Markets and Prices

Topic: Price and Opportunity Cost
Skill: Conceptual
1) A relative price is
   A) the slope of the demand curve.
   B) the difference between one price and another.
   C) the slope of the supply curve.
   D) the ratio of one price to another.
Answer: D

Topic: Price and Opportunity Cost
Skill: Conceptual
2) If the price of a candy bar is $1 and the price of a fast food meal is $5,
   A) the relative price of a candy bar is 5 fast food meals.
   B) the money price of a candy bar is 1/5 of a fast food meal.
   C) the relative price of a fast food meal is 5 candy bars.
   D) the money price of a fast food meal is 1/5 of a candy bar.
Answer: C

Topic: Price and Opportunity Cost
Skill: Conceptual
3) If the price of a hot dog is $2 and the price of a hamburger is $4,
   A) the relative price of a hot dog is 1/2 of a hamburger.
   B) the money price of a hot dog is 2 hamburgers.
   C) the relative price of a hamburger is 1/2 of a hot dog.
   D) the money price of a hamburger is 2 hot dogs.
Answer: A

Topic: Price and Opportunity Cost
Skill: Analytical
4) The opportunity cost of good A in terms of good B is equal to the
   A) price of good A minus the price of good B.
   B) price of good B minus the price of good A.
   C) ratio of the price of good A to the price of good B.
   D) ratio of the price of good B to the price of good A.
Answer: C

Topic: Price and Opportunity Cost
Skill: Analytical
5) The opportunity cost of a hot dog in terms of hamburgers is
   A) the ratio of the slope of the demand curve for hot dogs to the slope of the demand curve for hamburgers.
   B) the ratio of the slope of the supply curve for hot dogs to the slope of the supply curve for hamburgers.
   C) the price of a hot dog minus the price of a hamburger.
   D) the ratio of the price of a hot dog to the price of a hamburger.
Answer: D

Demand

Topic: Demand
Skill: Recognition
6) Wants, as opposed to demands,
   A) are the unlimited desires of the consumer
   B) are the goods the consumer plans to acquire.
   C) are the goods the consumer has acquired.
   D) depend on the price.
Answer: A
7) Demands differ from wants in that
   A) demands are unlimited, whereas wants are limited by income.
   B) wants require a plan to acquire a good but demands require no such plan.
   C) wants imply a decision about which demands to satisfy, while demands involve no specific plan to acquire the good.
   D) demands reflect a decision about which wants to satisfy and a plan to buy the good, while wants are unlimited and involve no specific plan to acquire the good.

   Answer: D

8) Scarcity guarantees that
   A) demands will exceed wants.
   B) wants will exceed demands.
   C) demands will be equal to wants.
   D) most demands will be satisfied.

   Answer: B

9) The quantity demanded is
   A) always equal to the equilibrium quantity.
   B) independent of the price of the good.
   C) the amount of a good that consumers plan to purchase at a particular price.
   D) independent of consumers' buying plans.

   Answer: C

10) The law of demand states that, other things remaining the same, the higher the price of a good, the
    A) smaller is the demand for the good.
    B) larger is the demand for the good.
    C) smaller is the quantity of the good demanded.
    D) larger is the quantity of the good demanded.

   Answer: C

11) The law of demand implies that, other things remaining the same,
    A) as the price of a cheeseburger rises, the quantity of cheeseburgers demanded will increase.
    B) as the price of a cheeseburger rises, the quantity of cheeseburgers demanded will decrease.
    C) as income increases, the quantity of cheeseburgers demanded will increase.
    D) as the demand for cheeseburgers increases, the price of a cheeseburger will fall.

   Answer: B

12) The law of demand states that the quantity of a good demanded varies
    A) inversely with its price.
    B) inversely with the price of substitute goods.
    C) directly with income.
    D) directly with population.

   Answer: A

13) Which of the following is consistent with the law of demand?
    A) An increase in the price of a tape causes an increase in the quantity of tapes demanded.
    B) An increase in the price of a soda causes a decrease in the quantity of soda demanded.
    C) A decrease in the price of a gallon of milk causes a decrease in the quantity of milk demanded.
    D) A decrease in the price of juice causes no change in the quantity of juice demanded.

   Answer: B

14) The law of demand implies that if nothing else changes, there is
    A) a positive relationship between the price of a good and the quantity demanded.
    B) a negative relationship between the price of a good and the quantity demanded.
    C) a linear relationship between price of a good and the quantity demanded.
    D) an exponential relationship between price of a good and the quantity demanded.

   Answer: B
15) Which of the following influences people’s buying plans and varies moving along a demand curve?
A) The price of the good.
B) The prices of related goods.
C) Income.
D) Preferences.
Answer: A

16) The law of demand states that
A) an increase in the price of a good shifts the demand curve leftward.
B) a decrease in the price of a good shifts the demand curve leftward.
C) other thing remaining the same, the higher the price of a good, the larger is the quantity demanded.
D) other things remaining the same, the higher the price of a good, the smaller is the quantity demanded.
Answer: D

17) The law of demand implies that demand curves
A) slope down.
B) slope up.
C) shift rightward whenever the price rises.
D) shift leftward whenever the price rises.
Answer: A

18) Each point on the demand curve reflects
A) all the wants of a given household.
B) the highest price consumers are willing and able to pay for that particular unit of a good.
C) the highest price sellers will accept for all units they are producing.
D) the lowest-cost technology available to produce a good.
Answer: B

19) A drop in the price of a compact disc shifts the demand curve for prerecorded tapes leftward. From that you know compact discs and prerecorded tapes are
A) complements.
B) substitutes.
C) inferior goods.
D) normal goods.
Answer: B

20) A substitute is a good
A) that can be used in place of another good.
B) that is not used in place of another good.
C) of lower quality than another good.
D) of higher quality than another good.
Answer: A

21) People buy more of good 1 when the price of good 2 rises. These goods are
A) complements.
B) substitutes.
C) normal goods.
D) inferior goods.
Answer: B

22) Which of the following pairs of goods are most likely substitutes?
A) Compact discs and compact disc players.
B) Cola and lemon lime soda.
C) Lettuce and salad dressing.
D) Peanut butter and gasoline.
Answer: B

23) The demand for a good increases when the price of a substitute _____ and also increases when the price of a complement _____.
A) rises; rises
B) rises; falls
C) falls; rises
D) falls; falls
Answer: B


**Topic: Change in Demand, Prices of Related Goods**  
**Skill: Recognition**

24) A complement is a good
   A) of lower quality than another good.
   B) used in conjunction with another good.
   C) used instead of another good.
   D) of higher quality than another good.  
**Answer: B**

**Topic: Change in Demand, Prices of Related Goods**  
**Skill: Conceptual**

25) Suppose people buy more of good 1 when the price of good 2 falls. These goods are
   A) complements.
   B) substitutes.
   C) normal.
   D) inferior.  
**Answer: A**

**Topic: Change in Demand, Prices of Related Goods**  
**Skill: Analytical**

26) As the opportunity cost of a good decreases, people buy
   A) less of that good and also less of its complements.
   B) less of that good but more of its complements.
   C) more of that good but less of its complements.
   D) more of that good and also more of its complements.  
**Answer: D**

**Topic: Change in Demand, Expected Future Prices**  
**Skill: Conceptual**

27) People come to expect that the price of a gallon of gasoline will rise next week. As a result,
   A) today’s supply of gasoline increases.
   B) today’s demand for gasoline increases.
   C) the price of a gallon of gasoline falls today.
   D) next week’s supply of gasoline decreases.  
**Answer: B**

**Topic: Change in Demand**  
**Skill: Analytical**

28) The demand curve for a normal good shifts leftward if income ____ or the expected future price ____.
   A) decreases; falls
   B) decreases; rises
   C) increases; falls
   D) increases; rises  
**Answer: A**

**Topic: Change in Demand, Prices of Related Goods**  
**Skill: Analytical**

29) If income increases or the price of a complement falls,
   A) the demand curve for a normal good shifts leftward.
   B) the demand curve for a normal good shifts rightward.
   C) the supply curve of a normal good shifts leftward.
   D) the supply curve of a normal good shifts rightward.  
**Answer: B**

**Topic: Change in Demand, Expected Future Prices**  
**Skill: Conceptual**

31) A consumer might consider in-line skates and elbow-pads to be
   A) products with upward sloping demand curves.
   B) unrelated goods.
   C) complements.
   D) substitutes.  
**Answer: C**

**Topic: Change in Demand, Prices of Related Goods**  
**Skill: Analytical**

32) A decrease in the price of a game of bowling shifts the
   A) demand curve for bowling balls leftward.
   B) demand curve for bowling balls rightward.
   C) supply curve of bowling balls leftward.
   D) supply curve of bowling balls rightward.  
**Answer: B**
**Topic: Change in Demand, Income**  
**Skill: Conceptual**

33) Normal goods are those for which demand decreases as
A) the price of a complement falls.
B) the price of a substitute falls.
C) income decreases.
D) the good’s own price rises.

*Answer: C*

**Topic: Change in Demand, Income**  
**Skill: Recognition**

34) A normal good is a good for which
A) there are very few complements.
B) demand increases when income increases.
C) there are few substitutes.
D) demand decreases when income increases.

*Answer: B*

**Topic: Change in Demand, Income**  
**Skill: Recognition**

35) Most goods
A) are complements to each other.
B) are normal goods.
C) have vertical demand curves.
D) have vertical supply curves.

