Principles of Microeconomics 2nd edition Stevenson Test Bank

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Name:_____ Class:_____ Date:_____

Chapter 2

1. A subscription to the pro version of a camera app you use unlocks some useful features, but the price of $4 per month is too high. You get a notification offering a special discount and decide to subscribe to the pro version at $2 per month. Your decision reveals something about:

a. your individual demand curve.
b. your individual supply curve.
c. ceteris paribus conditions.
d. buyer's remorse.

ANSWER: a

2. Your economics instructor starts class the first day by asking, "How many of you would pay me $10 for an A in this class? $20? $30? …" and continues until all of the hands are lowered. The data your instructor collects from this exercise illustrate the:

a. demand for As.
b. supply of As.
c. scarcity of As.
d. production possibility frontier for As.

ANSWER: a

3. You usually buy one large jar of peanut butter when you do your weekly grocery shopping. You notice that the price of peanut butter has risen and so decide to go without it this week. This decision reveals something about:

a. your individual demand curve.
b. your individual supply curve.
c. your production possibilities frontier.
d. network effects.

ANSWER: a

4. In a typical week, Cheyenne buys four lattes at Starbucks. If the price of lattes doubles, what is the MOST likely number of lattes she will buy?

a. two
b. five
c. eight
d. four

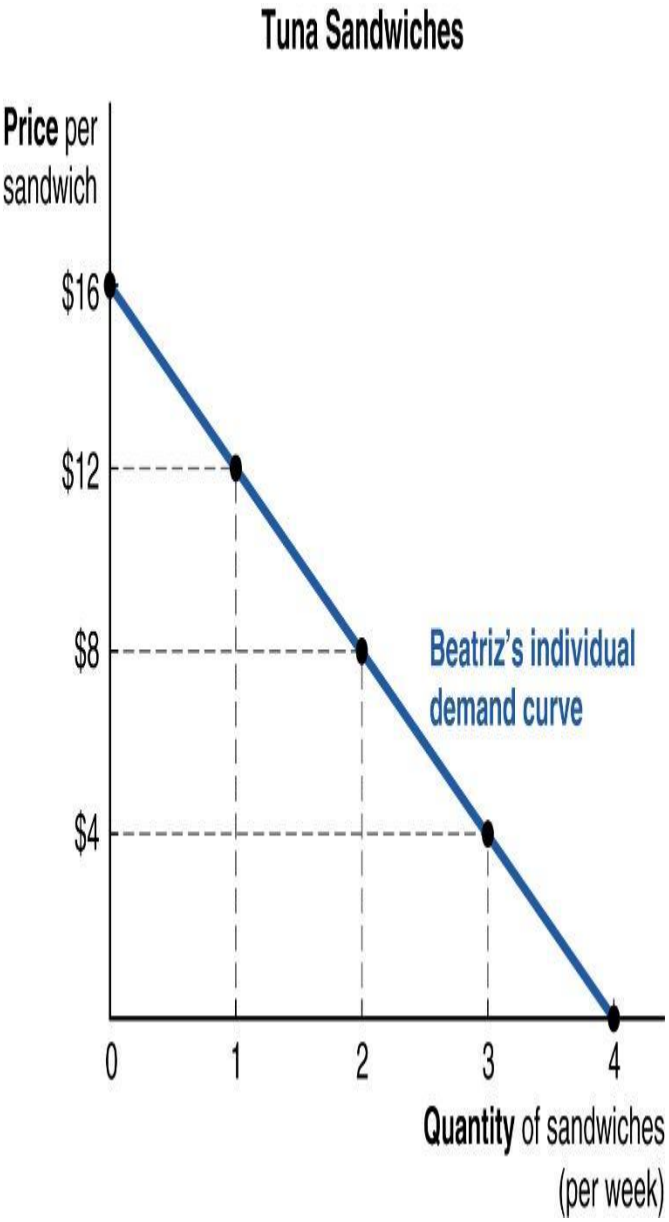
ANSWER: a

5. (Figure: Demand for Tuna Sandwiches) The graph shows Beatriz's weekly demand for tuna sandwiches.

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If she orders three tuna sandwiches per week, what can we infer?

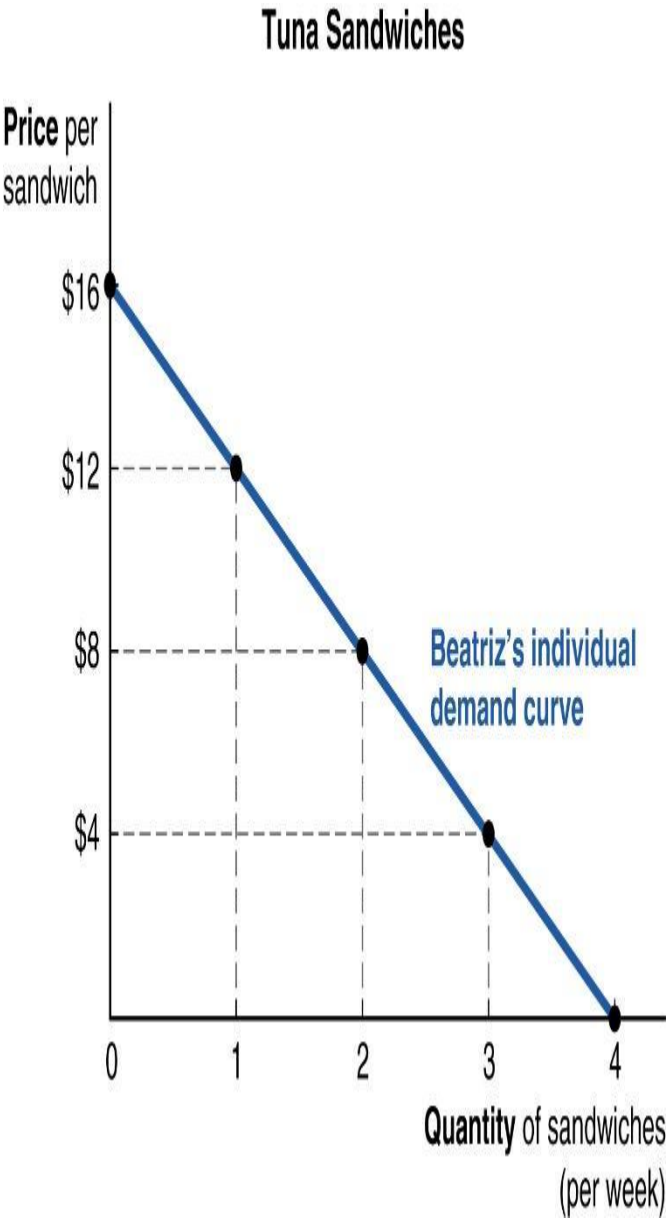
a. The price of a tuna sandwich is no higher than $4.
b. Beatriz's demand for tuna has shifted.
c. For Beatriz, tuna sandwiches are a normal good.
d. For Beatriz, tuna sandwiches are an inferior good.

ANSWER: a

6. (Figure: Demand for Tuna Sandwiches) The graph shows Beatriz's weekly demand for tuna sandwiches.

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If she currently orders two tuna sandwiches per week, what can we infer?

a. The price of a tuna sandwich is around $8.

b. A tuna sandwich is cheaper than a ham sandwich, since otherwise she would buy ham sandwiches.

c. Beatriz's marginal benefit from a tuna sandwich does not decline until she consumes the third sandwich.

d. Beatriz would order more tuna sandwiches if the price were $12.

ANSWER: a

7. Although your college bookstore charges everyone the same price for a t-shirt, different students buy very different quantities. Which is NOT a plausible general explanation for this?

a. Students need sizes the bookstore does not keep in stock.

b. Different students derive different marginal benefits from t-shirts.

c. Students differ in their disposable incomes.

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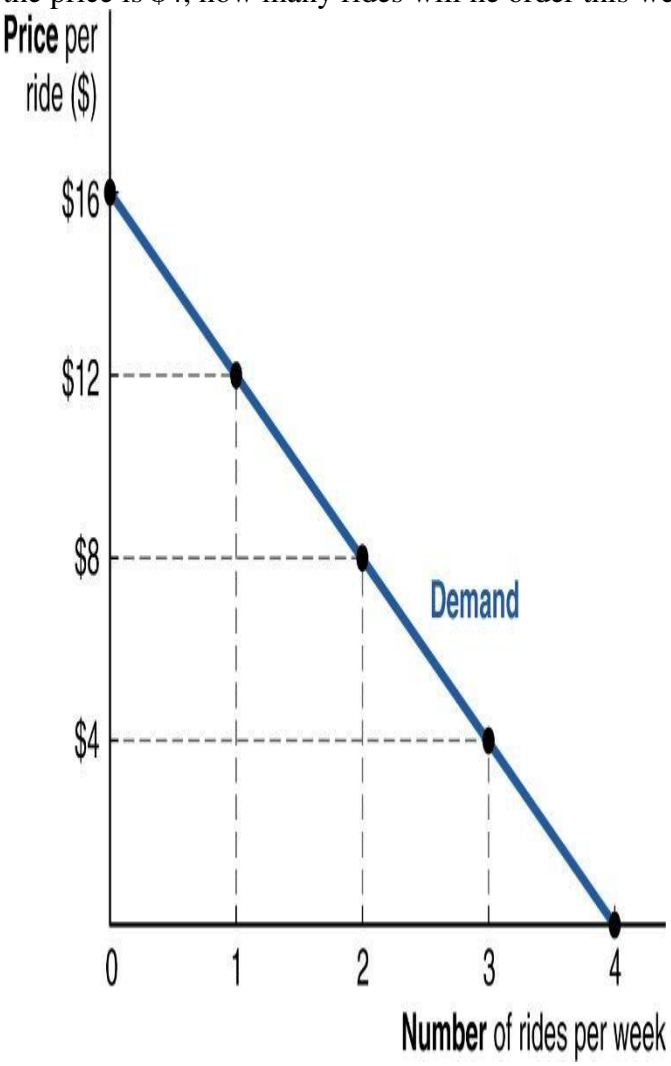
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d. Each student's demand curve is distinct.

ANSWER: a

8. (Figure: Leo's marginal benefit) The graph depicts Leo's marginal benefit curve for ride-shares per week. If the price is $4, how many rides will he order this week?



a. two rides
b. three rides
c. four rides
d. five rides

ANSWER: b

9. Which statement is TRUE?

a. You should consume more of a good as long as the marginal benefit is at least as high as the price.
b. If the total benefit you get from a good is greater than the total amount you pay for it, you can be sure you have not purchased too much of the good.
c. The marginal benefit of a good will eventually decline, but the total benefit will continue to rise.
d. Inferior goods have negative marginal benefits.

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ANSWER: a

10. Nelson currently buys six shawarma a month, at a price of $7 each. What is MOST likely to happen if the price falls to $6?

a. He will buy more if his marginal benefit is greater than $6.
b. He will buy more if his marginal benefit is less than $6.
c. He will still buy six even if his marginal benefit is greater than $6.
d. He will buy more only if his marginal benefit is greater than $7.

ANSWER: a

11. The food court at DeShawn's university offers a variety of foods from around the world. At lunch, DeShawn buys sushi from the Japanese lunch counter rather than an Ethiopian stew called doro wat, which he likes just as much. The price of sushi is $11, and the price of doro wat is $9. What can you infer from DeShawn's choice?

a. His marginal benefit from sushi is at least $11.
b. His marginal benefit from doro wat is at least $11.
c. His marginal benefit from doro wat is greater than his marginal benefit from sushi.
d. His marginal benefit from sushi is less than $11.

ANSWER: a

12. You are looking for a snack and have some money to spend on peanuts, pistachios, or both. Your marginal benefit from the first bag of peanuts is the same as your marginal benefit from the first bag of pistachios. The price of peanuts and the price of pistachios are the same. How should you spend your money?

a. It doesn't matter which one you buy first, but every purchase after that should be of the good with the higher marginal benefit until your money runs out.
b. Since the goods have the same price and marginal benefit, it doesn't matter which combination of peanuts and pistachios you buy.
c. You should buy either peanuts or pistachios but not both.
d. There is no way to determine how you should spend the money.

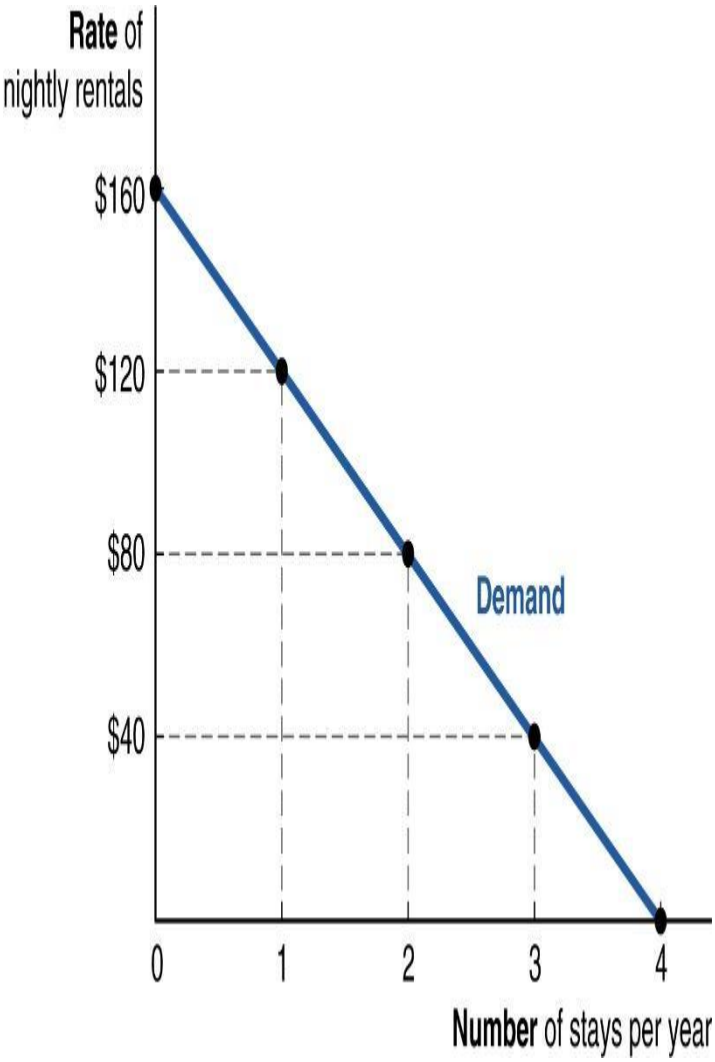
ANSWER: a

13. (Figure: Kelsey's annual demand) The graph shows Kelsey's annual demand for rental cabins at a state park on the lake.

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What is true if the nightly rental rises from $80 to $120?

a. Kelsey's marginal benefit from stays at the park would fall by up to $119.99.
b. Kelsey's marginal benefit from stays at the park would fall by up to $79.99
c. Kelsey's marginal benefit from stays at the park would fall by $80.00
d. Kelsey's marginal benefit from stays at the park would fall by less than $80.00

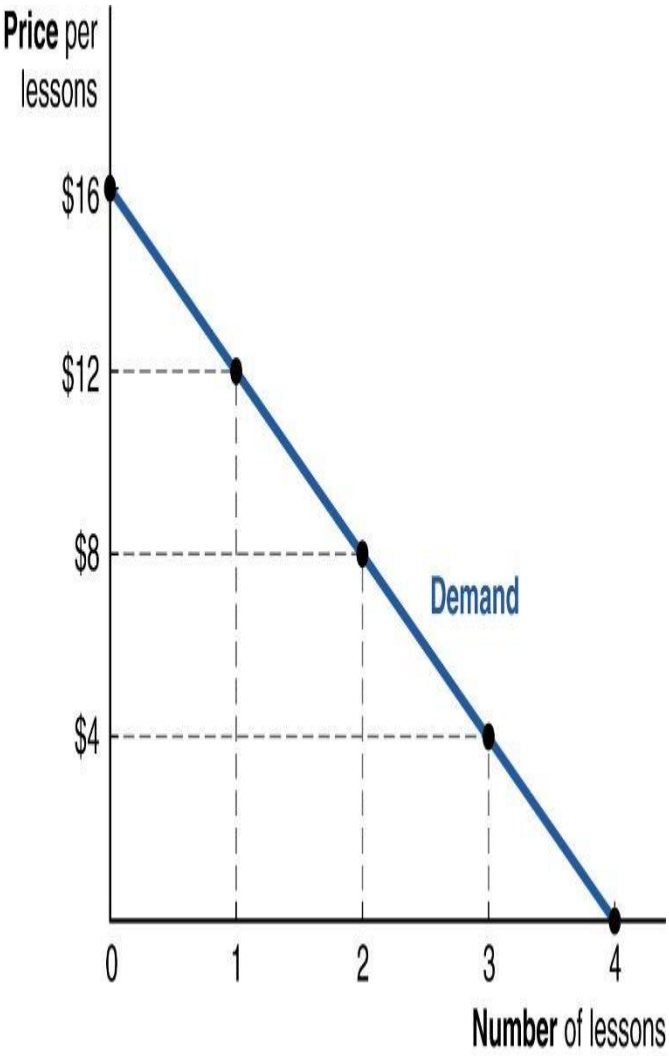
ANSWER: a

14. (Figure: Maya's marginal benefit) The graph shows Maya's marginal benefit curve for hour-long violin lessons. Her tutor decides to lower the price of a violin lesson from $12 to $8. How does the change impact Maya?

