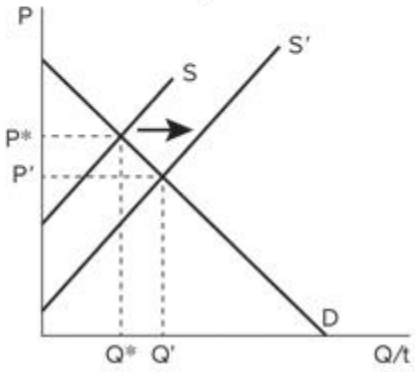
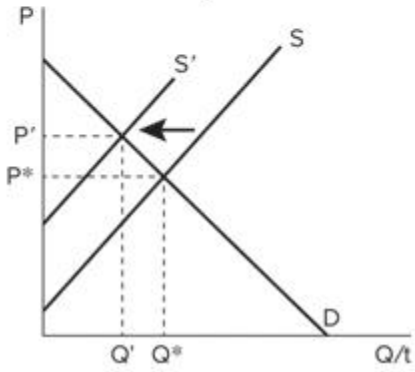


Figure 4



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174) Of the collection of supply and demand diagrams shown, which one shows the result of an increase in income if a good is considered normal?

Figure 1

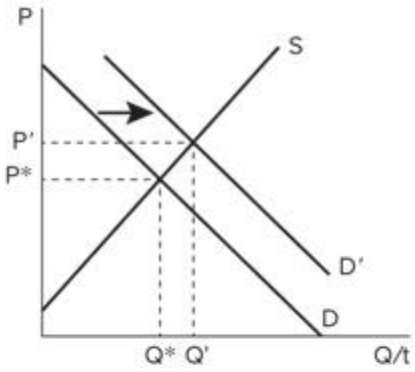


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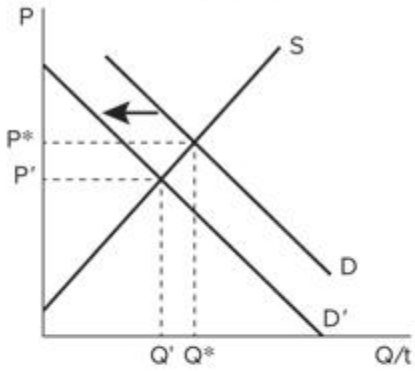


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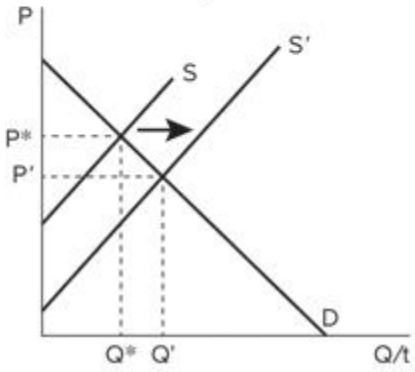
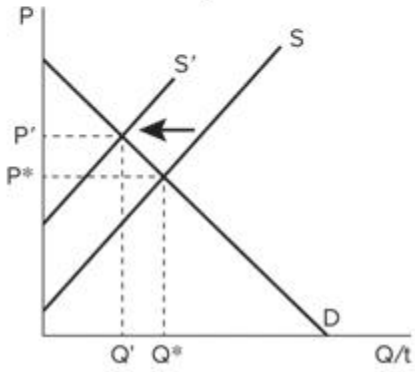


Figure 4



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175) Of the collection of supply and demand diagrams shown, which one shows the result of a decrease in income if a good is considered normal?

Figure 1

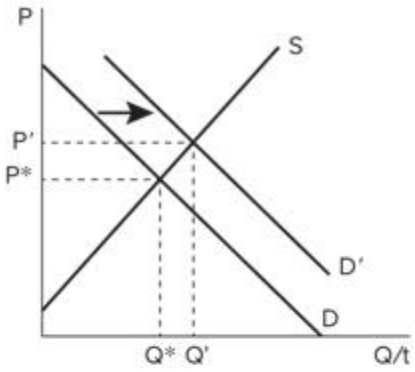


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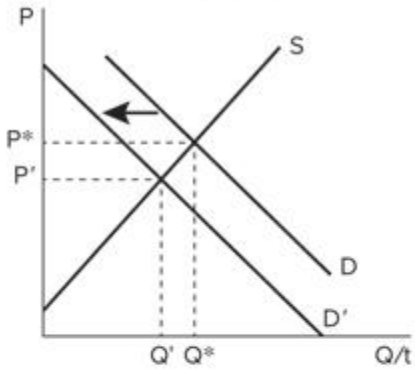


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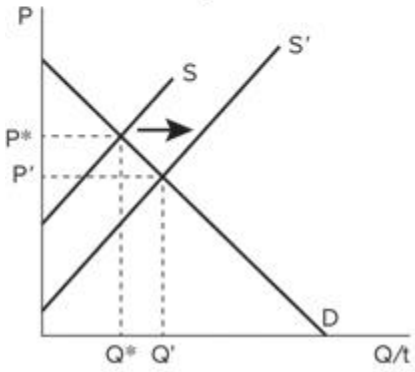
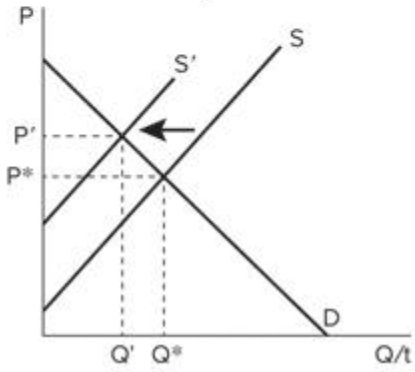


Figure 4



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176) Of the collection of supply and demand diagrams shown, which one shows the result of a decrease in income if a good is considered inferior?