*Answer: B*

**Topic: Change in Demand, Income**  
**Skill: Recognition**

36) A normal good is a good for which demand
A) decreases when income increases.
B) increases when income increases.
C) decreases when population increases.
D) increases when population increases.

*Answer: B*

**Topic: Change in Demand, Income**  
**Skill: Conceptual**

37) Inferior goods are those for which demand increases as
A) the price of a substitute falls.
B) the price of a substitute rises.
C) income decreases.
D) income increases.

*Answer: C*

**Topic: Change in Demand, Income**  
**Skill: Recognition**

38) By definition, an inferior good is a
A) want that is not expressed by demand.
B) normal substitute good.
C) good for which demand decreases when its price rises.
D) good for which demand decreases when income increases.

*Answer: D*

**Topic: Change in Demand, Income**  
**Skill: Conceptual**

39) If a good is an inferior good, then purchases of that good will decrease when
A) income increases.
B) the price of a substitute rises.
C) population increases.
D) the demand for it increases.

*Answer: A*

**Topic: Change in Demand, Income**  
**Skill: Recognition**

40) An inferior good is a good for which demand
A) decreases when income increases.
B) increases when income increases.
C) decreases when population increases.
D) increases when population increases.

*Answer: A*

**Topic: Change in Demand, Income**  
**Skill: Recognition**

41) Gruel is an inferior good. Hence, a decrease in people’s incomes
A) shifts the supply curve of gruel leftward.
B) decreases the quantity of gruel supplied.
C) shifts the demand curve for gruel rightward.
D) shifts the demand curve for gruel leftward.

*Answer: C*

**Topic: Change in Demand, Preferences**  
**Skill: Conceptual**

42) When economists speak of preferences as influencing demand, they are referring to
A) directly observable changes in prices and income.
B) an individual’s attitudes toward goods and services.
C) the excess of wants over the available supplies.
D) the availability of a good to all income classes.

*Answer: B*
Topic: Change in Demand, Preferences  
Skill: Analytical  
43) An unusually warm winter  
A) shifts the supply curve of gloves rightward.  
B) shifts the supply curve of gloves leftward.  
C) shifts the demand curve for gloves rightward.  
D) shifts the demand curve for gloves leftward.  
Answer: D

Topic: A Change in the Quantity Demanded  
Versus a Change in Demand  
Skill: Conceptual  
44) In 2000 there were 200,000 gas grills demanded at a price of $500. In 2001 there were more than 200,000 gas grills demanded at the same price. This increase could be the result any of the following EXCEPT  
A) an increase in the supply of gas grills.  
B) an increase in income if gas grills are a normal good.  
C) a fall in the price of natural gas, a complement for a gas grill.  
D) an increase in population.  
Answer: A

Topic: A Change in the Quantity Demanded  
Versus a Change in Demand  
Skill: Recognition  
45) A change in the price of a good  
A) shifts the good’s demand curve and also causes a movement along it.  
B) shifts the good’s demand curve but does not cause a movement along it.  
C) does not shift the good’s demand curve but does cause a movement along it.  
D) neither shifts the good’s demand curve nor causes a movement along it.  
Answer: C

Topic: A Change in the Quantity Demanded  
Versus a Change in Demand  
Skill: Conceptual  
46) A reduction in the price of a good  
A) shifts the good’s demand curve leftward and also decreases the quantity demanded.  
B) shifts the good’s demand curve leftward but does not decrease the quantity demanded.  
C) does not shift the good’s demand curve leftward but does decrease the quantity demanded.  
D) neither shifts the good’s demand curve leftward nor decreases the quantity demanded.  
Answer: C

Topic: A Change in the Quantity Demanded  
Versus a Change in Demand  
Skill: Analytical  
47) A decrease in quantity demanded caused by an increase in price is represented by a  
A) rightward shift of the demand curve.  
B) leftward shift of the demand curve.  
C) movement up and to the left along the demand curve.  
D) movement down and to the right along the demand curve.  
Answer: C

Topic: A Change in the Quantity Demanded  
Versus a Change in Demand  
Skill: Conceptual  
48) A change in which of the following alters buying plans for cars but does NOT shift the demand curve for cars?  
A) A 5 percent increase in people’s income.  
B) A 10 percent decrease in the price of car insurance.  
C) A 20 percent increase in the price of a car.  
D) An increased preference for walking rather than driving.  
Answer: C

Topic: A Change in the Quantity Demanded  
Versus a Change in Demand  
Skill: Conceptual  
49) Which of the following would NOT shift the demand curve for turkey?  
A) An increase in income.  
B) A decrease in the price of ham.  
C) A change in tastes for turkey.  
D) A change in the price of a turkey.  
Answer: D
Topic: A Change in the Quantity Demanded Versus a Change in Demand
Skill: Analytical
50) When we say demand increases, we mean that there is a
A) movement to the right along a demand curve.
B) movement to the left along a demand curve.
C) rightward shift of the demand curve.
D) leftward shift of the demand curve.
Answer: C

Topic: A Change in the Quantity Demanded Versus a Change in Demand
Skill: Conceptual
51) In the figure above, which movement reflects an increase in demand?
A) From point $a$ to point $e$.
B) From point $a$ to point $b$.
C) From point $a$ to point $c$.
D) From point $a$ to point $d$.
Answer: D

Topic: A Change in the Quantity Demanded Versus a Change in Demand
Skill: Conceptual
52) In the figure above, which movement reflects a decrease in demand?
A) From point $a$ to point $e$.
B) From point $a$ to point $b$.
C) From point $a$ to point $c$.
D) From point $a$ to point $d$.
Answer: C

Topic: Change in Demand, Prices of Related Goods
Skill: Analytical
54) In the figure above, which movement reflects how consumers would react to an increase in the price of a non-fruit snack?
A) From point $a$ to point $e$.
B) From point $a$ to point $b$.
C) From point $a$ to point $c$.
D) From point $a$ to point $d$.
Answer: D

Topic: Change in Demand, Prices of Related Goods
Skill: Analytical
55) In the figure above, which movement reflects an increase in the price of a substitute for fruit snacks?
A) From point $a$ to point $e$.
B) From point $a$ to point $b$.
C) From point $a$ to point $c$.
D) From point $a$ to point $d$.
Answer: D

Topic: Change in Demand, Prices of Related Goods
Skill: Analytical
56) In the figure above, which movement reflects an increase in the price of a complement for fruit snacks?
A) From point $a$ to point $e$.
B) From point $a$ to point $b$.
C) From point $a$ to point $c$.
D) From point $a$ to point $d$.
Answer: C
57) In the figure above, which movement reflects how consumers would react to an increase in the price of a fruit snack that is expected to occur in the future?

A) From point a to point e.
B) From point a to point b.
C) From point a to point c.
D) From point a to point d.

Answer: D

58) In the figure above, which movement reflects an increase in income if fruit snacks are an inferior good?

A) From point a to point e.
B) From point a to point b.
C) From point a to point c.
D) From point a to point d.

Answer: C

59) In the figure above, which movement reflects an increase in income if fruit snacks are a normal good?

A) From point a to point e.
B) From point a to point b.
C) From point a to point c.
D) From point a to point d.

Answer: D

60) In the figure above, which movement reflects a decrease in population?

A) From point a to point e.
B) From point a to point b.
C) From point a to point c.
D) From point a to point d.

Answer: C

61) Which of the following is NOT one of the factors that influences the supply of a product?

A) technology
B) income
C) number of suppliers
D) expected future prices

Answer: B

62) The “law of supply” is illustrated when

A) the demand curve shifts along a stationary supply curve.
B) the supply curve and demand curve both shift in the same direction.
C) the supply curve shifts along a stationary demand curve.
D) the demand curve and supply curve are both stationary.

Answer: A

63) Which of the following explains why supply curves slope upward?

A) Prices and income
B) Increasing marginal cost
C) Resources and technology
D) Substitutes in production and complements in production

Answer: B

64) The supply curve slopes upward when graphed against ____ because of ____.

A) the price of the good; increasing marginal cost
B) the price of the good; decreasing marginal cost
C) income; increasing marginal cost
D) income; decreasing marginal cost

Answer: A
**Topic: Supply**
**Skill: Recognition**
65) The quantity supplied of a good is
   A) the same thing as the quantity demanded at each price.
   B) the amount that the producers are planning to sell at a particular price during a given time period.
   C) equal to the difference between the quantity available and the quantity desired by all consumers and producers.
   D) the amount the firm would sell if it faced no resource constraints.
   **Answer: B**

**Topic: The Law of Supply**
**Skill: Conceptual**
67) A fall in the price of a good causes producers to reduce the quantity of the good they are willing to produce. This fact illustrates
   A) the law of supply.
   B) the law of demand.
   C) a change in supply.
   D) the nature of an inferior good.
   **Answer: A**

**Topic: Minimum Supply Price**
**Skill: Analytical**
68) Each point on a supply curve represents
   A) the highest price buyers will pay for the good.
   B) the lowest price for which a supplier can profitably sell another unit.
   C) the lowest price buyers will accept per unit of the good.
   D) the highest price sellers can get for each unit over time.
   **Answer: B**

**Topic: Supply Curve and Supply Schedule**
**Skill: Analytical**
69) Because of increasing marginal cost, most supply curves
   A) are horizontal.
   B) are vertical.
   C) have a negative slope.
   D) have a positive slope.
   **Answer: D**

**Topic: Supply Curve and Supply Schedule**
**Skill: Conceptual**
70) A supply curve shows the relation between the quantity of a good supplied and
   A) income. Usually a supply curve has negative slope.
   B) income. Usually a supply curve has positive slope.
   C) the price of the good. Usually a supply curve has negative slope.
   D) the price of the good. Usually a supply curve has positive slope.
   **Answer: D**

**Topic: Supply Curve and Supply Schedule**
**Skill: Recognition**
71) A supply curve differs from a supply schedule because a supply curve
   A) holds the number of suppliers constant, whereas the supply schedule allows the number to vary.
   B) holds resource prices constant, whereas the supply schedule allows them to vary.
   C) is a graph and the supply schedule is a table.
   D) represents one firm, whereas the supply schedule represents all firms in the market.
   **Answer: C**

**Topic: Supply Curve and Supply Schedule**
**Skill: Recognition**
72) Which of the following is NOT held constant while moving along a supply curve?
   A) Expected future prices.
   B) The number of sellers.
   C) The price of the good itself.
   D) Prices of resources used in production.
   **Answer: C**
73) The supply curve is graphed with
   A) the quantity of one good on the vertical axis and the quantity of another good on the horizontal axis.
   B) the quantity of one good on the vertical axis and the price of another good on the horizontal axis.
   C) the quantity of a good on the vertical axis and its price on the horizontal axis.
   D) the quantity of a good on the horizontal axis and its price on the vertical axis.

