

Chapter 02: Demand: Thinking Like a Buyer

1. An individual demand curve is a graph:

- a. that plots the quantity of an item that someone plans to buy, at each price.
- b. that plots the quantity of an item that someone plans to buy, at one single price point.
- c. that plots the quantity of an item that a seller plans to sell, at each price.
- d. that plots the market price of a product at different points in time.

ANSWER:

b

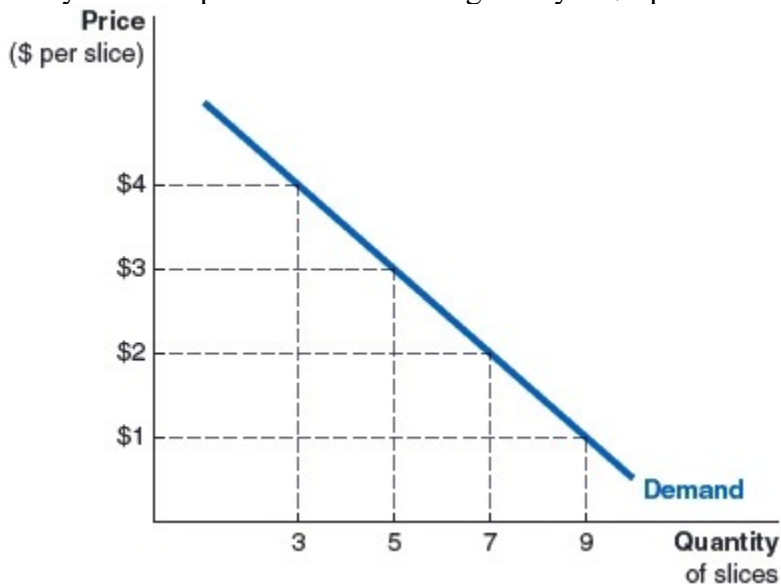
2. Quantity demanded is on the horizontal axis when you plot a demand curve and shows the:

- a. amount of a good that a person is willing to buy at each price.
- b. amount of a good that a person actually buys at the market price.
- c. amount of a good that a seller is willing to sell at a particular price.
- d. amount where opportunity cost is equal to the marginal benefit.

ANSWER:

a

3. (Figure: Leonard's Demand for Pecan Pie) Look at Leonard's weekly demand curve for slices of pie. How many slices of pie is Leonard willing to buy at \$3 per slice?



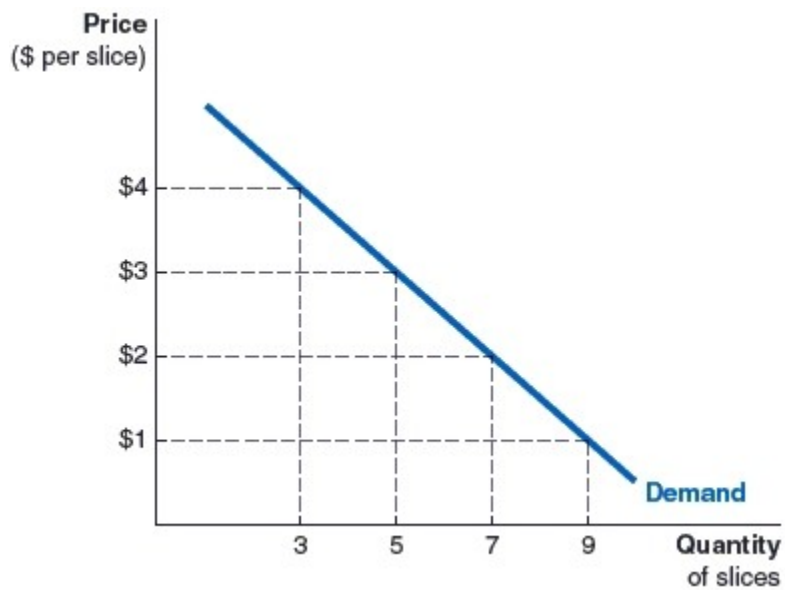
- a. 3 slices
- b. 9 slices
- c. 7 slices
- d. 5 slices

ANSWER:

d

4. (Figure: Leonard's Demand for Pecan Pie) Look at Leonard's weekly demand curve for slices of pie. How many slices of pie is Leonard willing to buy at \$2 per slice?

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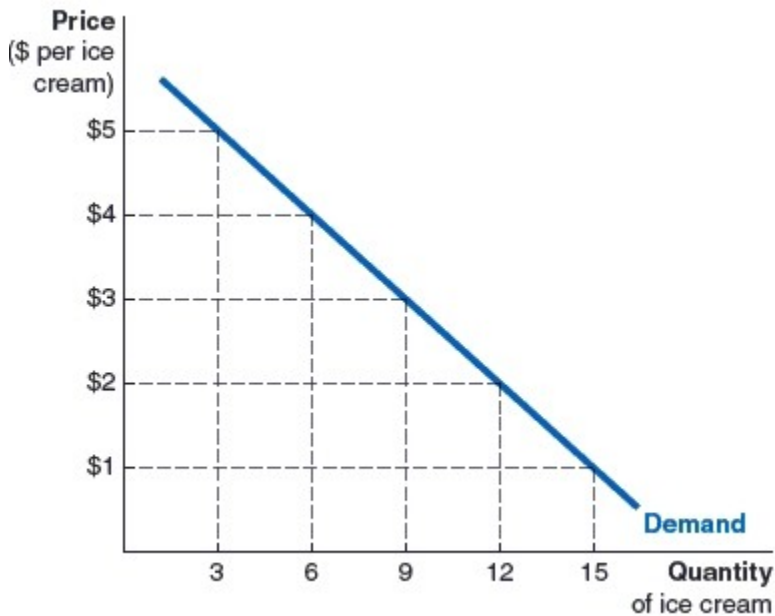


- a. 3 slices
- b. 9 slices
- c. 7 slices
- d. 5 slices

ANSWER:

c

5. (Figure: Mia's Demand Curve for Ice Cream) The accompanying graph shows Mia's demand curve for ice cream, how many cones would Mia be willing to buy at \$5 per cone?



- a. 3 cones
- b. 9 cones
- c. 5 cones

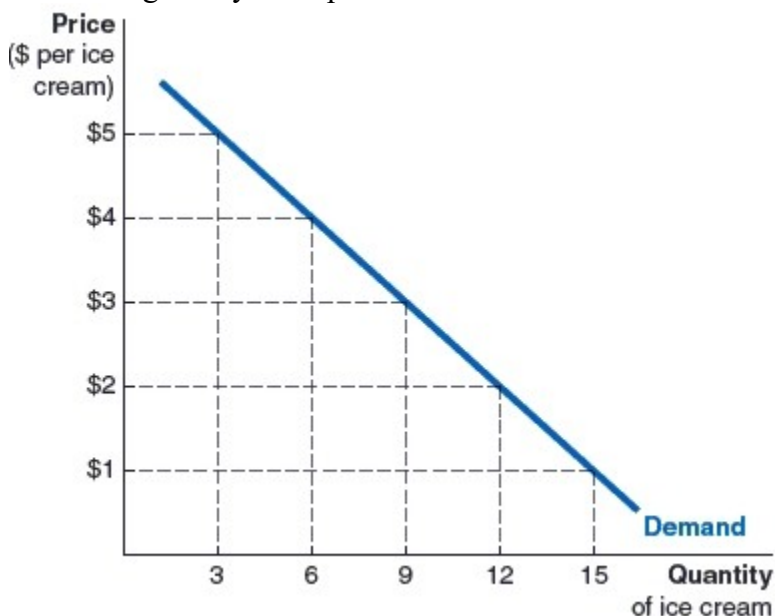
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d. 12 cones

ANSWER:

a

6. (Figure: Mia's Demand Curve for Ice Cream) Look at Mia's demand curve for ice cream, how many cones is Mia willing to buy at \$4 per cone?



- a. 6 cones
- b. 3 cones
- c. 12 cones
- d. 9 cones

ANSWER:

a

7. Why does the demand curve slope downwards?

- a. It slopes downward due to the positive relationship between price and quantity demanded.
- b. It slopes downward due to buyers perceiving fall in price as a fall in quality.
- c. It slopes downward due to the law of demand.
- d. It slopes downward due to stores lowering the prices on their products.

ANSWER:

c

8. A downward-sloping demand curve implies:

- a. there is an inverse relationship between price and quantity demanded.
- b. there is a positive relationship between price and quantity demanded.
- c. there is no relationship between price and quantity demanded.
- d. buyers are willing to buy less when prices are lower.

ANSWER:

a

9. The law of demand refers to

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- a. the positive relationship between price and quantity supplied.
- b. the inverse relationship between price and quantity supplied.
- c. the inverse relationship between price and quantity demanded.
- d. the positive relationship between price and quantity demanded.

ANSWER:

c

10. Which of the following 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 is higher.

ANSWER:

d

11. Which of the following scenarios illustrates the law of demand?

- a. Francis does not care about the price of coffee at the coffee shop – he must buy two cappuccinos every day, regardless of the price.
- b. A research company finds that the more expensive a particular brand of a designer handbag, the more that consumers are willing to purchase the brand.
- c. John likes to drink spring water. At \$2 he buys four bottles of water, and at \$1.50 he still buys four bottles of water.
- d. Kathleen eats more steak when the price is low, and less when the price is high.

ANSWER:

d

12. When plotting a demand curve,

- a. quantity demanded is on the vertical axis.
- b. price is on the horizontal axis.
- c. quantity supplied is on the vertical axis.
- d. quantity demanded is on the horizontal axis.

ANSWER:

d

13. When plotting a demand curve

- a. quantity demanded is on the vertical axis.
- b. price is on the horizontal axis.
- c. price is on the vertical axis.
- d. quantity supplied is on the vertical axis.

ANSWER:

c

14. A rational buyer will:

- a. keep buying a product until marginal benefit equals price.
- b. buy a product until the marginal benefit of consuming the product is less than the price of the product.

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- 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

15. The Rational Rule for Buyers

- a. compares the total benefit of all units to the total price of all units purchased.
- b. compares the benefit of buying an additional unit of the item to the cost of that item.
- c. only applies to buyers who are buying necessities as opposed to luxury items.
- d. compares the cost of production of an item to the price of the item.

ANSWER:

b

16. Which of the following 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 chooses to buy a sandwich for \$5 when the marginal benefit of the sandwich to him is \$7.

ANSWER:

d

17. The demand curve

- (i) is a curve that shows the maximum willingness to pay for a product.
 - (ii) is a curve that shows the marginal benefit gained from a product.
 - (iii) is a curve that shows the production cost of a product.
 - (iv) is a curve that shows the relationship between the price of a product and a consumer's willingness to buy 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

18. Which of the following would be considered in a cost-benefit analysis to decide if a person should cycle to work or ride the subway?

- (i) The air pollution that the cyclist has to breathe.
 - (ii) The cost of subway tickets.
 - (iii) The time it takes to cycle to work versus the time it takes to ride 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)

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

ANSWER:

d

19. Diminishing marginal benefit:

- a. is when buying an additional item yields a larger marginal benefit than the previous item.
- b. is when consumers do not follow the rational rule.
- c. is not important in determining a consumer's purchase decision.
- d. is when buying an additional item yields a smaller marginal benefit than the previous item.

ANSWER:

d

20. Diminishing marginal benefit

- a. does not affect a buyer's decision.
- b. can be observed in the upward slope of the supply curve.
- c. can be observed in the downward slope of the demand curve.
- d. means that consumers are willing to pay more for additional units of an item.

ANSWER:

c

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

- a. how you feel about soft drinks.
- b. the total amount of soft drinks that you have consumed that week.
- c. the price of the soft drink.
- d. the marginal benefit from the second soft drink and if it will outweigh the price of the soft drink.

