

Student name: _____

1) If a country's economic decisions are made by an individual or small number of individuals, then it has a:

- A) centralized economy.
- B) free-market economy.
- C) capitalist economy.
- D) open economy.

2) A good example of central planning at work in the U.S. is:

- A) car manufacturers establishing suggested retail prices.
- B) McDonald's fries being the same everywhere.
- C) unions working with businesses to establish wages.
- D) New York City's rent control program.

3) The entire group of buyers and sellers of a particular good or service makes up:

- A) the demand curve.
- B) the supply curve.
- C) the market.
- D) the equilibrium price and quantity.

4) Suppose you bought three tickets to a concert in advance at the University ticket window. At the last minute one friend cancelled, so you could use only two of the tickets. You sold the third ticket just outside the entrance to the

concert for more than the price you had originally paid. Which transaction occurred in a market?

- A) The advance purchase at the University was the only market transaction.
- B) The sale that occurred at the concert entrance was the only market transaction.
- C) Both the purchase at the University ticket window and the sale at the concert entrance were market transactions.
- D) Neither the purchase at the University ticket window nor the sale at the concert entrance was a market transaction.

5) Suppose you camped out in front of an electronics store to be one of the 200 lucky people able to purchase the latest gaming system. You bought the system for \$350. Two weeks later you see that the same system can be sold on e-Bay

- A) consumer in both markets.
- B) consumer at the electronics store and a seller on e-Bay.
- C) consumer at the electronics store; the e-Bay

for \$600, so you sell your system. Your market role was as a:

transaction did not occur in a market.

- D) seller in both markets.

6) To understand how the price of a good is determined in a free market, one must account for the interests of:

- A) only buyers.
- B) only sellers.
- C) neither buyers nor sellers.

- D) buyers and sellers.

7) Buyers and sellers of a particular good make up the:

- A) market for the good.
- B) demand for the good.
- C) supply for the good.

- D) production possibilities curve for the good.

8) "All else constant, consumers will purchase more of a good as the price falls." This statement reflects the behavior underlying:

- A) the demand curve.
- B) a change in demand.
- C) the supply curve.

- D) a change in supply.

9) The demand curve illustrates the fact that consumers tend to purchase:

- A) more of a good as it becomes more popular.
- B) name-brand products more frequently than generic products.

C) more of a good as its price falls.

D) more of a good as their incomes rise.

10) Which of the following is **NOT** true of a demand curve?

- A) It has negative slope.
- B) It shows the amount consumers want to buy at various prices.
- C) It relates the price of an item to the quantity

demand of that item.

D) It reflects sellers' reservation prices.

11) A demand curve is _____ sloping because _____.

- A) downward; of increasing opportunity costs
- B) upward; people prefer to purchase high-quality consumer goods
- C) downward; reservation prices tend to fall over time

D) downward; fewer people are willing to buy an item at higher prices

12) As coffee becomes more expensive, Joe starts drinking tea instead of coffee. This is called:

- A) the income effect of a price change.
- B) a decrease in reservation price.
- C) the substitution effect of a price change.

D) a decrease in demand.

13) Suppose that as the

price of apples rises, people switch from eating apples to eating oranges. This is known as:

- A) the normal effect of a price change.
- B) the income effect of a price change.
- C) a decrease in the demand for apples.

D) the substitution effect of a price change.

14) You can spend \$10 for lunch and you would like to purchase two cheeseburgers. When you get to the restaurant, you find out the price for cheeseburger has increased from \$5 to \$6, so you decide to purchase just one cheeseburger. This is best described as:

- A) the substitution effect of a price change.
- B) the income effect of a price change.
- C) a decrease in the buyer's reservation price.

D) an increase in the buyer's reservation price.

15) After the price of Revlon nail polish increased, Jen stopped buying Revlon nail polish and started buying a cheaper brand of nail polish instead. This is called:

- A) the substitution effect of a price change.
- B) the income effect of a price change.
- C) a decrease in the buyer's reservation price.

D) a decrease in the seller's reservation price.

16) When the price of a good changes, the amount of that good that buyers wish to buy changes:

- A) solely because of the substitution effect.
- B) solely because of the income effect.
- C) because of both the substitution and the income effects.

D) only if the substitution effect and the income effect do not cancel out each other.

- 17) The buyer's reservation price for a particular good or service is the:
it.
- A) smallest price the buyer would be willing to pay for it.
 - B) same as the market price.
 - C) largest price the buyer would be willing to pay for
 - D) price the buyer must pay to ensure he or she gets it.
- 18) Shelly purchases a leather purse for \$400. One can infer that:
- A) she paid too much.
 - B) her reservation price was at least \$400.
 - C) her reservation price was exactly \$400.
 - D) her reservation price was less than \$400.
- 19) Gertie saw a pair of jeans that she was willing to buy for \$35. The price tag said they were \$29.99. Therefore:
- A) Gertie should not buy the jeans because they will be of lower quality than she expected.
 - B) Gertie should not buy the jeans because the price is not equal to her reservation price.
 - C) Gertie should buy the jeans because the price is less than her reservation price.
 - D) Gertie should buy the jeans because the price is more than her reservation price.
- 20) One reason the demand curve slopes _____ is that as prices fall _____.
- A) upward; more people find that the price is now less than their reservation price.
 - B) upward; fewer people find that the price is now less than their reservation price.
 - C) downward; more people find that the price is now less than their reservation price.
 - D) downward; fewer people find that the price is now less than their reservation price.

21) When a slice of pizza at the student union sold for \$2, Moe did not purchase any. When the price fell to \$1.75, Moe purchased a slice each day for lunch. Thus, we can infer that

- A) less than \$1.75.
- B) at least \$1.75 but less than \$2.

Moe's reservation price for a slice of pizza is:

- C) exactly \$1.75.
- D) exactly \$2.00.

22) The quantity that sellers wish to sell tends to _____ as price increases, and so the supply curve is _____ sloping.

- A) increase; downward
- B) decrease; downward
- C) increase; upward

D) decrease;
upward

23) The supply curve illustrates that firms:

- A) increase the supply of a good when its price rises.
- B) increase the quantity supplied of a good when its price rises.
- C) decrease the quantity supplied of a good when

input prices rise.

D) decrease the supply of a good when its price rises.

24) As the price of a good rises:

- A) firms generally decrease the supply of the good.
- B) more firms can cover their opportunity cost of producing the good.
- C) firms generally increase the supply of the good.

D) government regulation becomes more justified.

25) Jessica's marginal cost for producing a pitcher of lemonade is \$0.25. Therefore, \$0.25 is her:

A) marginal

revenue.

- B) equilibrium price.
- C) reservation price.

D) producers surplus.

26) Suppose that the market price for hot dogs sold by street vendors has just risen from \$4.50 to \$5.00, and that in response Curly has now begun operating a hot dog cart. We

can assume that Curly's reservation price for hot dogs is:

- A) at least \$5.00.
- B) \$4.50.
- C) greater than \$4.50 but no more than \$5.00.

D) \$5.00.

27) A seller's reservation price is generally equal to:

- A) the buyer's reservation price.
- B) the seller's opportunity cost of producing an additional unit.
- C) the seller's marginal benefit from producing an

additional unit.

D) the market price.

28) A seller's reservation price is generally equal to:

- A) the buyer's reservation price.
- B) the seller's average cost.
- C) the seller's marginal cost.

D) the market price.

29) Which of the following is **NOT** a characteristic of a market in equilibrium?

- A) There is neither excess supply nor excess demand.
- B) Neither buyers nor sellers want the price to change.
- C) Sellers can sell as many units as they want at the

equilibrium price.

D) Buyers can buy as many units as they want at the equilibrium price.

30) When a market is in equilibrium:

- A) there is either excess demand or excess supply.
- B) both excess demand and excess supply are positive.
- C) both excess demand and excess supply are positive

and equal to each other.

D) there is neither excess demand nor excess supply.

31) Equilibrium price and quantity are determined by:

- A) demand.
- B) supply.
- C) government regulations.

D) both supply and demand.

32) Excess demand occurs:

- A) whenever the market is in equilibrium.
- B) whenever the market is not in equilibrium.
- C) when price is above the equilibrium price.

D) when price is below the equilibrium price.

33) If price is above the equilibrium price, then there will be:

- A) both excess supply and excess demand.
- B) neither excess supply nor excess demand.

- C) excess supply.
- D) excess demand.

34) The price of bananas will increase in response to:

- A) an excess supply of bananas.
- B) an excess demand for bananas.
- C) an increase quantity of bananas supplied.

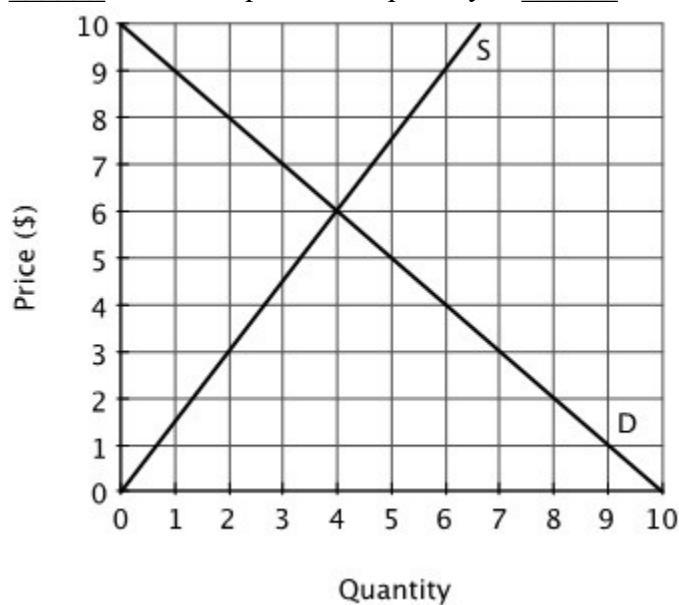
D) an increase in the supply of bananas.

35) If there is an excess supply of sport utility vehicles, then:

- A) supply is greater than demand.
- B) quantity supplied is greater than quantity demanded.
- C) demand is greater than supply.

D) quantity demanded is greater than quantity supplied.