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a. Maya will schedule a second lesson if she follows the Rational Rule for Buyers.
b. Maya is worse off because she now pays a total of $16 for lessons instead of $12.
c. Maya is better off because the marginal benefit of the second lesson is higher than the marginal benefit of the first lesson.
d. Maya is worse off because the marginal benefit of a lesson falls.

ANSWER: a

15. (Figure: Sample monthly demand) The graph shows Tabia's monthly demand for rounds of miniature golf. The price of a round is currently $4, and Tabia plays five rounds a month. What can you determine about Tabia's situation?

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a. Tabia is not following the Rational Rule for Buyers.

b. Tabia could increase her economic surplus from miniature golf by playing eight rounds a month.

c. Tabia could increase her economic surplus from miniature golf by playing two rounds a month because the marginal benefit would rise.

d. Tabia is following the Rational Rule for Buyers.

ANSWER: a

16. (Figure: Sample monthly demand) The graph shows Felicia's demand for harissa, which she uses for cooking.

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How would an increase in the price of harissa from $4 to $6 affect Felicia?

a. Although her marginal benefit would rise, her total benefit would fall.

b. The amount she spends on harissa would remain the same, so she would get the same benefit from harissa before and after the price change.

c. She would spend more on harissa to continue buying six units per time period.

d. The price increase would lead her to buy no harissa at all.

ANSWER: a

17. Which scenario involves acting according to the Rational Rule for Buyers?

a. You paid $9 for a movie ticket, thinking you would get at least that much benefit from the film. Ten minutes after it starts, you realize it is awful and walk out.

b. The marginal benefit you get from popcorn at a movie is $4, and you buy a bucket of popcorn for $6.

c. The marginal benefit you get from Goobers at a movie is $8, but you decide not to buy a box for $6.

d. You get an $8 benefit from a film after paying $9 for a ticket, so you decide to buy another ticket to see it again.

ANSWER: a

18. Which would NOT cause the market demand curve for dog food to shift to the right?

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a. an increase in the price of veterinarian-office visits
b. an increase in population
c. a hit television show about a talking basset hound
d. a decrease in the price of invisible backyard fences

ANSWER: a

19. Each morning, you pick up a box of doughnuts for yourself and your officemates, Julius and Georgia, who reimburse you for your expenses. Because you've been doing this for years, you know exactly what the individual demand schedules for Julius and Georgia are.

Price ($)	Your quantity demanded	Julius's quantity demanded	Georgia's quantity demanded
$1.50	0	1	0
$1.35	1	2	0
$1.20	2	3	1
$1.05	2	4	2
$0.90	3	5	3

How many doughnuts should you pick up if the price of doughnuts is $1.20?

a. 6
b. 3
c. 8
d. 11

ANSWER: a

20. Each morning, you pick up a box of doughnuts for yourself and your officemates, Julius and Georgia, who reimburse you for your expenses. Because you've been doing this for years, you know exactly what the individual demand schedules for Julius and Georgia are.

Price ($)	Your quantity demanded	Julius's quantity demanded	Georgia's quantity demanded
$1.50	0	1	0
$1.35	1	2	0
$1.20	2	3	1
$1.05	2	4	2
$0.90	3	5	3

How many doughnuts should you pick up if the price of doughnuts is $1.35?

a. 3
b. 4
c. 8
d. 11

ANSWER: a

21. Each morning, you pick up a box of doughnuts for yourself and your officemates, Julius and Georgia, who

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reimburse you for your expenses. Because you've been doing this for years, you know exactly what the individual demand schedules for Julius and Georgia are.

Price ($)	Your quantity demanded	Julius's quantity demanded	Georgia's quantity demanded
$1.50	0	1	0
$1.35	1	2	0
$1.20	2	3	1
$1.05	2	4	2
$0.90	3	5	3

How many doughnuts should you pick up if Julius is on vacation, and the price of doughnuts is $1.05?

a. 4
b. 5
c. 9
d. 11

ANSWER: a

22. Which statement is TRUE?

a. Market and individual demand curves typically reflect the law of demand.
b. Market demand curves shift because of a change in price, whereas individual demand curves are not affected by price.
c. Individual demand curves reflect marginal benefit, but market demand curves do not.
d. Unlike individual demand curves, market demand curves often have a positive slope.

ANSWER: a

23. Why might you underestimate the increase in market quantity demanded when you lower your price?

a. You may not take into account potential new customers attracted by the lower price.
b. Some of your current customers may switch to a rival's product, so a drop in price doesn't produce any additional sales.
c. Lowering the price only increases the quantity demanded for inferior goods.
d. A price reduction increases the quantity demanded for individuals but not for the entire market.

ANSWER: a

24. You're a cashier at a local grocery store. You notice many customers buying kiwifruit, but you've never tried kiwifruit yourself. When the price of kiwifruit suddenly drops, you notice that your regular kiwi-buying customers buy more kiwifruit than usual and that other shoppers start buying kiwifruit for the first time. You also decide to try it yourself, so you too buy some kiwifruit. Which statement BEST summarizes what is happening?

a. As the price of kiwifruit falls, the market quantity demanded rises.
b. All consumers are shown to have the same tastes and preferences.
c. Kiwifruit is shown to be a normal good.
d. As the price of kiwifruit falls, the market quantity demanded falls.

ANSWER: a

25. The table shows incomplete values for various people's quantities of lemonade demanded, along with the

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market totals, in a market with only these customers.

Price ($)	Kiera	Brianna	Luis	Habib	Market
5	0	0	1	0	1
4	0	2	2	0	4
3	2	4	3		9
2	4	6	4	2	
1		8	5	5	24
0	8	10	6	9	33

When the price is $1, what is Kiera's quantity demanded?

a. 6
b. 4
c. 8
d. 12

ANSWER: a

26. The table shows incomplete values for various people's quantities of lemonade demanded, along with the market totals.

Price ($)	Kiera	Brianna	Luis	Habib	Market
5	0	0	1	0	1
4	0	2	2	0	4
3	2	4	3		9
2	4	6	4	2	
1		8	5	5	24
0	8	10	6	9	33

When the price is $3, what is Habib's quantity demanded?

a. 0
b. 1
c. 9
d. 12

ANSWER: a

27. The table shows incomplete values for various people's quantities of lemonade demanded, along with the market totals.

Price ($)	Kiera	Brianna	Luis	Habib	Market
5	0	0	1	0	1
4	0	2	2	0	4
3	2	4	3		9
2	4	6	4	2	
1		8	5	5	24
0	8	10	6	9	33

When the price is $2, what is the market quantity demanded?

a. 9
b. 14

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c. 16

d. 30

ANSWER: c

28. Which statement is TRUE?

a. The law of demand pertains to both individual and market demand curves.

b. Individual demand curves are usually flatter than market demand curves.

c. Identical factors shift both individual and market demand curves.

d. If the price of a good changes, the quantity demanded changes at all prices.

ANSWER: a

29. You are exploring your college town for the first time and are delighted to find a restaurant that serves gyros, your hometown favorite. Your arrival:

a. shifts the gyro market demand curve to the right.

b. shifts the gyro market demand curve to the left.

c. shifts your individual gyro demand curve to the right.

d. produces a movement along your individual gyro demand curve.

ANSWER: a

30. You just got a big raise in pay. On your next trip to the store, you walk right past the canned tuna and go to the fresh seafood section. Which statement is probably TRUE?

a. For you, canned tuna is an inferior good, and fresh seafood is a normal good.

b. For you, fresh seafood is an inferior good, and canned tuna is a normal good.

c. The fresh seafood must have been on sale.

d. Your preferences for canned tuna and fresh seafood have changed.

ANSWER: a

31. Which statement is TRUE?

a. If there are no congestion or network effects, changes in the number of buyers affect the market demand curve but not individual demand curves.

b. If there are no congestion or network effects, changes in income affect the market demand curve but not individual demand curves.

c. If there are no congestion or network effects, changes in preferences affect the market demand curve but not individual demand curves.

d. If there are no congestion or network effects, changes in the prices of related goods affect the market demand curve but not individual demand curves.

ANSWER: a

32. You've been driving for a rideshare service in your college town, but business has slowed now that many students have returned to their home towns for the summer. Which of these BEST describes your response?

a. You would watch more television and go to fewer movies.

b. You would go shopping for a new car, since you now have more time.

c. You would buy a membership in a fancy gym to use the treadmills instead of taking long walks around town.

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d. You would stay in nice hotels when you are on vacation instead of camping in a state park.

ANSWER: a

33. Which of these reflects a change in your preferences?
a. When you were young, you watched Nick for Kids and the Disney Channel for hours on end, but now you mainly watch sports and the news.
b. You went to buy a few packs of cards for game night, but you noticed that Yahtzee games were on clearance sale, so you buy a Yahtzee game as well.
c. After you got a raise, you started driving to work and paying for parking instead of taking the bus.
d. You used Gmail for email, but when you got to college, the campus system was Outlook, which you began to use.

ANSWER: a

34. Which of these reflects a change in your income?
a. When you were young, you watched Nick for Kids and the Disney Channel for hours on end, but now you mainly watch sports and the news.
b. You went to buy a few packs of cards for game night, but you noticed that Yahtzee games were on clearance sale, so you bought a Yahtzee game as well.
c. After you started your new job, you started driving to work and paying for parking instead of taking the bus.
d. Your significant other gives you a year's subscription to an online dating service, and you decide not to make a reservation at a nice restaurant.

ANSWER: c

35. Which of these reflects a change in your expectations?
a. When you were young, you watched Nick for Kids and the Disney Channel for hours on end, but now you mainly watch sports and the news.
b. You went to buy a few packs of cards for game night, but you noticed that Yahtzee games were on clearance sale, so you buy a Yahtzee game as well.
c. After you got a raise, you started driving to work and paying for parking instead of taking the bus.
d. Your significant other gives you a year's subscription to an online dating service, and you decide not to make a reservation at a nice restaurant.

ANSWER: d

36. Which event would MOST likely lead you to buy more bus tickets, even though you prefer using Lyft?
a. an increase in Lyft pricing when the price of bus tickets does not change
b. an increase in your income
c. closing bus-only lanes, which may add to your travel time on the bus
d. an increase in the price of bus tickets but no change in Lyft pricing

ANSWER: a

37. The driving app Waze provides information about traffic problems, accidents, and police, along with basic driving directions. More people using the app means there is more information available. This is an example of:
a. a network effect.
b. consumer preferences.
c. expectations.

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d. marginal benefits.

ANSWER: a

38. Kekona lives near the shore. She gets to the beach most days as soon as the sun rises and usually leaves before lunch, as more and more people show up. Kekona is responding to:

a. congestion effects.
b. network effects.
c. changes in preferences.
d. changes in expectations.

ANSWER: a

39. Which of these illustrates a network effect?

a. The *QWERTY* typewriter keyboard is ubiquitous, even though it was designed to make typists slower.
b. You go to the beach with your friends, but it is so crowded that you decide to leave.
c. In a small, rural college town, one company buys all of the real estate suitable for off-campus student housing.
d. Air conditioning and lower installation costs for backyard pools reduce attendance at community pools.

ANSWER: a

40. At Walt Disney World in Orlando, Florida, there are both Disney-owned hotels and resorts and, in the surrounding area, independent hotels, motels, resorts, and private home rentals. The independent accommodations are:

a. substitutes for Disney-owned accommodations but complements to Disney's parks.
b. substitutes for both Disney-owned accommodations and Disney's parks.
c. complements to the Disney-owned accommodations.
d. independent of the Disney-owned accommodations, and their location near the parks is just coincidental.

ANSWER: a

41. When the prices of tickets to see your local baseball team play rise, you go to more games. Which could NOT explain this outcome?

a. The parking fee at the baseball park also rose.
b. Your income rose, and for you, baseball games are a normal good.
c. You're also a movie buff, and the prices of movie tickets rose even more than the prices of baseball tickets.
d. The team is very good this year and is challenging for the championship.

ANSWER: a

42. You're the manager of an independent coffee bar with a loyal customer base, and you have accurate information about your current customers' demand curves. You lower the price on your lattes, but the new total quantity demanded for your lattes far exceeds your estimate. What is the MOST likely explanation?

a. You neglected to factor in new customers entering your market due to the lower price.
b. In response to your move, your competitors lowered their prices to remain competitive.
c. Incomes have fallen, and your latte is a normal good.
d. The price of bubble tea, which many of your customers see as a substitute for lattes, fell.

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ANSWER: a

43. Ada is an art student who enjoys making figures based on popular video games for herself and her friends on the 3-D printer at school. She receives a raise at her part-time job, but the number of items she prints falls. What could explain this?

a. The price charged to use the printer rose, offsetting the shift in her demand curve.
b. The price charged to use the printer fell, reinforcing the shift in her demand curve.
c. Use of the printer is a normal good for Ada.
d. The extra income changed her preferences toward making more items for her friends.

ANSWER: a

44. You are considering two different pairs of eyeglasses available from the online retailer Warby Parker. They are similar in quality, and each costs $95 (including prescription lenses), which is well within your price range. You have eliminated all other frames that are available, so the choice is between these two. Which demand factor will be MOST important in making your decision?

a. preferences
b. expectations
c. income
d. the prices of other goods

ANSWER: a

45. You are considering two different pairs of eyeglasses available from the online retailer Warby Parker. They are similar in quality, and each costs $95 (including prescription lenses), which is well within your price range. You try them both on and make your decision. Which demand factor is NOT important in this decision?

a. preferences
b. the number of buyers
c. income
d. the prices of other goods

ANSWER: b

46. When your cable TV company raises its monthly service fee, you decide to cut the cord and rely on streaming services instead. Which statement BEST describes your decision?

a. You moved along your cable-TV demand curve to a quantity of zero, and your internet-TV demand curve shifted to the right.
b. Your cable-TV demand curve shifted to the left, and your internet-TV demand curve shifted to the right.
c. Your preferences for cable TV changed along with your preferences for internet TV.
d. Your income fell when the company raised its price and, for you, cable is an inferior good.

ANSWER: a

47. You have had a good night selling peanuts at the basketball game, but you still have some bags to sell, and the game is almost over. You decide to drop the price from $1.00 a bag to 0.50¢ a bag. You made this decision based on your knowledge of:

a. the law of demand.

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b. network effects.

c. ceteris paribus conditions.

d. shifts in demand.

ANSWER: a

48. Many students have a car, but very few have two cars. Which BEST explains why?

a. Cars are expensive, but the marginal benefit of the first car is very high, whereas the marginal benefit of the second is practically zero.

b. Although the marginal benefit of the second car is about the same as that of the first car, the expense of maintaining a car rises with each car.

c. The marginal benefit of the second car is higher than the marginal benefit of the first so students only buy one car.

d. Most colleges and universities limit students to one car on campus.

ANSWER: a

49. Chemali is considering subscribing to the streaming service Acorn, mainly but not exclusively to watch *Nothing Trivial*, a comedy-drama show from New Zealand. The price of an Acorn subscription is $8 per month. Chemali will subscribe to Acorn if:

a. the marginal benefit of an Acorn subscription for her is at least $8 per month.

b. the price of *Nothing Trivial* is at least $8 per month.

c. the price of a Netflix subscription is more than $8 per month.

d. she subscribes to no other streaming services.