ANSWER:

d

22. 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

23. The table contains the monthly demand for soda cans for four students. If these four students make up the

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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

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

ANSWER:

d

24. 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

25. The table contains the monthly demand for soda cans 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.

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- d. The total quantity demanded in the market falls by 33 cans.

ANSWER:

c

26. As part of a market research project, you survey six random people to see how much gas per week they would buy at various prices. The data you collect is in the accompanying table. What is the total demand for gasoline at \$2.50 per gallon in your survey?

Quantity of Gallons of Gas Demanded Per Week

Price per gallon of gasoline	Marty	Zain	Doc	Mikael	Zoya	Amirah
\$1.50	10	15	6	20	20	6
\$2.00	8	12	3	18	19	5
\$2.50	6	9	1	14	17	4
\$3.00	4	6	0	10	15	3
\$3.50	2	3	0	4	12	1

- a. 51 gallons
- b. 38 gallons
- c. 77 gallons
- d. 22 gallons

ANSWER:

a

27. As part of a market research project, you survey six random people to see how much gas per week they would buy at various prices. The data you collect is in the accompanying table. What is the total demand in your survey for gas at \$1.50 per gallon?

Quantity of Gallons of Gas Demanded Per Week

Price per gallon of gasoline	Marty	Zain	Doc	Mikael	Zoya	Amirah
\$1.50	10	15	6	20	20	6
\$2.00	8	12	3	18	19	5
\$2.50	6	9	1	14	17	4
\$3.00	4	6	0	10	15	3
\$3.50	2	3	0	4	12	1

- a. 51 gallons
- b. 77 gallons
- c. 38 gallons
- d. 22 gallons

ANSWER:

b

28. As a part of a market research project, you survey six random people to see how much gas per week they would buy at various prices. The data you collect is in the accompanying table. What is the change in the total demand for gasoline in your survey when the price changes from \$2 per gallon to \$2.50 per gallon?

Quantity of Gallons of Gas Demanded Per Week

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Price per gallon of gasoline	Marty	Zain	Doc	Mikael	Zoya	Amirah
\$1.50	10	15	6	20	20	6
\$2.00	8	12	3	18	19	5
\$2.50	6	9	1	14	17	4
\$3.00	4	6	0	10	15	3
\$3.50	2	3	0	4	12	1

- The total quantity demanded in the market rises by 11 gallons.
- The total quantity demanded in the market falls by 14 gallons.
- The total quantity demanded in the market rises by 16 gallons.
- The total quantity demanded in the market falls by 13 gallons.

ANSWER:

b

29. As part of a market research project, you survey six random people to see how much gas per week they would buy at various prices. The data you collect is in the accompanying table. What is the change in the total demand for gasoline in your survey when the price changes from \$3 per gallon to \$2.50 per gallon?

Quantity of Gallons of Gas Demanded Per Week

Price per gallon of gasoline	Marty	Zain	Doc	Mikael	Zoya	Amirah
\$1.50	10	15	6	20	20	6
\$2.00	8	12	3	18	19	5
\$2.50	6	9	1	14	17	4
\$3.00	4	6	0	10	15	3
\$3.50	2	3	0	4	12	1

- The total quantity demanded in the market falls by 11 gallons.
- The total quantity demanded in the market falls by 14 gallons.
- The total quantity demanded in the market rises by 16 gallons.
- The total quantity demanded in the market rises by 13 gallons.

ANSWER:

d

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

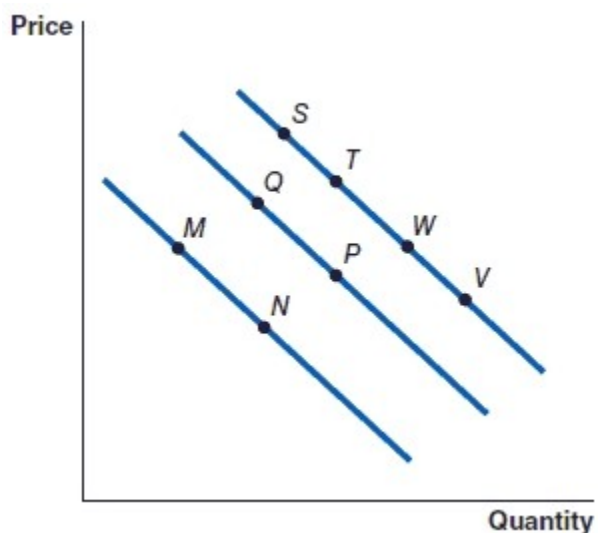
- Survey one consumer, and then scale up that individual demand to represent the entire market, and plot the market demand curve.
- Survey some representative customers, find the total quantity demanded for those customers, scale up the quantities demanded to represent the entire market, and then plot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

ANSWER:

b

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

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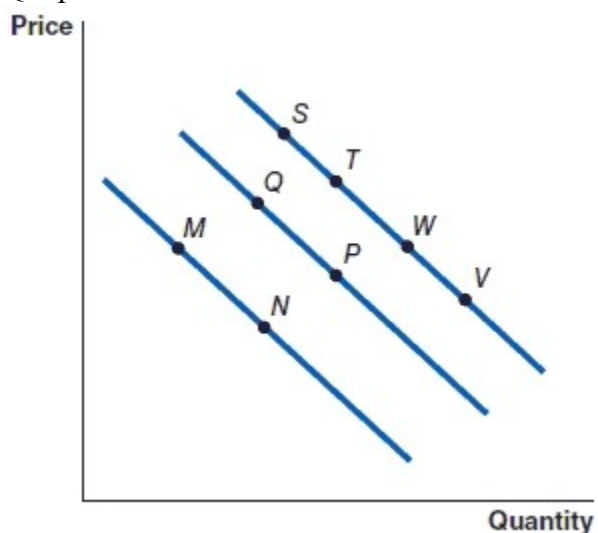
The movement from point M to point N represents:

- a decrease in demand.
- a decrease in quantity demanded.
- an increase in quantity demanded.
- an increase in demand.

ANSWER:

c

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



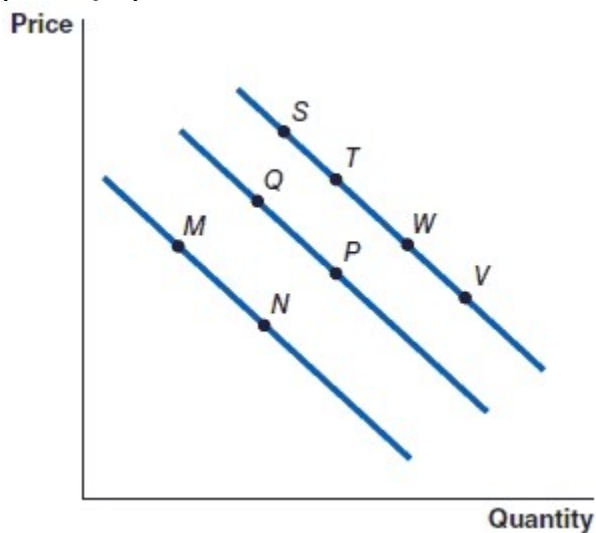
- a decrease in quantity demanded.
- an increase in demand.
- a decrease in demand.
- an increase in quantity demanded.

ANSWER:

a

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

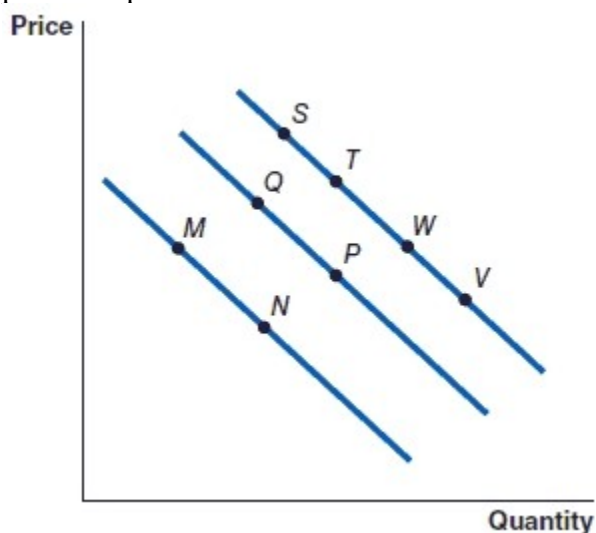


- a. a decrease in demand.
- b. a decrease in quantity demanded.
- c. an increase in quantity demanded.
- d. an increase in demand.

ANSWER:

d

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



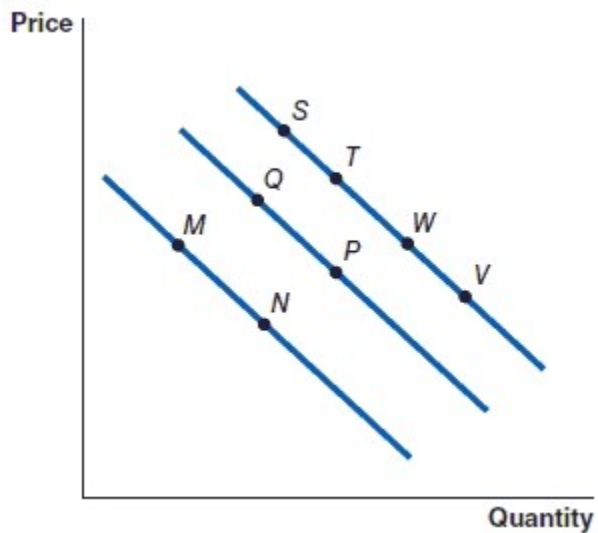
- a. an increase in quantity demanded.
- b. an increase in demand.
- c. a decrease in demand.
- d. an increase in quantity demanded.

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ANSWER:

c

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



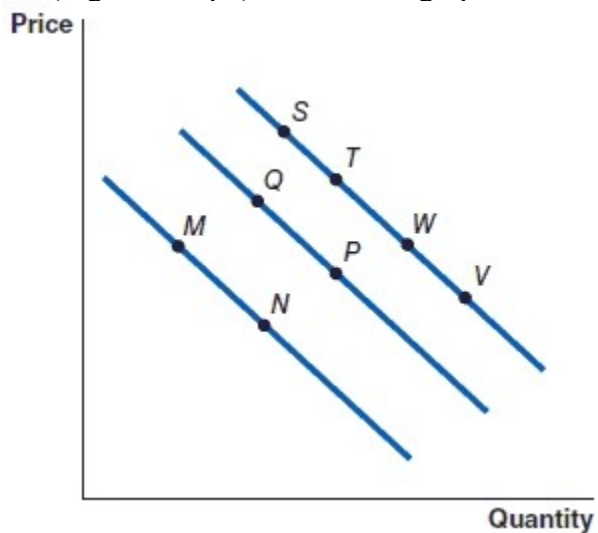
The movement from point S to point T is caused by

- an increase in the price of the item.
- a decrease in the price of the item.
- a decrease in the demand for the item.
- an increase in the demand for the item.

ANSWER:

b

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



The movement from point V to point W is caused by

- an increase in the price of the item.

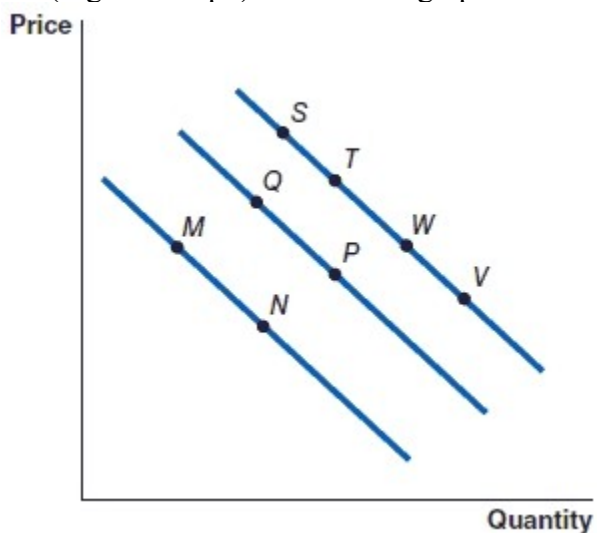
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- b. a decrease in the price of the item.
- c. an increase in the demand for the product.
- d. a decrease in the demand for the product.