   Answer: D

74) In the above figure, what is the minimum supply price for the fourth gallon of ice cream?
   A) $2.00
   B) $3.00
   C) $4.00
   D) $5.00

   Answer: D

75) Which of the following shifts the supply curve for gasoline rightward?
   A) A situation where the quantity demanded exceeds the quantity supplied.
   B) An increase in the price of gasoline.
   C) A decrease in the price of a resource used to produce gasoline, such as crude oil.
   D) An increase in the demand for gas-guzzling, sport utility vehicles.

   Answer: C

76) Which of the following shifts the supply curve rightward?
   A) An increase in the population.
   B) A positive change in preferences for the good.
   C) A decrease in the price of the good.
   D) A decrease in the price of the resources used to produce the good.

   Answer: D

77) Autoworkers negotiate a wage increase; how does this change affect the supply of cars?
   A) It decreases the supply.
   B) It increase the supply.
   C) It causes no change.
   D) There is not enough information to tell if the change increases, decreases, or has no effect on the supply of cars

   Answer: A

78) If a producer can use resources to produce either good A or good B, then A and B are
   A) complements in production.
   B) substitutes in production.
   C) substitutes in consumption.
   D) complements in consumption.

   Answer: B
**Topic: Change in Supply, Prices of Related Goods Produced**  
**Skill: Conceptual**

79) Good A and good B are substitutes in production. The demand for good A increases so that the price of good A rises. The increase in the price of good A shifts the

A) demand curve for good B leftward.  
B) demand curve for good B rightward.  
C) supply curve of good B leftward.  
D) supply curve of good B rightward.

**Answer: C**

**Topic: Change in Supply, Prices of Related Goods Produced**  
**Skill: Conceptual**

80) Blank tapes and prerecorded tapes are substitutes in production. An increase in the price of a blank tape will cause

A) an increase in the supply of prerecorded tapes.  
B) a decrease in the supply of prerecorded tapes.  
C) an increase in the quantity supplied of prerecorded tapes but not in the supply.  
D) a decrease in the quantity supplied of prerecorded tapes but not in the supply.

**Answer: B**

**Topic: Change in Supply, Prices of Related Goods Produced**  
**Skill: Conceptual**

81) Good A and good B are substitutes in production. The demand for good A decreases, which lowers the price of good A. The decrease in the price of good A

A) decreases the supply of good B.  
B) increases the supply of good B.  
C) decreases the demand for good B.  
D) increases the demand for good B.

**Answer: B**

**Topic: Change in Supply, Expected Future Price**  
**Skill: Conceptual**

82) It is expected that the price of a bushel of wheat will increase in one month. This belief will result in

A) an increase in current supply of wheat.  
B) a decrease in current supply of wheat.  
C) a decrease in future supply of wheat.  
D) no change in current or future supply of wheat.

**Answer: B**

**Topic: Change in Supply, Number of Suppliers**  
**Skill: Conceptual**

83) An increase in the number of fast-food restaurants

A) raises the price of fast-food meals.  
B) increases the demand for fast-food meals.  
C) increases the supply of fast-food meals.  
D) increases the demand for substitutes for fast-food meals.

**Answer: C**

**Topic: Change in Supply, Number of Suppliers**  
**Skill: Conceptual**

84) Which of the following increases the supply of a product?

A) A drop in the price of the product.  
B) A smaller number of sellers producing the product.  
C) An increase in foreign imports of the product.  
D) Higher taxes imposed upon producers of the product.

**Answer: C**

**Topic: Change in Supply, Number of Suppliers**  
**Skill: Conceptual**

85) Which of the following decreases the supply of popcorn?

A) A decrease in the price of popcorn.  
B) An increase in the price of popcorn.  
C) A technological development in the production of popcorn.  
D) A decrease in the number of popcorn suppliers.

**Answer: D**

**Topic: Change in Supply, Technology**  
**Skill: Conceptual**

86) Over the past decade technological improvements that have lowered the cost of producing an automobile have increased

A) both the supply and the demand for automobiles.  
B) the supply but not the demand for automobiles.  
C) the demand but not the supply of automobiles.  
D) neither the supply nor the demand for automobiles.

**Answer: B**
87) An increase in technology for producing personal computers leads to
A) an increase in the demand for personal computers.
B) a decrease in the demand for personal computers.
C) an increase in the supply of personal computers.
D) a decrease in the supply of personal computers.
Answer: C

88) Which of the following will shift the supply curve for good X leftward?
A) A situation in which quantity demanded exceeds quantity supplied.
B) An increase in the cost of the machinery used to produce X.
C) A technological improvement in the production of X.
D) A decrease in the wages of workers employed to produce X.
Answer: B

89) Which of the following does NOT shift the supply curve?
A) A technological advance.
B) A decrease in the wages of labor used in production of the good.
C) A fall in the price of a substitute in production.
D) An increase in the price of the good.
Answer: D

90) If the price of a good changes but everything else influencing suppliers’ planned sales remains constant, there is a
A) new supply curve that is to the right of the initial supply curve.
B) new supply curve that is to the left of the initial supply curve.
C) movement along the supply curve.
D) rotation of the initial supply curve around the initial price.
Answer: C

91) A decrease in the quantity supplied is represented by a
A) movement down the supply curve.
B) movement up the supply curve.
C) rightward shift in the supply curve.
D) leftward shift in the supply curve.
Answer: A

92) Which of the following causes an increase in the quantity supplied of good X but NOT in the supply of good X?
A) A reduction in the price of resources used to produce X.
B) An improvement in the technology for producing X.
C) An increase in the price of good Y, a complement in the production of X.
D) An increase in the price of X.
Answer: D
93) In the figure above, an increase in the supply of oil would result in a movement from
A) point a to point e.
B) point a to point b.
C) point a to point c.
D) point a to point d.
Answer: B

94) In the figure above, an increase in the quantity of oil supplied but NOT in the supply of oil is shown by a movement from
A) point a to point e.
B) point a to point b.
C) point a to point c.
D) point a to point d.
Answer: A

95) In the figure above, a decrease in the quantity of oil supplied but NOT in the supply of oil is shown by a movement from
A) point a to point e.
B) point a to point b.
C) point a to point c.
D) point a to point d.
Answer: C

96) In the figure above, which movement could be caused by an increase in the wages of oil workers?
A) point a to point e.
B) point a to point b.
C) point a to point c.
D) point a to point d.
Answer: D

97) In the figure above, which movement could be caused by the development of a new, more efficient refining technology?
A) point a to point e.
B) point a to point b.
C) point a to point c.
D) point a to point d.
Answer: B
98) The figure above represents the market for candy. People become more concerned that eating candy causes them to gain weight, which they do not like. As a result, the
A) demand curve shifts from $D_2$ to $D_1$ and the supply curve will not shift.
B) demand curve shifts from $D_1$ to $D_2$ and the supply curve shifts from $S_1$ to $S_2$.
C) demand curve will not shift, and the supply curve shifts from $S_2$ to $S_1$.
D) demand curve will not shift, and the supply curve shifts from $S_1$ to $S_2$.

Answer: A

99) The above figure represents the market for oil. Because of the development of a new deep sea drilling technology the
A) demand curve shifts from $D_1$ to $D_2$ and the supply curve will not shift.
B) demand curve shifts from $D_1$ to $D_2$ and the supply curve shifts from $S_1$ to $S_2$.
C) demand curve will not shift, and the supply curve shifts from $S_2$ to $S_1$.
D) demand curve will not shift, and the supply curve shifts from $S_1$ to $S_2$.

Answer: D

100) The above figure represents the market for oil. When terrorists blow up a major refinery the
A) demand curve for oil shifts from $D_1$ to $D_2$ and the supply curve for oil will not shift.
B) demand curve for oil shifts from $D_1$ to $D_2$ and the supply curve for oil shifts from $S_2$ to $S_1$.
C) demand curve for oil will not shift, and the supply curve for oil shifts from $S_2$ to $S_1$.
D) demand curve for oil will not shift, and the supply curve for oil shifts from $S_1$ to $S_2$.