Figure 1

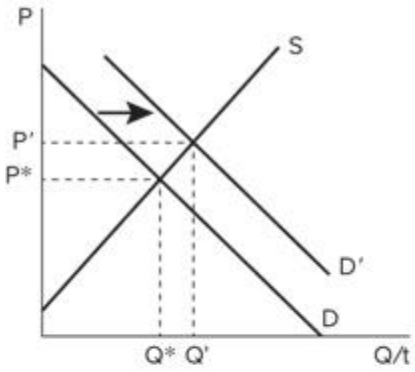


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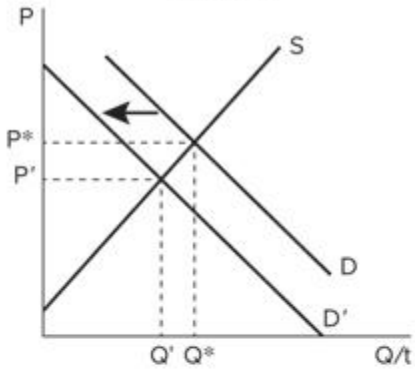


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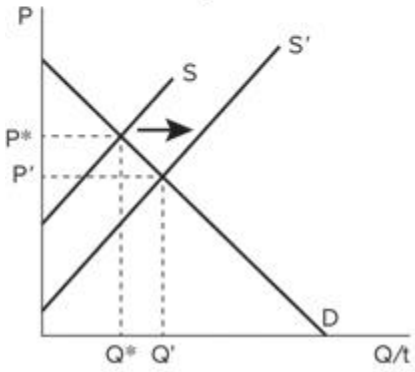
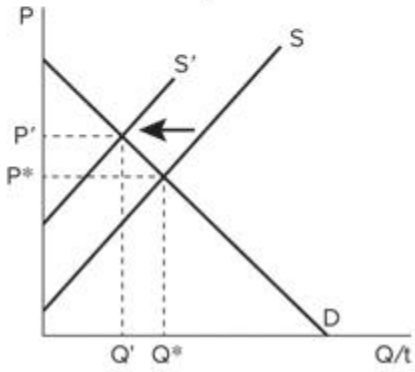


Figure 4



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177) Of the collection of supply and demand diagrams shown, which one shows the result of an increase in the population of the group of people likely to buy a good?

Figure 1

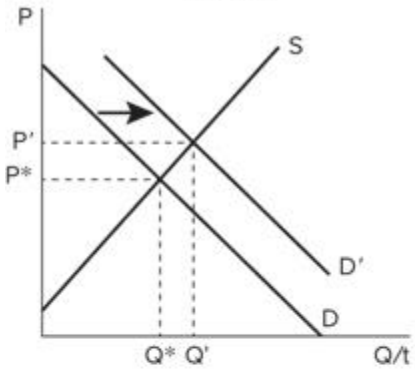


Figure 2

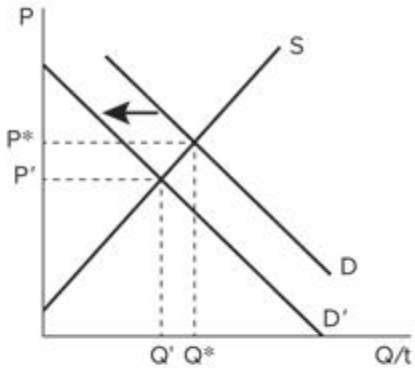


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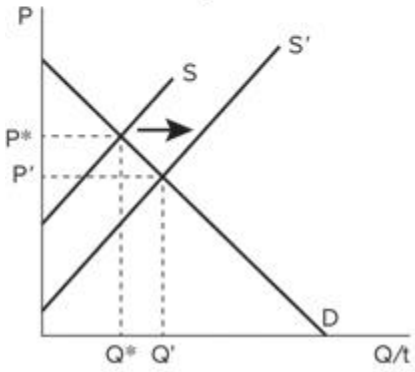
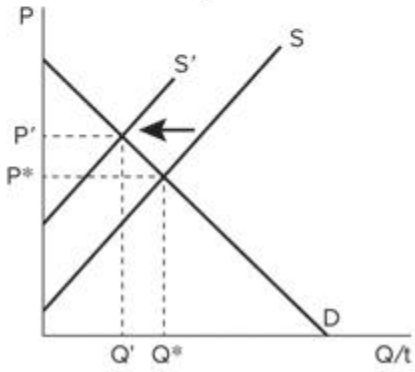


Figure 4



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178) Of the collection of supply and demand diagrams shown, which one shows the result of a decrease in the population of the group of people likely to buy a good?