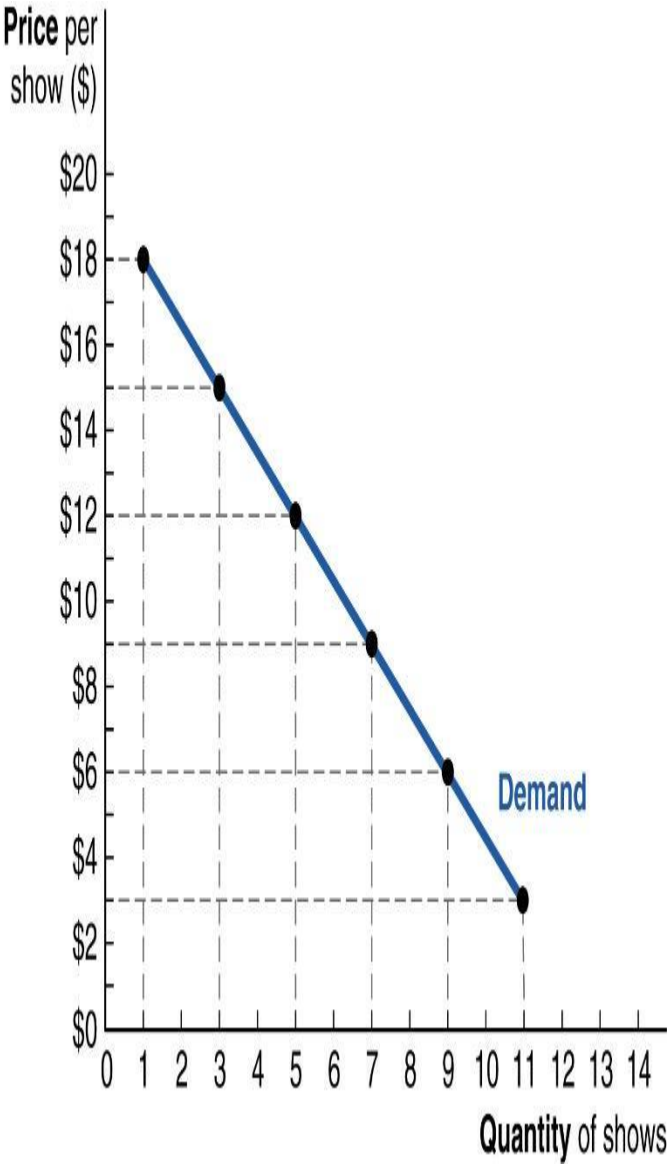
ANSWER: a

50. (Figure: Demand for jazz shows) The graph shows Jayden's monthly demand curve for live music at a small, local venue.

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If Jayden currently attends six shows per month, what is probably TRUE?

a. The price of a concert ticket is between $9 and $12.

b. Jayden does not have enough income to go to more than six shows per month.

c. Each concert provides Jayden with the same marginal benefit.

d. If the price rose to $18, Jayden would not attend any concerts.

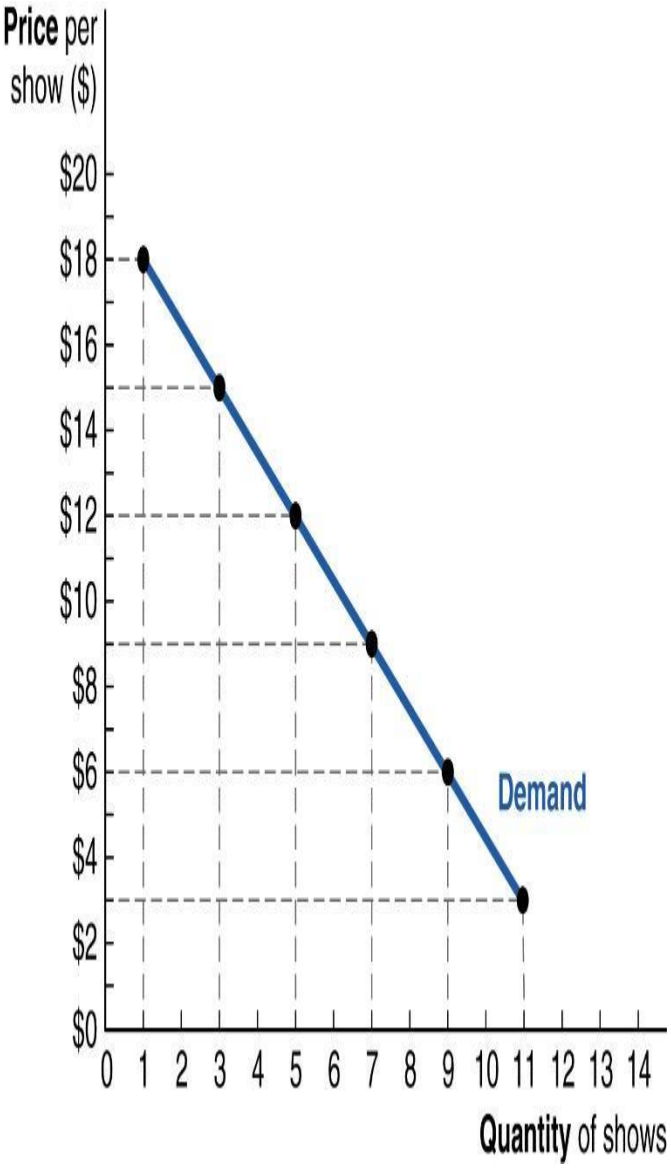
ANSWER: a

51. (Figure: Demand for jazz shows) The graph shows Elaina's monthly demand curve for concerts.

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If Elaina goes to nine shows per month, what is probably be TRUE?

a. Her marginal benefit from the ninth show is at least $6.

b. If the price rose to $9, her individual demand curve would shift to the left.

c. If her income fell, she would still attend nine concerts per month.

d. Her marginal benefit from the ninth concert is higher than her marginal benefit from the eighth concert.

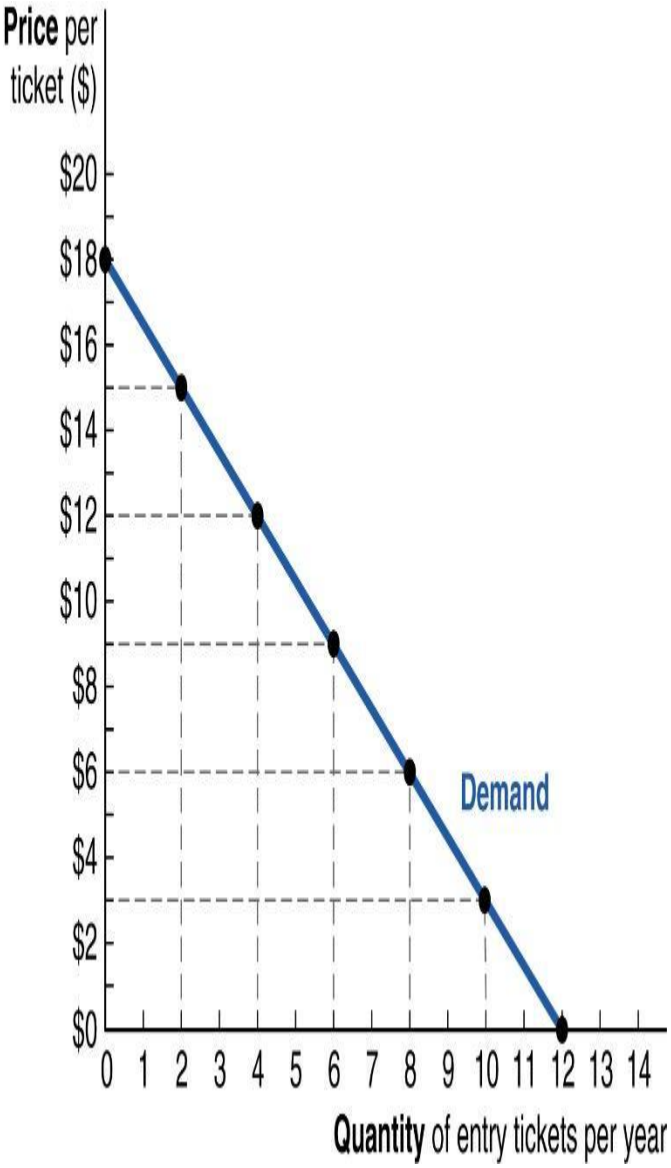
ANSWER: a

52. (Figure: Art Museum Entry) Katya enjoys going to temporary exhibits at the art museum. Her individual demand curve is displayed in the graph. Her marginal benefit is currently $6.

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If a change in the entry fee results in her visiting the museum six times per year, what happens to Katya's marginal benefit from visiting the art museum?

a. It rises because her quantity demanded falls.

b. It falls because her quantity demanded falls.

c. It falls because she would prefer to visit ten times per year.

d. It rises, since she will save money when she reduces her visits, and she can spend that money on other goods and services.

ANSWER: a

53. When cashews are $4 a pound, Sarah buys seven pounds per month. When they are $6 a pound, she buys five pounds per month. How many pounds will Sarah likely purchase if the price were $7 a pound?

a. three pounds

b. five pounds

c. seven pounds

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d. nine pounds

ANSWER: a

54. Which of these BEST explains the slope of an individual demand curve?

a. The marginal benefit of a good falls as quantity demanded rises.

b. As consumers purchase more of a typical good, their desire for more of the good rises.

c. For a given individual demand curve, important factors other than price are held constant.

d. Each price is connected to one specific quantity.

ANSWER: a

55. An individual's demand curve plots the relationship between the quantity that someone plans to buy and:

a. price.

b. income level.

c. preferences.

d. the quantity of other goods demanded.

ANSWER: a

56. You're a management consultant hired by Sunco Lighting, Inc., to estimate the demand for high-efficiency LED light bulbs. The table shows the results of a survey you conducted of four representative consumers in a market of 40,000 consumers overall. You asked the four buyers how many high-efficiency LED light bulbs they would buy in a year at different prices.

Price ($)	Gloria	Michele	Amy	Annie
1	15	15	20	18
3	12	10	17	14
5	9	5	14	10
7	6	1	11	6
9	3	0	8	0

What market quantity demanded would you project, based on these data, at a price of $7 per bulb?

a. 1,100

b. 2,400

c. 240,000

d. 960,000

ANSWER: c

57. You have conducted a survey of more 200 customers who regularly buy empanadas from your aunt's food cart, and you are using the data to help her develop a pricing strategy. Why might a survey of current customers underestimate the market quantity demanded at some prices?

a. Falling prices may entice new customers into the market.

b. A survey typically includes only a small percentage of the market.

c. As prices rise, buyers might decide to buy more because the marginal benefit rises.

d. Buyers may not notice a price increase and continue to buy the same amount instead of cutting back.

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ANSWER: a

58. In a recession, you would expect sales of high-end artisan cheese imported from Switzerland to _____, whereas sales of large producers like Cabot and Land O Lakes would likely _____.

a. fall; rise
b. rise; fall
c. stay the same; rise
d. rise; stay the same

ANSWER: a

59. Which is LEAST likely to shift a market demand curve to the left?

a. H&M develops a new line of clothing that enables the customer to customize the color and pattern of a garment with an app.
b. Engineers develop cheaper and more powerful batteries for electric vehicles, impacting the market for gasoline-powered cars.
c. A study finds that nutrients in pomegranates prevent various kinds of cancer.
d. Apple lowers the price of iPhones, but Samsung keeps its phone prices the same.

ANSWER: a

60. Which situation might exhibit both network and congestion effects?

a. a free, open-air concert by the world's most popular band
b. a new television show that everyone agrees is truly "must-see TV"
c. the elevator in a 10-story building
d. outdoor furniture made from teak

ANSWER: a

61. Shifts in the market demand curve occur:

a. because of all the factors that shift individual demand curves, along with changes in the types and number of buyers.
b. only because of changes in income and preferences, along with changes in the types and number of buyers.
c. only because of changes in the types and number of buyers.
d. only because of the same factors that shift individual demand curves.

ANSWER: a

62. Just after the price of canned tuna fish fell, Isabelle got a raise. She wound up buying less canned tuna. How can we explain this?

a. For Isabelle, canned tuna is an inferior good, and the leftward shift of her demand curve more than offset the movement down and to the right along her demand curve.
b. For Isabelle, canned tuna is a normal good, and the rightward shift of her demand curve reinforced the movement down and to the right along her demand curve.
c. For Isabelle, canned tuna is an inferior good, and the rightward shift of her demand curve more than offset the movement up and to the left along her demand curve.
d. For Isabelle, canned tuna is a normal good, and the leftward shift of her demand curve more than offset the movement up and to the right along her demand curve.

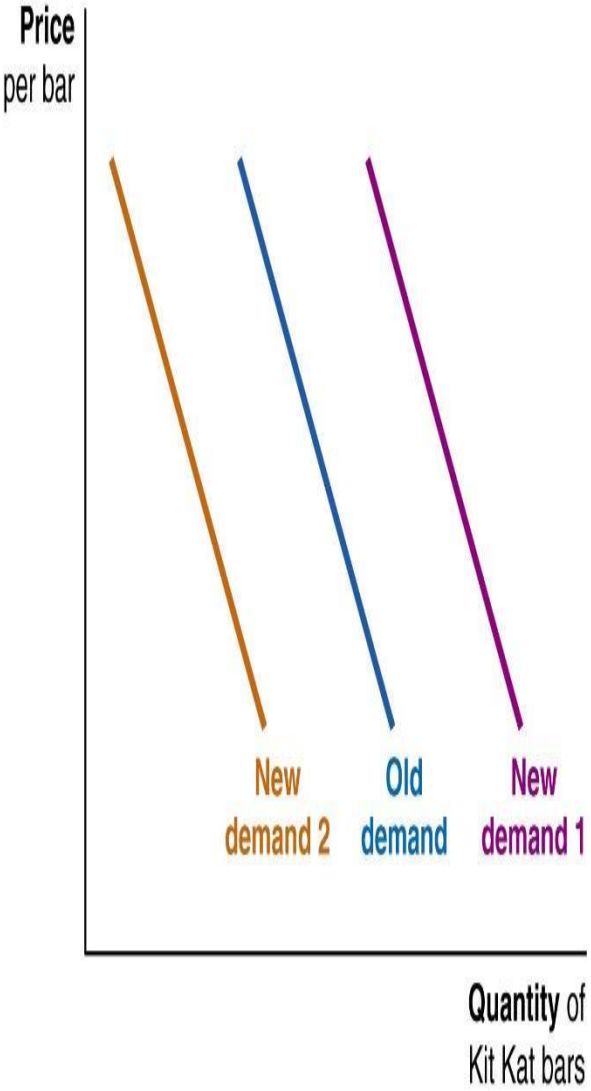
ANSWER: a

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63. (Figure: Kit Kat bars) Julio enjoys Kit Kat bars, Hershey bars, and Crunch bars about equally. The graph shows Julio's demand for Kit Kat bars.



Which of these would result in a shift from *Old demand* to *New demand 1*?

a. a rise in the price of Hershey bars
b. a drop in Julio's income, assuming Kit Kat bars are a normal good for him
c. a fall in the price of Kit Kat bars
d. an increase in the population of Julio's town

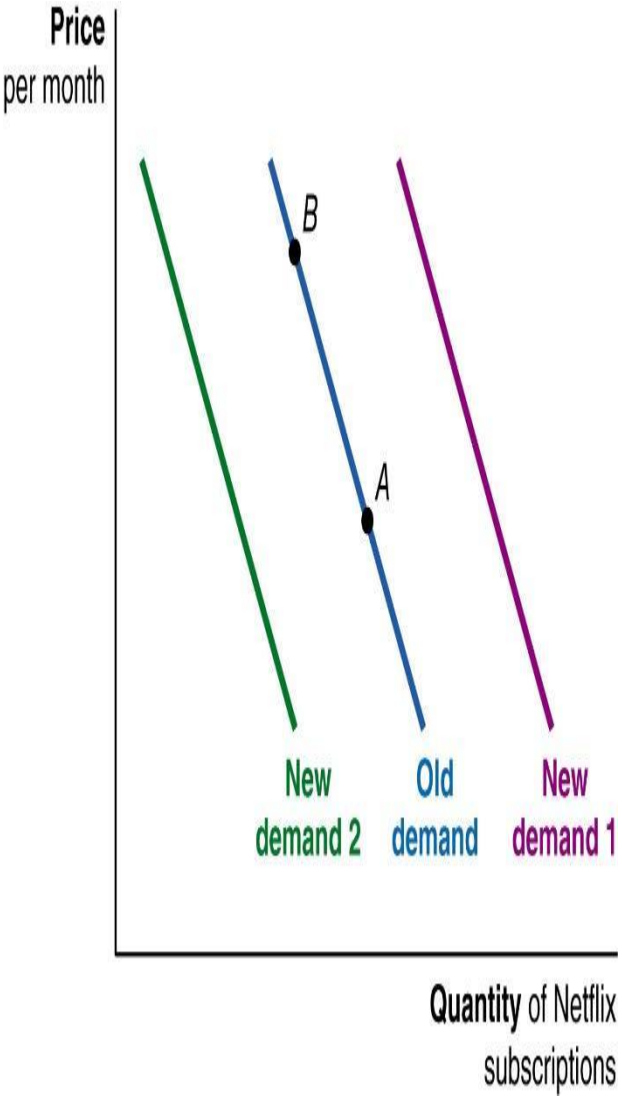
ANSWER: a

64. (Figure: Netflix subscriptions) The graph represents monthly Netflix subscriptions. If Hulu, another streaming service, raises its price, what is MOST likely to happen to the demand curve for Netflix?

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a. a shift from *Old demand* to *New demand 1*
b. a shift from *Old demand* to *New demand 2*
c. a movement from point A to point B
d. a movement from point B to point A

ANSWER: a

65. The law of demand is the tendency that, when price is:
a. higher, the quantity demanded is higher.
b. lower, the demand curve shifts to the right.
c. lower, the demand curve shifts to the left.
d. lower, the quantity demanded is higher.

ANSWER: d

66. The tendency for quantity demanded to be higher when the price is lower is known as the law of:
a. unintended consequences.

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b. increasing returns.
c. demand.
d. supply.

