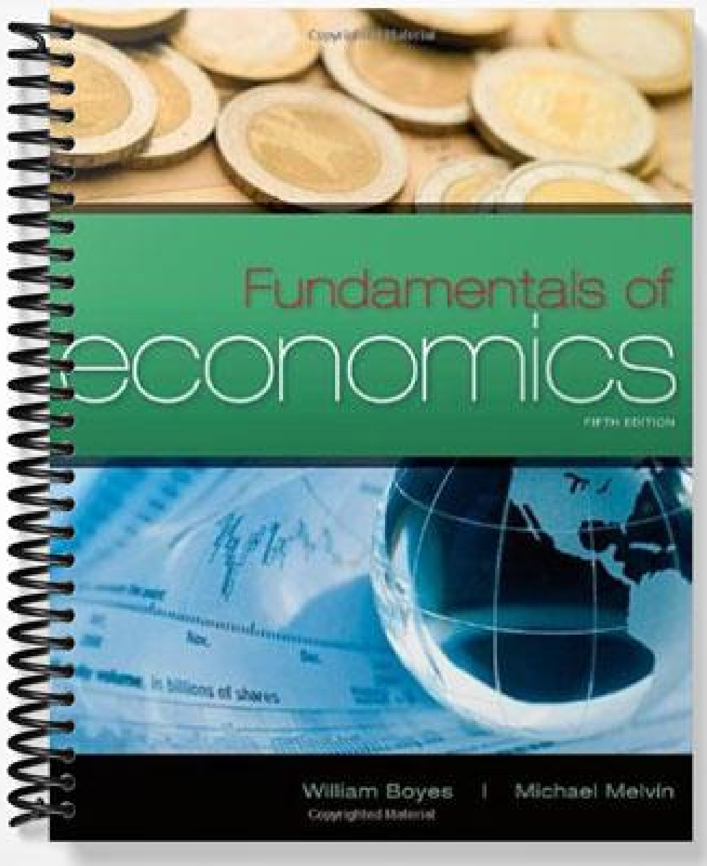
TEST BANK


Fundamentals of
economics
FIFTH EDITION
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Chapter 2—Markets and the Market Process

MULTIPLE CHOICE

1. ____ is an example of an allocation mechanism.
   a. Market
   b. First-come, first-served
   c. Government dictate
   d. Random
   e. All of these are examples of allocation mechanisms.

   ANS: E PTS: 1 DIF: Easy
   REF: Ch 2, Section 1: Allocation Mechanisms OBJ: 2.1
   TOP: Allocation TYP: Factual

2. Which of the following exemplifies the first come, first-served allocation mechanism?
   a. Air travel on the Wednesday before Thanksgiving is always expensive.
   b. People who purchase air tickets a week before travel pay more than people who purchase tickets two months before travel.
   c. People will pay scalpers many times the face value of a ticket to the Super Bowl.
   d. Customers in a crowded restaurant may slip the headwaiter some money in order to be seated more quickly.
   e. People line up outside stores on Thanksgiving night for the 5:00 a.m. Black Friday (day after Thanksgiving) sale.

   ANS: E PTS: 1 DIF: Easy
   REF: Ch 2, Section 1: Allocation Mechanisms OBJ: 2.1
   TOP: Allocation TYP: Applied

3. Which of the following exemplifies the market allocation mechanism?
   a. Prices of swim suits are marked down in September.
   b. A store limits the quantity of an item that a customer can purchase.
   c. Medicare (health care for the elderly).
   d. Christmas decorations and merchandise in stores by Halloween.
   e. All of these are examples of the market allocation mechanism.

   ANS: A PTS: 1 DIF: Easy REF: Ch 2, Section Preview
   OBJ: 2.1 TOP: Allocation TYP: Applied

4. Which of the following mechanisms is unfair?
   a. Market.
   b. First-come, first-served.
   c. Government
   d. Random
   e. All of these are unfair in a sense; it depends on the incentives each creates.