Answer: C

101) The above figure represents the market for bicycles. When there is a physical fitness craze the
A) demand curve for bicycles shifts from $D_1$ to $D_2$.
B) demand curve for bicycles shifts from $D_2$ to $D_1$.
C) demand curve and the supply curve of bicycles do not shift.
D) supply curve of bicycles shifts from $S_1$ to $S_2$.

Answer: A
107

Topic: Change in Demand, Preferences; Change in Supply, Prices of Resources
Skill: Conceptual
102) The above figure represents the market for french fries at fast food joints. If the price of potatoes rises and simultaneously people become concerned that french fries can cause heart attacks
A) the demand curve for french fries will shift from $D_2$ to $D_1$ and the supply curve of french fries will not shift.
B) the demand curve for french fries will shift from $D_2$ to $D_1$ and the supply curve of french fries will shift from $S_2$ to $S_1$.
C) the demand curve for french fries will shift from $D_2$ to $D_1$ and the supply curve of french fries will shift from $S_1$ to $S_2$.
D) the demand curve for french fries will not shift, and the supply curve of french fries will shift from $S_1$ to $S_2$.
Answer: B

Market Equilibrium

103) The equilibrium price and quantity are found at the
A) point where quantity supplied equals quantity demanded.
B) horizontal intercept of the demand curve.
C) vertical intercept of the supply curve.
D) horizontal intercept of the supply and demand curves.
Answer: A

104) The interaction of supply and demand explains
A) the prices of goods and services but not their quantities.
B) the quantities of goods and services but not their prices.
C) both the prices and the quantities of goods and services.
D) neither the prices nor the quantities of goods and services.
Answer: C

105) When the quantity demanded equals quantity supplied
A) the government must be intervening in the market.
B) there is a surplus.
C) there is a shortage.
D) None of the above.
Answer: D

106) In the above figure, if the demand curve is $D_2$,
A) the equilibrium price will be $P_1$ and the equilibrium quantity will be $Q_2$.
B) the equilibrium price will be $P_1$ and the equilibrium quantity will be $Q_1$.
C) there will be a shortage equal to $Q_2 - Q_1$.
D) an increase in price equal to $Q_2 - Q_1$ will cause the demand curve to shift to $D_3$.
Answer: A
CHAPTER 3

**Topic: Market Equilibrium**
**Skill: Analytical**
107) When the price is below the equilibrium price, the quantity demanded
A) is less than the equilibrium quantity. So is the quantity supplied.
B) is less than the equilibrium quantity. The quantity supplied exceeds the equilibrium quantity.
C) exceeds the equilibrium quantity. So does the quantity supplied.
D) exceeds the equilibrium quantity. The quantity supplied is less than the equilibrium quantity.
Answer: D

**Topic: Price Adjustments**
**Skill: Conceptual**
108) If a market is NOT in equilibrium, then which of the following is likely to occur?
A) The demand curve will shift to bring the market to equilibrium.
B) The supply curve will shift to bring the market to equilibrium.
C) The price will adjust to bring the market to equilibrium.
D) Both A and B are correct.
Answer: C

**Topic: Price Adjustment; Shortage**
**Skill: Conceptual**
109) A price below the equilibrium price results in
A) a surplus.
B) a shortage.
C) excess supply.
D) a further price fall.
Answer: B

**Topic: Price Adjustment; Shortage**
**Skill: Conceptual**
110) Which of the following correctly describes how price adjustments eliminate a shortage?
A) As the price rises, the quantity demanded decreases while the quantity supplied increases.
B) As the price rises, the quantity demanded increases while the quantity supplied decreases.
C) As the price falls, the quantity demanded decreases while the quantity supplied increases.
D) As the price falls, the quantity demanded increases while the quantity supplied decreases.
Answer: A

**Topic: Price Adjustment; Shortage**
**Skill: Recognition**
111) A shortage causes the
A) demand curve to shift leftward.
B) supply curve to shift rightward.
C) price to fall.
D) price to rise.
Answer: D

**Topic: Price Adjustment; Shortage**
**Skill: Analytical**
112) If the quantity demanded exceeds the quantity supplied, then there is
A) a shortage and the price is below the equilibrium price.
B) a shortage and the price is above the equilibrium price.
C) a surplus and the price is below the equilibrium price.
D) a surplus and the price is above the equilibrium price.
Answer: A

**Topic: Price Adjustments; Surplus**
**Skill: Analytical**
113) If the quantity supplied exceeds the quantity demanded, then there is
A) a shortage and the price is below the equilibrium price.
B) a shortage and the price is above the equilibrium price.
C) a surplus and the price is below the equilibrium price.
D) a surplus and the price is above the equilibrium price.
Answer: D

**Topic: Price Adjustments; Surplus**
**Skill: Conceptual**
114) The price of a good will fall if
A) there is a surplus at the current price.
B) the current price is less than the equilibrium price.
C) the quantity demanded exceeds the quantity supplied.
D) the price of a complement falls.
Answer: A
Topic: Price Adjustment; Shortage
Skill: Recognition
115) When the price is less than the equilibrium price, 
A) there will be a shortage. 
B) some consumers will be willing to pay a price higher than the prevailing price. 
C) the price will be forced higher. 
D) All of the above answers are correct.
Answer: D

Topic: Price Adjustments, Shortage
Skill: Conceptual
116) If there exists a shortage in the market for snowmobiles, then the price of a snowmobile will 
A) rise. 
B) fall. 
C) neither rise nor fall. 
D) at first fall then rise.
Answer: A

Topic: Price Adjustment; Shortage
Skill: Conceptual
117) The existence of a shortage 
A) means resources are being allocated efficiently 
B) is impossible in a market economy 
C) pushes prices up 
D) pushes prices down
Answer: C

Topic: Price Adjustments; Surplus
Skill: Recognition
118) A surplus occurs when the price is 
A) less than the equilibrium price. 
B) equal to the equilibrium price. 
C) greater than the equilibrium price. 
D) None of the above because the existence of a surplus is independent of the price of the good.
Answer: C

Topic: Price Adjustments, Surplus
Skill: Recognition
119) If the price is above the equilibrium price, then there is a 
A) surplus, and market forces will operate to lower price. 
B) surplus, and market forces will operate to raise price. 
C) shortage, and market forces will operate to lower price. 
D) shortage, and market forces will operate to raise price.
Answer: A

Topic: Price Adjustment; Surplus
Skill: Conceptual
120) When the price of a good is 
A) below the equilibrium price, quantity supplied exceeds quantity demanded and price rises. 
B) below the equilibrium price, quantity demanded exceeds quantity supplied and price falls. 
C) above the equilibrium price, quantity supplied exceeds quantity demanded and price falls. 
D) above the equilibrium price, quantity demanded exceeds quantity supplied and price rises.
Answer: C

Topic: Price Adjustment; Surplus
Skill: Analytical
121) Suppose a market begins in equilibrium. If supply increases, then at the original equilibrium price the quantity demanded is 
A) is less than the quantity supplied and a surplus results. 
B) is less than the quantity supplied and a shortage results. 
C) exceeds the quantity supplied and a surplus results. 
D) exceeds the quantity supplied and a shortage results.
Answer: A
### Topic: Price Adjustment; Shortage
**Skill: Conceptual**

122) The above table gives the demand and supply schedules for compact discs. If the price of a compact disc is $8, there is a **and the price of a compact disc will **.

A) shortage; rise  
B) shortage; fall  
C) surplus; rise  
D) surplus; fall

**Answer: A**

### Topic: Predicting Changes in Price and Quantity; Demand Changes
**Skill: Analytical**

123) The above table gives the demand and supply schedules for compact discs. Suppose that the price of a compact disc player increases, resulting in the demand for compact discs decreasing by 8,000 units at all prices. What are the new equilibrium quantity and equilibrium price of compact discs?

A) 8,000 and $8  
B) 16,000 and $16  
C) 20,000 and $20  
D) 28,000 and $28

**Answer: B**

### Topic: Price Adjustment; Surplus
**Skill: Conceptual**

124) The above table gives the demand and supply schedules for compact discs. If the price of a compact disc is $28, there is a ** and the price of a compact disc will **.

A) shortage; rise  
B) shortage; fall  
C) surplus; rise  
D) surplus; fall

**Answer: D**

### Topic: Market Equilibrium
**Skill: Recognition**

125) The above table gives the demand and supply schedules for compact discs. Based on the table, the equilibrium quantity and price of a compact disc is

A) 28,000 and $12.  
B) 20,000 and $20.  
C) 16,000 and $24.  
D) 16,000 and $16.

**Answer: B**
### Demand and Supply

<table>
<thead>
<tr>
<th>Price (dollars per cellular phone)</th>
<th>Quantity demanded (thousands)</th>
<th>Quantity supplied (thousands)</th>
</tr>
</thead>
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<td>50</td>
<td>100</td>
</tr>
<tr>
<td>80</td>
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</tr>
<tr>
<td>20</td>
<td>100</td>
<td>40</td>
</tr>
</tbody>
</table>

**Topic:** Market Equilibrium  
**Skill:** Analytical  
126) Using the data in the above table, the equilibrium quantity and equilibrium price for a cellular telephone is

A) 50 thousand and $100.  
B) 80 thousand and $80.  
C) 60 thousand and $50.  
D) 40 thousand and $20.  