Figure 1

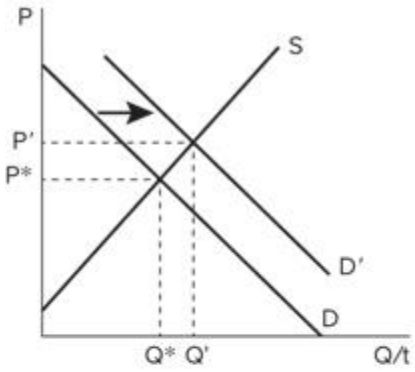


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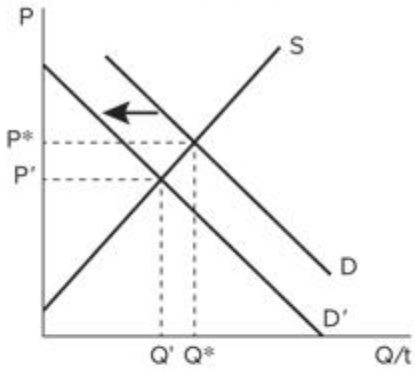


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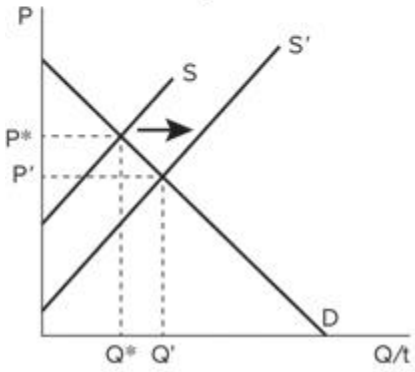
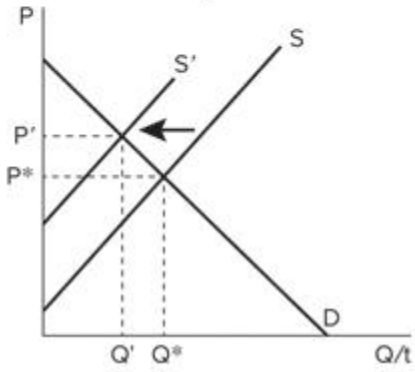


Figure 4



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179) Of the collection of supply and demand diagrams shown, which one shows the result of an increase in technology in the market for anything?

Figure 1

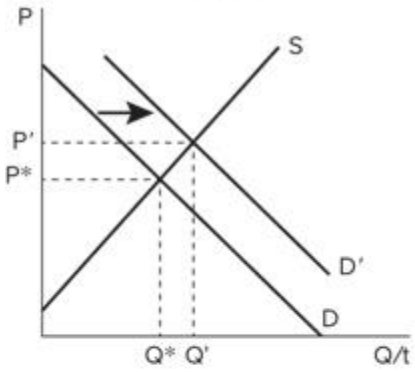


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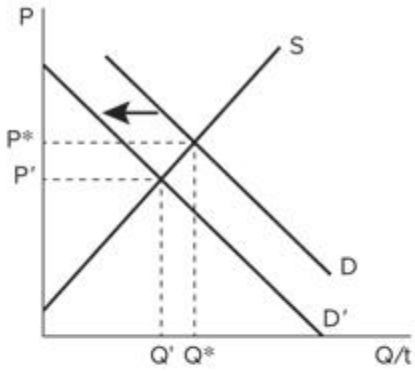


Figure 3

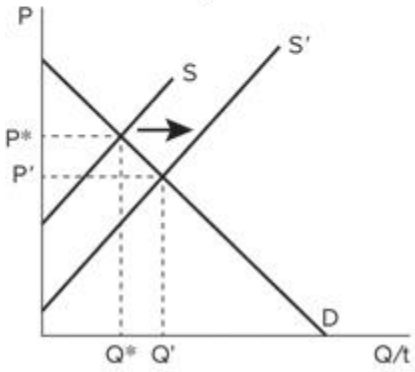
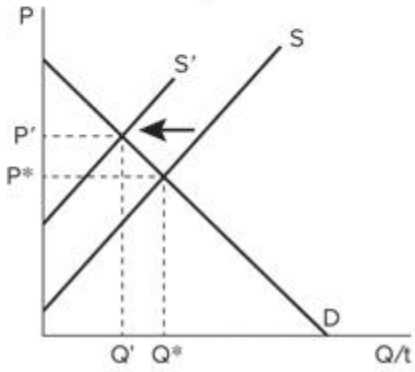


Figure 4



A) Figure 1
B) Figure 2
C) Figure 3
D) Figure 4

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180) Of the collection of supply and demand diagrams shown, which one shows the result of a decrease in technology in the market for anything?

