Multiple Choice
*Identify the choice that best completes the statement or answers the question.*

____ 1. The law of demand states that, other things equal:
   a. as the price increases, the quantity demanded will increase.
   b. as the price decreases, the demand curve will shift to the right.
   c. as the price increases, the demand will decrease.
   d. as the price increases, the quantity demanded will decrease.
   e. as the price decreases, the demand curve will shift to the left.

____ 2. Which of the following factors cause a movement along the demand curve?
   a. change in the prices of related goods
   b. change in the price of the good
   c. change in the population
   d. both a change in the price of the good and a change in the population
   e. change in the popularity of the good

____ 3. A decrease in the price of a good will result in:
   a. an increase in demand.
   b. an increase in supply.
   c. an increase in the quantity demanded.
   d. more being supplied.
   e. a rightward shift of the demand curve.

____ 4. Economists use the term *equilibrium* to describe:
   a. when individuals are equal.
   b. when no individual would be better off taking a different action.
   c. when no individual has an incentive to change his or her behavior.
   d. when no individual would be better off taking a different action and when no individual
      has an incentive to change his or her behavior.
   e. when individuals earn the same income.

____ 5. Excess supply occurs when:
   a. the quantity demanded equals the quantity supplied.
   b. the quantity demanded exceeds the quantity supplied.
   c. the price is below the equilibrium price.
   d. the quantity demanded exceeds the quantity supplied and when the price is below the
      equilibrium price.
   e. the price is above the equilibrium price.

____ 6. Milk is an important ingredient in the production of ice cream. If the price of milk increases, then one would
   expect, holding all other things constant:
   a. the supply curve for ice cream to shift left.
   b. the supply curve for ice cream to shift right.
   c. no change in the supply curve for ice cream.
   d. a movement along the supply curve for ice cream curve, resulting in more ice cream
      supplied.
   e. the demand curve for ice cream to shift to the left.
7. If suppliers expect prices to rise next year for their product, then one would expect:
   a. that this will shift the demand curve for the product right this year.
   b. a decrease in the quantity demanded this year.
   c. that this will shift the supply curve for the product to the left this year.
   d. a shift in the supply curve for the product to the right this year.
   e. an increase in the quantity demanded this year.

8. Which of the following will result in an increased price of milk?
   a. a shift to the right of the supply curve for milk
   b. a shift to the right of the demand curve for milk
   c. an increase in the number of milk suppliers
   d. a decrease in the number of milk buyers
   e. an increase in the production technology of milk suppliers.

9. In the local market for coffee, what would happen if Joyce's Java and Everyday Joe's coffee shops go out of business?
   a. The supply curve shifts to the right.
   b. The demand curve shifts to the left.
   c. The supply curve shifts to the left.
   d. The demand curve shifts to the right.
   e. Both the demand curve and supply curve shift to the left.

10. Consider the market for iPods. What happens if a fantastic new alternative MP3 player is developed and, at the same time, a boat carrying a large shipment of iPods is attacked by sea monsters and sunk?
    a. Price decreases and quantity increases.
    b. Price increases and quantity increases.
    c. The change in price is uncertain and quantity decreases.
    d. Price increases and the change in quantity is uncertain.
    e. Price decreases and the change in quantity is uncertain.

11. In the market for local coffee, the price of coffee _______ and the quantity _______ if a new coffeehouse opens nearby. At the same time, consumers' incomes decrease due to a recession and coffee is a normal good.
    a. will increase; may increase or decrease
    b. will decrease; will increase
    c. may increase or decrease; will increase
    d. may increase or decrease; will decrease
    e. will decrease; may increase or decrease

12. The typical supply curve illustrates that:
    a. other things equal, the quantity supplied of a good is inversely related to the price of a good.
    b. other things equal, the supply of the good creates its own demand for the good.
    c. other things equal, the quantity supplied of a good is positively related to the price of a good.
    d. price and quantity supplied are unrelated as the supply curve is vertical.
    e. other things equal, the supply curve is horizontal.
Figure 6-1: Supply of Coconuts

___ 13. (Figure 6-1: Supply of Coconuts) If the price of coconuts decreases, then the movement that would take place in the model could be:
   a. A to C.
   b. B to A.
   c. C to A.
   d. E to B.
   e. A to B.