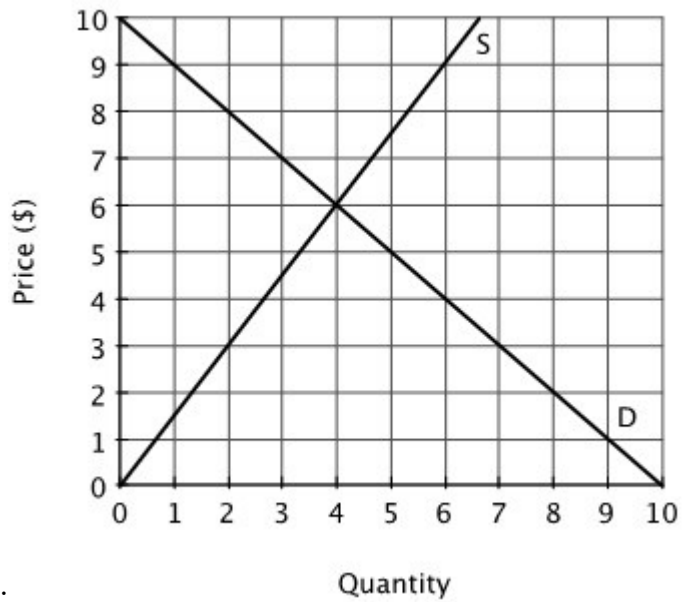
36) Refer to the figure below. The equilibrium price is _____, and the equilibrium quantity is _____.



- A) \$8; 6
- B) \$6; 4

- C) \$4; 6
- D) \$2; 8

37) Refer to the figure below. At a price of \$9, there will



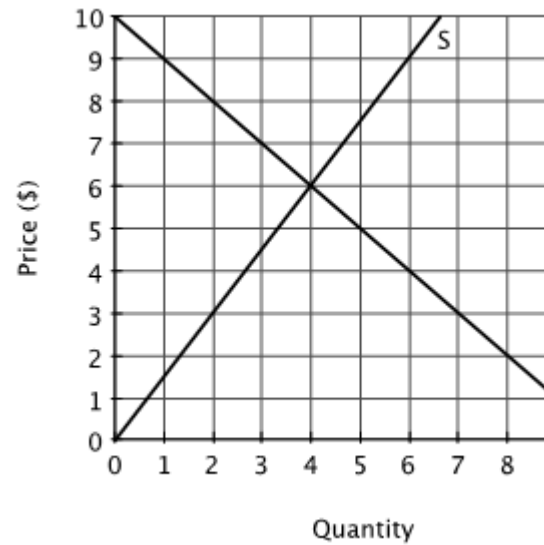
be:

- A) an excess demand of 5 units.
- B) an excess supply of 6 units.
- C) an excess demand of 1 unit.

D) an excess supply of 5 units.

38) Refer to the figure below. At a price of \$3, there will

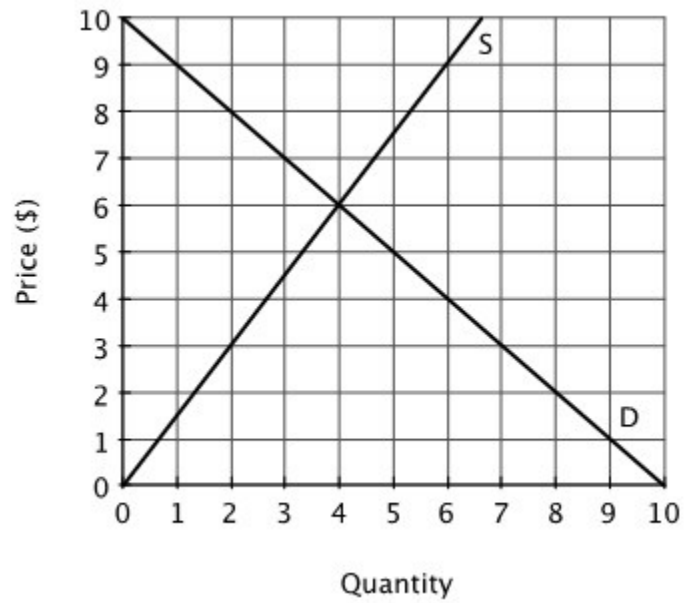
be:



- A) an excess demand of 5 units.
- B) an excess demand of 7 units.
- C) an excess supply of 7 units.

D) an excess supply of 2 units.

39) Refer to the figure below. If the price is \$4 today and there is no change in either supply or demand, one would expect the price in the future to be:



- A) \$4.
- B) less than \$4.

- C) greater than \$6.
- D) greater than \$4.

40) When the current price of a good is below the equilibrium price:

- A) buyers have an incentive to offer to pay sellers more than the current price.
- B) there will be excess supply.
- C) the price will tend to stay below the equilibrium

price.

- D) sellers will notice their inventories are growing.

41) In a free market, if the price of a good is below the equilibrium price, then;

- A) the government will set a higher price to reestablish the market equilibrium.
- B) sellers, dissatisfied with growing inventories, will raise their prices.
- C) buyers, hoping to ensure they acquire the good,

will bid the price higher.

- D) sellers, dissatisfied with growing inventories, will lower their prices.

42) In a free market, if the price of a good is above the equilibrium price, then;

- A) sellers, dissatisfied with growing inventories, will raise their prices.
- B) buyers, hoping to ensure they acquire the good, will bid the price lower.
- C) the government will set a lower price to reestablish

the market equilibrium.

- D) sellers, dissatisfied with growing inventories, will lower their prices.

43) Which of following is **NOT** true of the equilibrium price?

A) Buyers who are willing to pay the equilibrium price can acquire the good.

B) It measures the value of the last unit sold to consumers.

C) It is fair in the sense that everyone can afford basic

goods and services.

D) Sellers who are willing to accept the equilibrium price can sell what they produce.

44) When a market is not in equilibrium:

A) government intervention is required to achieve equilibrium.

B) there is neither excess supply nor excess demand.

C) the economic motives of sellers and buyers will move the market to its equilibrium.

D) a change in either supply or demand is required to reestablish equilibrium.

45) Suppose that when the price of oranges is \$3 per pound, the quantity demanded is 4.7 tons per day and the

quantity supplied is 3.9 tons. In this case:

A) excess demand will lead the price of oranges to rise

B) excess supply will lead the price of oranges to fall

C) excess demand will lead the price of oranges to fall

D) excess supply will lead the price of oranges to rise

46) Suppose that when the price of broccoli is \$4 per pound, buyers wish to buy 500 pounds per day and sellers

wish to sell 800 pounds per day. In this case:

A) excess supply will lead the price of broccoli to fall

B) excess demand will lead the price of broccoli to fall

C) excess supply will lead the price of broccoli to rise

D) excess demand will lead the price of broccoli to rise

47) Suppose you bought a concert ticket from Ticketmaster for \$50,

but when you get to the concert, there are a large number of people waiting outside who offer to pay you more than \$50

- A) There is an excess demand for tickets at the Ticketmaster price.
- B) The Ticketmaster price was above the equilibrium price.
- C) There is an excess supply of tickets at the

48) You have noticed that there is a persistent shortage of teachers in an inner-city school district in your state. Based on

- A) the wage for teachers in that district is higher than the wage in other districts.
- B) the wage for teachers in that district is lower than the equilibrium wage.
- C) there is an excess supply of teachers in other

49) Suppose you drive a car that gets good gas mileage, and you notice that more and more people are driving gas-

- A) does not affect you.
- B) is likely to cause the price you pay for gas to decrease.
- C) it likely to cause the price you pay for gas to

for your ticket. What is probably true?

- Ticketmaster price.
- D) The Ticketmaster price is the equilibrium price.

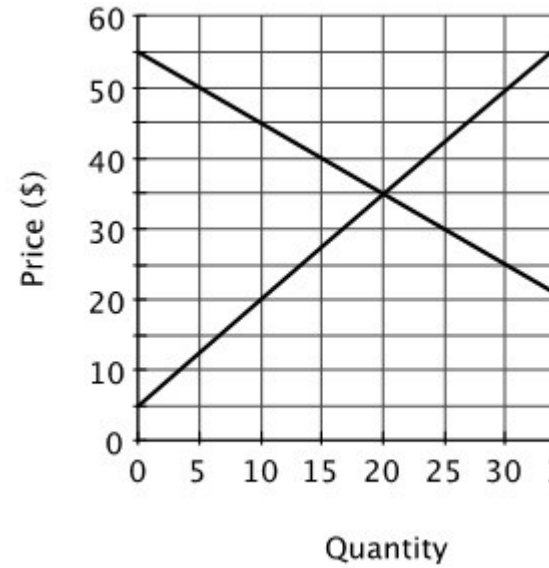
this observation, you suspect that:

- districts.
- D) the demand for teachers in the inner-city school district is too low.

guzzling cars. Their increased demand for gas:

- increase.
- D) does not change the price you pay, but it reduces the quantity of gas supplied.

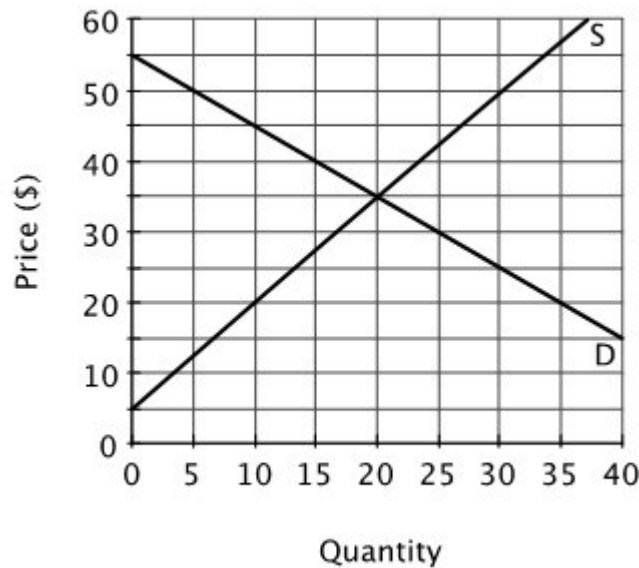
50) Refer to the figure below. The equilibrium price is _____, and the equilibrium quantity is _____.



- A) \$30; 15
- B) \$25; 20

- C) \$25; 5
- D) \$35; 20

51) Refer to the figure below. If the current market price

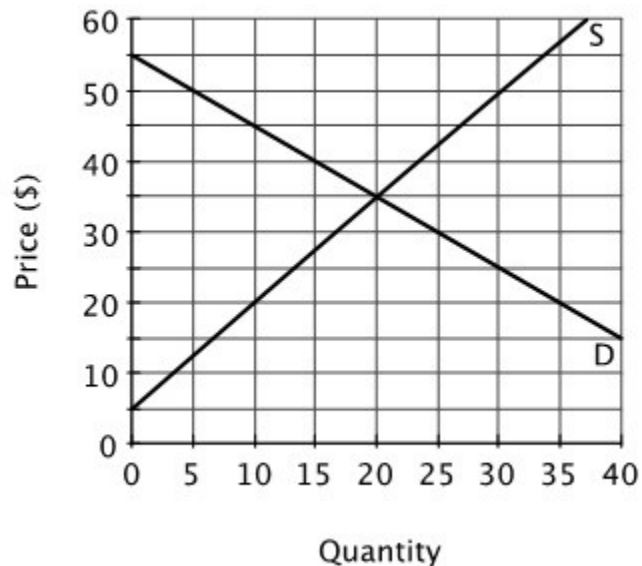


were \$20:

- A) the market would be in equilibrium.
- B) there would be an excess supply of 25 units.
- C) there would be an excess demand of 25 units.

