Multiple Choice (3 points each)

1. The quantity of a good a consumer is willing to buy depends on:
   A) The price of a good.
   B) The consumer's income.
   C) The opportunity cost of purchasing that good.
   D) All of the above.

2. According to the law of demand, a demand curve:
   A) Has a negative slope.
   B) Has a positive slope.
   C) Is a horizontal, or flat, line.
   D) Exceeds the economy's ability to produce.

3. *Ceteris paribus*, which of the following can change without shifting demand?
   A) Expectations.
   B) Income.
   C) The prices of other related goods.
   D) The price of the good itself.

4. *Ceteris paribus*, which of the following would generally cause an increase in the demand for automobiles?
   A) A decrease in the price of automobiles.
   B) An increase in consumers' income.
   C) The new models are perceived as ugly compared with old models.
   D) Consumer expectations that the price of automobiles will be lower next year.

5. If consumers expect PC manufacturers to offer rebates next month, consumers will:
   A) Increase their demand for PCs today.
   B) Decrease their demand for PCs today.
   C) Keep demand the same, but increase the quantity demanded for PCs.
   D) Keep demand the same, but decrease the quantity demanded for PCs.

6. If Dell computers and HP computers are substitutes, then an increase in the price of Dell computers will result in:
   A) A decrease in demand for HP computers.
   B) A decrease in the quantity demanded of HP computers.
   C) An increase in demand for HP computers.
   D) An increase in the quantity demanded of HP computers.

7. Tennis balls and tennis rackets are commonly used together. A decrease in the price of tennis rackets will result in:
   A) An increase in the demand for tennis balls.
   B) A decrease in the demand for tennis balls.
   C) An increase in the demand for tennis rackets.
   D) A decrease in the demand for tennis rackets.
8. A change in demand means there has been a shift in the demand curve, and a change in quantity demanded:
   A) Results from a change in price of other goods.
   B) Means a shortage or surplus will result from holding prices constant.
   C) Also means demand has shifted.
   D) Means that price has changed and there is movement along the demand curve.

9. Given a downward-sloping market demand curve for product X, if the price of X is reduced from $10 to $8, then, ceteris paribus:
   A) Demand for X will increase.
   B) The quantity demanded of X will increase.
   C) Demand for X will decrease.
   D) The quantity demanded of X will decrease.

10. To calculate market demand we:
    A) Add the quantities demanded for each individual demand schedule horizontally.
    B) Add the quantities demanded for each individual demand schedule vertically.
    C) Find the average quantity demanded at each price.
    D) Find the difference between the quantity demanded and the quantity supplied at each price.

11. A change in the price of a good:
    A) Causes a shift in the supply curve.
    B) Results in a change in supply.
    C) Results in a change in quantity supplied.
    D) Is a determinant of supply.

12. The amount of a good suppliers are willing and able to supply at any given price in a given time period could depend on:
    A) Buyer's income.
    B) Expectations on the part of buyers.
    C) The state of technology at the time.
    D) The consumer demand for the good.

13. According to the law of supply, a supply curve:
    A) Has a negative slope.
    B) Has a positive slope.
    C) Is a horizontal, or flat, line.
    D) Will always be less than the demand curve.

14. To calculate market supply we:
    A) Add the quantities supplied for each individual supply schedule horizontally.
    B) Add the quantities supplied for each individual supply schedule vertically.
    C) Find the average quantity supplied at each price.
    D) Find the difference between the quantity supplied and the quantity demanded at each price.

15. When the number of sellers in a market changes, ceteris paribus:
    A) Both individual supply curves and market supply curves shift.
    B) Individual supply curves remain unchanged, but the market supply curve shifts.
    C) Individual supply curves change, but the market supply curve remains unchanged.
    D) There are no changes to either type of curve.
16. If corn and wheat are alternative pursuits for a farmer, a change in the supply of corn will take place when, *ceteris paribus*:
A) The price of corn changes.
B) The price of wheat changes.
C) The demand for corn changes.
D) Consumers want to buy more corn at the same price.