ANSWER:

a

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



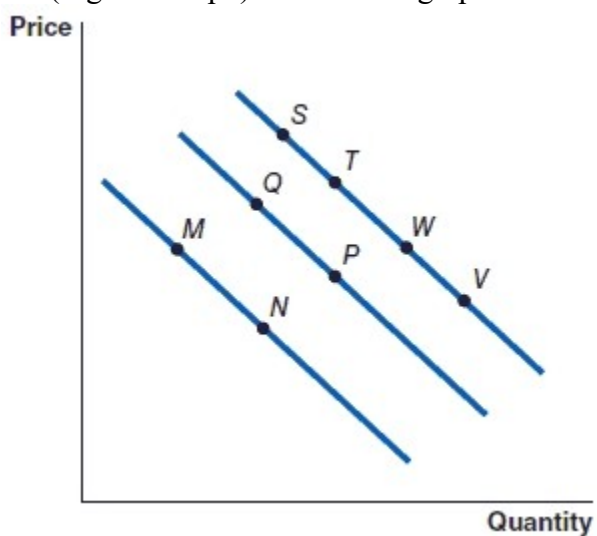
An increase in the price of an item will cause the movement from

- 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

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



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A decrease in the price of an item will cause the movement from

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

ANSWER:

d

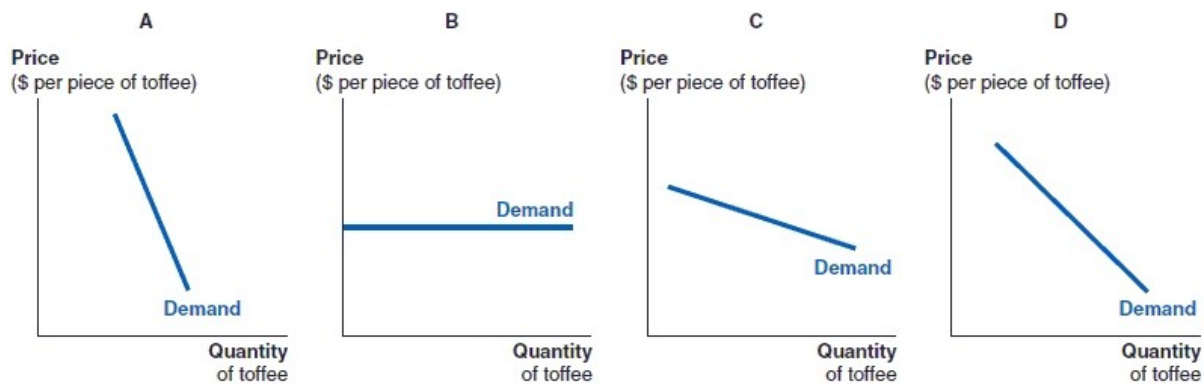
39. The interdependence principle:

- 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 in the market.

ANSWER:

c

40. (Figure: Holly's Demand for Toffee) Holly doesn't care about the price of toffee. She loves toffee so much that she must eat toffee every day. Which of the following figures most likely depicts Holly's demand for toffee?



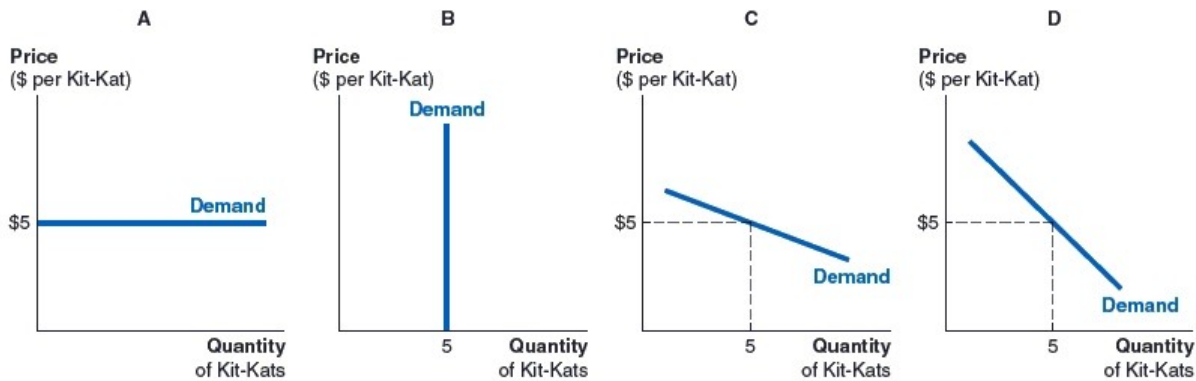
- a. Figure A
- b. Figure B
- c. Figure C
- d. Figure D

ANSWER:

a

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

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- Figure A
- Figure B
- Figure C
- Figure D

ANSWER:

b

42. Shifts in market demand can result from a change in

- the price of a product.
- the cost of production for an item.
- the number of producers of an item in the market.
- the type and number of buyers.

ANSWER:

d

43. Which of the following is not a demand shifter?

- The price of a substitute good.
- The price of a complementary good.
- The number of buyers in the market.
- The price of the product.

ANSWER:

d

44. A normal good is:

- a good for which higher income causes an increase in demand.
- a good which is normally purchased by many consumers.
- a good which is only purchased by high-income consumers.
- a good for which higher income causes a decrease in demand.

ANSWER:

a

45. For normal goods

- a tax cut on consumer income will lead to a rise in their demand.
- a tax cut on consumer income will lead to a fall in their demand.
- changes in consumer income do not affect their consumption.

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- d. most consumers will choose to purchase the good regardless of income changes.

ANSWER:

a

46. An inferior good is

- a. a good whose demand increases when income rises.
- b. a good whose demand decreases when income rises.
- c. an item that is only bought by rich people.
- d. an item that is purchased by very few people.

ANSWER:

b

47. Fast food is a good example of

- a. a normal good.
- b. a good with a congestion effect.
- c. an inferior good.
- d. a luxury good.

ANSWER:

c

48. Holding all else constant, if people eat out more at expensive restaurants when they earn more, then expensive restaurant meals are

- a. goods with a congestion-effect.
- b. goods with a network-effect.
- c. inferior goods.
- d. normal goods.

ANSWER:

d

49. Recent evidence suggests exercise promotes longevity and reverses aging. Based on this information, what might happen in the market for exercise-related goods and services?

- a. The demand for gyms will not change.
- b. People will reduce their purchases of exercise equipment.
- c. The demand for exercise machines and/or gyms will increase.
- d. The demand for exercise equipment will not be affected.

ANSWER:

c

50. 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?

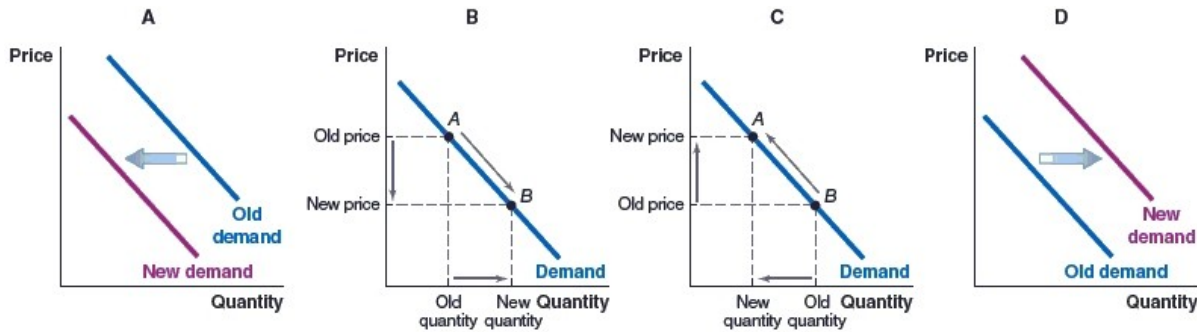
- a. Airline companies would increase their demand for the Boeing 737 Max aircraft.
- b. There would be a rise in the number of orders for the Boeing 737 Max aircraft.
- c. Consumers would increase the number of flights they take per year.
- d. The demand for the Boeing 737 Max would decrease due to concerns about the safety of the aircraft.

ANSWER:

d

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51. (Figure: Leather Wallets) 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?

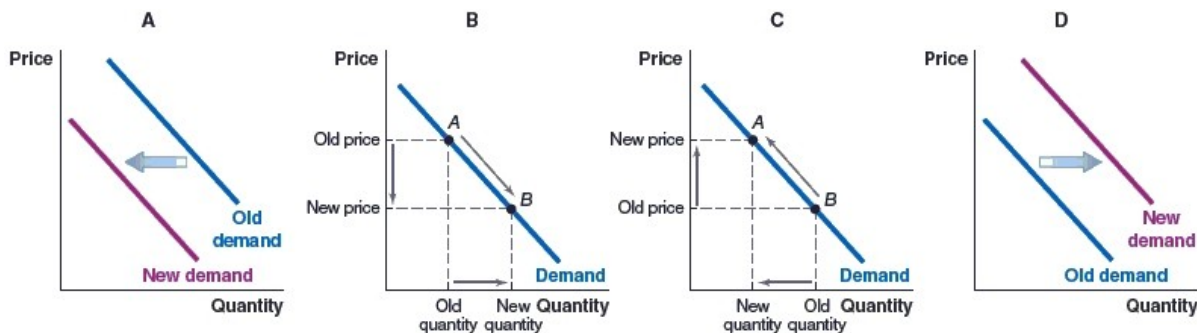


- a. Graph A
- b. Graph B
- c. Graph C
- d. Graph D

ANSWER:

d

52. (Figure: Demand for Bus Rides) 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 the following graphs depicts the effect you would expect to see on the demand for bus rides on this route after the introduction of the subway?



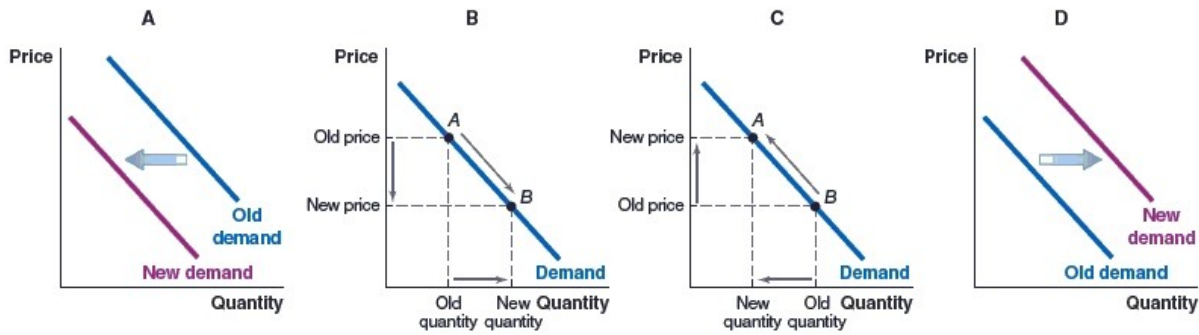
- a. Graph A
- b. Graph B
- c. Graph C
- d. Graph D

ANSWER:

a

53. (Figure: Peanut Butter and Jelly) In the United States, peanut butter and jelly are considered complementary items. Which graph illustrates the impact of a rise in the price of peanut butter on the jelly market?