D) there would be an excess demand of 35 units.

52) Refer to the figure below. Suppose all the sellers in this market started out charging a price of \$45 per unit. What is the most likely result?

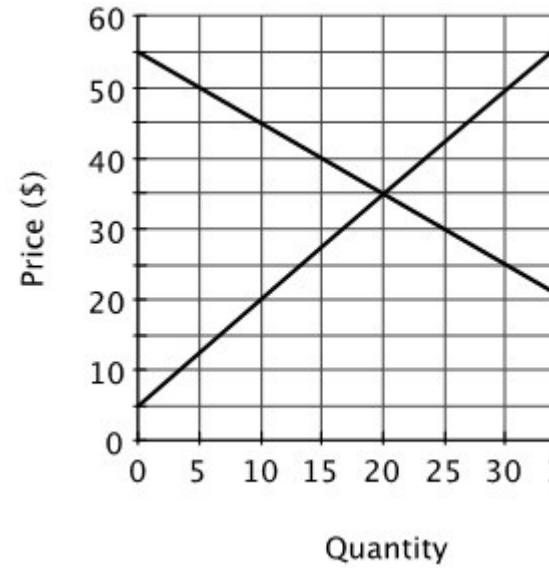


- A) They would all make a large profit because \$45 is more than the equilibrium price.
- B) They would all just break even because \$45 is their reservation price.
- C) They would lower their prices because at \$45 there

would be excess supply.

- D) They would lower their prices because at \$45 there would be excess demand.

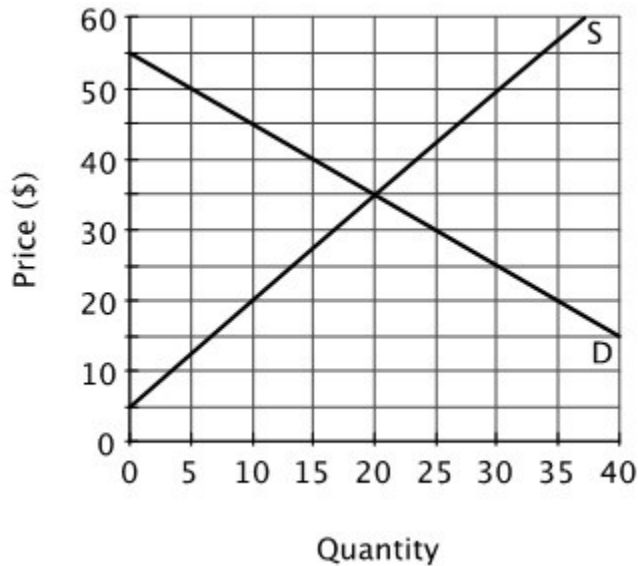
53) Refer to the figure below. If the government imposed a price ceiling of \$40, what would happen in this market?



- A) There would be excess supply.
- B) There would be excess demand.
- C) The price ceiling would have no effect.

D) The equilibrium quantity would fall.

54) Refer to the figure below. There would be an excess supply of 25 at a price of _____.



A) \$20

B) \$35

D) \$50

55) Which of the following is **NOT** a characteristic of rent controls?

- A) Greater availability of apartments.
- B) Excess demand for apartments.
- C) Fewer newly built apartment buildings.

D) Lower expenditures on maintenance.

56) Suppose one knows two facts: first, the market for prescription drugs experiences chronic shortages and second, the government sets the price for prescription drugs. One can

- A) set the price too high.
- B) set the price above the equilibrium price.
- C) encouraged buyers to hoard prescription drugs.

conclude that the government has:

D) set the price below the equilibrium price.

57) A price ceiling that is set above the equilibrium price:

- A) will lead to a black market.
- B) will have no effect on the market.
- C) will lead to excess supply in the market.

D) will lead to excess demand in the market.

58) In a market in which the government has set a price ceiling below the equilibrium price:

- A) the quantity demanded will equal quantity supplied.
- B) there will be excess supply.
- C) a black market might develop.

D) quantity supplied will exceed quantity demanded.

- A) they are not enforced by government.
- B) legislation cannot alter basic economic incentives.
- C) bureaucrats lack accurate market data.

D) firms ignore the price controls.

60) A movement along a demand curve from one price-quantity combination to another is called a:

- A) change in quantity demanded.
- B) shift in the demand curve.
- C) change in demand.

D) change in quantity supplied.

61) "As the price of personal computers continues to fall, demand increases." This headline is inaccurate because:

- A) a change in the price of personal computers shifts the demand curve.
- B) a change in the price of personal computers shifts the supply curve.
- C) the statement is backwards: increased demand

leads to lower prices.

D) a falling price of personal computers increases the quantity demanded, not demand.

62) An increase in the quantity of tea demanded occurs if:

- A) the population of tea drinkers grows.
- B) the price of coffee rises.
- C) the income of tea drinkers increases.

D) the price of the tea falls.

63) If the demand for a good decreases as income decreases, then the good is a(n):

- A) complementary good.
- B) normal good.

C) inferior good.
D) substitute good.

64) It is likely that for most people:

- A) coffee and tea are substitutes.
- B) coffee and non-dairy creamer are substitutes.
- C) coffee and Coke are complements.

D) coffee and coffee mugs are substitutes.

65) Office workers and word processing programs are complements if:

A) an increase in the price of word processing programs leads to an increase in the demand for office workers.

B) a decrease in the wage paid to office workers leads to an increase in the demand for word processing programs.

C) they perform similar functions.

D) a decrease in the wage paid to office workers leads to a leftward shift in the demand for word processing programs.

66) What might cause a demand curve to shift to the *right*?

- A) An increase in the price of a substitute.
- B) An increase in the product's own price.
- C) An increase in the price of a complement.

D) A decrease in the price of a substitute.

67) If the demand for olives falls when the price of cheese falls, then we know that cheese and olives are:

- A) normal goods
- B) complements

- C) substitutes
- D) inferior goods

68) If the demand for cucumbers falls when the price of tomatoes rises, then we know that tomatoes and cucumbers are:

- A) substitutes
- B) complements

- C) inferior goods
- D) normal goods

69) If the demand for steak increases as income increases, then steak is a(n):

- A) complementary good.
- B) normal good.

- C) inferior good.
- D) substitute good.

70) If an increase in the price of good X leads to a decrease in the demand for good Y , then:

- A) good X and good Y are complements.
- B) good X and good Y are normal goods.
- C) good X and good Y are substitutes.

- D) good X is a normal good and good Y is an inferior good.

71) Two goods are complements if:

- A) people tend to consume either one or the other.
- B) there are no substitutes for either of them.
- C) an increase in the price of one good leads to a decrease in demand for the other.

- D) an increase in the price of one good leads to an increase in demand for the other.

72) A decrease in the price of pizza will lead to a(n):

- A) increase in the demand for pizza.
- B) increase in the quantity of pizza demanded.
- C) decrease in the quantity of pizza demanded.

- D) decrease in the number of consumers.

- A) an inferior good.
- B) a complementary good.

- C) a normal good.
- D) a substitute good.

74) If an increase in income leads to a decrease in the demand for ground beef, then ground beef is a(n):

- A) normal good.
- B) complementary good.

- C) substitute good.
- D) inferior good.

75) If the demand curve for bologna shifts to the right as income falls then bologna is a(n):

- A) normal good.
- B) complementary good.

- C) substitute good.
- D) inferior good.

76) Suppose sport utility vehicles get poor gas mileage compared to other available cars. If the price of gasoline

increases, then one would then expect:

- A) the demand for gasoline to decrease.
- B) the demand for sport utility vehicles to decrease.
- C) the demand for sport utility vehicles to increase.

- D) the quantity demanded of sport utility vehicles to decrease.

77) Suppose the residents of Metropolis travel to work either by bus or train. If the price of train tickets increases, then:

- A) the demand for train tickets will increase.
- B) the demand for bus tickets will increase.
- C) the demand for train tickets will decrease.

- D) the demand for bus tickets will decrease.

78) If the price of doughnuts decreases, then one would expect the:

- A) supply of doughnuts to decrease.
- B) quantity of doughnuts supplied to decrease.
- C) supply of doughnuts to increase.

D) quantity of doughnuts supplied to increase.

79) Suppose that the price of doughnuts decreases. Given that doughnut-holes are a by-product of producing doughnuts, one would expect:

- A) the supply of doughnut holes to decrease.
- B) the supply of doughnuts to decrease.
- C) the supply of doughnut holes to increase.

D) the supply of doughnuts to increase.

80) For two goods, X and Y , to be classified as substitutes, it must be the case that:

- A) X and Y are identical.
- B) consumers tend to purchase both items together.
- C) when the price of X rises, the demand for Y

decreases.

D) when the price of X rises, the demand for Y increases.

81) At the beginning of the fall semester, college towns experience large increases in their populations, causing a(n):

- A) decrease in the quantity of apartments demanded.
- B) increase in the supply of apartments.
- C) increase in the demand for apartments.

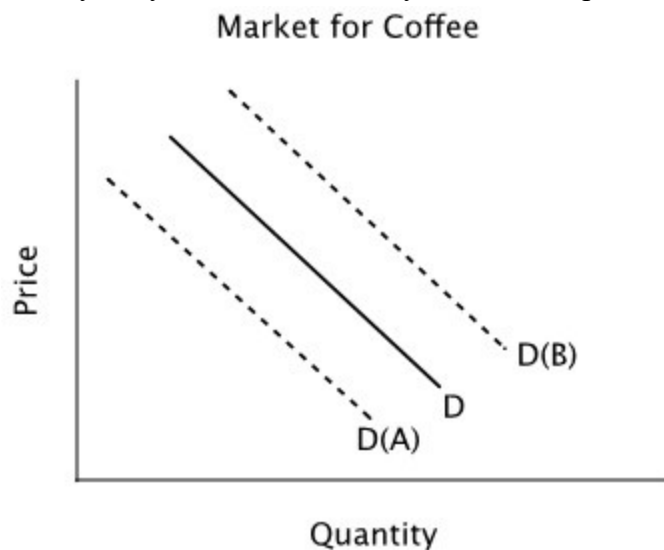
D) decrease in the quantity of apartments supplied.

82) Suppose one observes that when the price of peanut butter increases, the demand for jelly increases. One should conclude that:

- A) peanut butter and jelly are complements.
- B) peanut butter and jelly are substitutes.
- C) peanut butter and jelly are normal goods.

D) peanut butter and jelly are inferior goods.