17. In a market, the equilibrium price is determined by:
A) What buyers are willing and able to purchase.
B) What sellers are willing and able to offer for sale.
C) Both demand and supply.
D) The government.

18. When a surplus exists:
A) Producers reduce price in an attempt to decrease excess inventory.
B) Consumers buy more of the good because they know a surplus exists.
C) Government officials offer more subsidies.
D) All of the above.

19. A market shortage is:
A) The amount by which the quantity demanded exceeds the quantity supplied at a given price.
B) The result of a price ceiling.
C) A situation in which people cannot buy all the goods and services that they are willing and otherwise able to buy.
D) All of the above.

20. A rightward shift in a demand curve and a rightward shift in a supply curve both result in a:
A) Lower equilibrium price.
B) Higher equilibrium price.
C) Lower equilibrium quantity.
D) Higher equilibrium quantity.

21. A leftward shift of the market supply curve, *ceteris paribus*, causes equilibrium:
A) Price to increase and quantity to decrease.
B) Price to increase and quantity to increase.
C) Price to decrease and quantity to decrease.
D) Price to decrease and quantity to increase.

22. Suppose there are a series of forest fires which affect the lumber industry while, at the same time, consumers demand more wooden furniture. The wooden furniture market would experience:
A) An increase in price and an indeterminate change in quantity.
B) An increase in price and an increase in quantity.
C) An increase in quantity and an indeterminate change in price.
D) A decrease in price and an indeterminate change in quantity.
23. Suppose a hurricane hits Florida causing widespread damage to houses and businesses. The governor of Florida places a price ceiling on all building materials to keep the prices reasonable. Which of the following is the most likely result?

A) A faster recovery from the storm.
B) More people will be able to afford and purchase building materials.
C) Shortages of building materials and a slower recovery from the storm.
D) Both a and b are correct.

Choose the letter of the diagram in Figure 3.1 that best describes the type of shift that would occur in each situation for the market listed at the left, *ceteris paribus*.

**Figure 3.1**
Shifts of supply and demand

[Diagram showing supply and demand curves with shifts labeled (a), (b), (c), (d).]

24. Laptop computers: An advancement in technology reduces the cost of producing laptop computers.

A) A  
B) B  
C) C  
D) D

25. 2002 model cars: Consumer confidence in the economy improves.

A) A  
B) B  
C) C  
D) D
26. In Figure 3.5, equilibrium occurs at a:
A) Price of $10 and a quantity of 10 units.
B) Price of $20 and a quantity of 20 units.
C) Price of $30 and a quantity of 30 units.
D) Price of $40 and a quantity of 20 units.

27. Which panel of Figure 3.6 represents the changes in the market for beef when the price of corn (cattle feed) falls and the surgeon general reports that red meat contributes to heart disease?
A) A
B) B
C) C
D) D
True/False (3 points each)

1. ___ According to the law of demand, a decrease in price leads to an increase in quantity demanded.

2. ___ A decrease in price increases the demand for goods purchased by consumers.

3. ___ If the prices of the factors used to produce a good change, both the demand curve and the supply curve of the good will shift.

4. ___ If a large number of people petition the government for free food, then there is a greater demand for food.

5. ___ An increase in the price of one good can cause the demand for another good to increase if the goods are substitutes.

6. ___ An increase in the price of one good can cause the demand for another good to increase if the goods are complements.

7. ___ Consumers buy more of normal goods as incomes rise.

8. ___ Both the supply and demand curves depend on expectations but the supply curve depends on the expectations of the buyer and the demand curve depends on the expectations of the seller.

9. ___ The market price equals the equilibrium price if quantity demanded equals quantity supplied, at the market price.

10. ___ Scalping is likely to appear when price is set below equilibrium price by the seller.