Figure 1

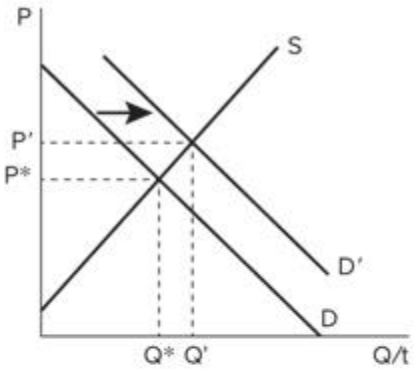


Figure 2

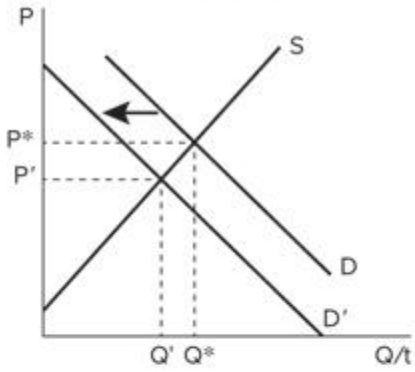


Figure 3

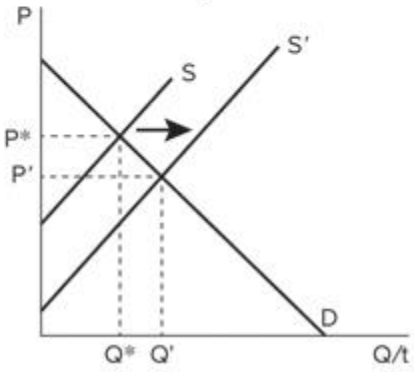
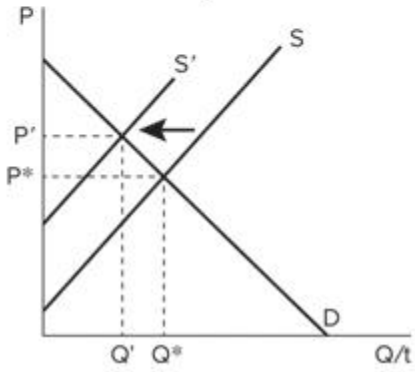


Figure 4



A) Figure 1
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181) Of the collection of supply and demand diagrams shown, which one shows the result of an increase in the price of an input in the market for anything?

Figure 1

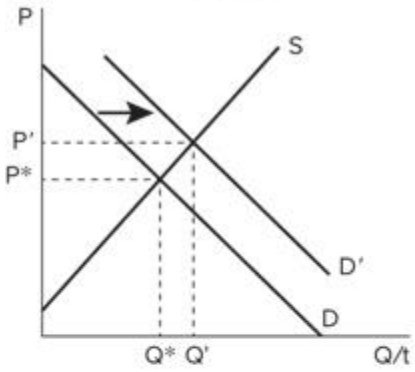


Figure 2

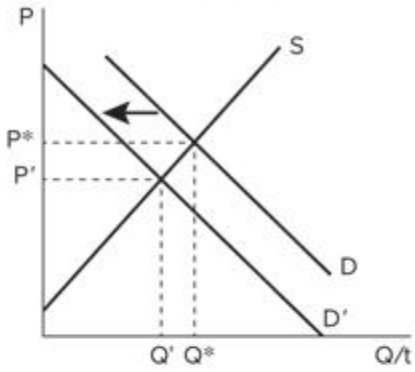


Figure 3

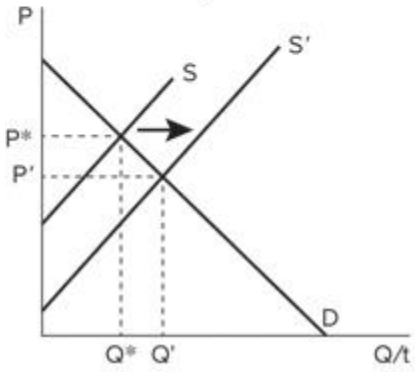
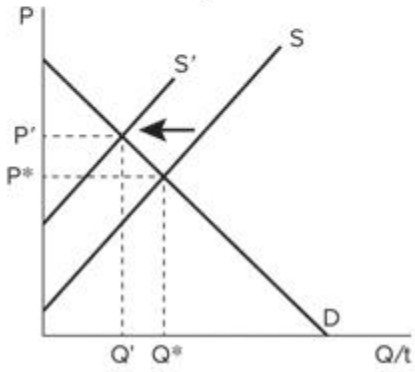


Figure 4



A) Figure 1
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D) Figure 4

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182) Of the collection of supply and demand diagrams shown, which one shows the result of a decrease in the price of an input in the market for anything?