83) Refer to the figure below. Suppose the solid line shows the current demand curve for coffee. In response to an announcement that much of next year's coffee crop has been destroyed by a storm in Brazil, you should expect:



A) an increase in the quantity of coffee demanded, but no shift in the demand curve.

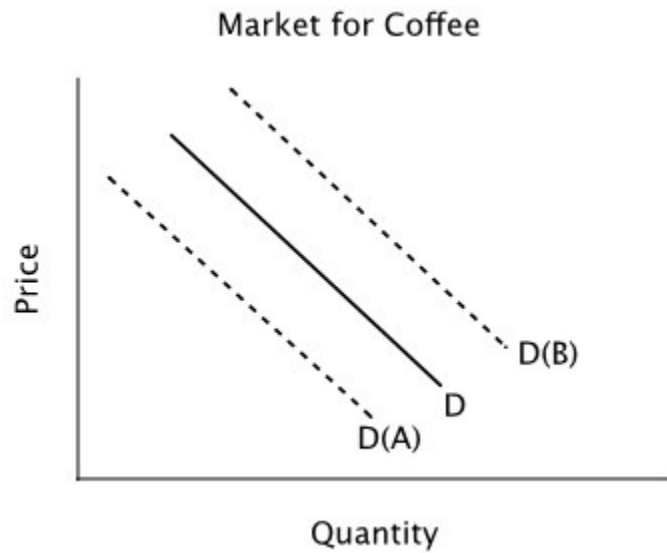
B) the demand curve to shift to D(A) in anticipation of higher future prices.

C) the demand curve to shift to D(B) in anticipation of higher future prices.

D) neither a change in quantity demanded nor a shift in demand because next year's coffee crop will not affect the current demand for coffee.

84) Refer to the figure below. Suppose the solid line shows the current

demand for coffee. In response to a news story explaining that coffee causes heart disease, you should expect:



A) the quantity of coffee demanded to decrease, but no shift in the demand curve.

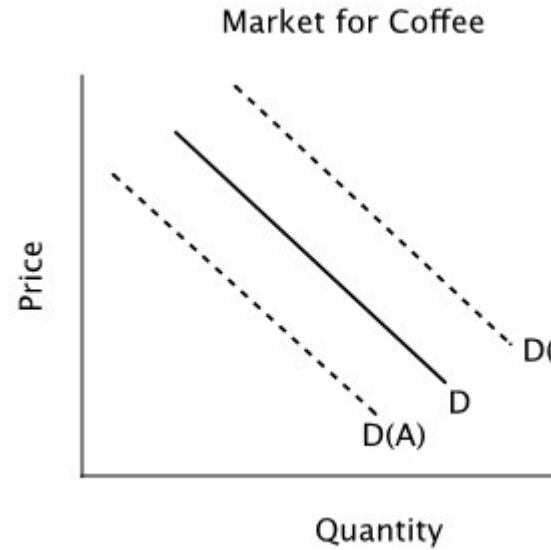
B) the demand curve to shift to D(A) because some people will stop drinking coffee.

C) the demand curve to shift to D(B) in anticipation of

higher future prices.

D) neither a change in quantity demanded nor a shift in demand.

85) Refer to the figure below. Suppose the solid line shows the current demand for coffee. In response to news that next year's coffee harvest will be extremely good due to favorable weather conditions, you should expect:



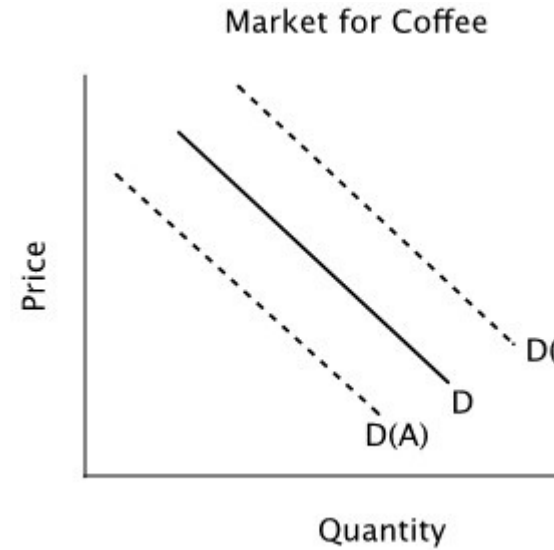
A) the quantity of coffee demanded to decrease, but no shift in the demand curve.

B) the demand curve to shift to D(A) in anticipation of lower future prices.

C) the demand curve to shift to D(B) in anticipation of lower future prices.

D) neither a change in quantity demanded nor a shift in demand because it will be a long time before next year's coffee crop is harvested.

86) Refer to the figure below. Suppose the solid line shows the demand for coffee. If coffee and tea are substitutes, and the price of tea falls, then you would expect:



- A) a decrease in the quantity of coffee demanded, but no shift in the demand curve.
- B) an increase in the quantity of coffee demanded, but no shift in the demand curve.

- C) the demand curve to shift to D(A).
- D) the demand curve to shift to D(B)

87) Suppose that a disease that affects people who consume beef has been discovered in the United States. One likely result is:

- A) an increase in buyers' reservation prices for beef.
- B) a decrease in demand for chicken.
- C) a decrease in demand for beef.

- D) a decrease in the quantity demanded of beef.

88) Assume consumers eat either rice or pasta for dinner every night. If the price of rice increases, then one would expect to see:

- A) an increase in the quantity of pasta demanded.
- B) an increase in the demand for pasta.

- C) a decrease in the quantity of pasta demanded.

quantity of pasta demanded.

D) a decrease in the demand for pasta.

89) Suppose that recent studies conclude that high-fiber diets do not reduce the risk of developing colon cancer as was previously thought. The likely result will be that the:

- A) quantity demanded of high-fiber foods will fall.
- B) demand for high-fiber foods will decrease.
- C) supply of high-fiber foods will increase.

D) price of high-fiber foods will rise.

90) Which of the following is likely to lead to a decrease in the demand for tennis balls?

- A) An increase in the price of the rubber used to make tennis balls.
- B) An increase in the price of tennis balls.
- C) An increase in the price of tennis racquets.

D) An increase in the expected future price of tennis balls.

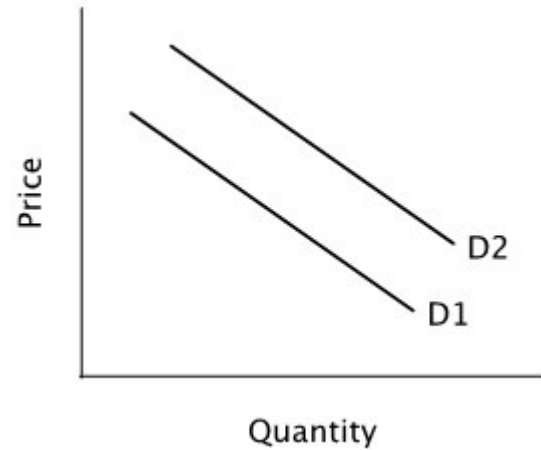
91) If fast food is an inferior good then:

- A) the demand for fast food will fall as income falls.
- B) the demand for fast food will fall as income rises.
- C) the quantity of fast food demanded will rise as the

price of fast food rises.

D) the demand for fast food will fall as the price of fast food rises.

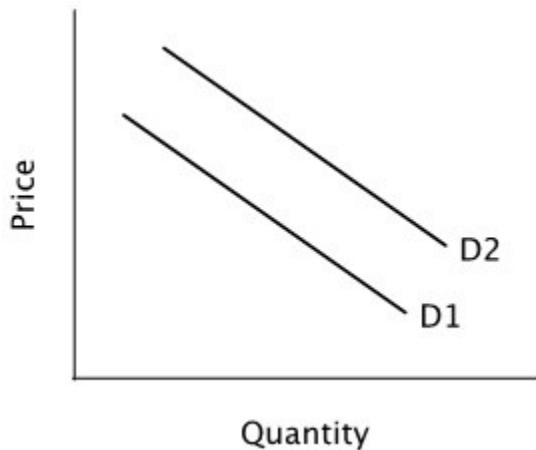
92) Refer to the figure below. Moving from demand curve D1 to demand curve D2 illustrates a(n):



- A) increase in quantity demanded.
- B) increase in demand.
- C) decrease in demand.

D) decrease in quantity demanded.

93) Refer to the figure below. Moving from demand curve D2 to demand curve D1 could be caused by a(n):



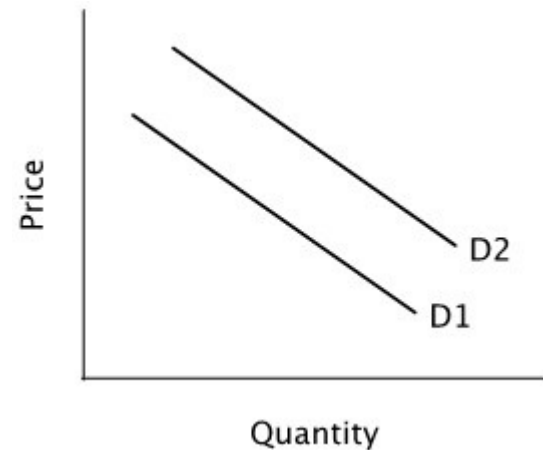
- A) increase in the product's expected future price.
- B) increase in quantity supplied.
- C) increase in the price of a substitute.

D) increase in the price of a complement.

94) Refer to the figure below. Moving from

demand curve D1 to demand curve D2 could be caused by

a(n):



- A) decrease in the product's expected future price .
- B) increase in quantity supplied.
- C) increase in the price of a close substitute.

D) increase in the price of a complement.

95) All else equal, a decrease in the demand for oranges will lead to a(n) _____ in equilibrium price and a(n) _____ in equilibrium quantity.

- A) increase; decrease
- B) decrease; decrease
- C) increase; decrease

D) increase; increase

96) As the price of cookies increases, firms that produce cookies will:

- A) increase the supply of cookies.
- B) increase the quantity of cookies supplied.
- C) decrease the supply of cookies.

D) decrease the quantity of cookies supplied.

- A) The price farmers receive for their wheat rises.
B) The price of fertilizer farmers use in their fields falls.
C) The price firms pay for liability insurance falls.
D) New, better technology for farming is introduced.

98) If the price of rubber (an input to the production of tires) increases:

- A) the supply of tires will increase.
B) the supply of tires will decrease.
C) the demand for tires will increase.
D) the demand for tires will decrease

99) As the price of flour (an input in the production of cookies) increases, firms that produce cookies will:

- A) increase the supply of cookies.
B) increase the quantity of cookies supplied.
C) decrease the supply of cookies.
D) decrease the quantity of cookies supplied.