**Answer:** C

**Topic:** Price Adjustments, Surplus  
**Skill:** Analytical  
127) Using the data in the above table, at the price of $80 a phone, a

A) shortage of 25 thousand cellular telephones occurs.  
B) surplus of 80 thousand cellular telephones occurs.  
C) surplus of 25 thousand cellular telephones occurs.  
D) shortage of 55 thousand cellular telephones occurs.  

**Answer:** C

**Topic:** Market Equilibrium  
**Skill:** Recognition  
128) The equilibrium price in the above figure is

A) $2.  
B) $4.  
C) $6.  
D) $8.  

**Answer:** C

**Topic:** Market Equilibrium  
**Skill:** Recognition  
129) The equilibrium quantity in the above figure is

A) 200 units.  
B) 300 units.  
C) 400 units.  
D) 600 units.  

**Answer:** B

**Topic:** Surplus  
**Skill:** Analytical  
130) At a price of $10 in the above figure, there is

A) a surplus of 200 units.  
B) a shortage of 200 units.  
C) a surplus of 400 units.  
D) a shortage of 400 units.  

**Answer:** C
CHAPTER 3

Topic: Shortage
Skill: Analytical
131) At a price of $4 in the above figure,
A) the equilibrium quantity is 400 units.
B) there is a surplus of 200 units.
C) the quantity supplied is 400 units.
D) there is a shortage of 200 units.
Answer: D

Topic: Predicting Changes in Price and Quantity; Demand Changes
Skill: Conceptual
132) If the good in the above figure is a normal good and income rises, then the new equilibrium quantity
A) is less than 300 units.
B) is 300 units.
C) is more than 300 units.
D) could be less than, equal to, or more than 300 units.
Answer: C

Topic: Predicting Changes in Price and Quantity; Supply Changes
Skill: Conceptual
133) The initial supply and demand curves for a good are illustrated in the above figure. If there are technological advances in the production of the good, then the new price for the good
A) is less than $6.
B) is $6.
C) is more than $6.
D) could be less than, equal to, or more than $6.
Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes
Skill: Conceptual
134) The initial supply and demand curves for a good are illustrated in the above figure. If there is a rise in the price of the resources used to produce the good, then the new price
A) is less than $6.
B) is $6.
C) is more than $6.
D) could be less than, equal to, or more than $6.
Answer: C

Topic: Price Adjustment
Skill: Analytical
135) In the above figure, a price of $15 per dozen for roses would result in
A) equilibrium.
B) a shortage.
C) a surplus.
D) downward pressure on prices.
Answer: B

Topic: Price Adjustment
Skill: Analytical
136) In the above figure, a price of $15 per dozen roses would result in a _____ so that the price of roses will _____.
A) surplus; rise
B) surplus; fall
C) shortage; rise
D) shortage; fall
Answer: C

Topic: Price Adjustment
Skill: Analytical
137) In the above figure, a price of $35 per dozen would result in
A) a shortage.
B) equilibrium.
C) a surplus.
D) upward pressure on prices.
Answer: C
Predicting Changes in Price and Quantity

Topic: Predicting Changes in Price and Quantity; Demand Changes
Skill: Conceptual
140) When the demand for a good decreases, its equilibrium price ____ and equilibrium quantity ____.
A) falls; decreases
B) falls; increases
C) rises; decreases
D) rises; increases
Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes
Skill: Conceptual
141) If good A is a normal good and income increases, the equilibrium price of A
A) and the equilibrium quantity will increase.
B) will rise and the equilibrium quantity will decrease.
C) will fall and the equilibrium quantity will increase.
D) will rise and the equilibrium quantity will decrease.
Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes
Skill: Analytical
142) The price of a gallon of milk falls. Which of the following is a possible cause?
A) A decrease in the price of oatmeal, a complement to milk.
B) A discovery that milk causes diabetes.
C) An increase in the income of the average household, with milk being a normal good.
D) A drought that reduces supplies of feed grains fed to cows that produce milk.
Answer: B
Topic: Predicting Changes in Price and Quantity; Demand Changes
Skill: Conceptual
143) Assume that beef and pork are substitutes for consumers. There is a drought in the cattle grazing areas. The drought will cause the
A) supply curve for pork to shift rightward.
B) supply curve for pork to shift leftward.
C) demand curve for pork to shift rightward.
D) demand curve for pork to shift leftward.
Answer: C

Topic: Predicting Changes in Price and Quantity; Demand Changes
Skill: Analytical
144) An increase in demand combined with no change in supply causes
A) the equilibrium price to rise.
B) the equilibrium price to fall.
C) a movement rightward along the demand curve.
D) a decrease in demand because the supply curve does not shift.
Answer: A

Topic: Predicting Changes in Price and Quantity; Demand Changes
Skill: Analytical
145) Goods A and B are complementary goods (in consumption). The cost of a resource used in the production of A decreases. As a result,
A) the equilibrium price of B will fall and the equilibrium price of A will rise.
B) the equilibrium price of B will rise and the equilibrium price of A will fall.
C) the equilibrium prices of both A and B will rise.
D) the equilibrium prices of both A and B will fall.
Answer: B

Topic: Predicting Changes in Price and Quantity; Demand Changes
Skill: Analytical
146) When demand decreases and supply does not change, the equilibrium price
A) rises and the equilibrium quantity increases.
B) falls and the equilibrium quantity decreases.
C) rises and the equilibrium quantity decreases.
D) falls and the equilibrium quantity increases.
Answer: B

Topic: Predicting Changes in Price and Quantity; Supply Changes
Skill: Analytical
147) When supply decreases and demand does not change, the equilibrium quantity
A) increases and the price rises.
B) decreases and the price falls.
C) increases and the price falls.
D) decreases and the price rises.
Answer: D

Topic: Predicting Changes in Price and Quantity; Supply Changes
Skill: Analytical
148) Beef and leather belts are complements in production. If people’s concern about health shifts the demand curve for beef leftward, the result in the market for leather belts will be a
A) lower equilibrium price for a leather belt because there is an increase in the supply of leather belts.
B) lower equilibrium price for a leather belt because there is a decrease in the supply of leather belts.
C) higher equilibrium price for a leather belt because there is a decrease in the supply of leather belts.
D) higher equilibrium price for a leather belt because there is an increase in the supply of leather belts.
Answer: C

Topic: Predicting Changes in Price and Quantity; Supply Changes
Skill: Analytical
149) You observe that the price of a good rises and the quantity decreases. These observations can be the result of
A) the demand curve shifting rightward.
B) the demand curve shifting leftward.
C) the supply curve shifting rightward.
D) the supply curve shifting leftward.
Answer: D
150) Leather belts and leather shoes are substitutes in production. If style changes increase the demand for leather belts, the supply curve of leather shoes will shift
A) leftward and the equilibrium price of leather shoes will fall.
B) leftward and the equilibrium price of leather shoes will rise.
C) rightward and the equilibrium price of leather shoes will fall.
D) rightward and the equilibrium price of leather shoes will rise.
Answer: B

151) If both demand and supply increase, what will be the effect on the equilibrium price and quantity?
A) Both the price and the quantity will increase.
B) The quantity will increase but the price could either rise, fall, or remain the same.
C) The price will fall but the quantity will increase.
D) The price will rise but the quantity could either increase, decrease, or remain the same.
Answer: B

152) If both the demand and supply increase, the equilibrium quantity
A) increases and the price falls.
B) decreases and the effect on price is indeterminate.
C) decreases and the price rises.
D) increases and the effect on price is indeterminate.
Answer: D
155) The above figure shows the market for pizza. Which figure shows the effect of a decrease in the price of a pizza substitute such as hamburgers?
A) Figure A. 
B) Figure B. 
C) Figure C. 
D) Figures B and C.
**Answer: A**

156) The above figure shows the market for pizza. Which figure shows the effect of an increase in the price of a complement such as soda?
A) Figure A. 
B) Figure B. 
C) Figure C. 
D) Figure D.
**Answer: B**

157) The above figure shows the market for pizza. Which figure shows the effect of an increase in the price of a substitute such as sandwiches?
A) Figure A. 
B) Figure B. 
C) Figure C. 
D) Figure D.
**Answer: A**

158) The above figure shows the market for pizza. Which figure shows the effect of an increase in the price of the tomato sauce used to produce pizza?
A) Figure A. 
B) Figure B. 
C) Figure C. 
D) Figure D.
**Answer: C**

159) The above figure shows the market for pizza. Which figure shows the effect of a new report by the U.S. Surgeon General that pizza, as a part of the Mediterranean diet, contributes to lower cholesterol levels?
A) Figure A. 
B) Figure B. 
C) Figure C. 
D) Figure D.
**Answer: A**
160) The above figure shows the market for hamburger. Which figure shows the effect of an announcement by the U.S. Food and Drug Administration (FDA) that eating hamburger causes early death?

A) Figure A.  
B) Figure B.  
C) Figure C.  
D) Figure D.

Answer: B

161) The above figure shows the market for hamburger. Which panel shows the effect of a drought in “cattle country”?

A) Figure A.  
B) Figure B.  
C) Figure C.  
D) Figure D.

Answer: C

162) The above figure shows the market for hamburger. Which panel shows the effect of a new excise tax on all beef products?

A) Figure A.  
B) Figure B.  
C) Figure C.  
D) Figure D.

Answer: C

163) The equilibrium quantity will decrease and the price might rise, fall, or stay the same when the

A) demand and the supply of a good both increase.  
B) demand for a good increases and the supply of it decreases.  
C) demand for a good decreases and the supply of it increases.  
D) demand and the supply of a good both decrease.