ANSWER: c

67. Which statement BEST illustrates the law of demand?
a. An increase in food prices encourages more individuals to buy more food, owing to scarcity.
b. Consumers buy more iPhones because prices have fallen.
c. Tesla produces more cars as prices increase.
d. Fewer people visit Disneyland because incomes have fallen.

ANSWER: b

68. A _____ illustrates a negative relationship between price and quantity demanded.
a. demand curve
b. supply curve
c. demand schedule
d. supply schedule

ANSWER: a

69. The law of demand implies that you will:
a. buy more goods and services at higher prices.
b. buy more goods and services at lower prices.
c. offer more goods and services in the market at lower prices.
d. offer fewer goods and services in the market at higher prices.

ANSWER: b

70. Suppose that apples and pomegranates are substitute goods. The _____ pomegranates will increase when apple prices rise.
a. demand for
b. quantity demanded of
c. supply of
d. quantity supplied of

ANSWER: a

71. Which statement BEST explains the law of demand?
a. As income rises, more cars are purchased, assuming cars are a normal good.
b. As the price of corn rises, more corn is sold.
c. As the price of computers rises, fewer computers are purchased.
d. As the population rises, more electricity is consumed.

ANSWER: c

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72. Which statement is CORRECT?

a. A change in demand is a movement along the demand curve, and a change in quantity demanded is a shift of the demand curve.
b. A change in quantity demanded and a change in demand are movements along the demand curve.
c. A change in quantity demanded and a change in demand are shifts of the demand curve.
d. A change in quantity demanded is a movement along the demand curve, and a change in demand is a shift of the demand curve.

ANSWER: d

73. In much of the country, car owners choose to operate their vehicles using gasoline or electricity, both of which are normal goods. Which factor would cause an increase in the demand for gasoline?

a. an increase in the price of gasoline
b. a decrease in the price of electricity
c. a decrease in consumer incomes
d. an increase in consumer incomes

ANSWER: d

74. In general, when incomes rise, individuals are more likely to travel by air than by car when they take vacations. Which statement provides one possible explanation for this phenomenon?

a. Air travel and travel by car are complementary goods.
b. Air travel and travel by car are both normal goods.
c. Air travel is a normal good, and travel by car is an inferior good.
d. Air travel is an inferior good, and travel by car is a normal good.

ANSWER: c

75. A shift of the demand curve for fried chicken would NOT result from a change in:

a. income.
b. the price of fried chicken.
c. the price of hot dogs.
d. the popularity of fried chicken.

ANSWER: b

76. If ratatouille and Hungarian goulash are substitutes, a decrease in the price of Hungarian goulash will cause the demand for:

a. ratatouille to increase.
b. Hungarian goulash to increase.
c. ratatouille to decrease.
d. Hungarian goulash to increase and the demand for ratatouille to decrease.

ANSWER: c

77. Paint and paintbrushes are complements. A decrease in the price of paintbrushes will cause the demand for:

a. paint to increase.

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b. paint to decrease.
c. paintbrushes to decrease.
d. both paint and paintbrushes to decrease.

ANSWER: a

78. Over the past several years, sushi has become increasingly popular among consumers. This means that the _____ has _____.
a. quantity of sushi demanded; increased
b. demand for sushi; decreased
c. demand for sushi; increased
d. quantity of sushi demanded; decreased

ANSWER: c

79. Which factor will NOT cause an increase in the demand for shoes?
a. a decrease in income, assuming shoes are an inferior good
b. an increase in income, assuming shoes are a normal good
c. a decrease in the price of shoes
d. an increase in the popularity of shoes, as adventurous new styles of shoe become fashionable

ANSWER: c

80. Which statement is TRUE regarding a normal good?
a. When income increases, the demand for a complementary good remains unchanged.
b. When income increases, the demand for a substitute good decreases.
c. When income increases, the demand for the good increases.
d. Income and demand are unrelated.

ANSWER: c

81. Suppose the demand curve for monthly subscriptions to Netflix has shifted to the right. What could have caused this?
a. a fall in the price of Netflix subscriptions
b. an increase in the price of Netflix subscriptions
c. an increase in the availability of Netflix subscriptions
d. an increase in the incomes of consumers

ANSWER: d

82. If people demand more Netflix subscriptions when the price of Hulu subscriptions falls, then Netflix and Hulu are:
a. not related.
b. substitutes.
c. complements.
d. inferior goods.

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ANSWER: c

83. If people demand fewer Netflix subscriptions when the price of Hulu subscriptions falls, then Netflix and Hulu are:

a. not related.
b. substitutes.
c. complements.
d. inferior goods.

ANSWER: b

84. If the demand for electric cars falls when the price of electricity rises, then electric cars and electricity are:

a. substitutes.
b. complements.
c. rival in consumption.
d. both expensive.

ANSWER: b

85. An increase in the price of shoes would probably result in _____ in the demand for shoelaces.

a. a decrease
b. an increase
c. no change
d. random fluctuations

ANSWER: a

86. An announcement of a finding that vaping diminishes people's ability to think clearly will MOST likely result in:

a. an increase in the quantity of vapes demanded.
b. a decrease in the demand for vapes.
c. no change in vaping habits.
d. an increase in the price of vapes.

ANSWER: b

87. If spaghetti and meatballs are complements, when the price of spaghetti rises, the demand curve for meatballs:

a. shifts to the right.
b. shifts to the left.
c. is unaffected.
d. shifts to the right and then moves back.

ANSWER: b

88. If chicken and pork are substitutes, then a fall in the price of chicken will cause:

a. an increase in the demand for pork.

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b. a decrease in the demand for pork.
c. an increase in the quantity of pork demanded.
d. no change in the demand for pork.

ANSWER: b

89. Purchases of vacations, restaurant meals, and smartphones tend to fall as buyers' incomes fall and rise as buyers' incomes rise. Such goods are known as:
a. inferior.
b. direct.
c. normal.
d. indirect.

ANSWER: c

90. For bus rides, a(n) _____ in buyers' incomes causes a(n) _____.
a. increase; increase in demand
b. increase; increase in quantity demanded
c. increase; decrease in demand
d. decrease; decrease in demand

ANSWER: c

91. Steak is a normal good. If students' incomes at your college decrease the:
a. demand for steak will increase.
b. quantity of steak demanded will increase.
c. demand for steak will decrease.
d. demand for steak will not change.

ANSWER: c

92. Macaroni and cheese is an inferior good. If students' incomes at your college increase, the effect on macaroni and cheese consumption will be the:
a. demand for macaroni and cheese will increase.
b. quantity of macaroni and cheese demanded will increase.
c. demand for macaroni and cheese will decrease.
d. demand for macaroni and cheese will not change.

ANSWER: c

93. Suppose that, upon changing jobs, you experience an increase in income. If, as a result, you decide to purchase more sushi and fewer hamburgers, then hamburgers for you are a(n) _____ good.
a. normal
b. substitute
c. complementary
d. inferior

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ANSWER: d

94. The demand for bottled water decreases at a time when people believe bottled water prices will soon fall. The change in demand is MOST likely attributable to a change in:

a. income.
b. consumer expectations.
c. consumer preferences.
d. prices of other goods.

ANSWER: b

95. Which factor would shift the demand curve for new computers to the right?

a. a decrease in the price of tablets (such as an iPad)
b. a fall in the price of used computers
c. an increase in student enrollment in college
d. a fall in the price of new computers

ANSWER: c

96. The demand curve for meals at a local Chick-fil-A will shift to the left if:

a. Chick-fil-A offers a free sandwich to people who sign up for their new rewards app.
b. the price of a meal at Chick-fil-A rises.
c. incomes increase, and Chick-fil-A meals are a normal good.
d. the price of gasoline falls in the area.

ANSWER: a

97. Assuming that iPhones are a normal good, which factor will NOT increase the demand for iPhones?

a. an increase in the incomes of iPhone users
b. cool new computer games that can only be played on iPhones
c. lower prices for Samsung smartphones
d. a rise in the price of laptop computers

ANSWER: c

98. In the market for canned soup, _____ will increase if income increases and soup is a(n) _____ good.

a. demand; inferior
b. demand; normal
c. supply; inferior
d. supply; normal

ANSWER: b

99. If the price of peanut butter were to decrease, the demand for jam, a complementary good, would probably _____.

a. decrease

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b. increase

c. not change

d. randomly fluctuate

ANSWER: b

100. The demand curve for Adidas shoes has shifted to the right. What could have caused this?

a. a fall in the price of Adidas

b. an increase in the price of Adidas

c. an increase in the supply of Adidas

d. an increase in enthusiasm among consumers for Adidas as an exercise shoe

ANSWER: d

101. The market price of cruise ship vacations has increased recently. Some economists suggest that the price increased because of an increase in the number of retirees. In other words, they believe that:

a. quantity demanded increased.

b. quantity demanded decreased.

c. demand increased.

d. demand decreased.

ANSWER: c

102. Steak is a normal good if:

a. a rise in the price of a steak sauce causes the demand for steak to decrease.

b. plummeting wages cause the demand for steak to increase.

c. a rise in the price of pork causes the demand for steak to increase.

d. rapidly rising wages cause the demand for steak to increase.

ANSWER: d

103. (Table: The Demand for Potato Chips) Use Table: The Demand for Potato Chips. Blair buys 30 bags of potato chips per month when the price of each bag is:

Table: The Demand for Potato Chips

	Quantity demanded (bags per month)		
Price per bag	Blair	Serena	Dan
$0.90	20	10	70
0.80	25	20	90
0.70	30	30	110
0.60	35	40	130
0.50	40	50	150
0.40	45	60	170
0.30	50	70	190

a. $0.90.

b. $0.80.

c. $0.70.

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d. $0.60.

ANSWER: c

104. (Table: The Demand for Potato Chips) Use Table: The Demand for Potato Chips. If Blair, Serena, and Dan are the only three buyers in the market, and the price of a bag of potato chips is $0.80, the total market quantity demanded is _____ bags per month.

Table: The Demand for Potato Chips

	Quantity demanded (bags per month)		
Price per bag	**Blair**	**Serena**	**Dan**
$0.90	20	10	70
0.80	25	20	90
0.70	30	30	110
0.60	35	40	130
0.50	40	50	150
0.40	45	60	170
0.30	50	70	190

a. 100

b. 110

c. 135

d. 310

ANSWER: c

105. (Table: The Demand for Potato Chips) Use Table: The Demand for Potato Chips. If Blair, Serena, and Dan are the only three buyers in the market and the price of a bag of potato chips is $0.60, the total market quantity demanded is _____ bags per month.

Table: The Demand for Potato Chips

	Quantity demanded (bags per month)		
Price per bag	**Blair**	**Serena**	**Dan**
$0.90	20	10	70
0.80	25	20	90
0.70	30	30	110
0.60	35	40	130
0.50	40	50	150
0.40	45	60	170
0.30	50	70	190

a. 130

b. 140

c. 205

d. 350

ANSWER: c

106. (Table: The Demand for Potato Chips) Use Table: The Demand for Potato Chips. If Blair, Serena, and Dan are the only three buyers in the market, and the price of a bag of potato chips is $0.50, the total market quantity demanded is _____ bags per month.

Table: The Demand for Potato Chips

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	Quantity demanded (bags per month)		
Price per bag	**Blair**	**Serena**	**Dan**
$0.90	20	10	70
0.80	25	20	90
0.70	30	30	110
0.60	35	40	130
0.50	40	50	150
0.40	45	60	170
0.30	50	70	190

a. 110
b. 135
c. 240
d. 310

ANSWER: c

107. When the consumption of Dasani purified water recently decreased, the Coca Cola Company (which owns Dasani) hired a survey firm to determine why. The firm interviewed consumers, who said that falling prices of other brands of bottled water were discouraging them from purchasing Dasani. This implies a:

a. movement up and to left along the demand curve for Dasani purified water.
b. movement down and to right along the demand curve for Dasani purified water.
c. rightward shift of the demand curve for Dasani purified water.
d. leftward shift of the demand curve for Dasani purified water.

ANSWER: d

108. A decrease in the price of Selsun Blue anti-dandruff shampoo will generally result in a(n):

a. decrease in the demand for Head and Shoulders anti-dandruff shampoo.
b. increase in the demand for Head and Shoulders anti-dandruff shampoo.
c. decrease in the quantity of Head and Shoulders anti-dandruff shampoo demanded.
d. increase in the quantity of Head and Shoulders anti-dandruff shampoo demanded.

ANSWER: a

109. The _____ season tickets for the New York Rangers is the graphical representation of the number of season tickets people want to buy at any given price.

a. production possibility curve for
b. supply curve for
c. demand curve for
d. quantity demanded of

ANSWER: c

110. The price of Tide falls, and the demand for Purex decreases. We can conclude that:

a. Tide and Purex are complements.
b. Tide and Purex are substitutes in production.

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c. Tide and Purex are substitutes.

d. Tide is a normal good.

ANSWER: c

111. In the market for fresh coffee, a normal good, which event will shift the demand curve to the right?

a. an increase in coffee plantations in Columbia

b. a fall in the price of coffee

c. a rise in incomes

d. an increased preference among consumers for tea rather than coffee

ANSWER: c

112. If yoghurt and smoothies are substitutes in consumption, then a rise in the price of yoghurt will cause the:

a. demand for smoothies to increase.

b. demand for smoothies to decrease.

c. quantity of smoothies demanded to increase.

d. quantity of smoothies demanded to decrease.

ANSWER: a

113. An increase in income will be reflected in the market for passionfruit as a(n):

a. increase in the demand for passionfruit if passionfruit is an inferior good.

b. increase the demand for passionfruit if passionfruit is a normal good.

c. increase in the supply of passionfruit.

d. decrease in the demand for passionfruit if passionfruit has a very low price.

ANSWER: b

114. If ramen noodles are an inferior good, then an increase in income will lead to a:

a. leftward shift of the demand curve for ramen noodles.

b. rightward shift of the demand curve for ramen noodles.

c. movement up and to the left along the demand curve for ramen noodles.

d. movement down and to the right along the demand curve for ramen noodles.

ANSWER: a

115. Avery goes to the local supermarket to purchase one package of collard greens. She often pays $2.50 for a package, but she finds they are on sale for $1.50 each. According to the law of demand, shoppers like Avery will:

a. purchase an alternative good.

b. purchase more collard greens than they normally would.

c. decide not to purchase collard greens.

d. buy the same amount of collard greens as they always do, on average.

ANSWER: b

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116. Recent research suggests that certain refillable plastic water bottles may leech cancer-causing particles into the containers with repeated usage. As a result of this research being made public, one would expect:

a. the demand for such containers to decrease.
b. the quantity demanded of such containers to increase.
c. no effect.
d. the price of the containers to change because of a movement along the demand curve.

ANSWER: a

117. Spaghetti and salad are related. If the price of spaghetti increases and the demand curve for salad shifts leftward, these goods are:

a. complements.
b. substitutes.
c. inferior.
d. normal.

ANSWER: a

118. Suppose oranges and clementines are substitutes. Holding everything else constant, if the price of oranges decreases, then the demand for _____ will _____.

a. clementines; increase
b. clementines; decrease
c. oranges; increase
d. oranges; decrease

ANSWER: b

119. Spaghetti and salad are related goods. Holding everything else constant, if the price of spaghetti decreases and the demand for salad increases, spaghetti and salad are probably:

a. complements.
b. substitutes.
c. inferior.
d. normal.

ANSWER: a

120. Spaghetti and lasagna are substitutes. Holding all other things constant, this means that if the price of spaghetti increases, the demand for:

a. spaghetti will increase.
b. lasagna will increase.
c. both spaghetti and lasagna will increase.
d. lasagna will decrease.

ANSWER: b

121. If ramen noodles are an inferior good for Kim, then, holding all other things constant, as Kim's income increases, her demand for ramen noodles will:

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a. decrease.
b. increase.
c. exceed supply.
d. stay the same.

ANSWER: a

122. The demand for matcha will increase if:
a. there is a decrease in the price of matcha.
b. the prices of inputs needed to produce matcha decrease.
c. there is an increase in the number of matcha consumers.
d. the price of sugar increases.

ANSWER: c

123. Suppose that the price of rare earth metals (one of the main components of most smartphones) is increasing. As a consequence, people expect the prices of smartphones to rise next year. Therefore, people will MOST likely purchase:
a. fewer smartphones this year but more next year.
b. more smartphones this year but fewer next year.
c. approximately the same quantity of smartphones this year but fewer next year.
d. approximately the same quantity of smartphones this year but more next year.

ANSWER: b

124. Tamara notices that studying for one hour after class increases her statistics grade by 16 points. The second hour yields a 9-point gain, the third hour yields a 4-point gain, and the fourth hour yields only a 1-point gain. This means that the marginal _____ of studying decreases with study hours.
a. cost
b. benefit
c. opportunity cost
d. time

ANSWER: b

125. When the marginal benefit of an activity is equivalent, in the rational buyer's mind, to the price of the activity, the rational buyer should do _____ of the activity.
a. less
b. the same amount
c. more
d. none

ANSWER: b

126. You find that the marginal benefit of eating one more yogurt is greater than the price of the yogurt. You therefore:
a. will be better off if you eat one more yogurt.