100) Suppose that the technology used to manufacture laptops has improved. The likely result would be:

- A) an increase in supply of laptops.
B) an increase in quantity supplied of laptops.
C) a decrease in supply of laptops.
D) a decrease in quantity supplied of laptops.

101) Which of the following factors will lead to a decrease in the current supply of a good?

- A) A fall in the current price of a good or service
B) A technological advance that decreases production costs
C) A decrease in

the price of inputs to the production process

D) A belief that the price of a good or service will go up in the future

102) What might cause a decrease in supply today?

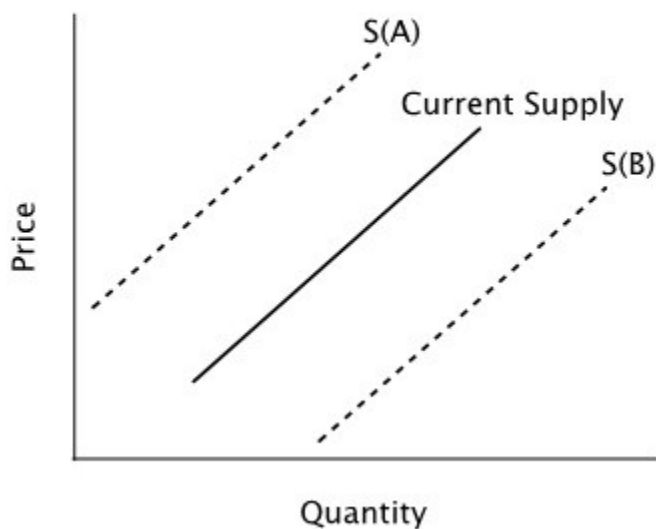
- A) An increase in the product's own price.
- B) Sellers' expectations that the product's price will fall in the future.
- C) Sellers' expectations that the product's price will

rise in the future.

- D) A decrease in the price of one of the inputs used to make the product.

103) Refer to the figure below. Suppose the solid line represents the current supply of Star Wars action figures. If retailers learn that a new Star Wars movie will be released in several months, this news is likely to cause:

Market for Star Wars Action Figures



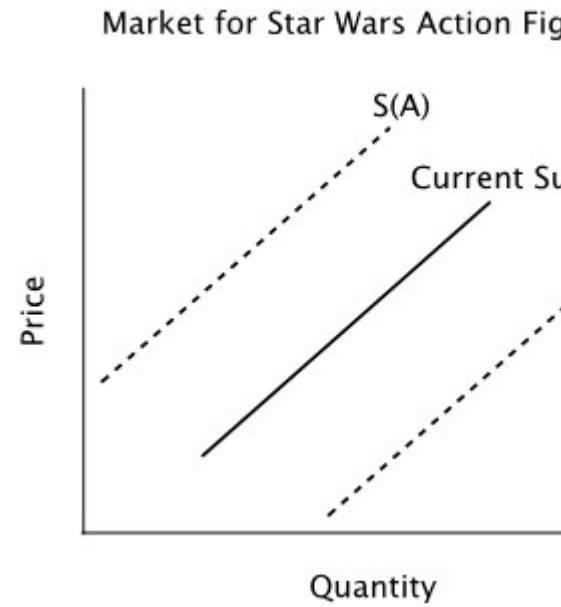
- A) a decrease in the quantity supplied, but no change in current supply.
- B) neither a change in supply nor a change in quantity supplied since only future demand will change.
- C) current supply to shift to S(B) in anticipation of

higher future prices.

- D) current supply to shift to S(A) in anticipation of higher future prices.

104) Refer to the figure

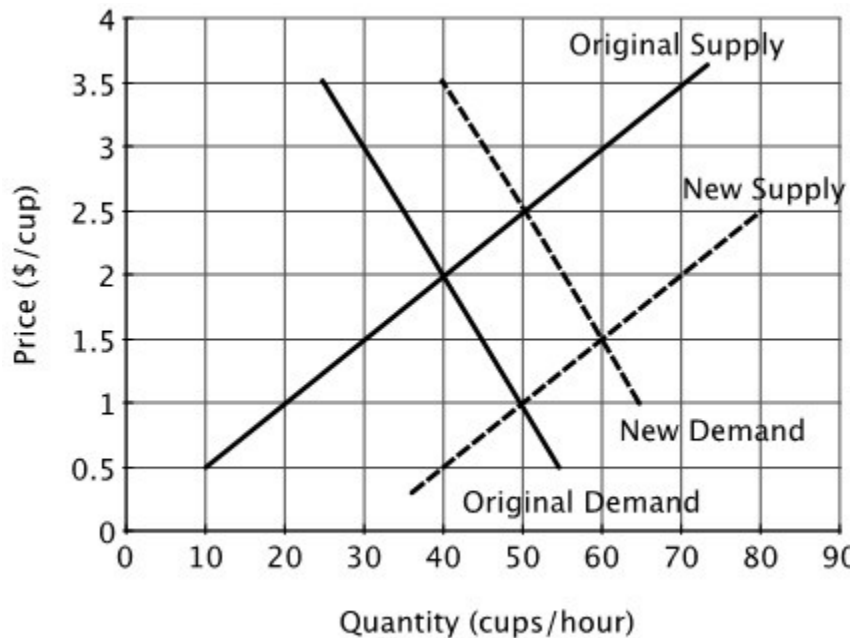
below. Suppose the solid line represents the current supply of Star Wars action figures. If the price of the plastic used to make action figures rises, current supply will:



- A) shift to S(B).
- B) not change because a change in the price of plastic will not affect the demand for action figures.

- C) shift to S(A).
- D) not change; only the quantity supplied will change.

105) Refer to the figure below. At the original market equilibrium:



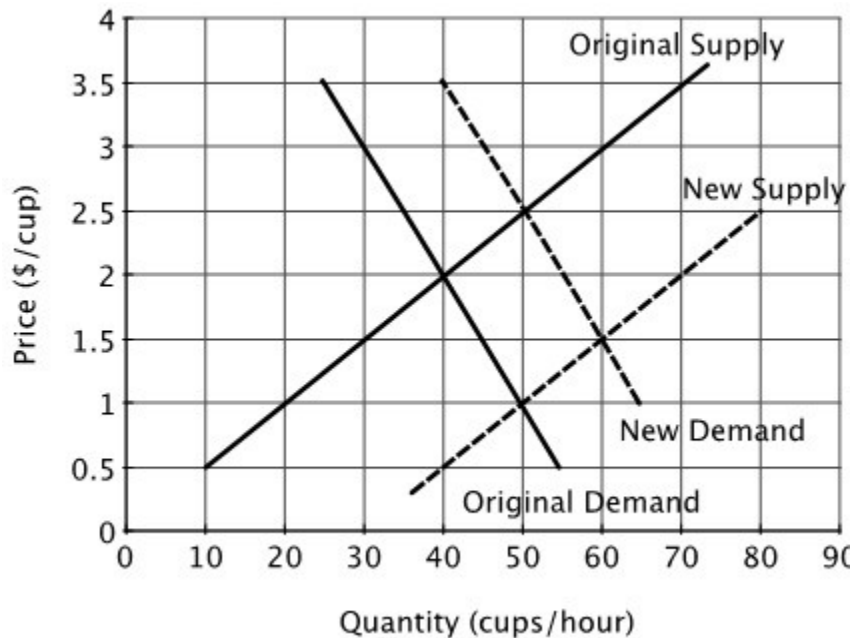
A) 50 cups are sold per hour at a price of \$1.00 each.

B) 50 cups are sold per hour at a price of \$2.50 each.

C) 40 cups are sold per hour at a price of \$2.00 each.

D) 60 cups are sold per hour at a price of \$1.50 each.

106) Refer to the figure below. What might cause a shift from the original demand curve to the new demand curve?



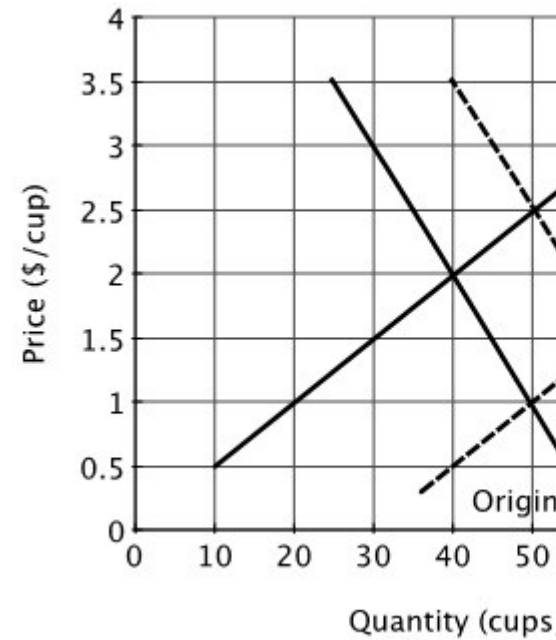
A) An expectation that coffee prices will fall in the future.

B) An increase in the price of coffee creamer.

C) A decrease in the price of tea.

D) An increase in consumers' tastes for coffee.

107) Refer to the figure below. What might cause shift from the original supply curve to the new supply curve?



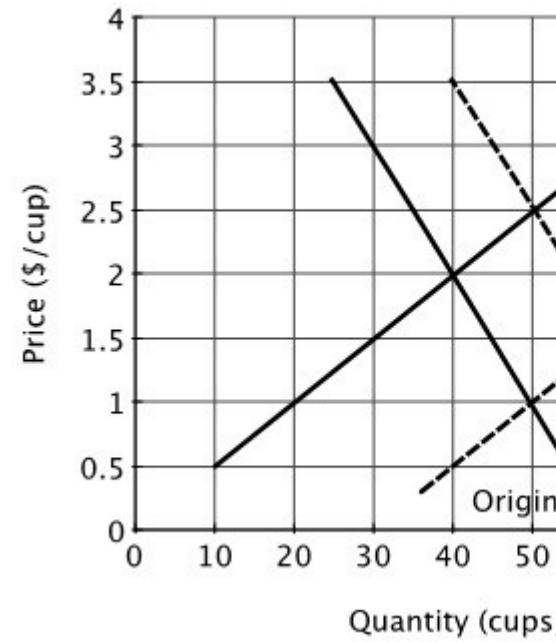
A) A storm in that wipes out a large part of the coffee crop.

B) A new technology that reduces amount of coffee beans needed to make a good cup of coffee.

C) A news report that coffee consumption increases longevity.

D) An increase in the price of tea.