   ANS: E PTS: 1 DIF: Easy REF: Ch 2, Section Preview
   OBJ: 2.1 TOP: Allocation TYP: Factual

5. Which of the following examples deals with price, with the allocation of goods and services, and also with demand and supply?
   a. Lodging in Phoenix may cost twice as much in the winter as in the summer.
   b. Lodging in Colorado may cost much more in the winter than in the summer.
   c. People will pay scalpers many times the face value of a ticket to a popular show.

d. Customers in a crowded restaurant may slip the headwaiter some money in order to be seated more quickly.
e. All of these

ANS: E PTS: 1 DIF: Easy REF: Ch 2, Section Preview
OBJ: 2.1 TOP: Allocation TYP: Applied

6. Which of the following is *not* an allocation mechanism?
a. Fairness
b. Markets
c. First come, first served
d. Random
e. Government

ANS: A PTS: 1 DIF: Easy
REF: Ch 2, Section 1: Allocation Mechanisms OBJ: 2.1
TOP: Allocation TYP: Factual

7. What incentives are created under a first come, first served allocation mechanism?
a. Fairness
b. Equality for all
c. To be first
d. To produce the most
e. To acquire purchasing ability (to obtain income and wealth)

ANS: C PTS: 1 DIF: Easy
REF: Ch 2, Section 1: Allocation Mechanisms OBJ: 2.1
TOP: Allocation TYP: Factual

8. What incentives are created under a government allocation scheme?
a. Fairness
b. Equality for all
c. To be first
d. To be in favor with or match up with government's rules
e. To acquire purchasing ability (to obtain income and wealth)

ANS: D PTS: 1 DIF: Easy
REF: Ch 2, Section 1: Allocation Mechanisms OBJ: 2.1
TOP: Allocation TYP: Factual

9. What incentives are created under a random allocation scheme?
a. Fairness
b. Equal results for all
c. To be first
d. To be in favor with or match up with government's rules
e. No incentives are created

ANS: E PTS: 1 DIF: Easy
REF: Ch 2, Section 1: Allocation Mechanisms OBJ: 2.1
TOP: Allocation TYP: Factual

10. What incentives are created under a market allocation scheme?
a. Fairness
b. Equality for all
c. To be first

d. To be in favor with or match up with government's rules
e. To acquire purchasing ability (to obtain income and wealth)

ANS: E PTS: 1 DIF: Easy
REF: Ch 2, Section 1: Allocation Mechanisms OBJ: 2.1
TOP: Allocation TYP: Factual

11. In the long run, under which allocation mechanism will a society grow most quickly?
a. Market
b. Government
c. First-come, first served
d. Random
e. All of these mechanisms will lead to long-run, sustained economic growth

ANS: A PTS: 1 DIF: Easy
REF: Ch 2, Section 1: Allocation Mechanisms OBJ: 2.1
TOP: Allocation TYP: Factual

12. The market system results in
a. economic growth
b. an increased standard of living
c. efficiency
d. motivation for sellers to improve the quality of their products
e. All of these result from the market system.

ANS: E PTS: 1 DIF: Easy
REF: Ch 2, Section 1: Allocation Mechanisms OBJ: 2.1
TOP: Allocation TYP: Factual

13. The efficiency of an economic system is a measure of
a. how well off people are.
b. how well a system satisfies people's wants and needs.
c. the standard of living.
d. inflation.
e. unemployment.

ANS: B PTS: 1 DIF: Easy
REF: Ch 2, Section 1: Allocation Mechanisms OBJ: 2.1
TOP: Efficiency TYP: Factual

14. The market system is said to be efficient because it
a. takes fewer resources to work than any other system.
b. requires more labor than any other system.
c. determines the price.
d. allocates resources to who wants them.
e. creates fewer goods and services than other systems.

ANS: C PTS: 1 DIF: Easy
REF: Ch 2, Section 1: Allocation Mechanisms OBJ: 2.1
TOP: Efficiency TYP: Factual

15. For a free market to exist, economists say that
a. the government must act in the best interest of the political leadership.
b. all's well that ends well.
c. supply must determine demand.

d. there must be voluntary exchanges and secure private property rights.
e. everything must have a price that is lower than competitive offerings from other countries.