Figure 1

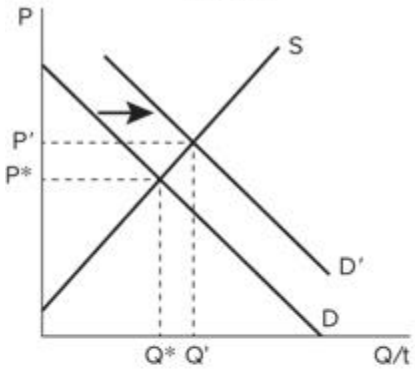


Figure 2

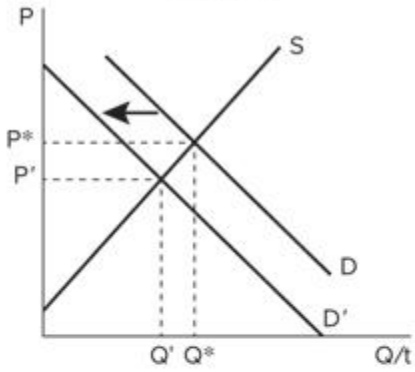


Figure 3

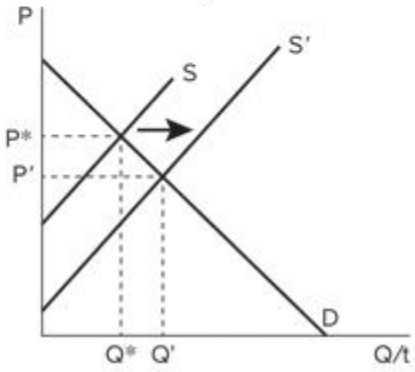
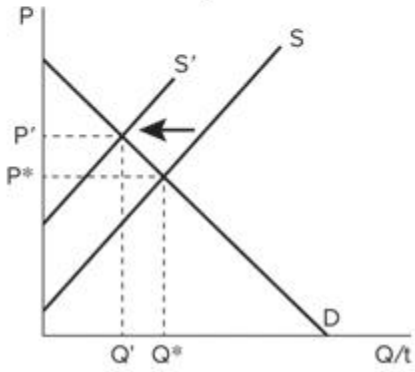


Figure 4



A) Figure 1
B) Figure 2
C) Figure 3
D) Figure 4

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183) Of the collection of supply and demand diagrams shown, which one shows the result of an increase in the number of sellers in the market for anything?

Figure 1

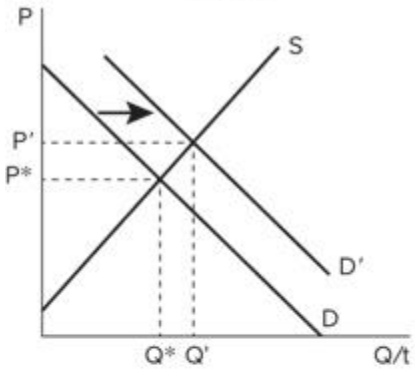


Figure 2

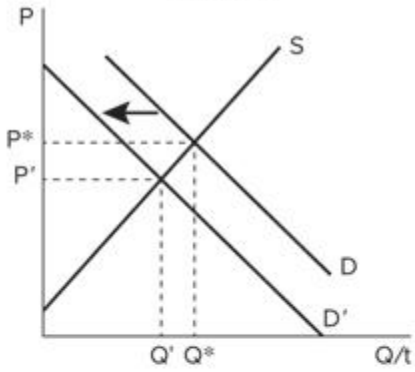


Figure 3

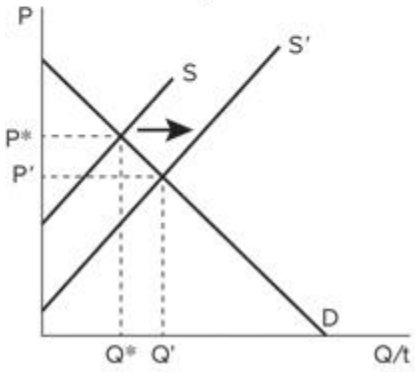
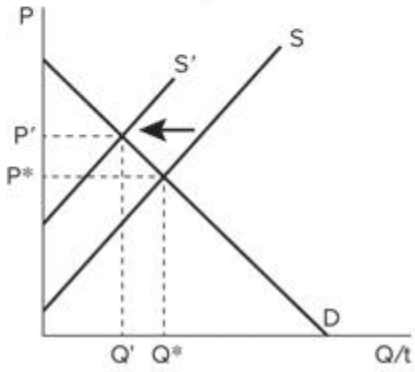


Figure 4



A) Figure 1
B) Figure 2
C) Figure 3
D) Figure 4

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184) Of the collection of supply and demand diagrams shown, which one shows the result of a decrease in the number of sellers in the market for anything?