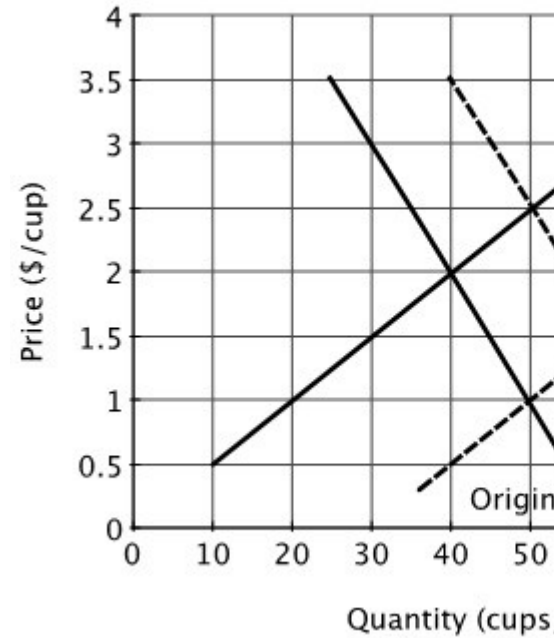
108) Refer to the figure below. If all buyers' reservation prices increase by \$1.00, then the equilibrium price of coffee would:



- A) increase by \$1.00.
- B) increase by less than \$1.00.
- C) increase by more than \$1.00.

D) would not change.

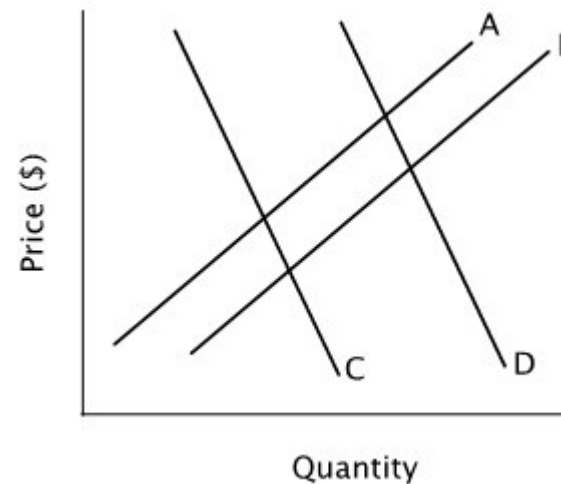
109) Refer to the figure below. Consider the original supply and the original demand curve. If the government imposes a price ceiling of \$1.00 on a cup of coffee, then there would be:



- A) a short-term excess demand for coffee, followed by an increase in the equilibrium price.
- B) an excess supply of coffee.
- C) an excess demand for coffee.

D) a new equilibrium at a price of \$1.00 per cup and a quantity of 50 cups per hour.

110) Refer to the figure below. An increase in demand is represented by a shift from:



A) curve A to curve

B.

B) curve B to curve A.

C) curve C to curve D.

111) Refer to the figure below. A decrease in demand is represented by a shift from:

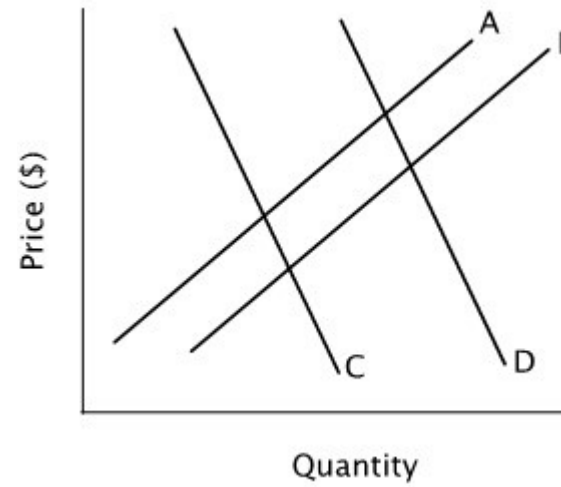
A) curve A to curve B.

B) curve B to curve A.

C) curve C to curve D.

D) curve D to curve

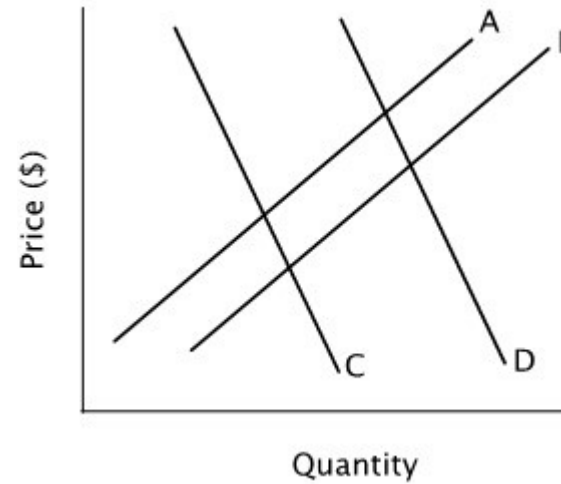
C.



D) curve D to curve

C.

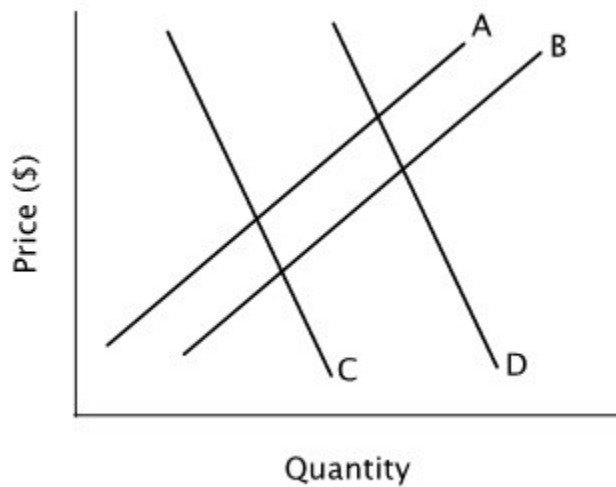
112) Refer to the figure below. An increase in supply is represented by a shift from:



- A) curve A to curve B.
- B) curve B to curve A.
- C) curve C to curve D.

D) curve C to curve
B.

113) Refer to the figure below. A decrease in supply is represented by a shift from:



- A) curve A to curve B.
- B) curve B to curve A.
- C) curve C to curve D.

D) curve D to curve
C.

114) Refer to the table below. Relative to column A,

| Price Per Unit | Column A Units Per Year | Column B Units Per Year |
|----------------|-------------------------|-------------------------|
| \$20 | 100 | 110 |
| \$30 | 85 | 95 |
| \$40 | 70 | 80 |
| \$50 | 55 | 65 |
| \$60 | 40 | 50 |

column B represents:

- A) a decrease in demand.
- B) an increase in demand.
- C) a decrease in supply.
- D) an increase in supply.

115) Refer to the table below. Relative to column C, column D represents:

| Price Per Unit | Column A Units Per Year | Column B Units Per Year |
|----------------|-------------------------|-------------------------|
| \$20 | 50 | 40 |
| \$30 | 60 | 50 |
| \$40 | 70 | 60 |
| \$50 | 80 | 70 |
| \$60 | 90 | 80 |

- A) an increase in supply.
- B) an increase in demand.
- C) a decrease in demand.
- D) a decrease in supply.

116) Refer to the table below. Suppose the columns in this table reflect demand and supply. At a price of \$30:

| Price Per Unit | Column A Units Per Year | Column B Units Per Year |
|----------------|-------------------------|-------------------------|
| \$20 | 100 | 40 |
| \$30 | 95 | 50 |
| \$40 | 80 | 60 |
| \$50 | 65 | 70 |
| \$60 | 50 | 80 |

- A) the market will be in equilibrium.
- B) there will be an excess demand of 95 units.
- C) there will be an excess supply of 45 units.
- D) there will be an

excess demand of 45 units.

117) Refer to the table below. Suppose the columns in this table reflect demand and supply. At a price of \$50:

| Price Per Unit | Column A Units Per Year | Column B Units Per Year |
|----------------|-------------------------|-------------------------|
| \$20 | 100 | 40 |
| \$30 | 95 | 50 |
| \$40 | 80 | 60 |
| \$50 | 65 | 70 |
| \$60 | 50 | 80 |

A) the market will be in equilibrium.

B) there will be an excess demand of 5 units.

C) there will be an excess supply of 70 units.

D) there will be an excess supply of 5 units.

118) Refer to the table below. The equilibrium price in this market is:

| Price Per Unit | Column A Units Per Year | Column B Units Per Year |
|----------------|-------------------------|-------------------------|
| \$20 | 100 | 40 |
| \$30 | 95 | 50 |
| \$40 | 80 | 60 |
| \$50 | 65 | 70 |
| \$60 | 50 | 80 |

A) between \$20 and \$30.

B) between \$30 and \$40.

C) between \$40 and \$50.

D) nonexistent.

119) An increase in the demand for GM automobiles results in:

A) a lower equilibrium price for GM automobiles.

B) an increase in the quantity supplied of GM automobiles.

C) an increase in the supply of GM automobiles.

D) a lower equilibrium quantity of GM automobiles.

- 120)** Which of the following is **NOT** a determinant of the demand for gasoline?
- A) Consumers' incomes.
 - B) The price of diesel.
 - C) The price of automobiles.
 - D) The supply of gasoline.
- 121)** When the supply of a good decreases, there will be a(n):
- A) decrease in demand.
 - B) decrease in buyers' reservation prices for the good.
 - C) decrease in the quantity demanded.
 - D) increase in the quantity demanded.
- 122)** When the supply curve shifts to the left and there is no change in demand:
- A) the market cannot reestablish an equilibrium.
 - B) the equilibrium price will fall.
 - C) the equilibrium quantity will rise.
 - D) the equilibrium price will rise.
- 123)** If the supply curve and the demand curve both shift to the left, then the new equilibrium:
- A) quantity will be higher, but the direction of the price change is uncertain.
 - B) price will be lower, but the direction of the change in quantity is uncertain.
 - C) price will be higher, but the direction of the change in quantity is uncertain.
 - D) quantity will be lower, but the direction of the price change is uncertain.
- 124)** If supply increases, then:
- A) demand will increase.
 - B) the quantity demanded will increase.

- C) the quantity demanded will decrease.
- D) price will increase.

125) Suppose demand decreases, but there is no change in supply. As the market reaches its new equilibrium:

- A) excess demand will lead the price to rise.
- B) excess supply will lead the price to rise.
- C) excess demand will lead the price to fall.

D) excess supply
will lead the price to fall.

126) Suppose supply decreases, but there is no change in demand. As the market reaches its new equilibrium:

- A) excess demand will lead the price to rise.
- B) excess supply will lead the price to rise.
- C) excess demand will lead the price to fall.

D) excess supply
will lead the price to fall.

127) When the demand curve shifts to the right and supply doesn't change:

- A) quantity demanded will rise.
- B) equilibrium price will fall.

C) equilibrium
quantity will rise.
D) supply will rise.