___ 14. (Figure 6-1: Supply of Coconuts) If the prices of inputs (e.g., labor, fertilizer, and fuel) used to produce and transport coconuts are increasing, then the movement in the model could be:
   a. A to B.
   b. B to A.
   c. C to A.
   d. E to B.
   e. B to C.

___ 15. (Figure 6-1: Supply of Coconuts) If the prices of inputs (e.g., labor, fertilizer, and fuel) used to produce and transport coconuts are decreasing, then the movement in the model could be:
   a. A to B.
   b. B to A.
   c. C to A.
   d. E to B.
   e. B to E.

___ 16. (Figure 6-1: Supply of Coconuts) If there is an improvement in the technology used to harvest coconuts (e.g., a faster, less expensive coconut picker), then the movement in the model could be:
   a. A to C.
   b. B to A.
   c. C to A.
   d. B to E.
   e. A to B.
17. **(Figure 6-1: Supply of Coconuts)** If there is an expectation on the part of coconut suppliers that the price of coconuts will be significantly higher in the very near future, then the movement in the model to reflect today's market behavior would be:

a. A to B.
b. B to A.
c. A to C.
d. B to E.
e. E to B

18. A new wonder diet that results in a dramatic loss of weight sweeps through America. The key to the diet is to eat unlimited amounts of red meat (beef) but no poultry (chicken) or carbohydrate-rich foods. As millions of Americans switch to the new diet, we can expect:

a. an increase in the demand for beef, leading to a shift to the right in the demand curve for beef and higher beef prices.
b. an increase in the demand for beef, leading to a shift to the right in the demand curve for beef and lower beef prices.
c. a decrease in the supply of beef, leading to a shift to the left in the supply curve for beef and higher beef prices.
d. a decrease in the demand for beef, leading to a shift to the left in the demand curve for beef and higher beef prices.
e. a decrease in the demand for chicken, leading to a shift to the left in the demand curve for chicken and higher chicken prices.

**Figure 6-4: Demand and Supply of Wheat**

![Diagram of Demand and Supply of Wheat]

19. **(Figure 6-4: Demand and Supply of Wheat)** If a price of $10 temporarily exists in this market, a:

a. shortage of 10,000 bushels will result.
b. shortage of 8,000 bushels will result.
c. surplus of 10,000 bushels will result.
d. surplus of 4,000 bushels will result.
e. surplus of 8,000 bushels will result.
20. **(Figure 6-4: Demand and Supply of Wheat)** A temporary price of $2 in this market would result in:
   a. a surplus of 4,000 bushels.
   b. a shortage of 8,000 bushels.
   c. a shortage of 10,000 bushels.
   d. a surplus of 10,000 bushels.
   e. a shortage of 2,000 bushels.

21. The graph shows the market for hotel rooms in Steamboat, Colorado. Suppose the equilibrium price is $110 and quantity is 250. If the local government levied a $30 tax per night on each hotel room rented, the new equilibrium price will equal _______ and the equilibrium quantity will equal _______.
   a. $140; 100
   b. $130; 150
   c. $120; 200
   d. $110; 250
   e. $130; 250

22. You notice that when a new yoga class is offered at the student recreation center, some students from the other yoga classes go to the new class instead. This statement best represents the economic concept of:
   a. resources are scarce.
   b. the real cost of something is what you must give up to get it.
   c. people usually exploit opportunities to make themselves better off.
   d. markets move toward equilibrium.
   e. gains from trade.

23. A decrease in supply means:
   a. a shift to the left of the entire supply curve.
   b. moving downward (to the left) along the supply curve with lower prices.
   c. less will be demanded at every price.
   d. more will be supplied at every price.
   e. a shift to the left of the entire demand curve.