Figure 1

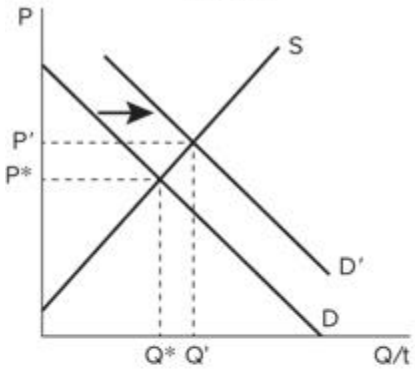


Figure 2

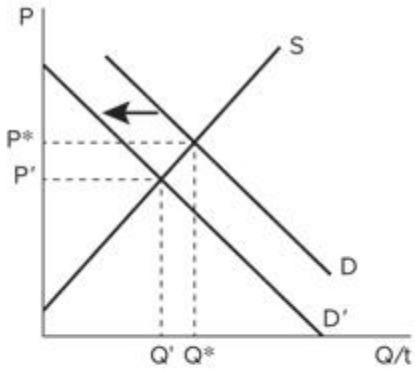


Figure 3

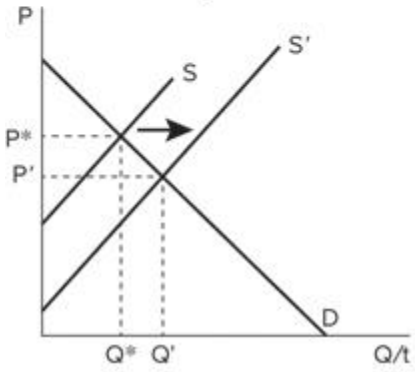
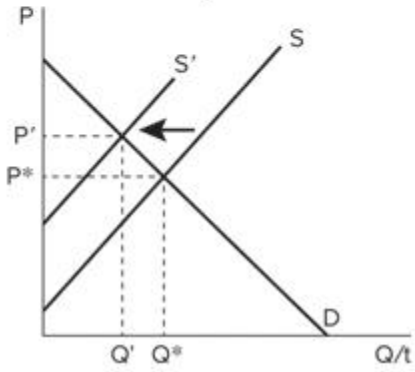


Figure 4



A) Figure 1
B) Figure 2
C) Figure 3
D) Figure 4

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185) Of the collection of supply and demand diagrams shown, which one(s) show the result of an increase in the expected future price?

Figure 1

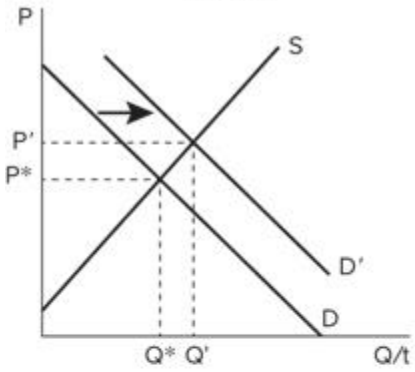


Figure 2

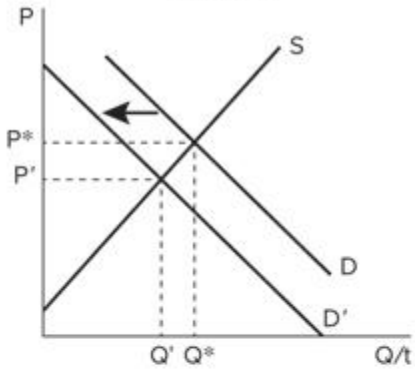


Figure 3

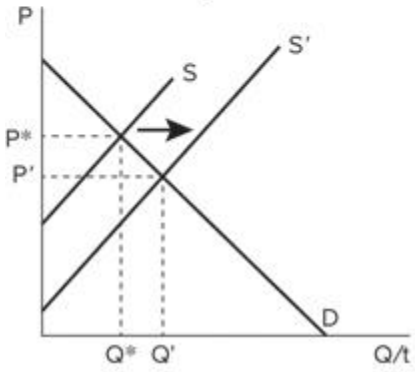
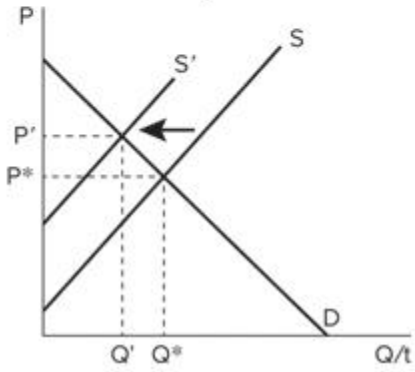


Figure 4



A) Figure 1
B) Figure 4
C) Figures 2 and 3
D) Figures 1 and 4

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186) Of the collection of supply and demand diagrams shown, which one(s) show the result of a decrease in the expected future price?