Answer: D

164) The equilibrium quantity of a good will increase and its equilibrium price might rise, fall, or stay the same when

A) its demand and supply both increase.  
B) its demand increases and supply decreases.  
C) its demand decreases and supply increases.  
D) its demand and supply both decrease.

Answer: A
The price of compact disc players fell over the past decade because a combination of improving technology, rising incomes, and falling prices of compact discs caused the demand curve for compact disc players to shift rightward faster than the supply curve of compact disc players shifted rightward.

Answer: B

Which of the following always raises the equilibrium price?

A) An increase in both demand and supply.
B) A decrease in both demand and supply.
C) An increase in demand combined with a decrease in supply.
D) A decrease in demand combined with an increase in supply.

Answer: C

Which of the following definitely causes a fall in the equilibrium price?

A) An increase in both demand and supply.
B) A decrease in both demand and supply.
C) An increase in demand combined with a decrease in supply.
D) A decrease in demand combined with an increase in supply.

Answer: D

Refer to the table above. Suppose that in normal years demand is represented by Case 2 and supply is represented by Case B. In a normal year the price of wapanzo beans will be

A) $1 per pound.
B) $2 per pound.
C) $3 per pound.
D) $4 per pound.

Answer: C

Refer to the table above. Suppose that in normal years demand is represented by Case 2 and supply is represented by Case B. In a normal year the equilibrium quantity of wapanzo beans will be

A) 2 million pounds.
B) 4 million pounds.
C) 6 million pounds.
D) 8 million pounds.

Answer: C

Refer to the table above. Suppose that in normal years demand is represented by Case 2 and supply is represented by Case B. If there is a drought in the wapanzo bean growing region then supply will ____ and demand will ____.

A) become case A; become case 1
B) become case A; stay at case 2
C) stay at case B; become case 3
D) stay at case B; become case 1

Answer: B
Topic: Change in Supply
Skill: Analytical
171) Refer to the table above. Suppose that in normal years demand is represented by Case 2 and supply is represented by Case B. If there is exceptionally good growing weather in the wapanzo bean growing region then supply will ____ and demand will ____.
A) become case C; become case 1
B) become case C; stay at case 2
C) become case C; become case 3
D) stay at case B; become case 1
Answer: B

Topic: Change in Demand, Preferences
Skill: Analytical
172) Refer to the table above. Suppose that in normal years demand is represented by Case 2 and supply is represented by Case B. If it is discovered that wapanzo beans help prevent cancer then supply will ____ and demand will ____.
A) become case C; become case 1
B) become case C; stay at case 2
C) stay at case B; become case 1
D) become case A; become case 1
Answer: C

Topic: A Change in Quantity Demanded Versus a Change in Demand
Skill: Analytical
173) In the above figure, a change in quantity demanded with unchanged demand is represented by a movement from
A) point a to point e.
B) point a to point b.
C) point a to point c.
D) None of the above represent a change in the quantity demanded with an unchanged demand.
Answer: A

Topic: A Change in Quantity Supplied Versus a Change in Supply
Skill: Analytical
174) In the above figure, a change in quantity supplied with unchanged supply is represented by a movement from
A) point a to point e.
B) point b to point a.
C) point e to point c.
D) point b to point e.
Answer: B
175) In the above figure, if \( D_2 \) is the demand curve, then a price of \( P_3 \) would result in
A) a shortage of \( Q_3 - Q_1 \).
B) a shortage of \( Q_4 - Q_3 \).
C) a surplus of \( Q_3 - Q_1 \).
D) a surplus of \( Q_4 - Q_0 \).
Answer: C

176) In the above figure, if \( D_2 \) is the original demand curve for a normal good and income decreases, which price and quantity may result?
A) Point \( a \), with price \( P_2 \) and quantity \( Q_2 \).
B) Point \( b \), with price \( P_1 \) and quantity \( Q_1 \).
C) Point \( c \), with price \( P_3 \) and quantity \( Q_3 \).
D) Point \( d \), with price \( P_1 \) and quantity \( Q_3 \).
Answer: B

177) In the above figure, if \( D_2 \) is the original demand curve and the price of a substitute in consumption rises, which price and quantity may result?
A) Point \( a \), with price \( P_2 \) and quantity \( Q_2 \).
B) Point \( b \), with price \( P_1 \) and quantity \( Q_1 \).
C) Point \( c \), with price \( P_3 \) and quantity \( Q_3 \).
D) Point \( d \), with price \( P_1 \) and quantity \( Q_3 \).
Answer: C

178) In the above figure, if \( D_2 \) is the original demand curve and consumers come to expect that the price of the good will rise in the future, which price and quantity may result?
A) Point \( a \), with price \( P_2 \) and quantity \( Q_2 \).
B) Point \( b \), with price \( P_1 \) and quantity \( Q_1 \).
C) Point \( c \), with price \( P_3 \) and quantity \( Q_3 \).
D) Point \( d \), with price \( P_1 \) and quantity \( Q_3 \).
Answer: C

179) In the above figure, if \( D_2 \) is the original demand curve and the population falls, which price and quantity may result?
A) Point \( a \), with price \( P_2 \) and quantity \( Q_2 \).
B) Point \( b \), with price \( P_1 \) and quantity \( Q_1 \).
C) Point \( c \), with price \( P_3 \) and quantity \( Q_3 \).
D) Point \( d \), with price \( P_1 \) and quantity \( Q_3 \).
Answer: B
180) In the figure, the equilibrium price is initially $3 per bushel of wheat. If suppliers come to expect that the price of a bushel of wheat will rise in the future, but buyers do not, the current equilibrium price will
A) rise.
B) not change.
C) fall.
D) Perhaps rise, fall, or stay the same, depending on whether there are more demanders or suppliers in the market.
Answer: A

181) In the figure, the equilibrium price is initially $3 per bushel of wheat. If buyers come to expect that the price of a bushel of wheat will rise in the future, but sellers do not, the current equilibrium price will
A) rise.
B) not change.
C) fall.
D) Perhaps rise, fall, or stay the same, depending on whether there are more demanders or suppliers in the market.
Answer: A

182) Using the above figure, suppose that roses are a normal good. If there is an increase in income, A) the equilibrium price will rise above $25 per dozen roses.
B) the equilibrium quantity will decrease below 10 dozen roses.
C) we cannot predict what will happen to the equilibrium price.
D) we cannot predict what will happen to the equilibrium quantity.
Answer: A

183) Using the above figure, suppose there is a decrease in the number of suppliers. Then A) the equilibrium price will decrease below $25 per dozen roses.
B) we cannot predict what will happen to equilibrium quantity.
C) the equilibrium quantity will decrease below 10 dozen roses.
D) both the equilibrium price and quantity will increase.
Answer: C
Topic: Predicting Changes in Price and Quantity; Demand/Supply Increase
Skill: Analytical
184) In the above figure, in order for the equilibrium price to remain constant while the equilibrium quantity increases, the
A) supply and demand curves both would have to shift leftward.
B) supply curve would have to shift leftward and the demand curve would have to shift rightward.
C) supply curve would have to shift rightward and the demand curve would have to shift leftward.
D) supply and demand curves both would have to shift rightward.
Answer: D

Topic: Predicting Changes in Price and Quantity; Demand/Supply Decrease
Skill: Analytical
185) Using the above figure, suppose that roses are a normal good. If incomes decrease while simultaneously there is an increase in the price of the resources used to produce roses, then
A) the price will definitely increase above $25 per dozen roses.
B) the quantity will definitely decrease below 10 dozen roses.
C) the price will definitely decrease below $25 per dozen roses.
D) we cannot tell what will happen to equilibrium quantity.
Answer: B

Mathematical Note Questions

Topic: Mathematical Note to Chapter 4
Skill: Analytical
186) Let \( Q_d \) stand for the quantity demanded, \( Q_s \) stand for the quantity supplied, and \( P \) stand for price. If \( Q_d = 20 - 2P \) and \( Q_s = 5 + 3P \), then the equilibrium price is
A) \$1.
B) \$2.
C) \$3.
D) \$4.
Answer: C

Study Guide Questions

Topic: Study Guide Question, Price and Opportunity Cost
Skill: Conceptual
189) The opportunity cost of a good is the same as its
A) money price.
B) relative price.
C) price index.
D) None of the above
Answer: B
190) The money price of a pizza is $12 per pizza and the money price of a taco is $2 per taco. The relative price of a pizza is
A) $12 per pizza.
B) $24 per pizza.
C) 6 tacos per pizza.
D) 1/6 pizza.
Answer: C

191) The law of demand concludes that a rise in the price of a golf ball ____ the quantity demanded and ____.
A) increases; shifts the demand curve for golf balls rightward.
B) decreases; shifts the demand curve for golf balls leftward.
C) decreases; creates a movement up along the demand curve for golf balls.
D) increases; creates a movement down along the demand curve for golf balls.
Answer: C

192) If a decrease in the price of gasoline increases the demand for large cars, then
A) gasoline and large cars are substitutes in consumption.
B) gasoline and large cars are complements in consumption.
C) gasoline is an inferior good.
D) large cars are an inferior good.
Answer: B

193) A normal good is one
A) with a downward sloping demand curve.
B) for which demand increases when the price of a substitute rises.
C) for which demand increases when income increases.
D) None of the above.
Answer: C

194) Some sales managers are talking shop. Which of the following quotations refers to a movement along the demand curve?
A) “Since our competitors raised their prices our sales have doubled.”
B) “It has been an unusually mild winter; our sales of wool scarves are down from last year.”
C) “We decided to cut our prices, and the increase in our sales has been remarkable.”
D) None of the above.
Answer: C