ANS: D PTS: 1 DIF: Medium
REF: Ch 2, Section 1: Allocation Mechanisms OBJ: 2.1
TOP: Efficiency TYP: Factual

16. When economists say that people are self-interested, they mean that people are
 a. using their scarce resources to maximize their well-being.
 b. selfish.
 c. greedy for other peoples' possessions.
 d. efficiently substituting market demands for complementary goods.
 e. reacting to shortages by creating surpluses of socially acceptable wants and needs.

ANS: A PTS: 1 DIF: Medium
REF: Ch 2, Section 1: Allocation Mechanisms OBJ: 2.1
TOP: Efficiency TYP: Interpretive

17. Even in the United States, not all allocation is carried out in a market because, in some cases, people
 a. want more of the product.
 b. want less of the product.
 c. do not like the market outcome.
 d. support the market outcome.
 e. disagree with a random allocation.

ANS: C PTS: 1 DIF: Easy
REF: Ch 2, Section 1: Allocation Mechanisms OBJ: 2.1
TOP: Alternatives TYP: Factual

18. Even in the United States, not all allocation is carried out in a market because, in some cases,
 a. people want more of the product.
 b. people want less of the product.
 c. the market outcome is not always efficient.
 d. people support the market outcome.
 e. people disagree with a random allocation.

ANS: C PTS: 1 DIF: Easy
REF: Ch 2, Section 1: Allocation Mechanisms OBJ: 2.1
TOP: Alternatives TYP: Factual

19. The market system may not be efficient because people want more of the product. In this situation, the market
 a. is not able to account for all costs and benefits.
 b. is always able to account for all costs and benefits.
 c. accounts for all costs and benefits except in the case of fast food.
 d. cannot account for the cost of Styrofoam cups.
 e. is unable to measure the cost of cigarettes.

ANS: A PTS: 1 DIF: Easy
REF: Ch 2, Section 1: Allocation Mechanisms OBJ: 2.1
TOP: Alternatives TYP: Factual

20. One reason governments pay so much for military weapons is
 a. they are greedy.
 b. they do not want a free market system for military weapons.

c. consumers want more than the government is willing to buy.
d. they want to pay more, assuming they will get better-quality weapons.
e. all of these.

ANS: B PTS: 1 DIF: Medium
REF: Ch 2, Section 1: Allocation Mechanisms OBJ: 2.1
TOP: Alternatives TYP: Interpretive

21. Why is the market system not universally relied on to allocate goods and services?
a. Government wants to impose its preferences.
b. People do not like the outcome.
c. The market simply cannot function.
d. The market system is not always the most efficient allocation mechanism.
e. All of these.

ANS: E PTS: 1 DIF: Medium
REF: Ch 2, Section 1: Allocation Mechanisms OBJ: 2.1
TOP: Allocation TYP: Factual

22. An example of the market allocation mechanism is
a. The 50% off sale on Christmas items on December 26.
b. A one-pound box of See's candy selling for US $40 in Hong Kong.
c. Discounted matinee movie tickets
d. Buyers paying more than the suggested retail price for a Mazda Miata when they were introduced in the U.S. in 1990.
e. All of these are examples of the market mechanism.

ANS: E PTS: 1 DIF: Medium
REF: Ch 2, Section 2: How Markets Function OBJ: 2.2
TOP: Markets TYP: Applied

23. The following is an example of the market allocation mechanism
a. Long lines of people waiting to purchase the new Apple iPad
b. The raffle drawing for a trip to Hawaii
c. The American interstate freeway system
d. The $5 pizza special at the nearby-campus pizzeria
e. None of these is an example of the market allocation mechanism.

ANS: D PTS: 1 DIF: Medium
REF: Ch 2, Section 1: Allocation Mechanisms OBJ: 2.1
TOP: Alternatives TYP: Applied

24. The following is an example of the first-come, first-served allocation mechanism
a. Long lines of people waiting to purchase the new Apple iPad
b. The raffle drawing for a trip to Hawaii
c. The American interstate freeway system
d. The $5 pizza special at the nearby-campus pizzeria
e. None of these is an example of the market allocation mechanism.