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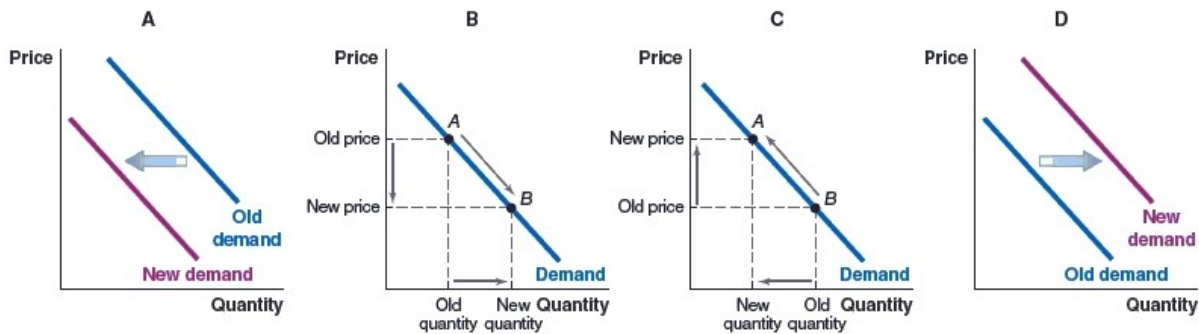


- a. Graph A
- b. Graph B
- c. Graph C
- d. Graph D

ANSWER:

a

54. (Figure: Butter and Jam) Some people like to eat jam and butter sandwiches, and for them, these two foods are complementary goods. For these people, which of the graphs illustrates the impact of a fall in the price of butter on the jam market?



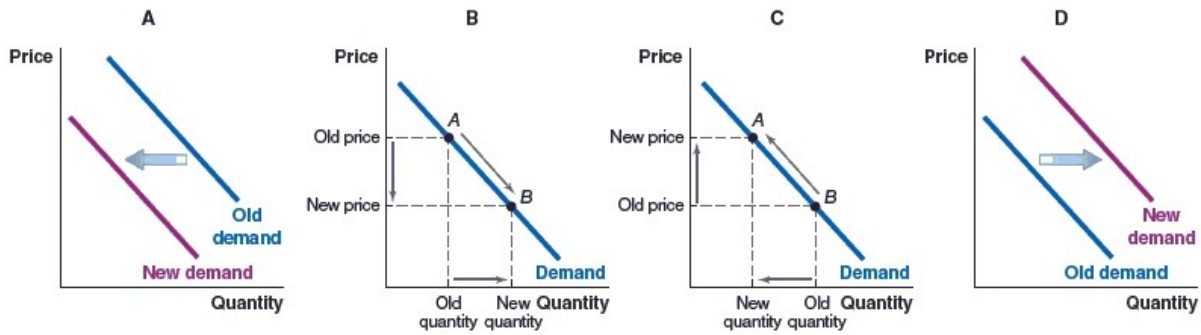
- a. Graph A
- b. Graph B
- c. Graph C
- d. Graph D

ANSWER:

d

55. (Figure: Demand for Rental Housing) Fort Collins, CO is experiencing net immigration of people into the area. Which of the following graphs illustrates the impact of this net immigration on the demand for rental housing?

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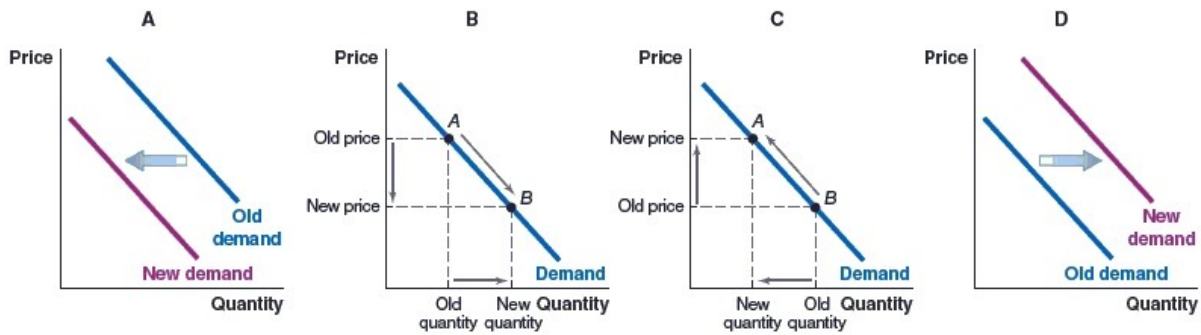


- Graph A
- Graph B
- Graph C
- Graph D

ANSWER:

d

56. (Figure: Market for Luxury Vehicles) Which graph shows what will happen in the market for luxury vehicles if a recession is imminent?



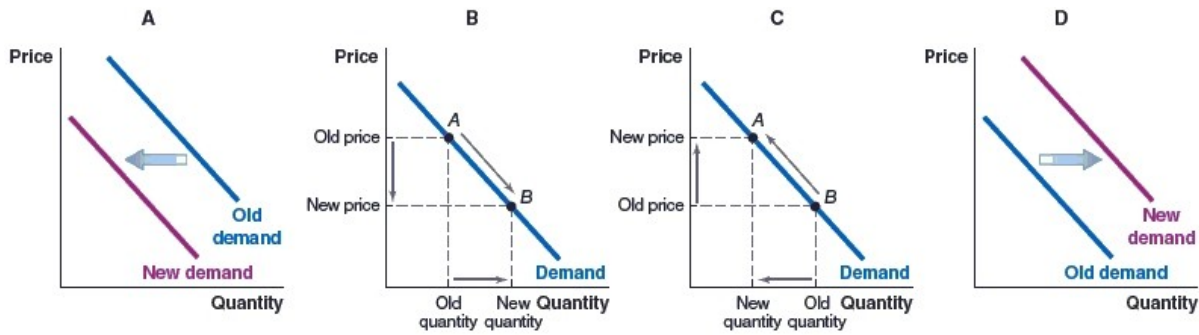
- Graph A
- Graph B
- Graph C
- Graph D

ANSWER:

a

57. (Figure: Market for Holiday Cruises) Which graph shows the effect of an impending slowdown on the market for cruise holidays?

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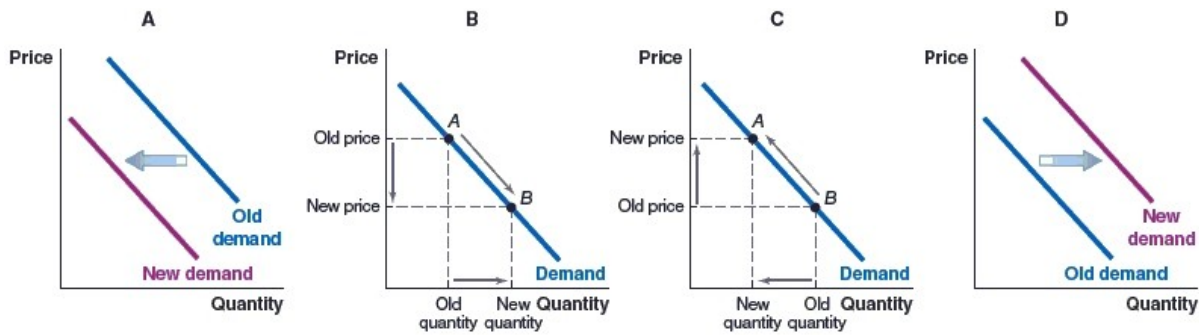


- Graph A
- Graph B
- Graph C
- Graph D

ANSWER:

a

58. (Figure: Market for High-End Meals) What will happen to the demand for upscale restaurants, if an economy goes into recession and unemployment rises?



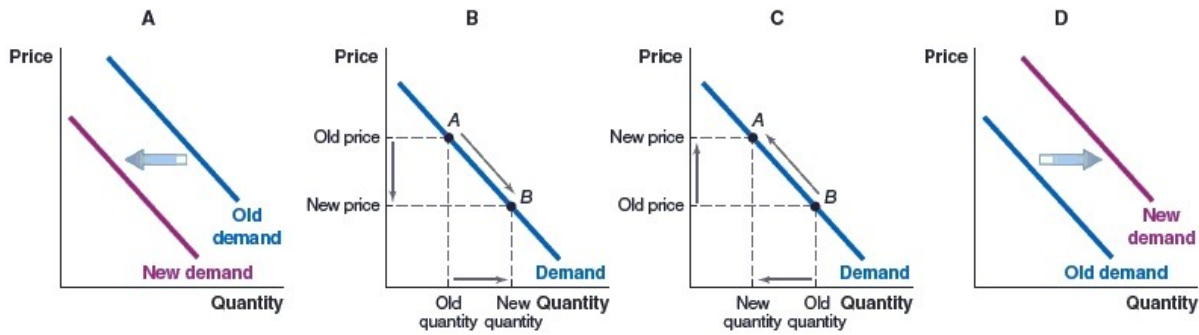
- Graph A
- Graph B
- Graph C
- Graph D

ANSWER:

a

59. (Figure: Market for Community College) Which graph illustrates the effect on the demand for community college, if an economy faces a recession, and there is rising unemployment?

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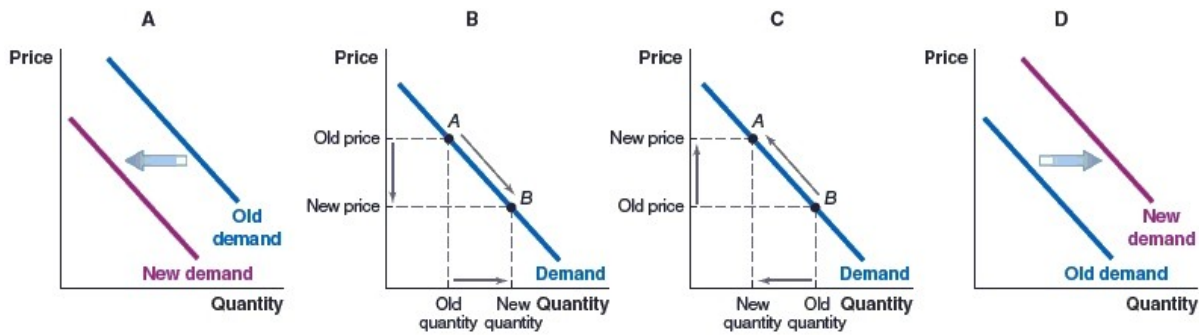


- a. Graph A
- b. Graph B
- c. Graph C
- d. Graph D

ANSWER:

d

60. (Figure: Market for New Housing) Which of the graphs shows the effect on the housing market today, if the realtor association predicts new housing prices to fall in a few months?



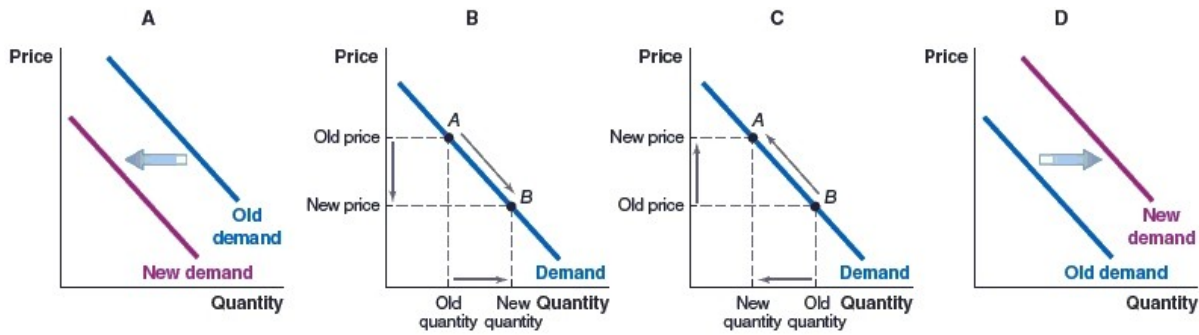
- a. Graph A
- b. Graph B
- c. Graph C
- d. Graph D

ANSWER:

a

61. (Figure: Market for New Housing) Which graph shows the effect on the housing market today, if the realtor association predicts new housing prices to rise in a few months?