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b. will be no better off and no worse off if you eat one more yogurt.

c. will be worse off if you eat one more yogurt.

d. conclude that the total cost of eating the yogurt will exceed the total benefit of eating the yogurt.

ANSWER: a

127. Janelle loves sashimi. Her first piece of sashimi normally gives her a marginal benefit of $5. Each additional piece yields a marginal benefit that declines by $0.25 per piece. If her favorite sushi bar charges $2.75 per piece of sashimi, how many pieces should she eat?

a. 7

b. 9

c. 5

d. 11

ANSWER: b

128. Maria's Pizza offers one slice for $2, two slices for $3.50, three slices for $4.50, and four slices for $5.00. Gil orders two slices. From this information, we know that the marginal benefit to Gil of a second slice is at least $_____, and the marginal benefit to Gil of a third slice is less than $_____.

a. 3.50; 4.50

b. 3.50; 1.00

c. 1.50; 1.00

d. 1.50; 4.50

ANSWER: c

129. As Massimo ate cheesecake during one recent outing, he found that he enjoyed each additional slice less and less. This implies that his marginal benefit was:

a. decreasing.

b. increasing.

c. constant.

d. vertical.

ANSWER: a

130. Antonio has a cell phone, and his service provider is AT&T. When he calls his wife, Erika, who is also an AT&T customer, he does not have to pay for those minutes. The more AT&T customers there are in the market, the greater the benefit Antonio receives. This is:

a. a network effect.

b. the Coase theorem.

c. a Pigouvian subsidy.

d. a technology spillover.

ANSWER: a

131. Facebook is subject to network effects because:

a. its value to an individual declines when the number of other people using it increases.

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b. its value is determined only by its marginal private benefit.
c. its value to an individual increases when the number of other people using it increases.
d. it yields negative externalities.

ANSWER: c

132. An individual demand curve is a graph that plots the:
a. quantity of an item that someone plans to buy at each price.
b. quantity of an item that someone plans to buy at a particular price.
c. quantity of an item that a seller plans to sell at each price.
d. market price of a product at different points in time.

ANSWER: a

133. Quantity demanded is the amount of a good:
a. that a person is willing to buy at each price.
b. that a person actually buys at the market price.
c. that a person is willing to buy at a particular price.
d. at which the opportunity cost of a good equals the marginal benefit.

ANSWER: c

134. Demand curves slope downward due to:
a. the positive relationship between price and quantity demanded.
b. buyers' perceptions that a fall in price means a fall in quality.
c. the law of demand.
d. stores lowering their prices.

ANSWER: c

135. A downward-sloping demand curve implies:
a. an inverse relationship between price and quantity demanded.
b. a positive relationship between price and quantity demanded.
c. no relationship between price and quantity demanded.
d. that buyers are willing to buy less when prices fall.

ANSWER: a

136. The law of demand refers to the:
a. positive relationship between price and quantity supplied.
b. inverse relationship between price and quantity supplied.
c. inverse relationship between price and quantity demanded.
d. positive relationship between price and quantity demanded.

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ANSWER: c

137. Which of these scenarios does NOT illustrate the law of demand?
   a. When Kit-Kats are cheaper, Mary opts to buy more Kit-Kats.
   b. Darren buys two pairs of jeans when they are $40 each but only one pair when it is $60.
   c. Layla buys less tea when the price of tea rises.
   d. Freya buys more doughnuts when the price of doughnuts rises.

ANSWER: d

138. Which of these scenarios illustrates the law of demand?
   a. Francis does not care about the price of coffee at the coffee shop; he simply needs to have his two cappuccinos every day.
   b. A research company finds that the more expensive is a particular brand of designer handbag, the more consumers are willing to purchase it.
   c. John likes to drink spring water. At a price of $2, he buys four bottles, and when the price falls to $1.50, he continues to buy four bottles.
   d. Kathleen eats more steak when the price is low and less when the price is high.

ANSWER: d

139. When you plot a demand curve:
   a. quantity demanded is measured on the vertical axis.
   b. price is measured on the horizontal axis.
   c. quantity supplied is measured on the vertical axis.
   d. quantity demanded is measured on the horizontal axis.

ANSWER: d

140. When you plot a demand curve:
   a. quantity demanded is measured on the vertical axis.
   b. price is measured on the horizontal axis.
   c. price is measured on the vertical axis.
   d. quantity supplied is measured on the vertical axis.

ANSWER: c

141. A rational buyer will:
   a. keep buying a product until the marginal benefit equals the price.
   b. buy a product until the marginal benefit of consuming the product is less than the price of the product.
   c. buy the product only when the marginal benefit of consuming the product is twice as much as the price of the product.
   d. not consider costs versus benefits when purchasing a product.

ANSWER: a

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142. The Rational Rule for Buyers:

a. entails that buyers compare the total benefit of all units of an item to the total cost of all units purchased.

b. entails that buyers compare the benefit of buying an additional unit of an item to the cost of that item.

c. only applies to buyers who are buying necessities as opposed to luxuries.

d. entails that buyers compare the cost of production of an item to the price of the item.

ANSWER: b

143. Which of these scenarios depicts a rational buyer?

a. Mary values a bag of salad at $2, but she buys the bag of salad even when the price is $4.

b. John walks into a grocery store and purchases monthly groceries without paying attention to the prices of groceries.

c. Darwin buys a can of shoe polish at $4.50 when his marginal benefit from it is $3.75.

d. Damien buys a sandwich for $5 when the marginal benefit of the sandwich to him is $7.

ANSWER: d

144. The demand curve shows:
(i) a buyer's willingness to pay for a product at each quantity.
(ii) the marginal benefit a buyer gains from a product.
(iii) the marginal cost of producing a product.
(iv) the relationship between the price of a product and a buyer's willingness to pay for it at each price.

a. (i), (ii), (iii) and (iv) are all correct.

b. (i), (ii) and (iv) are correct.

c. (ii) and (iv) are correct.

d. (i) and (ii) are correct.

ANSWER: b

145. Which of these might be considered in a cost-benefit analysis used to determine whether a person should cycle to work or ride the subway?
(i) The air pollution the cyclist must breathe.
(ii) The cost of subway tickets.
(iii) The time it takes to cycle to work versus riding the subway to work.
(iv) The cost per gallon of gasoline.

a. (i), (iii), and (iv)

b. (i), (ii), (iii), and (iv)

c. (i), (ii), and (iv)

d. (i), (ii), and (iii)

ANSWER: d

146. Diminishing marginal benefit implies that:

a. buying an additional unit of item yields a larger benefit than the previous unit purchased.

b. consumers do not follow the Rational Rule for Buyers.

c. the benefit of a given decrease in price diminishes as price continues to fall.

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d. buying an additional unit of an item yields a smaller benefit than the previous unit purchased.

ANSWER: d

147. Diminishing marginal benefit:

a. does not affect a buyer's decision.

b. is seen in the upward slope of a supply curve.

c. is seen in the downward slope of a demand curve.

d. means that consumers are willing to pay more for additional units of an item.

ANSWER: c

148. On a hot sweltering day, you feel thirsty and buy an ice-cold soft drink, which you gulp down. Whether you buy a second drink or not will depend on:

a. how you feel about soft drinks.

b. the total quantity of soft drinks you have consumed that week.

c. the price of the soft drink.

d. whether the marginal benefit of the second soft drink exceeds the price of the drink.

ANSWER: d

149. The table shows the monthly individual demand schedules of four students for soda. What is the total monthly market demand for soda at $2 per can?

Price per can of soda	Quantity of soda cans demanded per month			
	Joanna	Jeffrey	Jason	Jeremy
$1.50	50	15	8	75
$2.00	40	11	4	70
$2.50	30	7	2	60
$3.00	20	3	0	40
$3.50	10	0	0	35

a. 99 cans

b. 45 cans

c. 125 cans

d. 148 cans

ANSWER: c

150. The table contains the monthly demand for soda cans for four students. If these four students make up the entire market, what is the total monthly market demand for soda at $1.50 per can?

Price per can of soda	Quantity of soda cans demanded per month			
	Joanna	Jeffrey	Jason	Jeremy
$1.50	50	15	8	75
$2.00	40	11	4	70
$2.50	30	7	2	60
$3.00	20	3	0	40
$3.50	10	0	0	35

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a. 125 cans
b. 45 cans
c. 99 cans
d. 148 cans

ANSWER: d

151. The table shows the monthly individual demand schedules of four students for soda. What is the change in the total market demand for soda when the price changes from $1.50 per can to $2 per can?

Price per can of soda	Quantity of soda cans demanded per month			
	Joanna	Jeffrey	Jason	Jeremy
$1.50	50	15	8	75
$2.00	40	11	4	70
$2.50	30	7	2	60
$3.00	20	3	0	40
$3.50	10	0	0	35

a. The total quantity demanded in the market falls by 23 cans.
b. The total quantity demanded in the market rises by 26 cans.
c. The total quantity demanded in the market falls by 18 cans.
d. The total quantity demanded in the market rises by 23 cans.

ANSWER: a

152. The table contains the monthly demand for soda for four students. If these four students make up the entire market, what is the change in the total monthly market demand for soda when the price changes from $3 per can to $2.50 per can?

Price per can of soda	Quantity of soda cans demanded per month			
	Joanna	Jeffrey	Jason	Jeremy
$1.50	50	15	8	75
$2.00	40	11	4	70
$2.50	30	7	2	60
$3.00	20	3	0	40
$3.50	10	0	0	35

a. The total quantity demanded in the market rises by 23 cans.
b. The total quantity demanded in the market falls by 26 cans.
c. The total quantity demanded in the market rises by 36 cans.
d. The total quantity demanded in the market falls by 33 cans.

ANSWER: c

153. What is the process that a manager can follow to estimate the total market demand for the United States?

a. Survey one consumer, and then scale up that individual demand to represent the entire market, and plot the market demand curve.
b. Survey some representative customers, find the total quantity demanded for those customers, scale up the quantities demanded to represent the entire market, and then plot the market demand curve.
c. Survey representative customers, find the total quantity demanded for those representative customers, and then plot the

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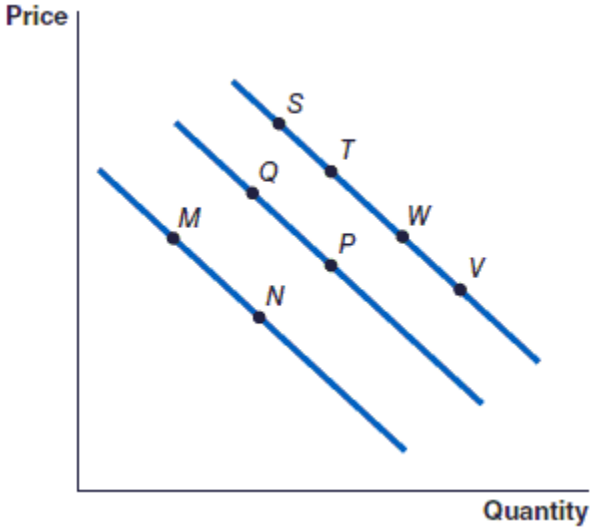
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market demand curve.

d. Generate random data to represent market quantity demanded for the entire market, and then plot the market demand curve.

ANSWER: b

154. (Figure: Graph) Refer to the graph to answer the question.



The movement from point M to point N represents a(n):

a. decrease in demand.

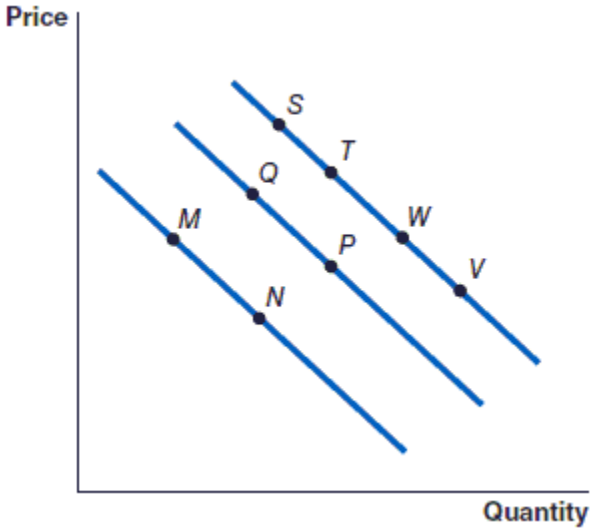
b. decrease in quantity demanded.

c. increase in quantity demanded.

d. increase in demand.

ANSWER: c

155. (Figure: Graph) Refer to the graph to answer the question. In the graph, the movement from point P to point Q represents a(n):



a. decrease in quantity demanded.

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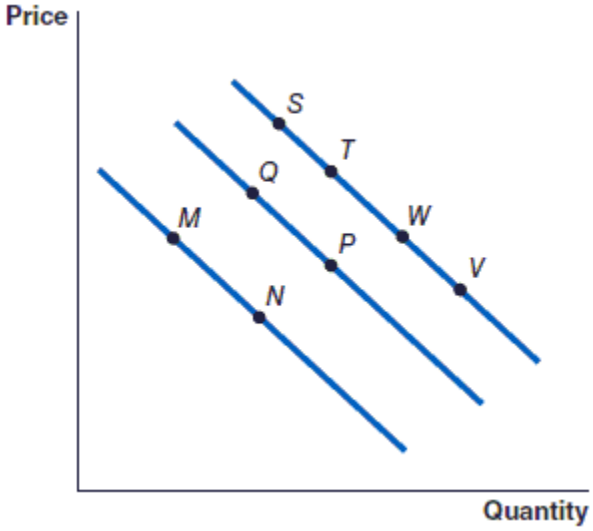
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b. increase in demand.
c. decrease in demand.
d. increase in quantity demanded.

ANSWER: a

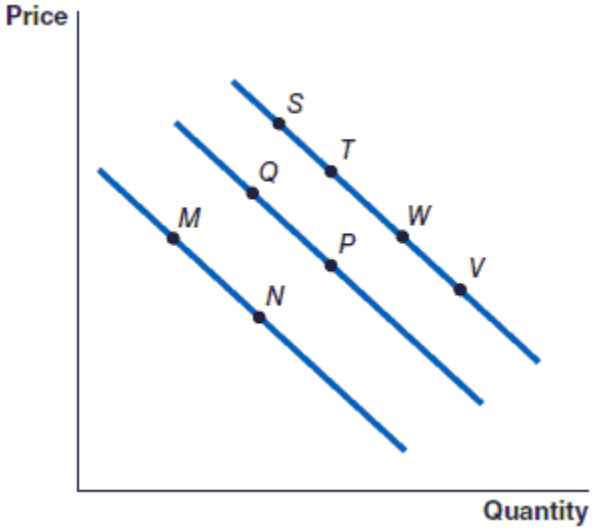
156. (Figure: Graph) Refer to the graph to answer the question. In the graph, the movement from point M to point Q represents a(n):



a. decrease in demand.
b. decrease in quantity demanded.
c. increase in quantity demanded.
d. increase in demand.

ANSWER: d

157. (Figure: Graph) Refer to the graph to answer the question. In the graph, the movement from point W to point P represents a(n):



a. increase in quantity demanded.

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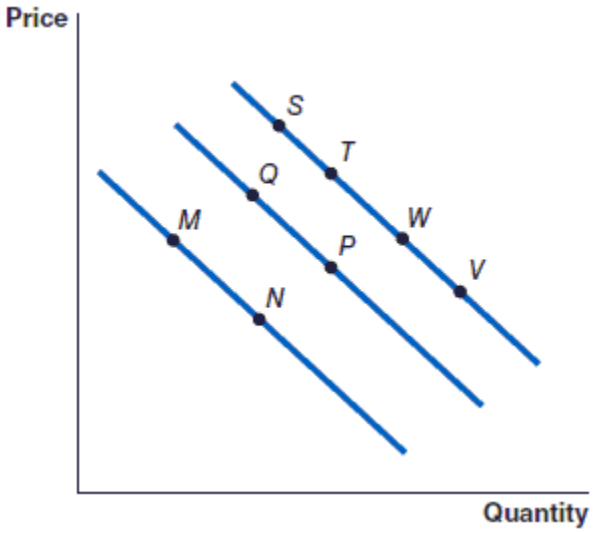
b. increase in demand.

c. decrease in demand.

d. increase in quantity demanded.

ANSWER: c

158. (Figure: Graph) Refer to the graph to answer the question. The movement from point S to point T is caused by a(n):



a. increase in the price of the item.