128) A decrease in both the equilibrium price and the equilibrium quantity of rice is best explained by a(n):

- A) increase in the demand for rice.
- B) increase in the supply of rice.
- C) decrease in the supply of rice.

D) decrease in the
demand for rice.

129) An increase in both the equilibrium price and the equilibrium quantity of DVD players is best explained by a(n):

- A) increase in the demand for DVD players.
- B) increase in the supply of DVD players.
- C) decrease in the supply of DVD player.

D) decrease in the demand for DVD players.

130) Suppose that the equilibrium price of T-shirts increases and the equilibrium quantity of T-shirts decreases.

- A) increase in the demand for T-shirts.
- B) decrease in the supply of T-shirts.
- C) increase in the supply of T-shirts.

This is best explained by a(n):

D) decrease in the demand for T-shirts.

131) Suppose that the equilibrium price of apples decreases and the equilibrium quantity of apples increases. This is best explained by a(n):

- A) increase in the demand for apples.
- B) decrease in the supply of apples.
- C) decrease in the demand for apples.

D) increase in the supply of apples.

132) Suppose you observe a decrease in the equilibrium price and quantity of corn. Of the options listed below, this is best explained by:

- A) a decrease in the cost of growing corn.
- B) an increase in the cost of growing corn.
- C) a rise in consumer income assuming corn is a normal good.

D) a fall in consumer income assuming corn is a normal good.

133) Suppose you

observe an increase in the equilibrium price of coffee and a decrease in the equilibrium quantity of coffee. Of the options

- A) a decrease in consumer income assuming coffee is a normal good.
- B) an increase in the cost of producing coffee.
- C) an increase in consumer income assuming coffee is

listed below, this is most consistent with:

a normal good.

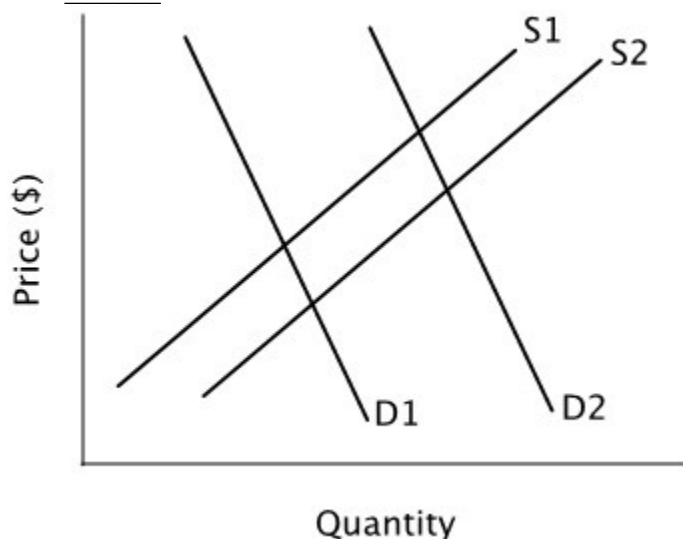
- D) a decrease in the cost of producing coffee.

134) If pencils and paper are complements for most consumers, then if the price of paper increases, you would expect:

- A) the equilibrium price and quantity of pencils to fall
- B) the equilibrium price and quantity of pencils to rise
- C) the equilibrium price of pencils to fall and the equilibrium quantity of pencils to rise

- D) the equilibrium price of pencils to rise and the equilibrium quantity of pencils to fall

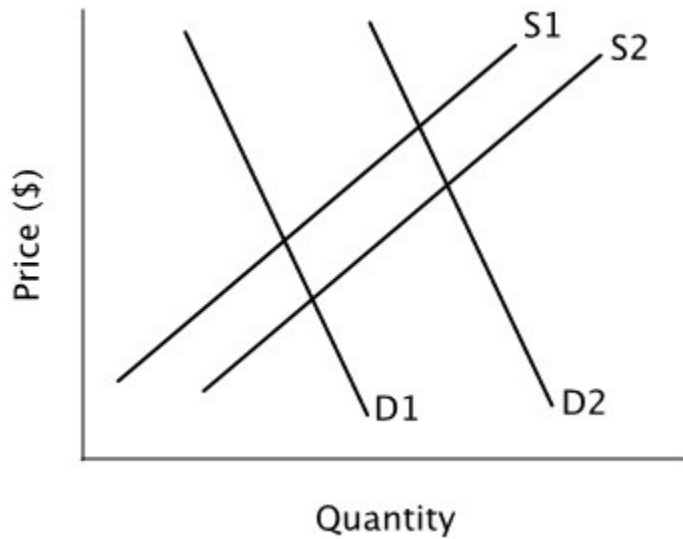
135) Refer to the figure below. Assume demand remains unchanged at D1. If supply shifts from S1 to S2, then the equilibrium price will _____ and the equilibrium quantity will _____.



- A) rise; fall
- B) rise; rise

- C) fall; fall
- D) fall; rise

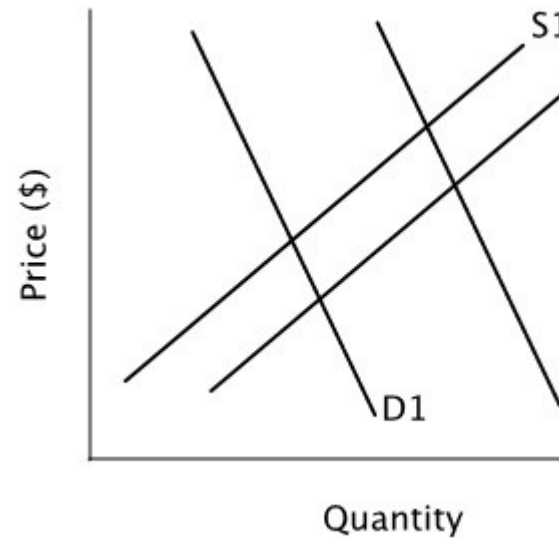
136) Refer to the figure below. Assume demand remains unchanged at D1. If supply shifts from S2 to S1, then the equilibrium price will _____ and the equilibrium quantity will _____.



- A) rise; fall
- B) rise; rise

- C) fall; fall
- D) fall; rise

137) Refer to the figure below. If demand shifts from D1 to D2, and at the same time, supply shifts from S1 to S2, then according to the figure:



A) the equilibrium quantity will increase and the equilibrium price will decrease.

B) the equilibrium quantity will increase and the equilibrium price will increase.

C) the equilibrium quantity will decrease and the

equilibrium price will increase.

D) the equilibrium quantity will decrease and the equilibrium price will decrease.

138) If demand increases and supply decreases, the change in the equilibrium price will be _____, and the change in the

A) positive; positive

B) positive; negative

C) positive; uncertain

equilibrium quantity will be _____.

D) uncertain; positive

139) If supply and demand both increase, the new equilibrium price will be _____ and the new equilibrium quantity will be _____.

A) lower; lower

B) lower; uncertain

C) uncertain; higher

higher

D) higher; higher

140) If supply and demand both decrease, the new equilibrium price will be _____ and the new equilibrium quantity will be _____.

- A) lower; lower
- B) lower; uncertain

- C) higher; higher
- D) uncertain; lower

141) If supply increases and demand decreases, the new equilibrium price will be _____ and the new equilibrium quantity will be _____.

- A) lower; lower
- B) lower; uncertain

- C) higher; higher
- D) higher; uncertain

142) Suppose the equilibrium price and quantity of ketchup fall. The most likely explanation for these changes is:

- A) a decrease in the demand for ketchup.
- B) an increase in the demand for ketchup.
- C) a decrease in the supply of ketchup.

- D) an increase in the supply of ketchup.

143) Suppose that the equilibrium price of pickles falls while the equilibrium quantity rises. The most likely

- A) a decrease in demand for pickles.
- B) an increase in demand for pickles.
- C) a decrease in the supply of pickles.

explanation for these changes is:

- D) an increase in the supply of pickles.

144) Suppose that the equilibrium price of french

fries rises while the equilibrium quantity falls. The most likely explanation for these changes is:

- A) a decrease in demand for french fries.
- B) an increase in demand for french fries.
- C) an increase in the supply of french fries.

D) a decrease in the supply of french fries.

145) Assume the demand for coffee increases and the supply of coffee decreases. Which of the following outcomes is certain to occur?

- A) The equilibrium price of coffee will rise.
- B) The equilibrium quantity of coffee will rise.
- C) The equilibrium price of coffee will fall.

D) The equilibrium quantity of coffee will fall.

146) Assume the demand for sugar decreases and the supply of sugar increases. Which of the following outcomes is certain to occur?

- A) The equilibrium price of sugar will rise.
- B) The equilibrium quantity of sugar will rise.
- C) The equilibrium price of sugar will fall.

D) The equilibrium quantity of sugar will fall.

147) Assume both the demand for beef and the supply of beef decrease. Which of the following outcomes is certain to occur?

- A) The equilibrium price of beef will rise.
- B) The equilibrium quantity of beef will rise.
- C) The equilibrium price of beef will fall.

D) The equilibrium quantity of beef will fall.

148) Assume both the demand for bagels and the supply of bagels increase. Which of the following outcomes is certain to occur?

- A) The equilibrium price of bagels will rise.
- B) The equilibrium quantity of bagels will rise.
- C) The equilibrium price of bagels will fall.

D) The equilibrium quantity of bagels will fall.

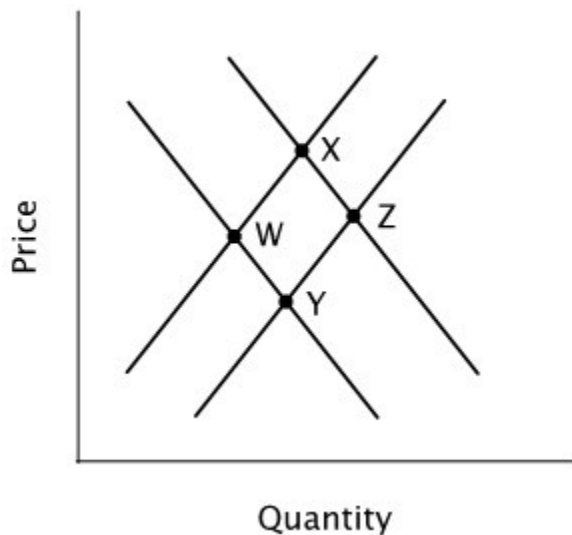
149) Suppose a new study highlights the health benefits of eating bacon. At the same time, suppose the cost of producing bacon falls. Given these changes, you should expect to see:

- A) a decrease in the equilibrium price of bacon, but it's hard to say what will happen to the equilibrium quantity.
- B) an increase in the equilibrium quantity of bacon, but it's hard to say what will happen to the equilibrium price.
- C) an increase in both the equilibrium price and

quantity of bacon.

D) an increase in the equilibrium price of bacon, but it's hard to say what will happen to the equilibrium quantity.