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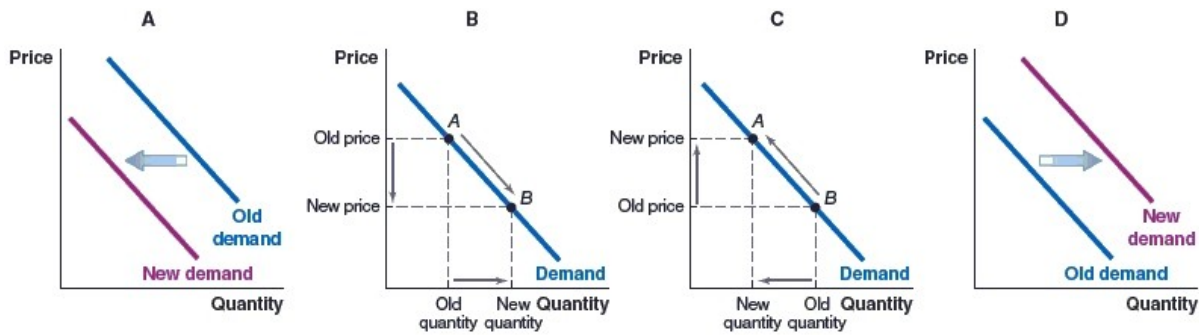


- a. Graph A
- b. Graph B
- c. Graph C
- d. Graph D

ANSWER:

d

62. (Figure: Market for Printing Paper) Which of the following graphs illustrates what we expect to see in the market for printing paper if the price of printing paper rises?



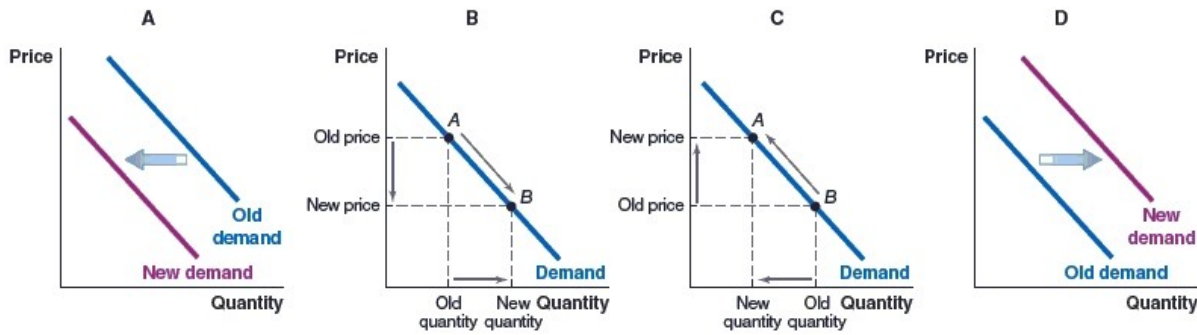
- a. Graph A
- b. Graph B
- c. Graph C
- d. Graph D

ANSWER:

c

63. (Figure: Market for Roses) Which graph illustrates what will happen in the market for roses if the price of roses falls?

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- Graph A
- Graph B
- Graph C
- Graph D

ANSWER:

b

64. Paint and paintbrushes are complements. If the price of paint rises, we can expect:

- the quantity demanded of paint to increase.
- the demand for paintbrushes to decrease.
- the demand for paintbrushes to increase.
- the quantity demanded of paintbrushes to remain unchanged.

ANSWER:

b

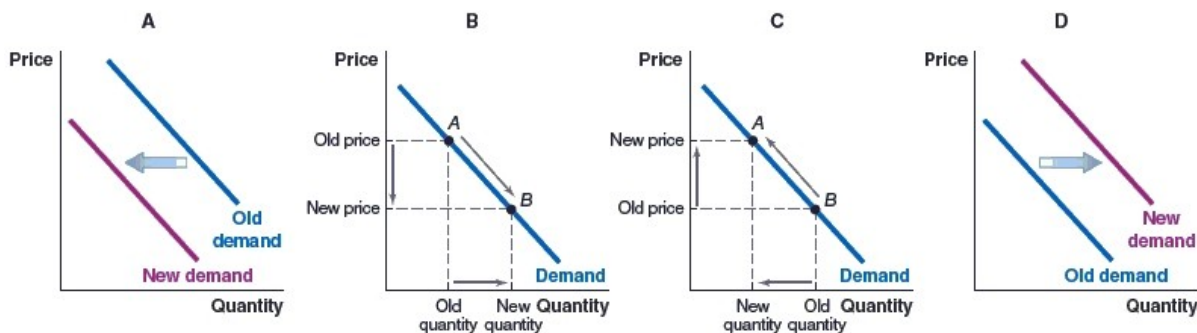
65. If Tesla cars become less expensive, what will happen in the market for other electric cars?

- The quantity demanded of Teslas will fall.
- The demand for other electric cars will fall.
- The demand for other electric cars will rise.
- The quantity demanded of Teslas will not change.

ANSWER:

b

66. (Figure: Market for Stevia) Stevia is a natural sweetener that is used as a sugar substitute. Which of the following graphs illustrates the impact of a rise in the price of Stevia on the demand for sugar?



- Graph A
- Graph B

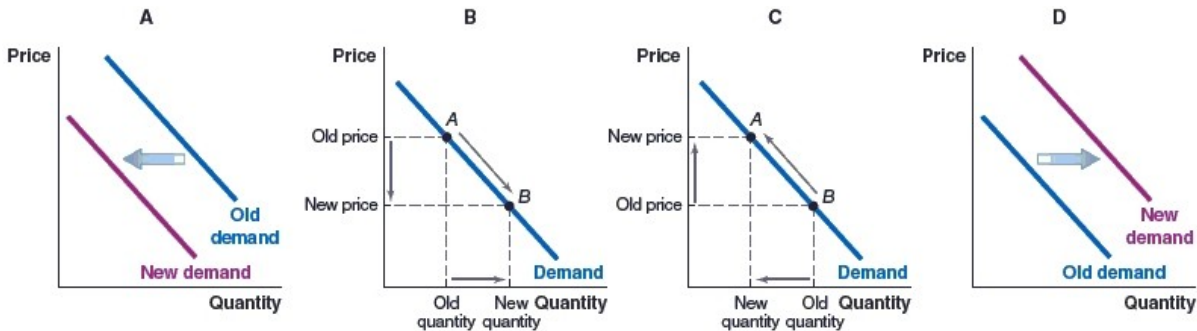
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- c. Graph C
d. Graph D

ANSWER:

d

67. (Figure: Market for Bread) Bread and cheese are often considered to be complementary foods. Which graph shows what will happen in the market for bread if the price of bread rises?

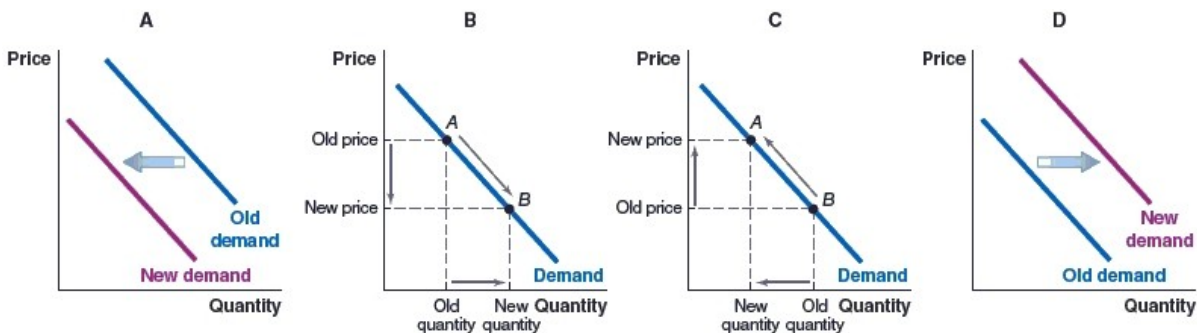


- a. Graph A
b. Graph B
c. Graph C
d. Graph D

ANSWER:

c

68. (Figure: Market for Apple Computers) 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?



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

ANSWER:

d

69. Which of the following 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.

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- 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

70. Which of the following 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. 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
 - 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 increased congestion effect; a decrease in the number of consumers in the market; increase in popularity of a product

ANSWER: b

71. Which of the following items is an inferior good?
- a. Low-quality frozen meals
 - b. University textbooks
 - c. Restaurant a la carte dinners
 - d. Toll roads

ANSWER: a

72. Which of the following items is an inferior good?
- a. Luxury SUVs
 - b. Discount stores
 - c. Airline tickets
 - d. Car rentals

ANSWER: b

73. Which of the following items is a normal good?
- a. Canned food
 - b. Instant noodles
 - c. Steak
 - d. Third-hand cars

ANSWER: c

74. The relationship between price expectations and demand is

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- a. negative; when future prices are expected to rise, current demand will fall.
- b. negative; when future prices are expected to fall, current demand will rise.
- c. positive; when future prices are expected to rise, current demand will rise.
- d. positive; future prices are generally expected to rise.

ANSWER:

c

75. A product that can have congestion effects is

- a. Tripadvisor reviews.
- b. Facebook.
- c. roads.
- d. Instagram.

ANSWER:

c

76. A product with a network effect is

- a. a drive-through window at a fast food restaurant.
- b. a social media tool such as WeChat in China.
- c. a broadband telecommunications network.
- d. the customer service line at the Department of Motor Vehicles.

ANSWER:

b

77. If Canadian consumers expect the value of the Canadian dollar to depreciate against the US dollar (the Canadian dollar becomes weaker against the dollar), what impact would we expect this to 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:

a

78. If Canadian consumers expect the value of the Canadian dollar to rise against the US dollar, what impact would we expect this to 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

79. Due to uncertainty around Brexit, the value of the British pound has been falling against the Euro. How will this affect the demand for German goods in the UK?

- a. The demand for German goods would increase.
- b. The demand for German goods would not change.

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- c. The demand for German goods would double.
- d. The demand for German goods would fall.

ANSWER:

d

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

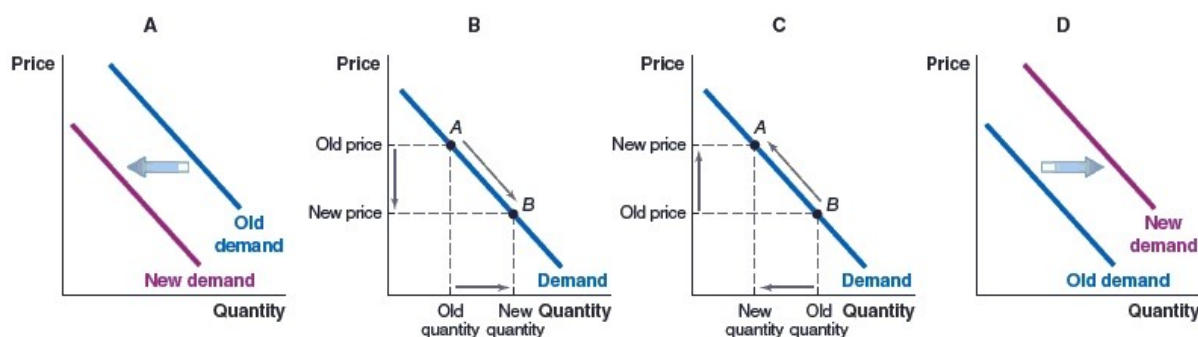
Price per ATV tour (per person)	Number of ATV tours demanded by tourists in May	Number of additional ATV tours demanded by tourists in June
\$99	874	272
\$119	819	245
\$149	736	197
\$189	604	145

- 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

81. (Figure: Market for Tourism) 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?