24. An increase in supply is caused by:
   a. an increase in input prices.
   b. suppliers' expectations of higher prices in the future.
   c. an increase in the price of the good.
   d. a decrease in prices of goods that are substitutes in production.
   e. a decrease in the number of firms producing the good.
25. A decrease in supply is caused by:
   a. an increase in prices of goods that are substitutes in production.
   b. suppliers' expectations of lower prices in the future.
   c. an advancement in the technology for producing the good.
   d. an increase in the number of producers.
   e. a decrease in input prices.

26. If the price of mozzarella cheese (an ingredient in pizza) declines due to a major technological breakthrough in the dairy industry, there would be:
   a. a decrease in the supply of pizza.
   b. an increase in the supply of pizza.
   c. a decrease in the quantity of pizza supplied.
   d. no change in the supply of pizza.
   e. a decrease in the demand for pizza.

27. An increase in supply is caused by:
   a. an increase in resource prices.
   b. a decrease in the number of sellers in the market.
   c. suppliers' expectations of higher prices in the future.
   d. an advancement in the technology for producing the good.
   e. a decrease in the number of producers.

28. A shift to the left of a supply curve is caused by:
   a. an increase in the number of sellers.
   b. a technological improvement.
   c. an increase in the cost of an input.
   d. an increase in the number of buyers.
   e. a decrease in consumer income if the product is a normal good.

29. When the price of corn is rising, we would expect:
   a. the quantity demanded for corn to be rising.
   b. the quantity supplied of corn to be rising.
   c. the demand for corn to be shifting inward.
   d. the supply of corn to be shifting outward.
   e. the supply of corn to be shifting inward.
30. **(Table 6-1: Supply of Lemonade)** When the price of lemonade is $1 per cup, the quantity of lemonade supplied by Eli will be:
   a. 40 cups.
   b. 90 cups.
   c. 10 cups.
   d. 25 cups.
   e. 50 cups.

31. **(Table 6-1: Supply of Lemonade)** If the price of lemonade is $1 per cup, total quantity of lemonade supplied will be:
   a. 50 cups.
   b. 80 cups.
   c. 25 cups.
   d. 90 cups.
   e. 40 cups

32. A shift of a demand curve to the right, all other things unchanged, will:
   a. increase equilibrium price and quantity.
   b. decrease equilibrium price and quantity.
   c. decrease equilibrium quantity and increase equilibrium price.
   d. increase equilibrium quantity and decrease equilibrium price.
   e. increase equilibrium price while leaving equilibrium quantity unchanged.

33. Which of the following always results in an increase in price and quantity?
   a. an increase in supply and a decrease in demand
   b. an increase in demand and supply
   c. an increase in supply with no change in demand
   d. a decrease in demand and supply
   e. an increase in demand with no change in supply
34. (Figure 7-2: Demand and Supply of Wheat) If there were a decrease in supply of 2,000 bushels at each price, the equilibrium price and quantity would be ______ and ______ units, respectively.
   a. $5; 5,000
   b. $7; 5,000
   c. $6; 4,000
   d. $8; 6,000
   e. $10; 2,000

35. The market price of airline flights increased recently. Some economists suggest that the price increased because jet fuel is much more expensive than before. If the economists are correct, it must be the case that:
   a. supply increased.
   b. supply decreased.
   c. demand increased.
   d. demand decreased.
   e. supply increased while demand also decreased.

36. The market price of airline flights increased recently. Some economists suggest that the price increased because there has been an increase in the number of business travelers. If the economists are correct, it must be the case that:
   a. supply increased.
   b. supply decreased.
   c. supply increased while demand also decreased.
   d. demand decreased.
   e. demand increased.

37. It is certain that the equilibrium price will rise when:
   a. the supply curve and the demand curve both shift to the right.
   b. the supply curve shifts to the right and the demand curve shifts to the left.
   c. supply and demand both shift to the left.
   d. supply shifts to the right and demand stays the same.
   e. supply shifts to the left and demand shifts to the right.
38. It is certain that the equilibrium quantity will fall when:
   a. the supply curve and the demand curve both shift to the right.
   b. the supply curve shifts to the right and the demand curve shifts to the left.
   c. supply and demand both shift to the left.
   d. supply shifts to the right and demand stays the same.
   e. supply shifts to the left and demand shifts to the right.