ANS: A PTS: 1 DIF: Medium
REF: Ch 2, Section 1: Allocation Mechanisms OBJ: 2.1
TOP: Alternatives TYP: Applied

25. The following is an example of the random allocation mechanism
a. Long lines of people waiting to purchase the new Apple iPad

b. The raffle drawing for a trip to Hawaii
c. The American interstate freeway system
d. The $5 pizza special at the nearby-campus pizzeria
e. None of these is an example of the market allocation mechanism.

ANS: B PTS: 1 DIF: Easy
REF: Ch 2, Section 1: Allocation Mechanisms OBJ: 2.1
TOP: Alternatives TYP: Applied

26. A market
a. makes possible the exchange of goods and services between buyers and sellers.
b. refers only to a specialized place or service where goods and services are exchanged.
c. refers only to a formally organized place where a well-defined commodity is always traded.
d. refers only to a localized place or service that facilitates the exchange of goods and services.
e. refers to both large and small places where poorly defined commodities are traded.

ANS: A PTS: 1 DIF: Easy
REF: Ch 2, Section 2: How Markets Function OBJ: 2.2
TOP: Markets TYP: Factual

27. Which of the following statements concerning markets is *false*?
a. Buyers and sellers communicate with each other directly or indirectly about the quality and quantity of the product.
b. Buyers and sellers discuss, either face to face or through an agent or broker, what they are willing to pay and receive for a good or service.
c. Black markets deal with exchanges that violate the law.
d. Markets are always formally organized, like the stock market.
e. *Underground market* is the term given to unrecorded transactions, whether legal or illegal.

ANS: D PTS: 1 DIF: Easy
REF: Ch 2, Section 2: How Markets Function OBJ: 2.2
TOP: Markets TYP: Factual

28. Which of the following is an example of a market?
a. The exchange of votes and benefits by voters and politicians
b. The exchange of shares of stock
c. Sales and purchases of illegal drugs
d. The exchange of a particular good at many different locations
e. All of these

ANS: E PTS: 1 DIF: Medium
REF: Ch 2, Section 2: How Markets Function OBJ: 2.2
TOP: Markets TYP: Factual

29. Which of the following goods are bought and sold in a market?
a. Food
b. Stocks
c. Foreign goods
d. Drugs
e. All of these

ANS: E PTS: 1 DIF: Easy
REF: Ch 2, Section 2: How Markets Function OBJ: 2.2

TOP: Markets TYP: Factual

30. Markets
    a. must be specialized.
    b. must be general.
    c. must consist of one buyer and one seller.
    d. must consist of many buyers and many sellers.
    e. can be organized either loosely or formally.

    ANS: E PTS: 1 DIF: Easy
    REF: Ch 2, Section 2: How Markets Function OBJ: 2.2
    TOP: Markets TYP: Factual

31. In general, the purpose of markets is to
    a. facilitate the exchange of goods and services between buyers and sellers.
    b. provide a means for illegal transactions.
    c. provide a forum for the exchange of political benefits.
    d. provide a means for unrecorded payments.
    e. facilitate the exchange of illegal commodities.

    ANS: A PTS: 1 DIF: Medium
    REF: Ch 2, Section 2: How Markets Function OBJ: 2.2
    TOP: Markets TYP: Factual

32. The market process tends to ensure that
    a. consumers get the products firms want to sell them.
    b. consumers get the products they want.
    c. producers get the products they want.
    d. consumers are not left out.
    e. inefficiency exists.

    ANS: B PTS: 1 DIF: Easy
    REF: Ch 2, Section 2: How Markets Function OBJ: 2.2
    TOP: The market process TYP: Factual

33. What does the market process refer to?
    a. The trading, buying, and selling of goods, services, and resources
    b. Barter exchange only
    c. Money exchange only
    d. The process of allocating goods fairly
    e. The process of ensuring that supermarkets exist

    ANS: A PTS: 1 DIF: Easy
    REF: Ch 2, Section 2: How Markets Function OBJ: 2.2
    TOP: The market process TYP: Factual

34. Which of the following is *not* a likely result in a market system?
    a. Consumers increase their marginal profit.
    b. Prices tend to be low.
    c. Resources tend to be used where they are most valued.
    d. Inefficient firms do not last.
    e. Inefficiency does not last.