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

ANSWER:

a

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

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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

- At a price of \$75, the total market demand for textbooks in August is 2700.
- At a price of \$99, the total market demand for textbooks in August is 1050.
- At a price of \$149, the total market demand for textbooks in August is 417.
- At a price of \$300, the total market demand for textbooks in August is 967.

ANSWER:

d

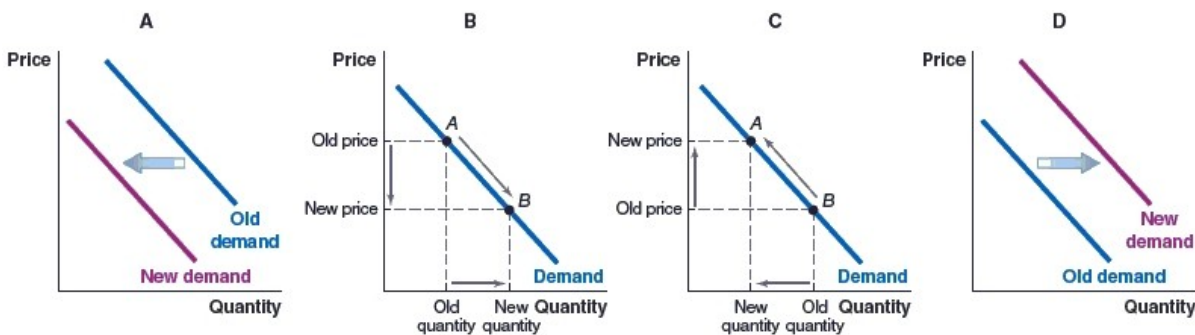
83. During the Great Recession of 2007-2009, unemployment shot up and a lot of people lost their jobs. All over the United States, people worried about job security. Which of the following do you think happened as a result of the Great Recession?

- Consumers ate out less often.
 - Consumers purchased fewer higher-end vehicles.
 - Purchases of new housing went down.
 - Consumers took fewer vacations outside the United States.
- (i), (ii) and (iv) are correct.
 - (i) and (iv) are correct.
 - (ii) and (iii) are correct.
 - (i), (ii), (iii) and (iv) are all correct.

ANSWER:

d

84. (Figure: Market for Oral Health Care) A recent article published in the Journal of the American Dental Association talked about the impact of the Great Recession of 2007-2009 on the demand for oral health care in the United States. Which of the graphs illustrates what this impact might have been?



- Graph A
- Graph B
- Graph C
- Graph D

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ANSWER:

a

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

- a. The demand 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 for Gucci shoes will shift to the left today.

ANSWER:

a

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

- a. The demand 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 for the luxury good will shift to the left today.

ANSWER:

d

87. Which of the following businesses do you think will do well during a recession?

- a. Luxury cruise lines
- b. Discount clothing stores
- c. Designer clothing stores
- d. Upscale restaurants

ANSWER:

b

88. 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

89. The marginal benefit of consuming an item is

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

ANSWER:

c

90. Jane goes to an all-you-can-eat restaurant and makes three trips to the buffet. After finishing food from her third trip, she felt sick and throws up. Which of the following economic explanations best matches Jane's

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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

91. 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

92. 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:

- a. demand curves that are flatter at lower quantities and steeper at higher quantities.
- b. demand curves that are vertical.
- c. demand curves that are steeper at lower quantities and flatter at higher quantities.
- d. demand curves that are positively sloped.

ANSWER:

c

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

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

ANSWER:

d

94. 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

95. If the price of airline tickets goes up, there will be

- a. an increase in the demand for bus tickets, but a decrease in the demand for train tickets.
- b. a decrease in the demand for bus tickets, but an increase in the demand for train tickets.

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- c. an increase in the quantity demanded of airline tickets.
- d. an increase in the demand for both bus and train tickets.

ANSWER:

d

96. Air Canada announces a 15% off sale on its flights, so fans can watch Toronto Raptors play against the Golden State Warriors in the NBA Finals. What effect will this sale have on Air Canada's flights to destinations other than Canada?

- a. The supply of Air Canada tickets will shift to the right.
- b. The demand for Air Canada tickets will shift to the right.
- c. The supply of Air Canada tickets will shift to the left.
- d. The demand for Air Canada tickets will shift to the left.

ANSWER:

b

97. Dental services can be classified as

- a. normal goods.
- b. expenses that do not change with income.
- c. inferior goods.
- d. fixed in their demand.

ANSWER:

a

98. 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

99. Find and explain the error in reasoning in each of the following 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 will fall, leading to a movement along the same 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 defining inferior goods. Inferior goods do not have to be low in quality – when income 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

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demand of that product.

100. Find and explain the error in reasoning in each of the following 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.

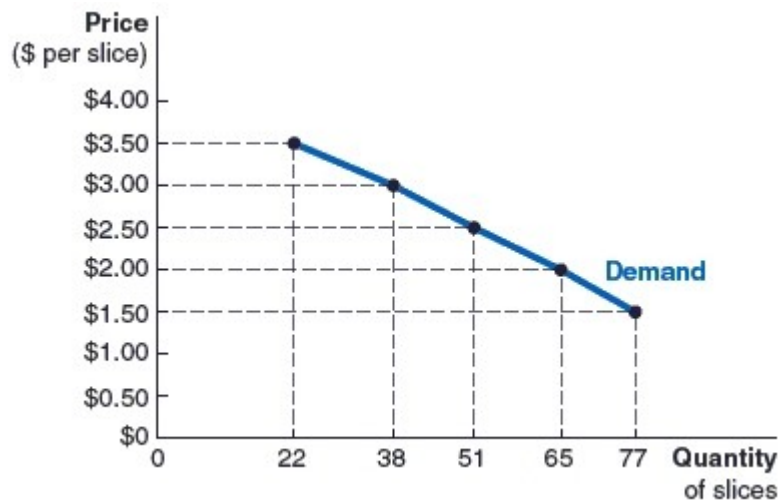
Statements 2 and 3 have the same error – a failure to distinguish between a change in demand and a change in quantity demanded. A change in demand is a shift of the entire demand curve. A change in quantity demanded is a movement along the same demand curve.

101. As a part of a market research project, you survey six random people to see how much gas per week they would buy at various prices. The data you collect is in the accompanying table. Assuming that these are the only six consumers in the market, plot the market demand curve for gas.

Quantity of Gallons of Gas Demanded Per Week

Price per gallon of gasoline	Marty	Zain	Doc	Mikael	Zoya	Amirah
\$1.50	10	15	6	20	20	6
\$2.00	8	12	3	18	19	5
\$2.50	6	9	1	14	17	4
\$3.00	4	6	0	10	15	3
\$3.50	2	3	0	4	12	1

ANSWER:

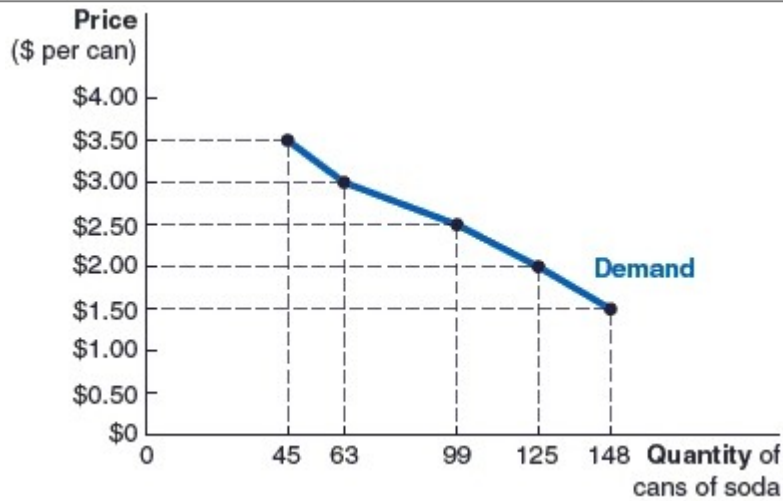


102. The table shows the demand data for four different consumers who drinks sodas. Assuming that these are the only four consumers in the market, plot the market demand curve for sodas.

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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

ANSWER:



103. You are studying the demand for cruise ship tickets. Determine how the demand for these tickets might be affected by each of the three factors below.

- (a) A major marketing campaign successfully advertises the cruise ship sailings.
- (b) The government lowers income taxes on its population and so consumers have more after-tax income.
- (c) Consumers begin to prefer ocean travel as opposed to airline travel.

ANSWER: (a) Demand increases (b) Demand increases (c) Demand increases

104. 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, in order to sell the second pizza, Domino's will have to lower the price.

105. 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 which says that prices will fall in the near future.

Scenario 2: You are studying the market for jackfruits. A report is released which details the health benefits of eating jackfruits.

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

ANSWER: Scenario 1: Demand will decrease at the current time as consumers will wait to purchase vehicles

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when they are cheaper.

Scenario 2: The demand for jackfruits will increase as consumers will want to benefit from the health properties of jackfruits.

Scenario 3: The demand for farmed salmon will decrease as consumers will opt for the wild-caught variety.

106. 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 which says that prices will rise in the near future.

Scenario 2: Many young people leave a small town to look for 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: Demand will increase at the current time as consumers will hurry to buy vehicles before prices rise.

Scenario 2: The demand for college education in the small town will decrease as young people will have moved away to the capital city.

Scenario 3: The demand for lettuce will fall as consumers will want to avoid the contaminated lettuce.

107. For each of the four scenarios below, draw demand curves to illustrate the effects.

(a) During the cold and flu season, consumers choose to 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 US dollar. In Canada, what happens to the demand for American-made goods?

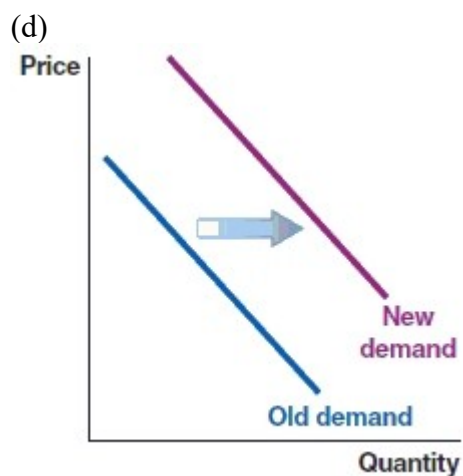
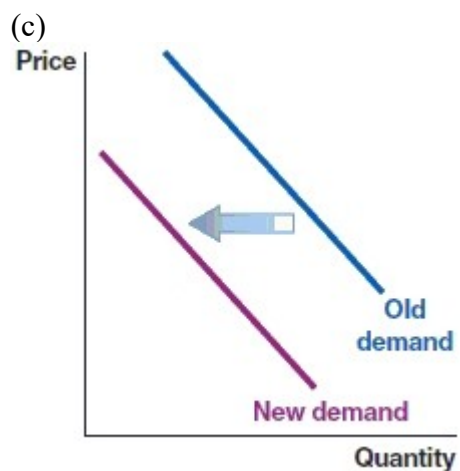
(d) The US dollar strengthens against the Canadian dollar. In the United States, what happens to the demand for Canadian-made goods?

ANSWER: (a)



(b)

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108. 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



109. 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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110. 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: Vegemite market



Bread market

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111. Graphically illustrate how the demand curve for electric vehicles will be affected in each of these cases below.