Figure 1

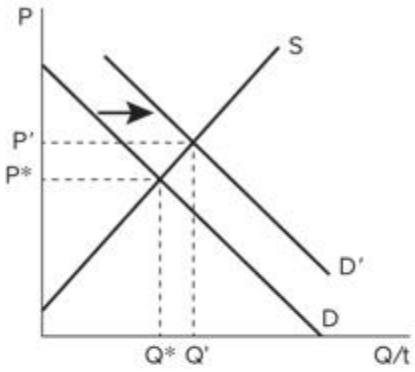


Figure 2

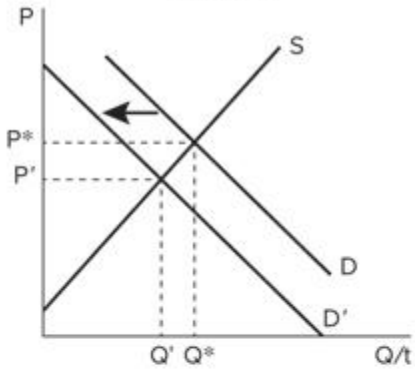


Figure 3

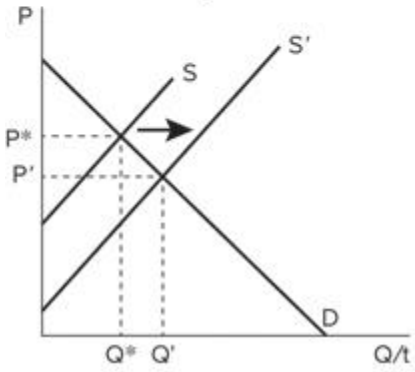
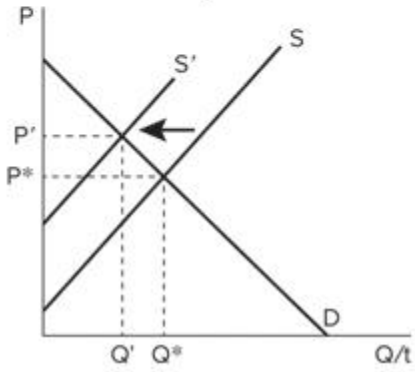


Figure 4



A) Figure 1
B) Figure 4
C) Figures 2 and 3
D) Figures 1 and 4

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187) If two goods can be made with essentially the same inputs, which one of the collection of supply and demand diagrams shows the result of an increase in the price of one on the market for the other?

Figure 1

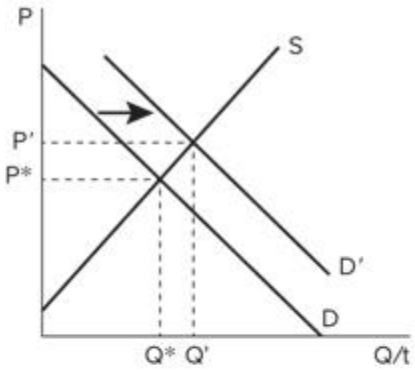


Figure 2

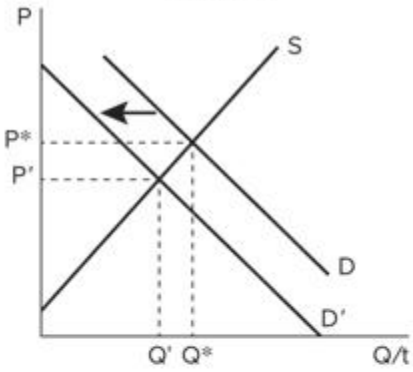


Figure 3

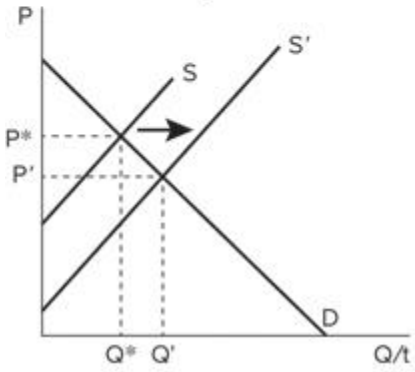
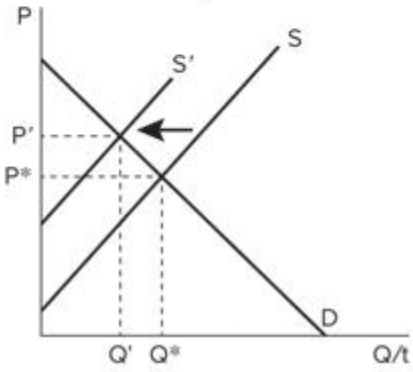


Figure 4



A) Figure 1
B) Figure 2
C) Figure 3
D) Figure 4

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188) If two goods can be made with essentially the same inputs, which one of the collection of supply and demand diagrams shown shows the result of a decrease in the price of one on the market for the other.