    ANS: A PTS: 1 DIF: Easy
    REF: Ch 2, Section 2: How Markets Function OBJ: 2.2

TOP: The market process TYP: Factual

35. According to the law of demand, if the price of compact disks decreased, everything else held constant, the
    a. demand for compact disks would increase.
    b. quantity demanded of compact disks would decrease.
    c. quantity demanded of compact disks would increase.
    d. demand for compact disks would decrease.
    e. quantity demanded of compact disks would not change.

ANS: C PTS: 1 DIF: Medium REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Law of demand TYP: Interpretive

36. The law of demand illustrates that
    a. as price decreases, demand increases.
    b. price changes are always in the same direction as demand changes.
    c. as price increases, quantity demanded increases.
    d. as price decreases, quantity supplied increases.
    e. as price decreases, quantity demanded increases.

ANS: E PTS: 1 DIF: Easy REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Law of demand TYP: Factual

37. According to the law of demand,
    a. the lower the price of a commodity, the lower the quantity demanded of that commodity.
    b. as the price of a commodity increases, the quantity demanded of that commodity also increases.
    c. the lower the price of a commodity, the greater the quantity demanded of that commodity.
    d. the lower the price of a commodity, the greater the quantity supplied of that commodity.
    e. as the price of a commodity increases, the quantity supplied of that commodity decreases.

ANS: C PTS: 1 DIF: Easy REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Law of demand TYP: Factual

38. Which of the following is *not* held constant when constructing a demand curve for good X?
    a. Consumer income
    b. Consumer tastes
    c. Price of good X
    d. Prices of other goods
    e. Consumer expectations

ANS: C PTS: 1 DIF: Hard REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Demand TYP: Interpretive

39. An individual demand schedule or curve shows the various quantities of a good that a person
    a. wants and is able to purchase at alternative prices, everything else held the same.
    b. has purchased at alternative prices, everything else held the same.
    c. is able to purchase at alternative prices, everything else held the same.
    d. is able to purchase at alternative income levels, everything else held the same.
    e. has purchased at alternative income levels, everything else held the same.

ANS: A PTS: 1 DIF: Easy REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Individual demand TYP: Factual

40. A table or list of the prices and the corresponding quantities demanded of a particular good is called a

a. demand curve.
b. demand schedule.
c. supply curve.
d. supply schedule.
e. production possibilities schedule.

ANS: B	PTS: 1	DIF: Easy	REF: Ch 2, Section 3: Demand
OBJ: 2.3	TOP: Demand schedule		TYP: Factual

41. Which of the following is *not* constant along an individual consumer's demand curve for Coke?
a. The price of Coke
b. The price of Pepsi
c. The consumer's income
d. The consumer's tastes
e. All of these

ANS: A	PTS: 1	DIF: Medium	REF: Ch 2, Section 3: Demand
OBJ: 2.3	TOP: Demand curves		TYP: Applied

Table 2.1

Table 2.1			
	Quantities of Compact Disks (CDs) Demanded		
Price of CD	**Maria** [1]	**Abdul** [1]	**Jorgen** [1]
$14	20	20	15
$12	30	50	17
$10	40	70	24
$ 8	50	90	36
$ 6	60	110	58

[1] Maria, Abdul, and Jorgen are the only consumers.

42. According to the data in Table 2.1, the market quantity of compact disks demanded at a price of $8 is
a. 176.
b. 36.
c. 92.
d. 50.
e. 90.

ANS: A	PTS: 1	DIF: Easy	REF: Ch 2, Section 3: Demand
OBJ: 2.3	TOP: Market demand		TYP: Applied

43. Refer to Table 2.1. The market demand schedule is given by what quantities corresponding to $14, $12, $10, $8, and $6?
a. 228, 176, 134, 97, 65
b. 15, 17, 24, 36, 58
c. 55, 97, 134, 176, 228
d. 20, 30, 40, 50, 60
e. 50, 80, 110, 140, 170

ANS: C	PTS: 1	DIF: Medium	REF: Ch 2, Section 3: Demand
OBJ: 2.3	TOP: Market demand		TYP: Applied