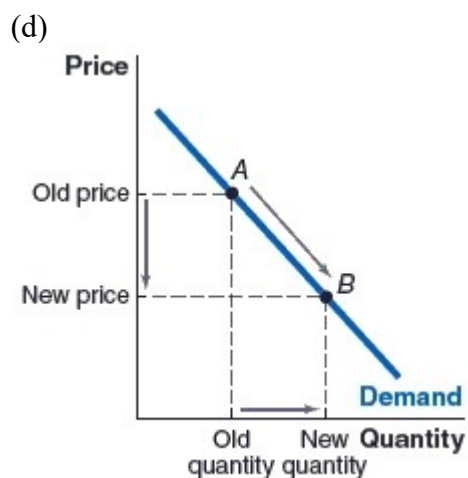
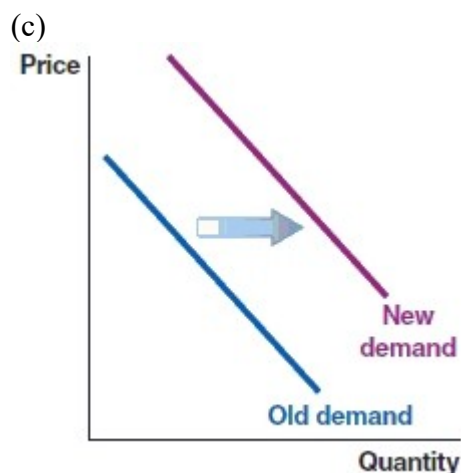
- (a) A major climate change awareness campaign is instituted which teaches consumers about clean energy vehicles.
- (b) The price of gas-powered vehicles falls significantly, due to lower costs of production.
- (c) Gas prices experience a significant and long-standing increase.
- (d) The price of electric vehicles falls due to a fall in the cost of production.

ANSWER: (a)



(b)

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112. Consider the demand for strawberry ice-cream. For each of the following scenarios, identify whether the market would experience a change in quantity demanded or a change in demand, and specify the direction of the change.

- Strawberry orchards are affected by disease, and the supply of strawberries to ice-cream manufacturers falls.
- The market price of strawberry ice-cream rises.

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c. More consumers begin to prefer chocolate ice-cream to strawberry ice-cream.

- ANSWER:**
- a. The fall in the supply of strawberries will cause a reduction in the supply of strawberry ice-cream. This will lead to a rise in the price of strawberries and a decrease in the quantity demanded of strawberry ice-cream.
 - b. The rise in the price of strawberries and a decrease in the quantity demanded of strawberry ice-cream
 - c. The demand for strawberry ice-cream will decrease as more consumers choose chocolate ice-cream instead.

113. Consider the demand for antibiotic-free eggs. For each of the following scenarios, identify whether the market would experience a change in quantity demanded or a change in demand, and specify the direction of the change.

- a. A major news article is published, which shows that eating antibiotic-free eggs is much healthier than eating eggs from farms where antibiotics are used.
- b. Where there used to be just one producer of antibiotic-free eggs, now several new producers of antibiotic-free eggs also 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 antibiotic-free eggs.
 - c. A decrease in demand for antibiotic-free egg, as some consumers will now switch back to the eggs produced using antibiotics (since they are now much cheaper).

114. 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	

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(b) Which way has the demand curve shifted?

ANSWER: (a)

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

(b) Demand has shifted to the right (an increase in demand).

115. 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 is then released which indicates that the prices of boats will fall in the near future. At each current price level, this forecast causes a reduction of 25% of the current consumers, as these consumers opt to wait to purchase the boats when the prices have actually 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?

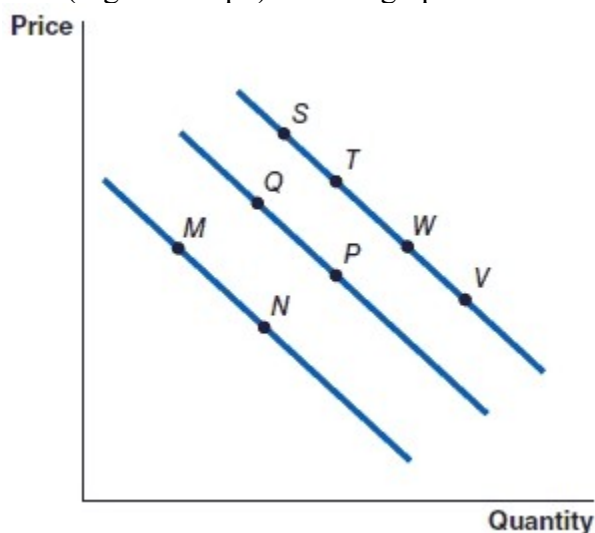
ANSWER: (a)

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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) Demand has shifted to the left (a decrease in demand).

116. (Figure: Graph) Use the graph to answer the following questions.



Here are 5 different options based on the graph above. These 5 options show movements from one point to another on 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

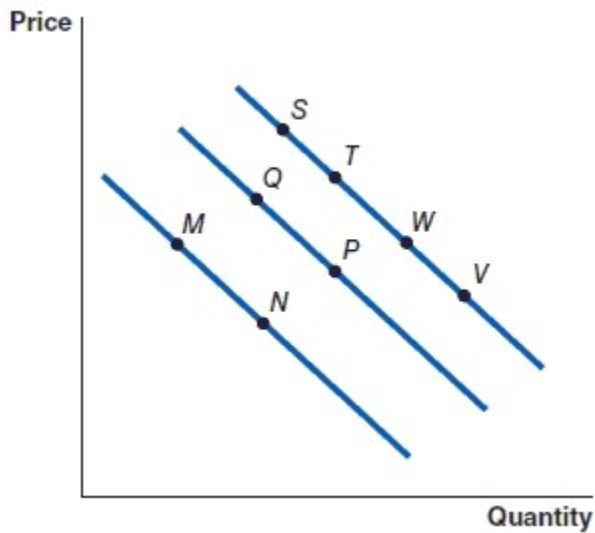
Now answer the following three questions:

- (a) Which of the 5 options could be caused by a change in the price of the product?
- (b) Which of the 5 options could be caused by a decrease in the price of the product?
- (c) Which of the 5 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)

117. (Figure: Graph) Use the graph to answer the following questions.

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Here are 5 different options based on the graph above. These 5 options show movements from one point to another on 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

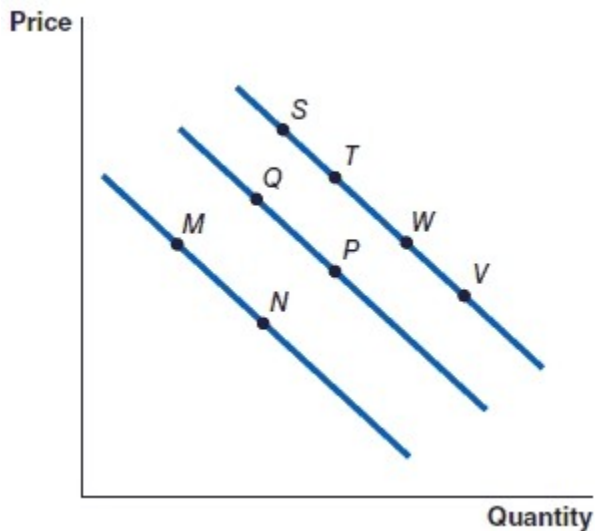
Now answer the following three questions:

- (a) Which of the 5 options could be caused by an increased congestion effect?
- (b) Which of the 5 options could be caused by an increased network effect?
- (c) Which of the 5 options could be caused by decreased consumer preferences for the product?

ANSWER:

- (a) Option (iv)
- (b) Options (iii) and (v)
- (c) Option (iv)

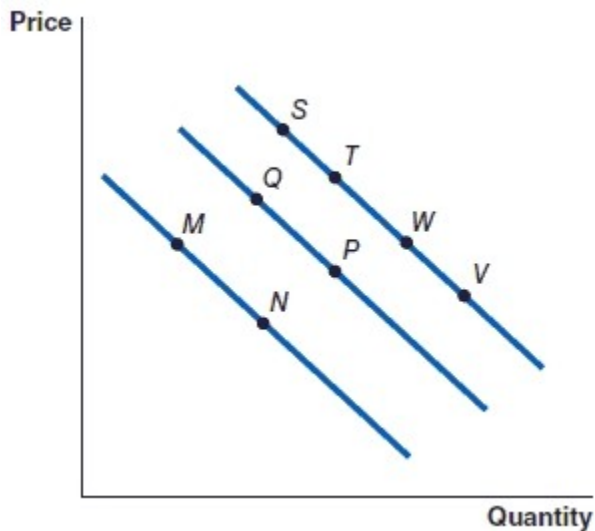
118. (Figure: Graph) Use the graph to answer the following questions.

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- (a) What change caused the movement from point V to point W?
 (b) What change caused the movement from point T to point W?
 (c) If the item is a normal good, in what direction did income change to cause the shift from point P to point W?
 (d) If the item is an inferior good, in what direction did income change to cause the shift from point T to point Q?

ANSWER: (a) An increase in price caused the movement from V to W.
 (b) A decrease in price caused the movement from T to W.
 (c) An increase in income.
 (d) An increase in income

119. (Figure: Graph) Use the graph to answer the following questions.



- (a) What change caused the movement from point S to point T?
 (b) What change caused the movement from point W to point T?
 (c) Fishing rods and fishing reels are complementary goods. In which direction did the price of fishing rods change to cause the shift from point Q to point M in the demand for fishing reels?

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(d) Abu Garcia fishing rods and Shimano fishing rods are substitute goods. In which direction did the price of Abu Garcia fishing rods change to cause the shift from point N to point P in the demand for Shimano fishing rods?

- ANSWER: (a) A decrease in price caused the movement from S to T.
(b) An increase in price caused the 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.

120. Fill in the blanks below using the following choices: increases OR decreases.

- (a) If the congestion effect of using a highway increases, then the demand curve for that highway _____.
(b) If the network effect of using a social media platform increases, the demand for advertising by businesses on that platform _____.
(c) On heavy smog days in Beijing, the demand for face masks _____.

ANSWER: (a) decreases (b) increases (c) increases

121. Fill in the blanks below using the following choices: increases OR decreases.

- (a) When Canadian fans travel to Oracle Arena in California to watch the Toronto Raptors play the Golden State Warriors in the NBA Finals, we observe that the demand for airline tickets _____.
(b) As the Toronto Raptors reach the final rounds of the NBA Finals, the demand for Raptors merchandise _____.
(c) If the demand for hot dogs at basketball games increases, then the price of hot dogs sold at basketball games _____.

ANSWER: (a) increases (b) increases (c) increases

122. Fill in the blanks below using the following choices: increases OR decreases.

- (a) As the price of roses increases, the quantity demanded of roses _____.
(b) As the expected price of airline tickets rises, the current demand for airline tickets _____.
(c) As the demand for cruise ship vacations falls, the price of cruise ship tickets _____.
(d) When the tourist season begins in Bali, the price of hotels rooms _____.

ANSWER: (a) decreases (b) increases (c) decreases (d) increases

123. 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

124. The tendency for quantity demanded to be higher when the price is lower is known as the law of:

- a. unintended consequences.
- b. increasing returns.
- c. demand.
- d. supply.

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ANSWER:

c

125. Which statement BEST illustrates the law of demand?

- a. An increase in food prices encourages more individuals to buy more food as a result of 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

126. A _____ illustrates a downward sloping relationship between price and quantity.

- a. demand curve
- b. supply curve
- c. demand schedule
- d. supply schedule

ANSWER:

a

127. The law of demand implies that you will:

- a. buy more at higher prices.
- b. buy more at lower prices.
- c. offer more on the market at lower prices.
- d. offer less on the market at higher prices.

ANSWER:

b

128. 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

129. 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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130. 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

131. 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

132. 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

133. A shift of the demand curve for fried chicken would NOT be caused by 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

134. 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.

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ANSWER:

c

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

- a. paint to increase.
- b. paint to decrease.
- c. paintbrushes to decrease.
- d. both paint and paintbrushes to decrease.

ANSWER:

a

136. Over the past several years, sushi has become increasingly popular among consumers. This means that the _____ sushi has _____.