195) A rise in the price of a good causes producers to supply more of the good. This statement illustrates
A) the law of supply.
B) the law of demand.
C) a change in supply.
D) the nature of an inferior good.
Answer: A

196) Which of the following influences does NOT shift the supply curve?
A) A rise in the wages paid workers
B) Development of new technology
C) People deciding that they want to buy more of the product
D) A decrease in the number of suppliers
Answer: C

197) To say that “supply increases” for any reason, means there is a
A) movement rightward along a supply curve.
B) movement leftward along a supply curve.
C) shift rightward in the supply curve.
D) shift leftward in the supply curve.
Answer: C
Topic: Study Guide Question, Change in Supply, Prices of Resources
Skill: Conceptual
198) The price of jet fuel falls. This fall shifts the
A) demand curve for airplane trips rightward.
B) demand curve for airplane trips leftward.
C) supply curve of airplane trips rightward.
D) supply curve of airplane trips leftward.
Answer: C

Topic: Study Guide Question, Change in Supply, Prices of Resources
Skill: Conceptual
199) An increase in the cost of producing video tape
shifts the supply curve of video tape ____ and
shifts the demand curve for video tape ____.
A) rightward; leftward
B) leftward; leftward
C) leftward; not at all
D) not at all; leftward
Answer: C

Topic: Study Guide Question, Change in Supply, Number of Suppliers
Skill: Conceptual
200) An increase in the number of producers of gruel
____ the supply of gruel and shifts the supply
curve of gruel ____.
A) increases; rightward
B) increases; leftward
C) decreases; rightward
D) decreases; leftward
Answer: A

Topic: Study Guide Question, Equilibrium
Skill: Conceptual
201) If the market for Twinkies is in equilibrium, then
A) Twinkies must be a normal good.
B) producers would like to sell more at the current
price.
C) consumers would like to buy more at the current
price.
D) the quantity supplied equals the quantity de-
manded.
Answer: D

Topic: Study Guide Question, Equilibrium
Skill: Conceptual
202) In a market, at the equilibrium price,
A) neither buyers nor sellers can do business at a
better price.
B) buyers are willing to pay a higher price, but sell-
ers do not ask for a higher price.
C) buyers are paying the minimum price they are
willing to pay for any amount of output and
sellers are charging the maximum price they are
willing to charge for any amount of production.
D) None of the above is true.
Answer: A

Topic: Study Guide Question, Price Adjustments, Surplus
Skill: Analytical
203) If there is surplus of a good, then the quantity
demanded ____ the quantity supplied and the
price will ____.
A) is less than; rise
B) is less than; fall
C) is greater than; rise
D) is greater than; fall
Answer: B

Topic: Study Guide Question, Predicting Changes; Demand Changes
Skill: Conceptual
204) Pizza and hamburgers are substitutes for consum-
ers. A fall in the price of a pizza ____ the price of
a hamburger and ____ the quantity of hamburg-
ers.
A) raises; increases
B) raises; decreases
C) lowers; increases
D) lowers; decreases
Answer: D

Topic: Study Guide Question, Predicting Changes; Demand Changes
Skill: Analytical
205) How does an unusually warm winter affect the
equilibrium price and quantity of gloves?
A) It raises both the price and the quantity.
B) It raises the price and decreases the quantity.
C) It lowers the price and increases the quantity.
D) It lowers both the price and the quantity.
Answer: D
### Topic: Study Guide Question, Predicting Changes; Demand Changes
**Skill: Analytical**

206) You notice that the price and quantity of wheat both decrease. This observation can be the result of the
A) demand curve for wheat shifting rightward.
B) demand curve for wheat shifting leftward.
C) supply curve of wheat shifting rightward.
D) supply curve of wheat shifting leftward.

**Answer: B**

### Topic: Study Guide Question, Predicting Changes; Supply Changes
**Skill: Analytical**

207) The number of firms producing computer memory chips decreases. As a result, the price of a memory chip _____ and the quantity of memory chips _____.
A) rises; increases
B) rises; decreases
C) falls; increases
D) falls; decreases

**Answer: C**

### Topic: Study Guide Question, Predicting Changes; Demand/Supply Increase
**Skill: Conceptual**

208) A technological improvement lowers the cost of producing coffee. At the same time, consumers’ preferences for coffee increase. The equilibrium price of coffee will
A) rise.
B) fall.
C) remain the same.
D) rise, fall, or stay the same, depending on the relative size of the shifts in the demand and supply curves.

**Answer: D**

### MyEconLab Questions

#### Topic: Parallel MyEconLab Questions, Change in Demand
**Skill: Analytical**

209) CD players rise in price while pre-recorded audio tapes fall in price. The combined effect of these two changes is to create
A) a rightward shift of the demand curve for portable audio tape players, such as a Walkman.
B) a rightward shift of the supply curve for portable audio tape players, such as a Walkman.
C) a leftward shift of the demand curve for portable audio tape players, such as a Walkman.
D) a leftward shift of the supply curve of portable audio tape players, such as a Walkman.

**Answer: A**

#### Topic: Parallel MyEconLab Questions, Change in Demand, Income
**Skill: Analytical**

210) Walkman Watch expects a recession to occur. Knowing that a Walkman is a normal good, you predict that the demand for a Walkman
A) will increase.
B) will decrease.
C) might increase or decrease.
D) will remain unchanged.

**Answer: B**

#### Topic: Parallel MyEconLab Questions, Change in Supply, Prices of Resources
**Skill: Analytical**

211) Wages for workers producing Walkmans and similar products will rise next year. Walkman Watch asks you to predict the effect of this change in next year’s market for Walkmans. You predict that the major effect will be that the
A) demand curve for a Walkman will shift rightward.
B) demand curve for a Walkman will shift leftward.
C) supply curve for a Walkman will shift leftward.
D) supply curve for a Walkman will shift rightward.

**Answer: C**
212) Producers of Walkmans are able to lower the wage rate that they pay to their workers. Walkman Watch asks you to predict the effect on the Walkmans. You predict that the
A) price will rise.
B) quantity supplied will decrease.
C) supply curve will shift leftward.
D) supply curve will shift rightward.
Answer: D

213) The wage rate paid by Walkman producers falls and at the same time the price of raw materials used in the production of Walkmans rises. You predict that the supply curve of Walkmans will
A) shift either leftward or rightward.
B) surely shift rightward.
C) surely shift leftward.
D) surely become steeper.
Answer: A

214) Walkmans play cassette tapes. Producers of Walkmans expect that a new technology for producing CD players will be available next year. Walkman Watch asks you to predict the effect of the new technology on the market for Walkmans. You predict that
A) the demand curve for Walkmans will shift rightward and the price will rise.
B) the demand curve for Walkmans will shift leftward and the price will fall.
C) the price will rise, and so will the quantity demanded.
D) the price will fall, and the quantity demanded will increase.
Answer: B

215) Producers of Walkmans will be able to lower the wage rate that they pay to their workers. Walkman Watch asks you to predict the effects on the supply of Walkmans, and the price of a Walkman. You predict that the supply curve shifts
A) rightward, and the price is constant.
B) leftward, and the price is constant.
C) rightward, and the price falls.
D) leftward, and the price rises.
Answer: C

216) A relative price is
A) a price expressed in terms of money.
B) what you get paid for babysitting your cousin.
C) the ratio of one money price to another.
D) equal to a money price.
Answer: C

217) The quantity demanded of a good or service is the amount that
A) a consumer would like to buy but might not be able to afford.
B) is actually bought during a given time period at a given price.
C) consumers plan to buy during a given time period at a given price.
D) firms are willing to sell during a given time period at a given price.
Answer: C
DEMAND AND SUPPLY

Topic: Change in Demand, Income
Level 1: Definitions and Concepts
219) If, as people’s incomes increase, the demand for a good increases, the good is called
A) an inferior good.
B) a complement.
C) a substitute.
D) a normal good.
Answer: D

Topic: Demand
Level 1: Definitions and Concepts
220) The quantity of Walkmans that people plan to buy this month depends on all of the following except the
A) price of CD players.
B) price of a Walkman.
C) the technology firms use to produce a Walkman.
D) price of tapes.
Answer: C

Topic: Quantity Supplied
Level 1: Definitions and Concepts
221) The quantity supplied of a good or service is the amount that
A) producers wish they could sell at a higher price.
B) is actually bought during a given time period at a given price.
C) people are willing to buy during a given time period at a given price.
D) producers plan to sell during a given time period at a given price.
Answer: D

Topic: Supply
Level 1: Definitions and Concepts
222) Supply is the
A) willingness to produce a good if the technology to produce it becomes available.
B) entire relationship between the quantity supplied and the price of a good.
C) cost of producing a good.
D) limited resources available.
Answer: B

Topic: Supply
Level 1: Definitions and Concepts
223) The quantity of CDs that firms plan to sell this month depends on all of the following except the
A) number of producers of CDs.
B) quantity of CDs that people plan to buy.
C) wage rate of workers who produce CDs.
D) price of a CD.
Answer: B

Topic: Shortage
Level 1: Definitions and Concepts
224) If the price of the Walkman is below the equilibrium price, there will be a ____ of Walkmans and the price will ____.
A) surplus; rise
B) surplus; fall
C) shortage; fall
D) shortage; rise
Answer: D