39. It is true that equilibrium quantity will always rise if:
   a. supply and demand both increase.
   b. supply increases and demand decreases.
   c. supply and demand both decrease.
   d. supply decreases and demand remains unchanged.
   e. supply decreases and demand increases.

40. Gasoline, a derivative of oil, is a large part of transportation costs for many producers. If the price of oil increases at the same time that incomes fall for many consumers, one would expect that the equilibrium price of many normal goods would __________, while their equilibrium quantities would __________.
   a. fall; rise
   b. fall, rise, or stay the same; fall
   c. fall; fall, rise, or stay the same
   d. rise; fall
   e. rise; rise

41. A beneficial technological change enhances the production of the cranberry crop. At the same time, scientists discover the potential health benefits of cranberries. This will result in:
   a. an increase in both the equilibrium price and quantity in the cranberry market.
   b. an increase in the equilibrium quantity, and an uncertain impact on the equilibrium price of cranberries.
   c. a decrease in both the equilibrium price and quantity in the cranberry market.
   d. a decrease in the equilibrium price, and an uncertain impact on the equilibrium quantity of cranberries.
   e. an increase in the equilibrium price and a decrease in equilibrium quantity in the cranberry market.
MULTIPLE CHOICE

1. ANS: D  PTS: 1  MSC: Definitional
2. ANS: B  PTS: 1  MSC: Concept-Based
3. ANS: C  PTS: 1  MSC: Concept-Based
4. ANS: D  PTS: 1  MSC: Critical Thinking
5. ANS: E  PTS: 1  MSC: Concept-Based
6. ANS: A  PTS: 1  MSC: Analytical Thinking
7. ANS: C  PTS: 1  MSC: Critical Thinking
8. ANS: B  PTS: 1  MSC: Analytical Thinking
9. ANS: C  PTS: 1  MSC: Critical Thinking
10. ANS: C  PTS: 1  MSC: Analytical Thinking
11. ANS: E  PTS: 1  MSC: Critical Thinking
12. ANS: C  PTS: 1  MSC: Concept-Based
13. ANS: A  PTS: 1  MSC: Concept-Based
14. ANS: D  PTS: 1  MSC: Critical Thinking
15. ANS: A  PTS: 1  MSC: Concept-Based
16. ANS: D  PTS: 1  MSC: Concept-Based
17. ANS: A  PTS: 1  MSC: Critical Thinking
18. ANS: A  PTS: 1  MSC: Critical Thinking
19. ANS: E  PTS: 1  MSC: Critical Thinking
20. ANS: B  PTS: 1  MSC: Critical Thinking
21. ANS: B  PTS: 1  MSC: Analytical Thinking
22. ANS: D  PTS: 1  MSC: Critical Thinking
23. ANS: A  PTS: 1  MSC: Concept-Based
24. ANS: D  PTS: 1  MSC: Concept-Based
25. ANS: A  PTS: 1  MSC: Concept-Based
26. ANS: B  PTS: 1  MSC: Critical Thinking
27. ANS: D  PTS: 1  MSC: Concept-Based
28. ANS: C  PTS: 1  MSC: Concept-Based
29. ANS: B  PTS: 1  MSC: Concept-Based
30. ANS: A  PTS: 1  MSC: Concept-Based
31. ANS: D  PTS: 1  MSC: Concept-Based
32. ANS: A  PTS: 1  MSC: Analytical Thinking
33. ANS: E  PTS: 1  MSC: Analytical Thinking
34. ANS: B  PTS: 1  MSC: Analytical Thinking
35. ANS: B  PTS: 1  MSC: Critical Thinking
36. ANS: E  PTS: 1  MSC: Critical Thinking
37. ANS: E  PTS: 1  MSC: Critical Thinking
38. ANS: C  PTS: 1  MSC: Critical Thinking
39. ANS: A  PTS: 1  MSC: Analytical Thinking
40. ANS: B  PTS: 1  MSC: Analytical Thinking
41. ANS: B  PTS: 1  MSC: Analytical Thinking