Figure 1

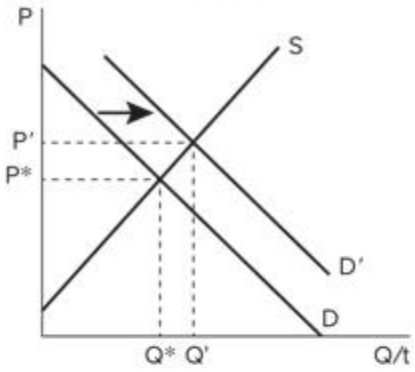


Figure 2

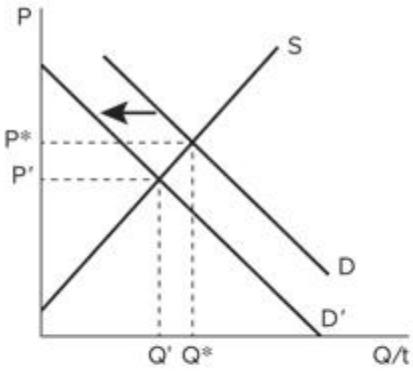


Figure 3

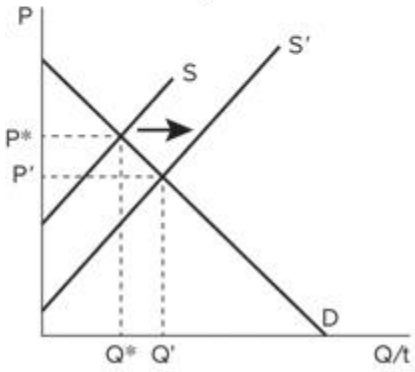
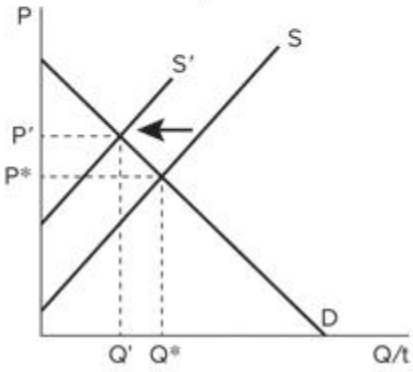


Figure 4



A) Figure 1
B) Figure 2
C) Figure 3
D) Figure 4

189) If people consume fewer bottles of orange juice as their income rises, orange juice is a(n)
A) necessity.
B) abnormal good.
C) normal good.
D) inferior good.

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190) Orange juice and grapefruit juice are likely to be
A) complementary to one another.
B) substitutes for one another.
C) inferior goods.
D) inputs to one another.

191) When the expected future price of a good rises,
A) sellers increase their willingness to sell.
B) consumers increase their willingness to buy, or "stock up."
C) consumers decrease their willingness to buy, or "draw down."
D) sellers' willingness to sell remains unchanged.

192) Since teachers are an input in the production of education, when salaries for teachers increase,
A) the supply of education decreases.
B) the supply of education increases.
C) the demand for education decreases.
D) the demand for teachers increases.

193) In a market served by vendors who sell both orange juice and bottled water from their carts, an increase in the price of bottled water will tend to
A) reduce the supply of bottled water.
B) increase the supply of bottled water.
C) reduce the supply of orange juice.
D) increase the supply of orange juice.

194) If farmers expect the government to increase subsidies on corn grown next year for ethanol production, economists will not be surprised when there is
A) a decrease in corn production.
B) a decrease in ethanol production.
C) a decrease in soybean production.
D) an increase in soybean production.

195) A per unit tax or percentage tax on a good or service that must be paid by consumers of that good is
A) a subsidy.
B) taxation without representation.
C) a gift tax.
D) an excise tax.

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196) An increase in the excise tax imposed upon consumers of gasoline
A) increases the demand for gasoline.
B) decreases the demand for gasoline.
C) increases the supply of gasoline.
D) lowers the market price of gasoline.

197) An increase in the excise tax imposed upon consumers of gasoline
A) shifts the demand for gasoline to the left.
B) shifts the demand for gasoline to the right.
C) shifts the supply of gasoline to the right.
D) shifts the market price of gasoline.

198) An increase in the subsidy paid to producers of tobacco
A) increases the demand for tobacco.
B) decreases the demand for tobacco.
C) increases the supply of tobacco.
D) increases the market price of tobacco.

199) An increase in the subsidy paid to producers of tobacco
A) shifts the supply of tobacco to the right.
B) shifts the demand for tobacco to the left.
C) shifts the demand for tobacco to the right.
D) shifts the market price of tobacco.

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Answer Key

Test name: Chapter 02

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

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38) D
39) A
40) B
41) B
42) A
43) B
44) A
45) A
46) B
47) C
48) A
49) C
50) A
51) B
52) B
53) D
54) D
55) D
56) C
57) C
58) A
59) B
60) C
61) A
62) B
63) C
64) A
65) B
66) B
67) A
68) C
69) C
70) C
71) C
72) B
73) A
74) B
75) A
76) C
77) B

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78) A
79) C
80) D
81) C
82) B
83) D
84) B
85) A
86) B
87) A
88) A
89) B
90) C
91) D
92) C
93) D
94) A
95) B
96) A
97) B
98) B
99) A
100) A
101) B
102) B
103) A
104) A
105) B
106) A
107) B
108) B
109) B
110) A
111) B
112) C
113) D
114) C
115) A
116) C
117) D

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118) B
119) A
120) D
121) D
122) D
123) C
124) B
125) D
126) D
127) B
128) C
129) C
130) D
131) B
132) D
133) D
134) D
135) A
136) C
137) D
138) B
139) B
140) D
141) A
142) C
143) A
144) C
145) C
146) A
147) B
148) A
149) A
150) B
151) B
152) A
153) A
154) B
155) B
156) A
157) A

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158) A
159) B
160) C
161) A
162) A
163) C
164) B
165) B
166) D
167) D
168) A
169) B
170) B
171) A
172) A
173) B
174) A
175) B
176) A
177) A
178) B
179) C
180) D
181) D
182) C
183) C
184) D
185) D
186) C
187) D
188) C
189) D
190) B
191) B
192) A
193) C
194) C
195) D
196) B
197) A

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198) C
199) A

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