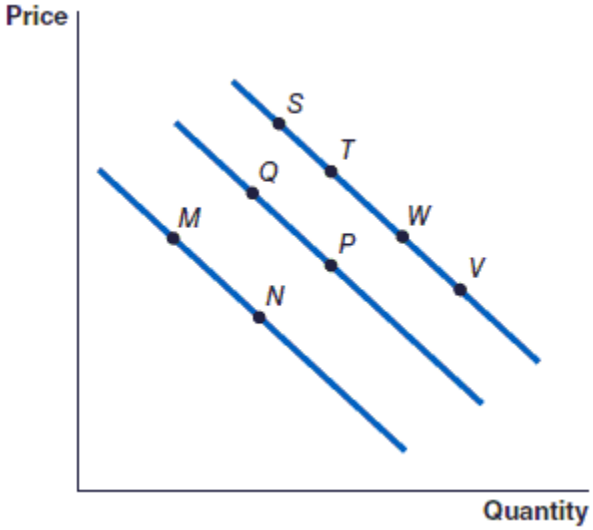
b. decrease in the price of the item.

c. decrease in the demand for the item.

d. increase in the demand for the item.

ANSWER: b

159. (Figure: Graph) Refer to the graph to answer the question. The movement from point V to point W is caused by a(n):



a. increase in the price of the item.

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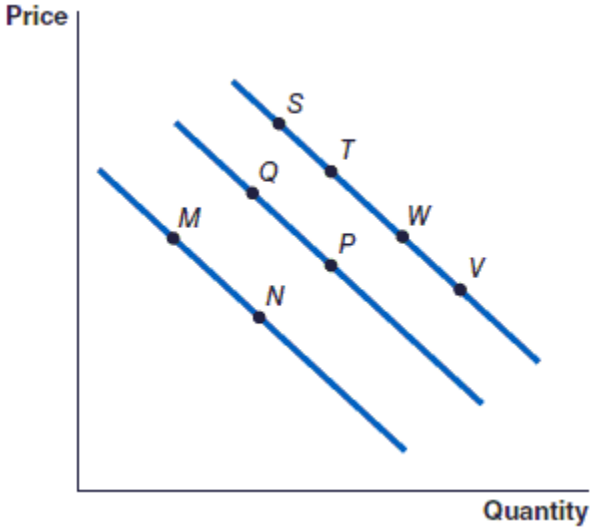
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b. decrease in the price of the item.
c. increase in the demand for the product.
d. decrease in the demand for the product.

ANSWER: a

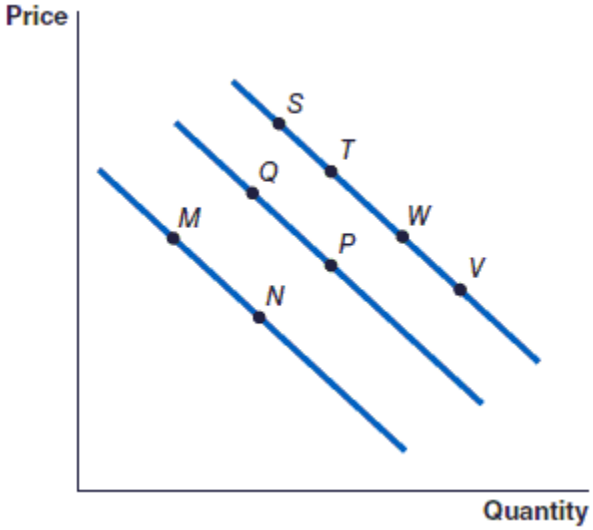
160. (Figure: Graph) Refer to the graph to answer the question. An increase in the price of an item will cause the movement from:



a. point W to point V.
b. point Q to point P.
c. point N to point M.
d. point Q to point T.

ANSWER: c

161. (Figure: Graph) Refer to the graph to answer the question. A decrease in the price of an item will cause the movement from:



a. point P to point W.

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b. point N to point M.

c. point T to point P.

d. point Q to point P.

ANSWER: d

162. The interdependence principle:

a. is the same as the cost-benefit principle.

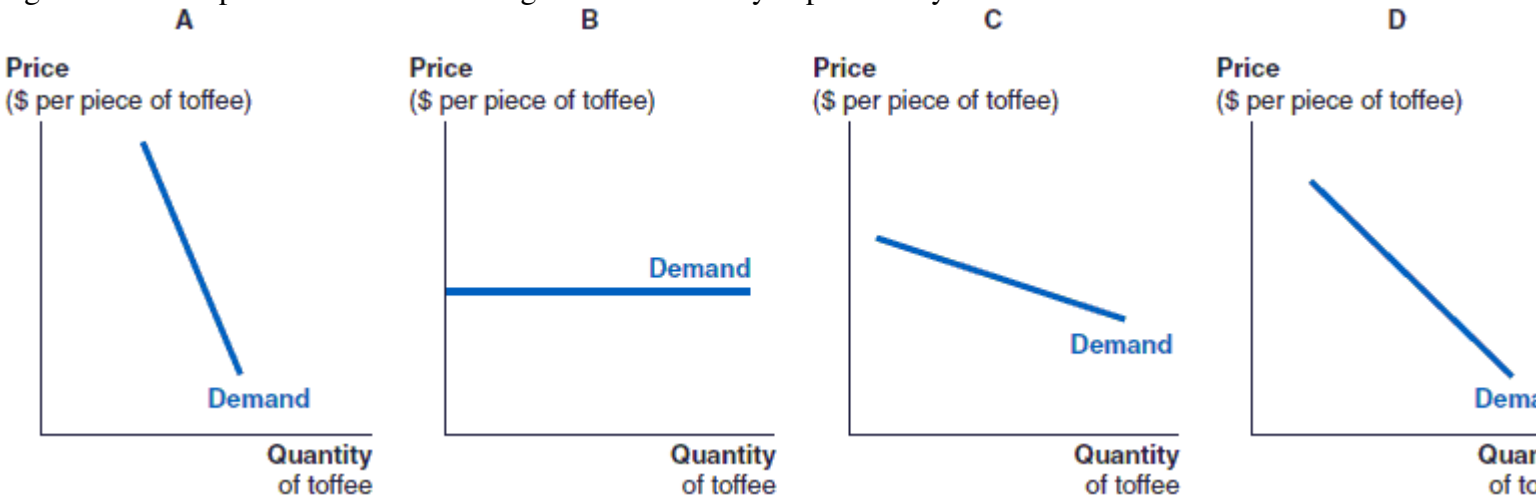
b. refers to the marginal benefit of consuming additional units of an item.

c. implies that buyers' decisions are affected by many factors other than the price of an item.

d. implies that consumers depend on each other to make purchase decisions.

ANSWER: c

163. (Figure: Holly's Demand for Toffee) Holly loves toffee so much that she must eat toffee every day, regardless of the price. Which of these figures MOST likely depicts Holly's demand for toffee?



a. Figure A

b. Figure B

c. Figure C

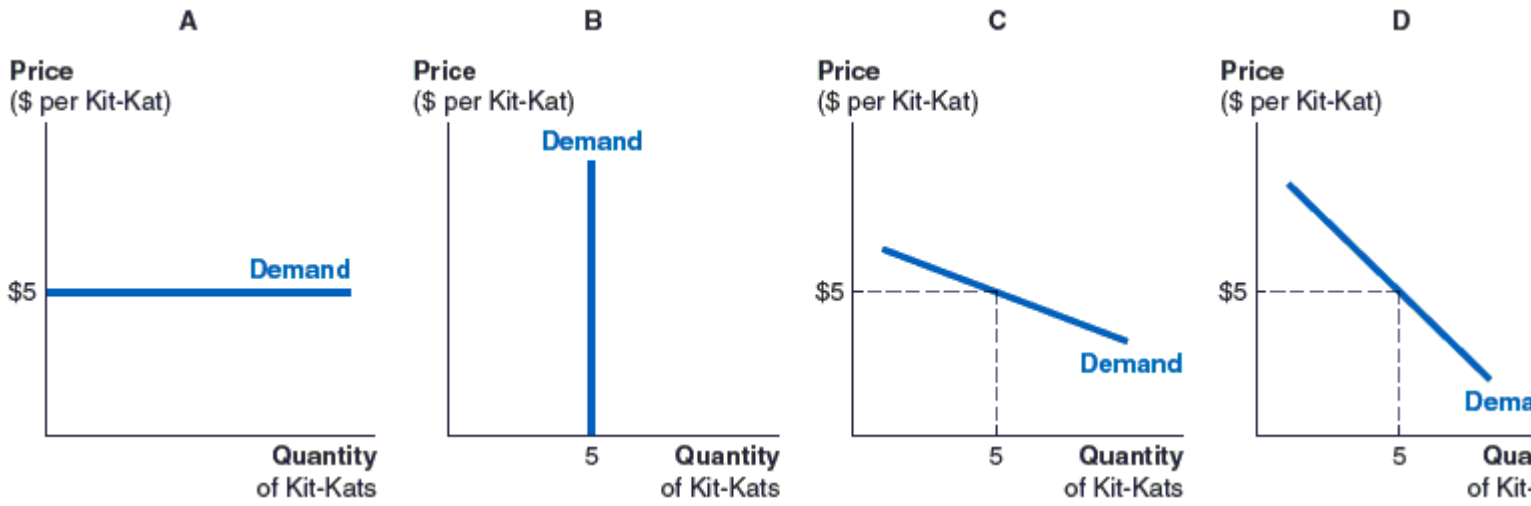
d. Figure D

ANSWER: a

164. (Figure: Damien's Demand for Kit-Kats) Damien has decided to eat five Kit-Kats every day, regardless of their price. Which of the figures shows Damien's daily demand curve for Kit-Kats?

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a. Figure A
b. Figure B
c. Figure C
d. Figure D

ANSWER: b

165. Shifts in market demand curve can result from a change in the:
a. price of a product.
b. cost of production of an item.
c. number of producers of an item in the market.
d. type and number of buyers.

ANSWER: d

166. Which of these is NOT a demand shifter?
a. the price of a substitute good
b. the price of a complementary good
c. the number of buyers in the market
d. the price of the product

ANSWER: d

167. A normal good is a good:
a. for which higher income causes an increase in demand.
b. that is normally purchased by many consumers.
c. that is only purchased by high-income consumers.
d. for which higher income causes a decrease in demand.

ANSWER: a

168. For normal goods:
a. an income tax cut will lead to a rise in demand.

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b. an income tax cut will lead to a fall in demand.
c. changes in consumer income do not affect consumption.
d. most consumers will purchase the good regardless of changes in income.

ANSWER: a

169. An inferior good is a good:
a. for which demand increases when income rises.
b. for which demand decreases when income rises.
c. primarily purchased by wealthy people.
d. purchased by very few people.

ANSWER: b

170. Fast food is a(n):
a. normal good.
b. good prone to congestion effects.
c. inferior good.
d. luxury good.

ANSWER: c

171. Expensive restaurant meals are a(n):
a. good prone to congestion effects.
b. network good.
c. inferior good.
d. normal good.

ANSWER: d

172. Evidence suggests that exercise promotes longevity. Based on this information, what might happen in the market for exercise-related goods and services?
a. The demand for gym memberships will not change.
b. People will reduce their purchases of exercise equipment.
c. The demand for exercise machines and/or gym memberships will increase.
d. The demand for exercise equipment will not be affected.

ANSWER: c

173. In March 2019, airlines around the world grounded their Boeing 737 Max aircraft after two of them crashed. What would we expect to happen in the market for this aircraft?
a. Airline companies would increase their demand for the Boeing 737 Max aircraft.
b. There would be a rise in the number of orders for Boeing 737 Max aircraft.
c. Consumers would increase the number of flights they take per year.
d. The demand for Boeing 737 Max aircraft would decrease.

ANSWER: d

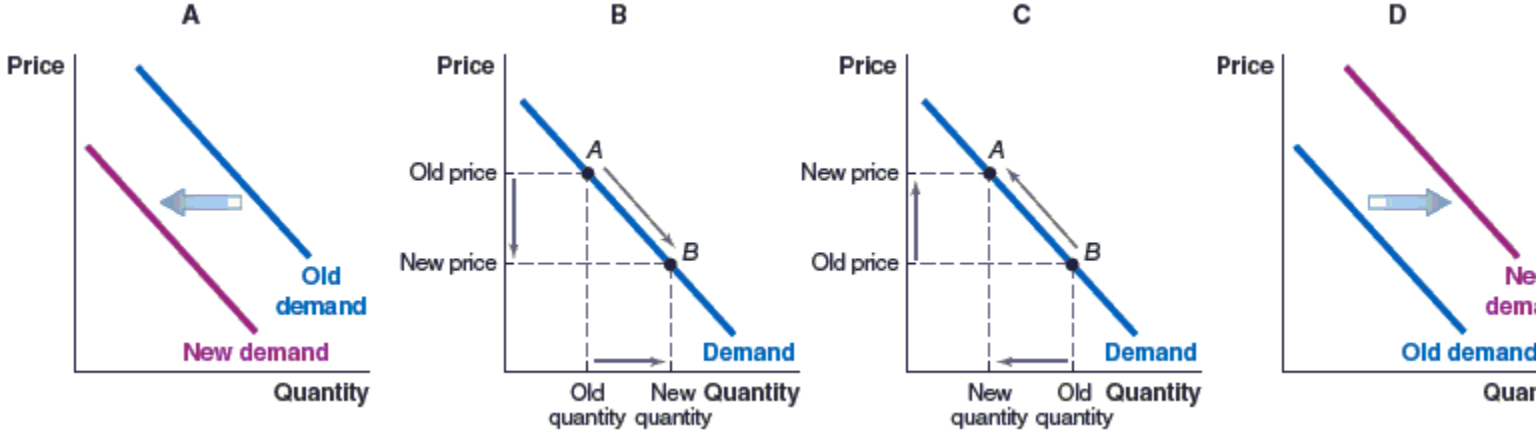
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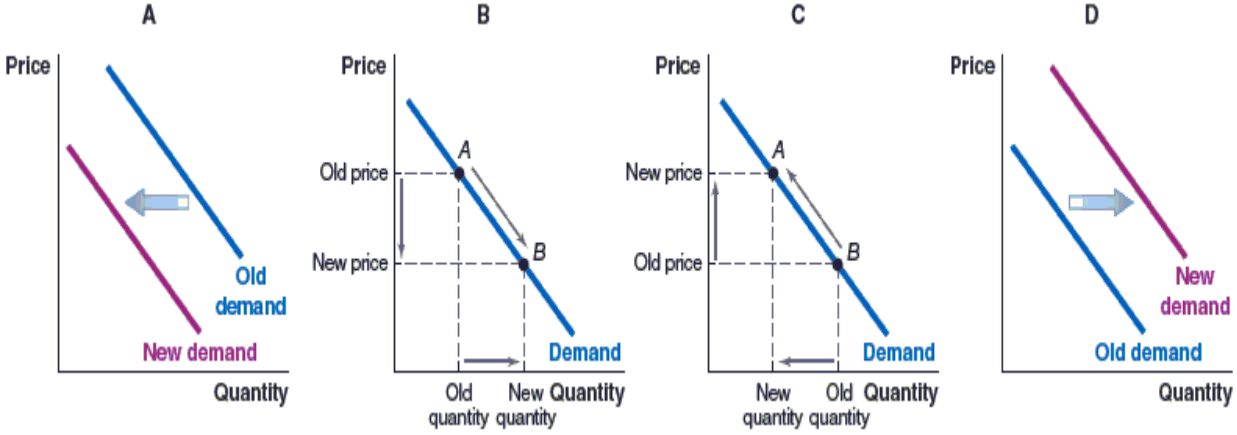
174. (Figure: Four sample demands) Fossil has started an aggressive advertising campaign for its wallets. Which graph shows how the demand in the market might change if the advertising campaign is successful?



a. Graph A
b. Graph B
c. Graph C
d. Graph D

ANSWER: d

175. (Figure: Four sample demands) The city of Vaughan in Ontario, Canada, opened a new subway line that extended the existing subway system between the greater Toronto area and the city of Vaughan. The route previously only had bus service. Which of these graphs depicts the effect you would expect to see on the demand for bus rides on this route after the introduction of the subway?



a. Graph A
b. Graph B
c. Graph C
d. Graph D

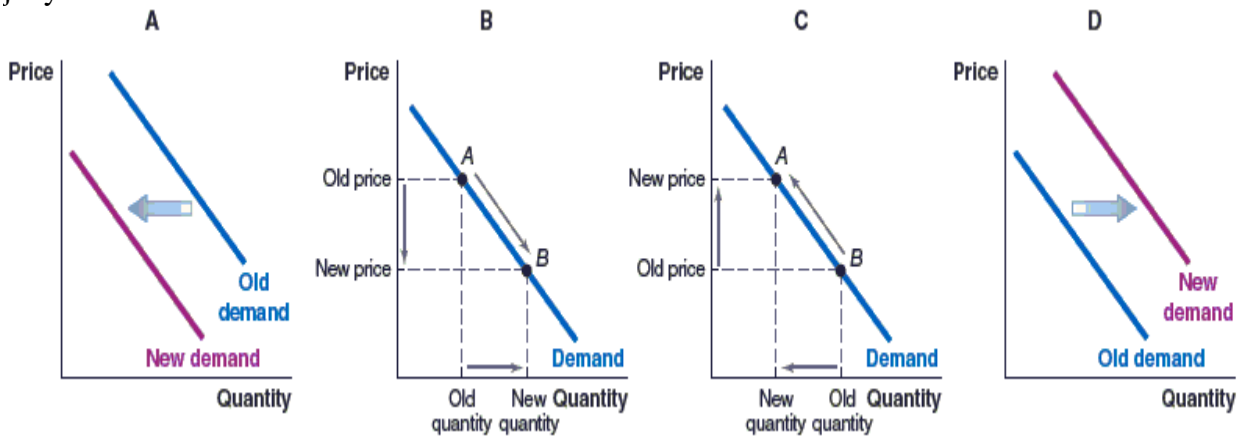
ANSWER: a

176. (Figure: Four sample demands) One of the most common lunches in the United States is a peanut butter and jelly sandwich. Which graph illustrates the impact of a rise in the price of peanut butter on the market for

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jelly?



a. Graph A
b. Graph B
c. Graph C
d. Graph D

ANSWER: a

177. (Figure: Four sample demands) Some people like to eat jam and butter sandwiches. For these people, which graph illustrates the impact of a fall in the price of butter on the market for jam?



a. Graph A
b. Graph B
c. Graph C
d. Graph D

ANSWER: d

178. (Figure: Four sample demands) Fort Collins, CO is experiencing net immigration of people into the area. Which graph illustrates how the demand for rental housing might be affected?