- a. quantity demanded of; increased
- b. demand for; decreased
- c. demand for; increased
- d. quantity demanded of; decreased

ANSWER:

c

137. 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

138. 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

139. 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

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ANSWER: d

140. 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.

ANSWER: c

141. 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

142. 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

143. 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

144. 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.

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ANSWER:

b

145. 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

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

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

ANSWER:

b

147. For vacations, restaurant meals, and smartphones, purchases 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

148. 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

149. Steak is a normal good. If students' incomes at your college decrease, the effect on steak consumption will be:

- a. an increase in demand.
- b. an increase in the quantity demanded.
- c. a decrease in demand.
- d. no change in demand.

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ANSWER:

c

150. Macaroni and cheese is an inferior good. If students' incomes at your college increase, the effect on macaroni and cheese consumption will be:

- a. an increase in demand.
- b. an increase in the quantity demanded.
- c. a decrease in demand.
- d. no change in demand.

ANSWER:

c

151. Suppose that, upon changing jobs, you experience an increase in income (otherwise, why change jobs?). 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

ANSWER:

d

152. 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

153. 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

154. 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.

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- d. the price of gasoline falls in the area.

ANSWER:

a

155. Assuming that iPhones are normal goods, 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. the price of laptop computers increasing

ANSWER:

c

156. 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

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

- a. decrease
- b. increase
- c. not change
- d. randomly fluctuate

ANSWER:

b

158. 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

159. 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. supply increased.
- b. supply decreased.
- c. demand increased.
- d. demand decreased.

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ANSWER:

c

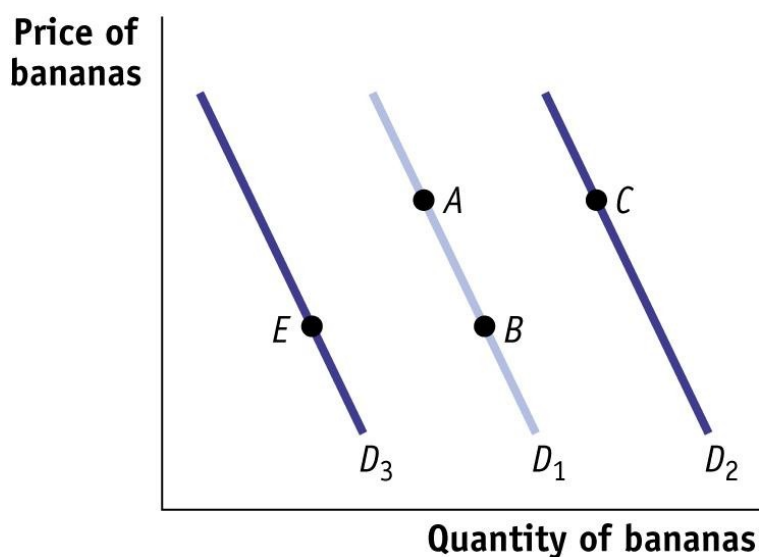
160. Steak is a normal good if:

- a. a rise in the price of a complement causes the demand for steak to decrease.
- b. income and the demand for steak are negatively related.
- c. a rise in the price of a substitute causes the demand for steak to increase.
- d. the demand for steak increases when income rises.

ANSWER:

d

161. (Figure: Demand for Bananas) Use Figure: Demand for Bananas. If pears are a substitute for bananas, an increase in the price of pears could be represented as a:



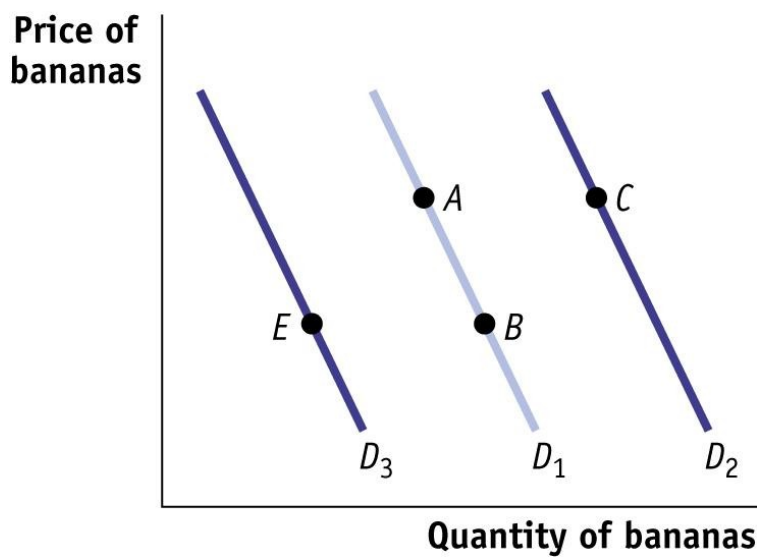
- a. shift from D_1 to D_2 .
- b. movement from point A to point B .
- c. shift from D_1 to D_3 .
- d. movement from point B to point E .

ANSWER:

a

162. (Figure: Demand for Bananas) Use Figure: Demand for Bananas. A decreased preference for bananas could be represented as a:

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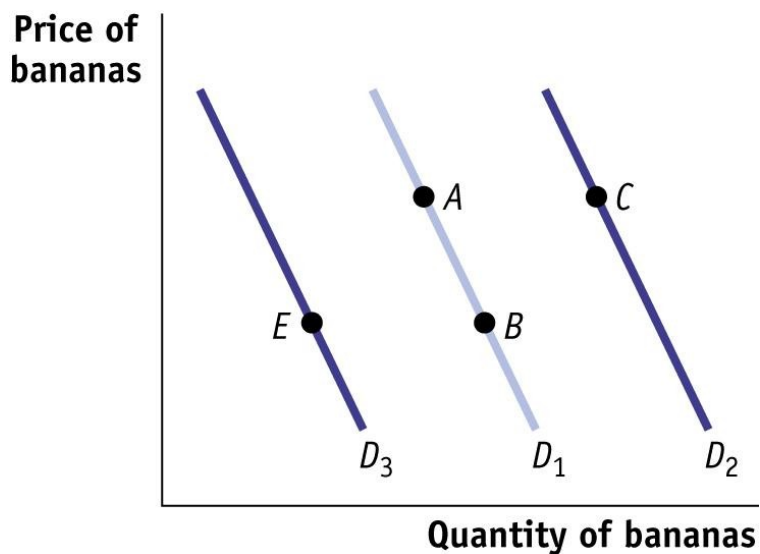


- shift from D_1 to D_2 .
- movement from point A to point B .
- shift from D_1 to D_3 .
- movement from point B to point E .

ANSWER:

c

163. (Figure: Demand for Bananas) Use Figure: Demand for Bananas. Expectations among consumers that the price of bananas will rise significantly in the near future could be represented as a:



- shift from D_1 to D_2 .
- movement from point B to point A .

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- c. shift from D_1 to D_3 .
- d. movement from point B to point E .

ANSWER:

a

164. (Table: The Demand for Potato Chips) Use Table: The Demand for Potato Chips. Blair demands 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.
- d. \$0.60.

ANSWER:

c

165. (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

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- a. 100
- b. 110
- c. 135
- d. 310

ANSWER:

c

166. (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

167. (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			
	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

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0.40	45	60	170
0.30	50	70	190

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

ANSWER:

c

168. When Coca Cola consumption recently decreased, the Coca Cola Company hired a survey firm to determine what was going on. The firm interviewed consumers, who said that rising Coke prices were discouraging them from purchasing Coke. This implies a:

- a. movement along the demand curve for Coca Cola.
- b. movement along the supply curve for Coca Cola.
- c. shift of the demand curve for Coca Cola.
- d. shift of the supply curve for Coca Cola.

ANSWER:

a

169. An increase in the price of shampoo will generally result in a decrease in the:

- a. demand of shampoo.
- b. supply of shampoo.
- c. quantity of shampoo demanded.
- d. quantity of shampoo supplied.

ANSWER:

c

170. The _____ for 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
- b. supply curve
- c. demand curve
- d. quantity demanded

ANSWER:

c

171. 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.
- c. Tide and Purex are substitutes.
- d. Tide is a normal good.

ANSWER:

c

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172. In the market for fresh coffee, a normal good, which of these will shift the demand curve to the right?

- a. More coffee is planted in Columbia.
- b. The price of coffee falls.
- c. Incomes rise.
- d. Consumers switch from coffee to tea.

ANSWER:

c

173. 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. supply of smoothies to increase.
- d. supply of smoothies to decrease.

ANSWER:

a

174. 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

175. 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 along the demand curve for ramen noodles.
- d. movement down along the demand curve for ramen noodles.

ANSWER:

a

176. 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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177. 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

178. 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

179. 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

180. 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

181. 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.

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ANSWER:

b

182. 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:

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

ANSWER:

a

183. 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

184. Suppose that the price of rare earth metals is increasing (this is one of the main components of most smartphones). As a consequence, people expect the price of smartphones to rise next year. Therefore, people will MOST likely:

- a. purchase fewer smartphones this year.
- b. observe higher prices for smartphones this year.
- c. purchase the same amount of smartphones, since this expectation will have no effect on consumers this year.
- d. decide to wait and purchase the smartphones next year.

ANSWER:

b

185. 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

186. When the marginal benefit of an activity is equal to the price of the activity, the rational buyer should do _____ of the activity.

- a. less

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- b. that exact amount
- c. more
- d. none

ANSWER:

b

187. You find that the marginal benefit of eating one more yogurt is greater than the price of the yogurt. You conclude that:

- a. you will be better off if you eat one more yogurt.
- b. you will be no better off and no worse off if you eat one more yogurt.
- c. you will be worse off if you eat one more yogurt.
- d. the total cost of eating the yogurt will be greater than the total benefit of eating the yogurt.

ANSWER:

a

188. 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. 8
- b. 10
- c. 5
- d. 11

ANSWER:

b

189. 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

190. 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

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191. 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

192. Facebook is subject to network effects because:

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

193. Explain the law of demand. What does it tell us about the shape of a demand curve?

ANSWER: The law of demand states that when all other variables are held constant, a higher price of a good will tend to decrease the quantity demanded of that good. Graphically, we see this as a downward-sloping demand curve.

194. How would each of the listed events affect the demand for new textbooks?

- I. The price of used textbooks falls.
- II. The price of college tuition falls.
- III. More high school graduates decide to attend college.

ANSWER:

- I. A used textbook is a substitute for a new textbook. When used textbooks become cheaper, the demand for new textbooks decreases.
- II. A college course is a complement to a new textbook. If the price of attending college falls, more people will attend college, and the demand for new textbooks will increase.
- III. An increase in the number of students attending college will increase in the number of consumers of new textbooks. This increases the demand for both new and used textbooks.

195. In these cases, explain what happens to demand or quantity demanded and how the change would be shown on a graph of the demand schedule.

- I. Assuming that tickets to an MLB game are normal goods, what is the effect of an increase in the incomes of MLB fans?
- II. Assuming that DAZN and ESPN prime are substitutes, what happens if the price of DAZN subscriptions increases?
- III. Assuming that data plans and cell phones are complements, what happens if the price of data plans decreases?

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- ANSWER:*
- I. If fans' incomes increase, and tickets are a normal good, the demand for tickets will increase, shown by a shift of the demand curve for tickets to the right.
 - II. An increase in the price of a DAZN subscription will lead to a decrease in the quantity of DAZN subscriptions demanded, shown by a movement up and to the left along the demand curve for DAZN subscriptions. If subscriptions to DAZN and ESPN prime are substitutes, the demand for ESPN subscriptions will increase, represented by a shift of the demand curve for ESPN subscriptions to the right.
 - III. If the price of data plans decreases, the quantity of data plans demanded will increase, shown by a movement down and to the right along the data plan demand curve. The demand for cell phones will increase, shown by a shift to the right of the demand curve for cell phones.