150) Refer to the figure below. Assume the market is originally at point *W*. Movement to point *X* is the result of:

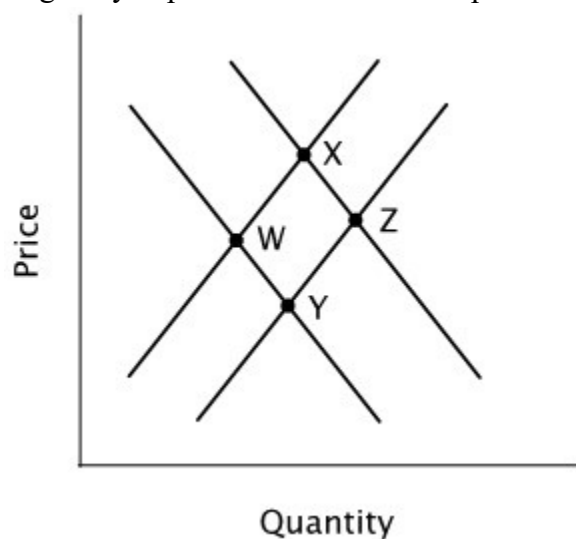


- A) an increase in demand and an increase in quantity supplied.
- B) an increase in supply and an increase in demand.
- C) an increase in supply and an increase in quantity

demand.

D) a decrease in supply and an increase in quantity demanded.

151) Refer to the figure below. Assume the market is originally at point *W*. Movement to point *Y* is the result of:



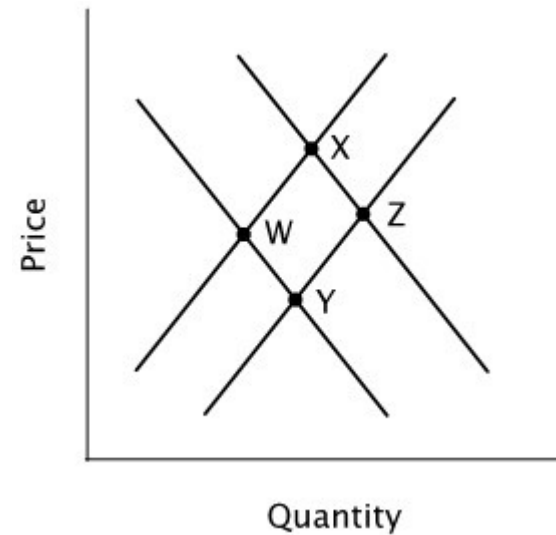
- A) an increase in demand and an increase in quantity supplied .
- B) an increase in supply and an increase in demand.
- C) an increase in supply and an increase in quantity

demand.

- D) a decrease in supply and an increase in quantity demanded.

152) Refer to the figure below. Assume the market is originally at point *W*. Movement to point *Z* is a combination

of:



- A) an increase in demand and an increase in quantity supplied .
- B) an increase in supply and an increase in demand.
- C) an increase in supply and an increase in quantity

demand.

- D) a decrease in supply and an increase in quantity demanded.

153) Suppose that both the supply of iPads and the demand for iPads decrease. One can predict that the:

- A) equilibrium price will rise, but the change in equilibrium quantity is uncertain.
- B) equilibrium price and quantity will fall.
- C) equilibrium price and quantity will rise.

- D) equilibrium quantity will fall, but the change in equilibrium price is uncertain.

154) Suppose Bianca buys a used a textbook from Sebastian for \$55. If Bianca's surplus from this transaction was \$10, we can infer that:

- A) Bianca's reservation price was \$45.
- B) Bianca's reservation price was \$60, and Sebastian's reservation price was \$50.

- C) Bianca's

reservation price was \$65.

155) Suppose that Tom bought a bike from Helen for \$195. If Helen's reservation price was \$185, and Tom's reservation price was \$215, the seller's surplus from this transaction was:

- A) \$195
- B) \$10

- C) \$20
- D) \$215

156) Suppose that Tom bought a bike from Helen for \$195. If Helen's reservation price was \$185, and Tom's reservation price was \$215, the buyer's surplus from this transaction was:

- A) \$195
- B) \$10

- C) \$20
- D) \$215

157) Suppose that Tom bought a bike from Helen for \$195. If Helen's reservation price was \$185, and Tom's reservation price was \$215, the total economic surplus from this transaction was:

- A) \$30
- B) \$185

- C) \$195
- D) \$215

158) An outcome is socially optimal if it:

- A) is an equilibrium outcome.
- B) leaves no unexploited opportunities for individuals.
- C) it is determined by the government.

D) maximizes total economic surplus.

159) Efficiency occurs if the:

- A) market is in equilibrium.
- B) socially optimal quantity of goods and services is being produced.
- C) individually rational quantity of goods and services

is being produced.

D) government does not interfere with market prices.

160) Efficiency is an important social goal because:

- A) it assures a fair outcome.
- B) it assures a normative outcome.
- C) movements toward economic efficiency make the

total economic pie larger.

D) it takes into consideration the distribution of income.

161) Assume that Joe is willing to produce a hamburger for \$1, and Mary is willing to pay \$3 for a hamburger. Which of the following is true?

- A) Joe and Mary can make a mutually beneficial exchange.
- B) Joe and Mary cannot make a mutually beneficial exchange.
- C) Joe and Mary will not trade in equilibrium.

D) Joe and Mary will only trade if the equilibrium price is less than \$1.

162) When two people agree to a price in a negotiation, we can assume that:

- A) each one will receive equal benefits from the transaction.
- B) the seller will receive more benefit from the transaction than the buyer.
- C) only one of the parties will benefit, but there is not

enough information to determine which one it will be.

D) both parties will benefit.

163) If there are no unexploited opportunities for individuals in a particular market, then one can conclude that:

- A) government regulation has been successful.
- B) the market is in equilibrium.
- C) the market is not in equilibrium.

D) a socially optimal outcome has been achieved.

164) The situation described in the book as "smart for one, dumb for all" occurs when:

- A) individuals act rationally, so there are no unexploited opportunities for society as a whole.
- B) individuals act rationally, but there are still unexploited opportunities for society as a whole.
- C) individuals make better decisions when they are alone than when they are part of a group.

D) individuals make better decisions when they are part of a group than when they are alone.

165) If the local slaughterhouse gives off an unpleasant stench, then the equilibrium quantity of meat will be _____ the quantity that maximizes total economic surplus.

- A) more equitable
- B) equal to

C) lower than
D) higher than

166) If the production of oranges reduces global warming, then the equilibrium quantity of oranges will be _____ the socially optimal quantity.

- A) higher than
- B) lower than

C) equal to
D) more valuable than

167) A market equilibrium might not maximize total economic surplus because:

- A) efficiency is not an important social goal.
- B) in a market equilibrium individuals do not act rationally.
- C) in a market equilibrium individuals do not exploit all opportunities for individual gain.

D) sometimes goods entail costs and benefits that do not fall on buyers and sellers.

168) Everyone in the neighborhood has been complaining about the deteriorating condition of the park, but nobody has cleaned it up. Why not?

- A) There is an excess demand for parks in the neighborhood.
- B) There is an excess supply of parks in the neighborhood.
- C) The social benefit of cleaning the park exceeds the

social cost of cleaning it.

D) No single person's benefit from cleaning the park exceeds that person's cost of cleaning it.

169) When the market is in equilibrium:

- A) no unexploited opportunities exist for society.
- B) unexploited opportunities exist for individuals but not for society .
- C) unexploited opportunities exist for both individuals

and society.

D) no unexploited opportunities exist for individuals .

170) A market equilibrium:

- A) is socially optimal.
- B) leaves unexploited opportunities for individuals.
- C) might not maximize total economic surplus.

D) is never socially optimal.

171) A market equilibrium:

- A) leaves unexploited opportunities for individuals.
- B) maximizes total economic surplus.
- C) exploits all gains achievable through collective

action.

D) leaves no unexploited opportunities for individuals.

172) The market equilibrium quantity:

- A) maximizes total economic surplus
- B) is sometimes the socially optimal quantity
- C) is the socially optimal quantity

D) is not the socially optimal quantity

173) Suppose quantity demanded is given by $Q^d=100-P$, and quantity supplied is given by $Q^s=20+3P$. In this case, equilibrium price, P^* , and equilibrium quantity, Q^* , are as follows:

- A) $P^*=80, Q^*=20$
- B) $P^*=10, Q^*=90$

C) $P^*=40, Q^*=140$

D) $P^*=20, Q^*=80$

174) A seller's reservation price is generally equal to:

- A) the buyer's reservation price.
- B) the seller's opportunity cost of producing an additional unit.
- C) the seller's marginal benefit from producing an

additional unit.

D) the market price.

175) A seller's reservation price is generally equal to:

- A) the buyer's reservation price.

B) the seller's average cost.

- C) the seller's marginal cost.
- D) the market price.

Answer Key

Test name: Principles of Economics, A
Streamlined Approach Author: Frank 3th ch2

- 1) A
- 2) D
- 3) C
- 4) C
- 5) B
- 6) D
- 7) A
- 8) A
- 9) C
- 10) D
- 11) D
- 12) C
- 13) D
- 14) B
- 15) A
- 16) C
- 17) C
- 18) B

19) C

20) C

21) B

22) C

23) B

24) B

25) C

26) C

27) B

28) C

29) B

30) D

31) D

32) D

33) C

34) B

35) B

36) B

37) D

38) A

39) D

40) A

41) C

42) D

43) C

44) C

45) A

46) A

47) A

48) B

49) C

50) D

51) C

52) C

53) C

54) D

55) A

56) D

57) B

58) C

59) B

60) A

61) D

62) D

63) B

64) A

65) B

66) A

67) C

68) B

69) B

70) A

71) C

72) B

73) C

74) D

75) D

76) B

77) B

78) B

79) A

80) D

81) C

82) B

83) C

84) B

85) B

86) C

87) C

88) B

89) B

90) C

91) B

92) B

93) D

94) C

95) B

96) B

97) A

98) B

99) C

100) A

101) D

102) C

103) D

104) C

105) C

106) D

107) B

108) B

109) C

110) C

111) D

112) A

113) B

114) B

115) D

116) D

117) D

118) C

119) B

120) D

121) C

122) D

123) D

124) B

125) D

126) A

127) C

128) D

129) A

130) B

131) D

132) D

133) B

134) A

135) D

136) A

137) B

138) C

139) C

140) D

141) B

142) A

143) D

144) D

145) A

146) C

147) D

148) B

149) B

150) A

151) C

152) B

153) D

154) C

155) B

156) C

157) A

158) D

159) B

160) C

161) A

162) D

163) B

164) B

165) D

166) B

167) D

168) D

169) D

170) C

171) D

172) B

173) D

174) B

175) C