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a. Graph A
b. Graph B
c. Graph C
d. Graph D

ANSWER: d

179. (Figure: Four sample demands) Which graph shows what will happen in the market for luxury vehicles if a recession occurs?



a. Graph A
b. Graph B
c. Graph C
d. Graph D

ANSWER: a

180. (Figure: Four sample demands) Which graph shows the effect of an impending economic slowdown on the market for vacation cruises?

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a. Graph A
b. Graph B
c. Graph C
d. Graph D

ANSWER: a

181. (Figure: Four sample demands) What will happen to the demand for upscale restaurant meals if unemployment rises?



a. Graph A
b. Graph B
c. Graph C
d. Graph D

ANSWER: a

182. (Figure: Four sample demands) Which graph illustrates the effect on the demand for community college education if the economy falls into a recession?

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a. Graph A
b. Graph B
c. Graph C
d. Graph D

ANSWER: d

183. (Figure: Four sample demands) Which graph shows the effect on the housing market today if real estate analysts predict that new housing prices will fall in a few months?



a. Graph A
b. Graph B
c. Graph C
d. Graph D

ANSWER: a

184. (Figure: Four sample demands) Which graph shows the effect on the housing market today if real estate analysts predict that new housing prices will rise in a few months?

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a. Graph A
b. Graph B
c. Graph C
d. Graph D

ANSWER: d

185. (Figure: Four sample demands) Which graph illustrates what will occur in the market for printing paper if the price of printing paper rises?



a. Graph A
b. Graph B
c. Graph C
d. Graph D

ANSWER: c

186. (Figure: Four sample demands) Which graph illustrates what will happen in the market for roses if the price of roses falls?

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a. Graph A
b. Graph B
c. Graph C
d. Graph D

ANSWER: b

187. If the price of paint rises, we can expect the:
a. quantity of paint demanded to increase.
b. demand for paintbrushes to decrease.
c. demand for paintbrushes to increase.
d. quantity of paintbrushes demanded to remain unchanged.

ANSWER: b

188. If Tesla cars become less expensive, what will happen in the market for other electric cars?
a. The quantity demanded of Teslas will fall.
b. The demand for other electric cars will fall.
c. The demand for other electric cars will rise.
d. The quantity demanded of Teslas will not change.

ANSWER: b

189. (Figure: Four sample demands) Stevia is a natural sweetener that is used as a sugar substitute. Which of these graphs illustrates the impact of a rise in the price of Stevia on the demand for sugar?

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a. Graph A
b. Graph B
c. Graph C
d. Graph D

ANSWER: d

190. (Figure: Four sample demands) Bread and cheese are often considered complements. Which graph shows what will happen in the market for bread if the price of bread rises?



a. Graph A
b. Graph B
c. Graph C
d. Graph D

ANSWER: c

191. (Figure: Four sample demands) Dell and Apple are competitors in the computer market. Which graph illustrates the effect of a rise in the price of Dell computers on the demand for Apple computers?

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a. Graph A
b. Graph B
c. Graph C
d. Graph D

ANSWER: d

192. Which of these lists only factors that would cause a decrease in the demand for a good?
a. a decrease in popularity of a good; a rise in income (if the good is an inferior good); a fall in the price of a substitute good
b. a decrease in the number of consumers in the market; a rise in the price of a substitute good; a fall in the price of a complementary good
c. an increase in congestion effects; a decrease in the number of consumers in the market; increase in popularity of a product
d. an increase in network effects; a rise in income (if the good is a normal good); a rise in the price of a substitute good

ANSWER: a

193. Which of these lists only factors that would cause an increase in the demand for an item?
a. information on possible side effects of using an item; a rise in income (if the good is a normal good); a fall in the price of a substitute good
b. an increase in the number of consumers in the market; a rise in income (if the good is a normal good); a rise in the price of a substitute good
c. a decrease in the number of consumers in the market; a rise in the price of a substitute good; a fall in the price of a complementary good
d. an increase in congestion effects; a decrease in the number of consumers in the market; increase in popularity of a product

ANSWER: b

194. Which of these items is an inferior good?
a. low-quality frozen meals
b. university textbooks
c. a la carte dinners at restaurants
d. toll roads

ANSWER: a

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195. Which of these items is an inferior good?
a. luxury SUVs
b. items at discount stores
c. airline tickets
d. car rentals

ANSWER: b

196. Which of these items is a normal good?
a. canned food
b. instant noodles
c. steak
d. third-hand cars

ANSWER: c

197. The relationship between price expectations and current demand is:
a. negative; when future prices are expected to rise, current demand falls.
b. negative; when future prices are expected to fall, current demand rises.
c. positive; when future prices are expected to rise, current demand rises.
d. positive; future prices are generally expected to rise.

ANSWER: c

198. An example of a product that may have congestion effects is:
a. Tripadvisor reviews.
b. Facebook.
c. roads.
d. Instagram.

ANSWER: c

199. An example of a product with network effects is:
a. a meal at a fast food restaurant.
b. a social media tool such as WeChat in China.
c. a broadband telecommunications network.
d. broccoli.

ANSWER: b

200. If Canadian consumers expect the Canadian dollar to depreciate against the U.S. dollar (i.e., that the Canadian dollar will fall in value relative to the U.S. dollar), what impact would this have on Canadians' demand for American-made products?
a. The demand for American-made items would fall.
b. The demand for American-made items would not change.
c. The demand for American-made items would rise.

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d. The demand for American-made items would double.

ANSWER: a

201. If Canadian consumers expect the value of the Canadian dollar to rise against the U.S. dollar, what impact would this have on Canadians' demand for American-made products?

a. The demand for American-made items would fall.

b. The demand for American-made items would not change.

c. The demand for American-made items would rise.

d. The demand for American-made items would double.

ANSWER: c

202. If the British pound depreciates against the Euro, how will this affect the demand for German goods in the UK?

a. The demand for German goods will increase.

b. The demand for German goods will not change.

c. The demand for German goods will double.

d. The demand for German goods will fall.

ANSWER: d

203. The table below shows data on quantity demanded for ATV tours at an ATV excursion company in Bali. In June, many tourists arrive in Bali, and the additional demand from these tourists is indicated in the table. Which of these is TRUE about the market for ATV tours in June?

Price per ATV tour (per person)	Number of ATV tours demanded by tourists in May	Number of additional ATV tours demanded by tourists in June
$99	874	272
$119	819	245
$149	736	197
$189	604	145

a. At a price of $149, the total market demand for ATV tours in June is 933.

b. At a price of $99, the total market demand for ATV tours in June is 272.

c. At a price of $189, the total market demand for ATV tours in June is 459.

d. At a price of $119, the total market demand for ATV tours in June is 245.

ANSWER: a

204. (Figure: Four sample demands) A hotel in Cape Cod, Massachusetts, is completely booked during August. However, in September, tourism drops significantly, and some hotel rooms remain empty. Which of the graphs depicts this scenario?

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a. Graph A
b. Graph B
c. Graph C
d. Graph D

ANSWER: a

205. The table shows data on quantity demanded for college textbooks in June. In August, incoming freshmen join the university. The additional demand for college textbooks in August is shown in the last column of the table. Which of these is TRUE about the market for textbooks in August?

Textbook price	Number of textbooks demanded by students in June	Number of additional textbooks demanded by students in August
$75	1200	2700
$99	1050	1800
$149	899	1316
$300	412	555

a. At a price of $75, the total market demand for textbooks in August is 2,700.
b. At a price of $99, the total market demand for textbooks in August is 1,050.
c. At a price of $149, the total market demand for textbooks in August is 417.
d. At a price of $300, the total market demand for textbooks in August is 967.

ANSWER: d

206. During the Great Recession of 2007–2009, unemployment rose significantly, causing many people to worry about job security. Which of these would have occurred as a result of the Great Recession?
(i) Consumers ate out less often.
(ii) Consumers purchased fewer higher-end vehicles.
(iii) Purchases of new housing fell.
(iv) Consumers took fewer vacations outside the United States.

a. (i), (ii), and (iv) are correct.
b. (i) and (iv) are correct.
c. (ii) and (iii) are correct.
d. (i), (ii), (iii), and (iv) are all correct.

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ANSWER: d

207. (Figure: Four sample demands) A recent article published in the Journal of the American Dental Association discussed the impact of the Great Recession of 2007–2009 on the demand for dentistry in the United States. Which graph illustrates the likely impact of the Great recession on this market?



a. Graph A
b. Graph B
c. Graph C
d. Graph D

ANSWER: a

208. How will the demand for Gucci shoes change today if the government decides to tax designer shoes next year?

a. The demand curve for Gucci shoes will shift to the right today.
b. There will be no impact on the demand for Gucci shoes today.
c. People will stop buying Gucci shoes today.
d. The demand curve for Gucci shoes will shift to the left today.

ANSWER: a

209. What would you expect to happen to the demand for a luxury good today if the government announces it will stop taxing the good next year?

a. The demand curve for the luxury good will shift to the right today.
b. There will be no impact on the demand for the luxury good.
c. Consumers will stop their consumption of the luxury good altogether.
d. The demand curve for the luxury good will shift to the left today.

ANSWER: d

210. Which of these businesses would likely do relatively well in a recession?

a. luxury cruise lines
b. discount clothing stores
c. designer clothing stores

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d. upscale restaurants

ANSWER: b

211. Stores that are expected to perform better during recessions are those that sell:

a. inferior goods.
b. normal goods.
c. luxury goods.
d. expensive goods.

ANSWER: a

212. The marginal benefit of consuming an item is the:

a. difference between what the consumer is willing to pay and the actual market price of the good.
b. total benefit from buying several units of the good.
c. additional benefit from buying one more unit of the good.
d. additional number of consumers who buy a unit of a good.

ANSWER: c

213. Jane goes to an all-you-can-eat restaurant and makes three trips to the buffet. After finishing food from her third trip, she feels sick and throws up. Which of these economic explanations BEST matches Jane's situation?

a. Jane's marginal benefit from eating the third plate was positive but less than that of the second plate.
b. Jane's marginal benefit from her third trip to the buffet was larger than her marginal benefit from her second trip.
c. Jane was charged extra for the third plate at the buffet.
d. Jane's marginal benefit from eating the third plate was negative.

ANSWER: d

214. When you get hired for a well-paying job, you will MOST likely view older used cars as:

a. complementary goods.
b. substitute goods.
c. inferior goods.
d. normal goods.

ANSWER: c

215. As consumers consume more units of an item, the marginal benefit of each additional unit decreases at an increasing rate. This can be seen through demand curves that are:

a. flatter at lower quantities and steeper at higher quantities.
b. vertical.
c. steeper at lower quantities and flatter at higher quantities.
d. positively sloped.

ANSWER: c

216. In May of 2019, the United States raised tariffs (import taxes) on a large variety of Chinese imports. In the U.S. market for Chinese imports, we would see a(n):

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a. increase in the number of consumers.
b. fall in price.
c. rise in demand.
d. rise in price.

ANSWER: d

217. If a product has a large network effect, it will lead to:
a. a large congestion effect.
b. a small number of consumers using the product and a decreased demand for the product.
c. greater marginal benefits from using the product and increased demand for the product.
d. smaller marginal benefits from using the product.

ANSWER: c

218. If the price of airline tickets rises, there will be a(n):
a. increase in the demand for bus tickets but a decrease in the demand for train tickets.
b. decrease in the demand for bus tickets but an increase in the demand for train tickets.
c. increase in the quantity of airline tickets demanded.
d. increase in the demand for both bus and train tickets.

ANSWER: d

219. Air Canada announces a 15% off sale on flights to Canada. What effect will this sale have on the demand for Air Canada's flights to destinations other than Canada?
a. The quantity of Air Canada tickets demanded will increase.
b. The demand for Air Canada tickets will increase.
c. The quantity of Air Canada tickets demanded will decrease.
d. The demand for Air Canada tickets will decrease.

ANSWER: d

220. Dental services are:
a. a normal good.
b. expenses that do not change with income.
c. an inferior good.
d. a natural good.

ANSWER: a

221. The aim of a marketing campaign is to:
a. decrease the number of consumers in the market.
b. shift the demand curve to the left.
c. decrease the demand for the product.
d. increase the demand for the product.

ANSWER: d

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222. Find and explain the error in reasoning in each of these three statements.
Statement 1: If the price of steak rises, then the demand for steak will fall.
Statement 2: When incomes rise, consumers demand fewer inferior goods because these goods are lower in quality than normal goods.
Statement 3: The law of demand refers to the inverse relationship between the price of a product and the demand curve for that product.

ANSWER: Statement 1's error is the failure to distinguish between a change in quantity demanded and a change in demand. If the price of steak rises, then the quantity demanded of steak falls, leading to a movement along the demand curve. The demand curve would not shift as a result of the change in the price of steak. Statement 2's error is in its definition of inferior goods. Inferior goods need not be low in quality; when incomes rise, the demand for inferior goods falls because consumers can afford more expensive items. Statement 3's error is in the failure to distinguish between demand and quantity demanded. The law of demand refers to the inverse relationship between the price of a product and the quantity demanded of that product.

223. Find and explain the error in reasoning in each of these three statements.
Statement 1: If prices are expected to rise in the future, this will lead to a fall in quantity demanded at the present time.
Statement 2: A decrease in demand is the same as saying that there is a decrease in the quantity demanded for the product.
Statement 3: An increase in demand is the same as saying that there is an increase in the quantity demanded for the product.

ANSWER: Statement 1's error is in failing to distinguish between a change in price today and a change in the expected future price. If the product price changes today, this will lead to a change in quantity demanded. However, if the future price of the product is expected to change, this will lead to a shift in the demand curve. Statements 2 and 3 have the same error: a failure to distinguish between a change in demand and a change in quantity demanded. A change in demand is a shift of the entire demand curve. A change in quantity demanded is a movement along the demand curve.

224. The table shows the demand data for four different consumers who drink sodas. Assuming that these are the only four consumers in the market, plot the market demand curve for sodas.

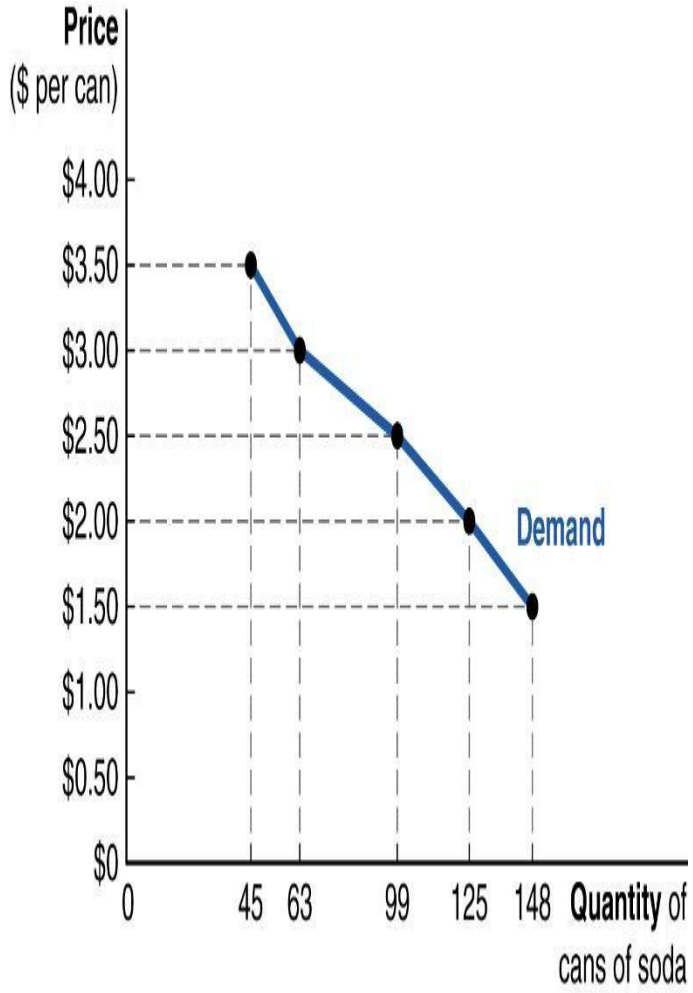
Price per can of soda	Quantity of sodas demanded per month			
	Joanna	Jeffrey	Jason	Jeremy
$1.50	50	15	8	75
$2.00	40	11	4	70
$2.50	30	7	2	60
$3.00	20	3	0	40
$3.50	10	0	0	35

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ANSWER:



225. You are studying the demand for cruise ship tickets. Determine how the demand for these tickets might be affected by each of these three factors.
(A) Cruise ship vacations are advertised through a major marketing campaign.
(B) The government cuts income taxes, leaving consumers with more after-tax income.
(C) Consumer preferences shift away from air travel and toward ocean travel.