Topic: Surplus
Level 1: Definitions and Concepts
225) If the price of a CD is equal to the equilibrium price, there will be ____ of CDs and the price will ____.
A) surplus; rise
B) surplus; fall
C) shortage; fall
D) neither a shortage nor surplus; not change
Answer: D

Topic: Change in Demand, Prices of Related Goods
Level 2: Using Definitions and Concepts
226) The price of a tomato increases and people buy more lettuce. You infer that lettuce and tomatoes are ____.
A) complements
B) normal goods
C) substitutes
D) inferior goods
Answer: C
227) The quantity of cars that people plan to buy this month depends on all of the following except the ____.
   A) wages car dealers pay their sales people
   B) expected future price of a car
   C) population
   D) income of consumers
   **Answer: A**

228) Kelly graduates and her income increases by $25,000 a year. Other things remaining the same, she increases the quantity of clothes she buys. For Kelly, clothes are ____.
   A) are an inferior good
   B) are a normal good
   C) a substitute good
   D) a complement good
   **Answer: B**

229) Students can rent a video at Campus Video for $4. As the price of a VCR decreases, the quantity supplied of videos will decrease. As the price of a VCR decreases, the quantity demanded of videos will increase.
   A) quantity supplied of videos will decrease.  B) demand for videos will increase.  
   C) supply of videos will decrease.  D) quantity demanded of videos will increase.
   **Answer: B**

230) In the market for books, the supply of books will decrease if any of the following occur except
   A) an increase in the future expected price of a book.
   B) a decrease in the number of book publishers.
   C) a decrease in the price of a book.
   D) an increase in the price of paper.
   **Answer: B**
Topic: Equilibrium
Level 2: Using Definitions and Concepts
233) The figure illustrates the market for pens. The equilibrium quantity is
A) between 400 and 600 pens, but it is impossible to be precise.
B) 5 pens a month.
C) 2 pens a month.
D) 500 pens a month.
Answer: D

Topic: Predicting Changes in Price and Quantity; Demand Changes
Level 2: Using Definitions and Concepts
234) If the demand for hamburgers decreases, the equilibrium price
A) rises and the equilibrium quantity increases.
B) falls and the equilibrium quantity increases.
C) rises and the equilibrium quantity decreases.
D) falls and the equilibrium quantity decreases.
Answer: D

Topic: Predicting Changes in Price and Quantity; Supply Changes
Level 2: Using Definitions and Concepts
235) The figure illustrates the market for chairs. If the supply of chairs increases, the price of a chair
A) will rise above; demanded will decrease
B) will rise above; supplied will increase
C) will fall below; demanded will increase
D) will fall below; demanded will decrease
Answer: C

Topic: Price and Opportunity Cost
Level 3: Calculations and Predictions
236) An ice cream cone costs $1.50. A can of soda costs 75¢. The relative price of an ice cream cone is
A) 1/2 can of soda, the opportunity cost of an ice cream cone.
B) $1.50, the opportunity cost of a can of soda.
C) 2 cans of soda, the opportunity cost of an ice cream cone.
D) 75¢, the opportunity cost of a can of soda.
Answer: C
237) Ham and eggs are complements. If the price of ham rises, the demand for eggs will
A) increase or decrease but the demand curve for ham will not change.
B) decrease and the demand curve for ham will shift rightward.
C) not change but there will be a movement along the demand curve for eggs.
D) decrease and the demand curve for eggs will shift leftward.
Answer: D

238) An increase in the number of sellers of bikes will increase the
A) demand for inline skates, a substitute for bikes.
B) price of a bike.
C) demand for bikes.
D) demand for knee pads, a complement for bikes.
Answer: D

239) In the market for fertilizer, a
A) decrease in the cost of equipment will increase the supply of fertilizer.
B) increase in the wage rate will increase the demand for fertilizer.
C) increase in the wage rate will increase the supply of fertilizer.
D) Increase in income will increase the supply of fertilizer if fertilizer is a normal good.
Answer: A

### Price Schedule for Jeans

<table>
<thead>
<tr>
<th>Price ($)</th>
<th>Quantity Demanded (pairs per week)</th>
<th>Quantity Supplied (pairs per week)</th>
</tr>
</thead>
<tbody>
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<tr>
<td>90</td>
<td>70</td>
<td>130</td>
</tr>
</tbody>
</table>

240) The table shows the demand and supply schedules for jeans:
A) At $60 a pair, there is a shortage of jeans and the price will fall.
B) At $60 a pair, there is a surplus of jeans and the price will rise.
C) At $40 a pair, there is a shortage of jeans and the price will rise.
D) At $40 a pair, there is a shortage of jeans and the price will fall.
Answer: C
241) The figure illustrates the market for chocolates. At $4 a box, there is a
A) surplus of chocolates and the price will rise.
B) surplus of chocolates and the price will fall.
C) shortage of chocolates and the price will rise.
D) shortage of chocolates and the price will fall.
Answer: C

242) You observe that in the market for coffee that
both the equilibrium price of coffee and the equilibrium quantity have increased. You predict that the demand for coffee
A) has increased with no change in the supply of coffee.
B) has increased but it is not as large as the increase in supply.
C) has not changed but that the supply of coffee has decreased.
D) has increased less than supply of coffee has decreased.
Answer: A

243) Jelly beans and popcorn are substitutes. A fall in the price of a bag of jelly beans will ____ the demand for popcorn and the price of popcorn will ____.
A) increase; rise
B) increase; fall
C) decrease; fall
D) decrease; rise
Answer: C

244) An increase in the price of jet fuel will ____ air flights and the equilibrium quantity of air flights will ____.
A) decrease the supply of; decrease
B) increase the demand for; increase
C) decrease the supply of; increase
D) decrease the demand for; decrease
Answer: A

245) If the supply of spring water decreases and at the same time the demand for spring water increases, the equilibrium price ____ and the equilibrium quantity ____.
A) might rise, fall, or stay the same; decreases
B) might rise, fall, or stay the same; increases
C) falls; increases
D) rises; might increase, decrease, or stay the same
Answer: D

246) If the price of a DVD player falls, the price of a DVD will ____ and the quantity of DVDs bought will ____.
A) fall; increase
B) rise; will not change
C) rise; decrease
D) rise; increase
Answer: D
<table>
<thead>
<tr>
<th>Price (dollars per ride)</th>
<th>Quantity demanded (rides per day)</th>
<th>Quantity supplied (rides per day)</th>
</tr>
</thead>
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<td>50</td>
<td>90</td>
</tr>
</tbody>
</table>

**Topic: Predicting Changes in Price and Quantity; Demand Changes**

**Level 4: Advanced Calculations and Predictions**

247) The table gives the demand and supply schedules for boat rides. If the supply of boat rides increases by 20 rides a day, the price will ____.

A) remain unchanged  
B) fall to $6 a ride  
C) rise to $6 a ride  
D) rise to $10 a ride

**Answer:** B

**Topic: Predicting Changes in Price and Quantity; Demand Changes**

248) A processor of alligator hides can produce either purses or shoes. If the demand for alligator shoes increases, then the ____ purses will ____.

A) supply of; increase  
B) supply of; decrease  
C) demand for; decrease  
D) demand for; increase

**Answer:** B

**Topic: Predicting Changes in Price and Quantity; Supply Changes**

**Level 4: Advanced Calculations and Predictions**

249) The figure illustrates the demand for and supply for jeans. Suppose jeans are a normal good and people’s incomes increase. At the initial price of $50 for a pair of jeans, after the increase in income the quantity demanded is ____ than the equilibrium quantity and there is a ____ of jeans.

A) greater; surplus  
B) greater; shortage  
C) less; surplus  
D) less; shortage

**Answer:** D

**Topic: Predicting Changes in Price and Quantity; Demand Changes**

**Level 4: Advanced Calculations and Predictions**

250) During an unusually hot summer, the demand for soft drinks increases while the supply of soft drinks remains the same. The price of a soft drink A) falls and the supply of soft drinks decreases.  
B) rises and the supply of soft drinks increases.  
C) rises and the quantity supplied increases.  
D) rises and the quantity supplied decreases.

**Answer:** C
251) In the market for oranges, the demand and supply of oranges decrease by the same amount. The equilibrium quantity will ____ and the equilibrium price will ____.
A) decrease; not change
B) decrease; fall
C) remain the same; either rise or fall
D) remain the same; rise
Answer: A

252) Apple juice and orange juice are substitutes in consumption. Apple juice and apple sauce are substitutes in production. If the price of orange juice ____ or the price of apple sauce ____, then the price of apple juice will ____.
A) rises; rises; rise
B) falls; rises; fall
C) falls; falls; rise
D) rises; falls; rise
Answer: A

253) In the market for bananas, the price is $2.00 a bunch. An increase in the supply of bananas decreases the price of bananas and ____.
A) the quantity supplied increases because the price falls
B) and increases the demand for bananas
C) and increases the quantity of bananas demanded
D) and creates a shortage of bananas
Answer: C

254) An increase in the demand for computers and a decrease in the number of sellers of computers will ____.
A) increase the number of computers bought
B) increase the price of a computer
C) increase the price and the number of computers bought
D) not change the price but increase the number of computers bought
Answer: B

255) If good growing conditions increase the supply of strawberries and hot weather increases the demand for strawberries, the quantity of strawberries bought ____.
A) increases and the price might rise, fall or not change
B) increases and the price rises
C) doesn’t change but the price falls
D) doesn’t change but the price rises
Answer: A