ANSWER: (A) Demand increases. (B) Demand increases. (C) Demand increases.

226. Suppose you find out that Domino's is having a promotion where you buy the first 3-topping large pizza for $8 and get the second one for $4. Why does the store NOT simply sell each pizza for $6? Explain your answer using the Rational Rule for Buyers.

ANSWER: The rational buyer will only buy an item if the marginal benefit is greater than or equal to the price of the product. The first pizza that a consumer buys will have a larger marginal benefit than the second pizza. Therefore, to sell the second pizza, Domino's will have to lower the price.

227. For each of the four scenarios below, explain which way the demand curve shifts and why.
Scenario 1: In the market for automobiles, a credible forecast is released that says that prices will fall in the near future.
Scenario 2: You are studying the market for jackfruit. A report is released that details the health benefits of jackfruit.

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Scenario 3: You are studying the market for farmed salmon. You learn that consumers have developed a strong preference for wild-caught salmon.

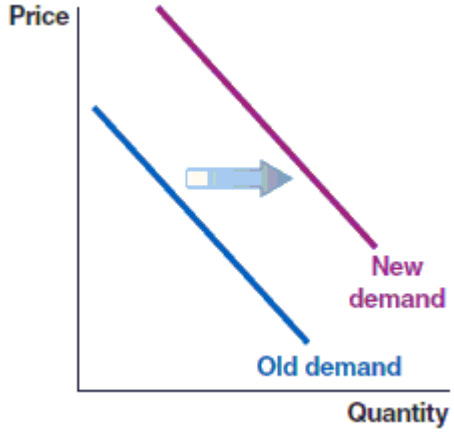
ANSWER: Scenario 1: Current demand will decrease, as consumers wait to purchase vehicles when they are cheaper. Scenario 2: The demand for jackfruit will increase, as consumers seek to benefit from the healthful effects of jackfruits. Scenario 3: The demand for farmed salmon will decrease, as consumers opt for the wild-caught variety.

228. For each of the four scenarios below, explain which way the demand curve shifts and why.
Scenario 1: A credible forecast that says that automobile prices will rise in the near future is released.
Scenario 2: Many young people leave their small town to seek jobs in the capital city. What happens to the demand for college education in the small town?
Scenario 3: There is news of an *E. coli* outbreak caused by contaminated lettuce.

ANSWER: Scenario 1: Current demand will increase, as consumers hurry to buy vehicles before prices rise. Scenario 2: The demand for college education in the small town will decrease, as young people move to the capital city. Scenario 3: The demand for lettuce will fall, as consumers seek to avoid the contaminated lettuce.

229. For each of the four scenarios below, draw demand curves to illustrate the scenarios described.
(A) During the cold and flu season, consumers drink more orange juice to get the health benefits of Vitamin C. What happens to the demand curve for orange juice?
(B) The government provides tax incentives to consumers who trade in their old vehicles for electric vehicles. What happens to the demand curve for electric vehicles?
(C) The Canadian dollar weakens against the U.S. dollar. What happens to the demand for American-made goods in Canada?
(D) The U.S. dollar strengthens against the Canadian dollar. What happens to the demand for Canadian-made goods in the United States?

ANSWER: (A)

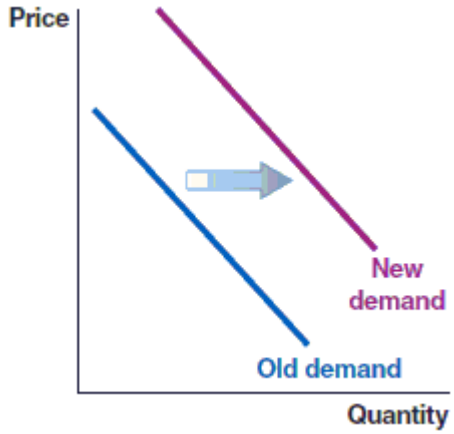


(B)

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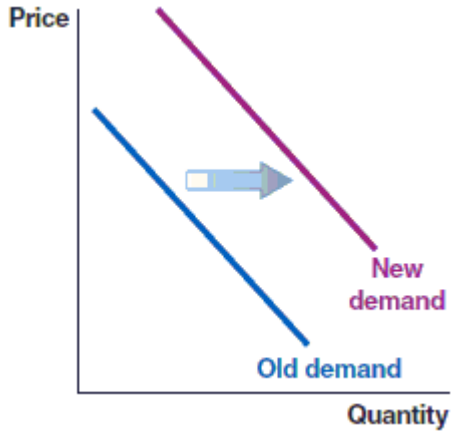
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(C)



(D)



230. Computer hardware and computer software are complementary goods. What happens to the demand curves for computer hardware and computer software if the price of computer hardware rises? Show your answer using two graphs: one for computer hardware and the other for computer software.

ANSWER: Computer hardware market

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Computer software market



231. Orange juice and apple juice are substitute goods. What happens to the demand curves for apple juice and orange juice if the price of apple juice rises? Show your answer using two graphs: one for apple juice and the other for orange juice.

ANSWER: Apple juice market



Orange juice market

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232. McDonald's and Wendy's are substitute fast food restaurants. What would happen to the demand curve for fish sandwiches from these two restaurants if McDonald's decreases the price of fish sandwiches? Show your answer using two graphs: one for McDonald's fish sandwiches and the other for Wendy's fish sandwiches.
ANSWER: McDonald's Fish sandwich



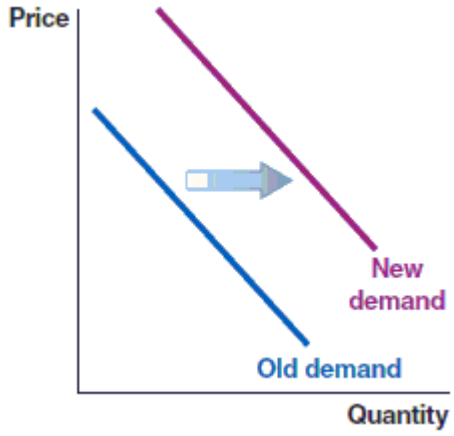
Wendy's Fish sandwich would decrease in demand since the substitute is now relatively cheaper.

233. Graphically illustrate how the demand curve for electric vehicles will be affected in each of the following cases.
(A) A major climate change awareness campaign educates consumers about clean energy vehicles.
(B) The price of gas-powered vehicles falls significantly, due to lower production costs.
(C) Gas prices undergo a significant and long-lasting increase.
(D) The price of electric vehicles falls, due to a fall in the cost of production.
ANSWER: (A)

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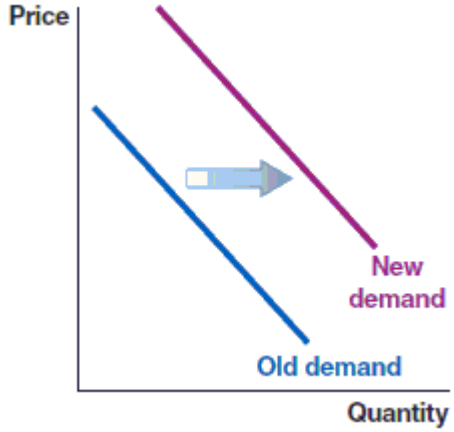
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(B)



(C)



(D)

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234. Consider the demand for antibiotic-free eggs. For each of these scenarios, indicate whether there would be a change in quantity demanded or a change in demand, and specify the direction of the change.
(A) A major news article, showing that eating antibiotic-free eggs is much healthier than eating eggs from farms where antibiotics are used, is published.
(B) Where there used to be just one producer of antibiotic-free eggs, now several new producers of antibiotic-free eggs begin to supply eggs to supermarkets in the region. This causes a fall in the price of antibiotic-free eggs.
(C) The price of eggs produced using antibiotics falls significantly.

ANSWER: (A) An increase in the demand for antibiotic-free eggs. (B) An increase in the quantity demanded of antiobiotic-free eggs. (C) A decrease in demand for antiobiotic-free egg, as some consumers will now switch back to the eggs produced using antiobiotics (since they are now much cheaper).

235. You are provided with the following table, which shows price and quantity demanded data for soccer game tickets.

Price of tickets	Quantity demanded of tickets
$20	3600
$22	3400
$24	3200
$26	3000
$28	2800
$30	2600

(A) A major advertising campaign doubles the demand for soccer game tickets. Fill in the table to show the new demand data.

Price of tickets	Quantity demanded of tickets
$20	
$22	
$24	
$26	
$28	
$30	

(B) Which way has the demand curve shifted?

ANSWER: (A)

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Price of tickets	Quantity demanded of tickets
$20	7200
$22	6800
$24	6400
$26	6000
$28	5600
$30	5200

(B) The demand curve has shifted to the right (an increase in demand).

236. You are provided with the following table, which shows price and quantity demanded data for boats.

Price of boats	Quantity demanded of boats
$37,000	4000
$42,000	3500
$47,000	3000
$52,000	2500
$57,000	2000
$62,000	1500

(A) A credible forecast indicating that the prices of boats will fall in the near future leads to a 25% reduction in quantity demanded at each price, as consumers opt to wait to purchase boats until prices have fallen. Fill in the table to show what the new demand for boats will be.

Price of boats	Quantity demanded of boats
$37,000	
$42,000	
$47,000	
$52,000	
$57,000	
$62,000	

(B) Which way has the demand curve shifted?

ANSWER: (A)

Price of boats	Quantity demanded of boats
$37,000	3000
$42,000	2625
$47,000	2250
$52,000	1875
$57,000	1500
$62,000	1125

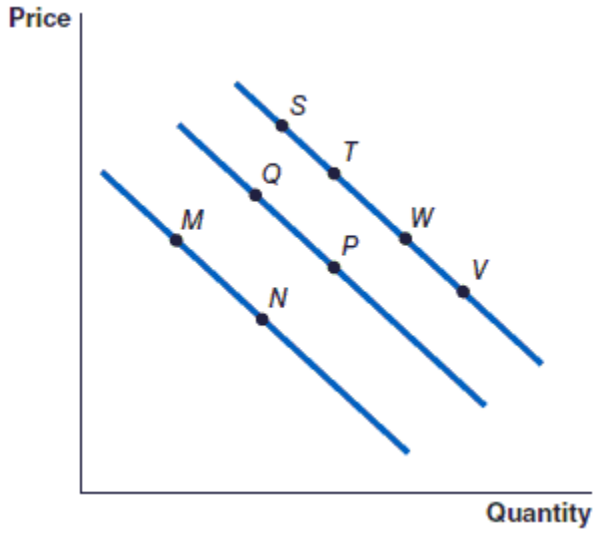
(B) The demand curve has shifted to the left (a decrease in demand).

237. (Figure: Graph) Use the graph to answer these questions.

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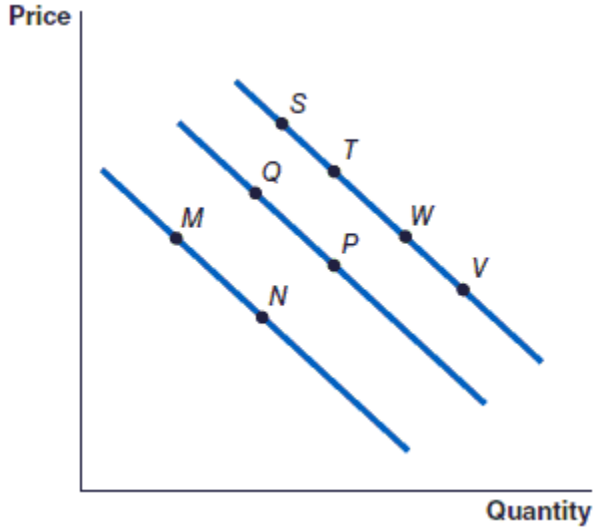
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Consider these five possible movements from one point to another in the graph.
(i) Point M to Point N
(ii) Point W to Point V
(iii) Point Q to point T
(iv) Point W to point P
(v) Point N to point W
(A) Which of the five options could be caused by a change in the price of the product?
(B) Which of the five options could be caused by a decrease in the price of the product?
(C) Which of the five options could be caused by an increase in the expected future price of the product?
ANSWER: (A) Options (i) and (ii); (B) Options (i) and (ii); (C) Options (iii) and (v)

238. (Figure: Graph) Use the graph to answer these questions.



Consider these five possible movements from one point to another in the graph.
(i) Point M to Point N
(ii) Point W to Point V
(iii) Point Q to point T
(iv) Point W to point P
(v) Point N to point W

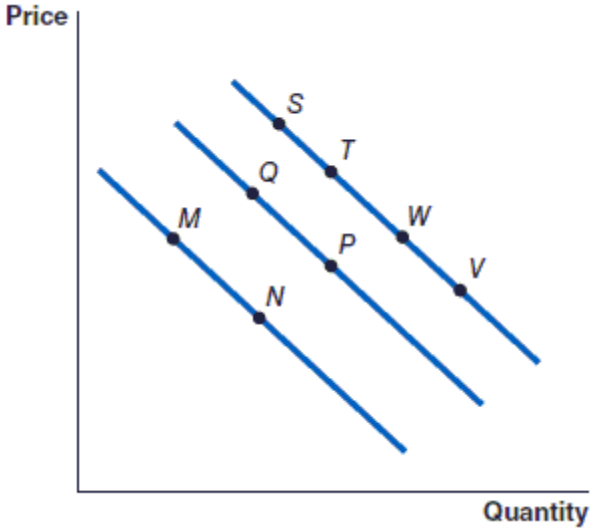
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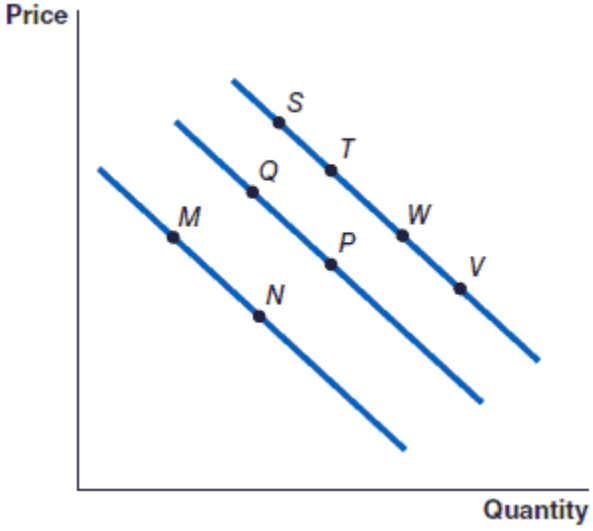
(A) Which of the five options could be caused by congestion effects?
(B) Which of the five options could be caused by network effects?
(C) Which of the five options could be caused by decreased consumer preferences for the product?
ANSWER: (A) Option (iv); (B) Options (iii) and (v); (C) Option (iv)

239. (Figure: Graph) Use the graph to answer these questions.



(A) What change would cause a movement from point V to point W?
(B) What change would cause a movement from point T to point W?
(C) If the item is a normal good, in what direction must income change to cause a shift from point P to point W?
(D) If the item is an inferior good, in what direction must income change to cause a shift from point T to point Q?
ANSWER: (A) An increase in price would cause a movement from V to W. (B) A decrease in price would cause a movement from T to W. (C) An increase in income. (D) An increase in income

240. (Figure: Graph) Use the graph to answer these questions.



(A) What change would cause a movement from point S to point T?
(B) What change would cause a movement from point W to point T?
(C) Fishing rods and fishing reels are complementary goods. In which direction would the price of fishing rods

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have to change to cause the quantity of fishing reels demanded to go from point Q to point M?
(D) Abu Garcia fishing rods and Shimano fishing rods are substitute goods. In which direction would the price of Abu Garcia fishing rods have to change to cause the quantity of Shimano fishing rods demanded to go from point N to point P?

ANSWER: (A) A decrease in price would cause a movement from S to T. (B) An increase in price would cause a movement from W to T. (C) There was an increase in the price of fishing rods. (D) There was an increase in the price of Abu Garcia fishing rods.

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