44. Refer to Table 2.1. If Maria and Jorgen are the only consumers in the market, the market demand schedule would be given by what quantities corresponding to $14, $12, $10, $8, and $6?
a. 40, 80, 110, 140, 170

b. 35, 67, 94, 126, 168
c. 170, 140, 110, 80, 50
d. 35, 47, 64, 86, 118
e. 30, 50, 70, 90, 110

ANS: D PTS: 1 DIF: Medium REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Market demand TYP: Applied

45. The market demand curve, with price on the vertical axis and quantity on the horizontal axis, is determined by
a. adding individual demand curves in a horizontal direction.
b. adding individual demand curves in a vertical direction.
c. subtracting the demand for the product from the supply of the product.
d. adding the demand for the product and the supply of the product.
e. subtracting supply from demand at each price.

ANS: A PTS: 1 DIF: Medium REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Market demand TYP: Factual

46. A boycott of lettuce would, if effective, cause a(n)
a. increase in the equilibrium quantity of lettuce bought and sold.
b. increase in the price of lettuce.
c. decrease in the demand for lettuce.
d. decrease in the supply of lettuce.
e. decrease in the demand for and the supply of lettuce.

ANS: C PTS: 1 DIF: Medium REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Demand shifts TYP: Applied

47. If the population doubles in size, what can be expected to happen to the market for automobiles?
a. Automobile manufacturers will decrease supply.
b. The price of automobiles will decrease.
c. More automobiles will be sold at any given price.
d. People will use fewer automobiles.
e. None of these

ANS: C PTS: 1 DIF: Medium REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Demand shifts TYP: Applied

48. If everyone expects the price of almonds to rise in the near future, what will happen to the market for almonds?
a. People will buy the same amount now.
b. People will buy less now, causing a decrease in demand.
c. The amount bought and sold today will increase.
d. The supply will increase today.
e. The amount bought and sold today will decrease.

ANS: C PTS: 1 DIF: Medium REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Demand shifts TYP: Applied

49. Which of the following would *not* shift the demand curve for golf balls?
a. An increase in the price of golf clubs
b. A decrease in the popularity of golf
c. An increase in the number of golfers
d. All of these would shift the demand curve for golf balls

e. A decrease in the price of golf balls

ANS: E PTS: 1 DIF: Medium REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Demand shifts TYP: Applied

50. A decrease in the price of a product causes
a. demand to increase.
b. the demand curve to shift to the left.
c. movement down along the demand curve.
d. movement up along the demand curve.
e. none of these.

ANS: C PTS: 1 DIF: Medium REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Change in quantity demanded TYP: Applied

51. Assume the demand for watermelons is downward sloping. An increase in price from $1 per pound to $2 per pound
a. could have been caused by an increase in supply.
b. will cause a larger quantity of watermelons to be demanded.
c. will cause demand to decrease.
d. could have been caused by an extra-large crop yield.
e. will cause a smaller quantity of watermelons to be demanded.

ANS: E PTS: 1 DIF: Medium REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Change in quantity demanded TYP: Applied

52. Which of the following will *not* cause the demand for ice cream to change?
a. A change in population size
b. A change in the price of ice cream
c. All of these would cause a change in the demand for ice cream.
d. A change in consumer preferences
e. A change in consumer incomes

ANS: B PTS: 1 DIF: Hard REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Change in demand TYP: Applied

53. When economists say that the demand for a product has increased, they mean that
a. consumers are willing and able to purchase more at any given price.
b. the demand curve has shifted to the left.
c. the product has become more scarce and consumers therefore want it more.
d. consumers would be willing and able to pay less to receive the same quantity.
e. the price has decreased and consumers will therefore purchase more of the product.

ANS: A PTS: 1 DIF: Medium REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Change in demand TYP: Interpretive

54. Which of the following will *not* cause a change in demand?
a. Changes in income
b. Changes in tastes and preferences
c. Changes in the price of the product
d. Changes in the number of buyers
e. Changes in the prices of related goods and services

ANS: C PTS: 1 DIF: Medium REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Change in demand TYP: Interpretive

55. Which of the following may cause a change in demand for a product?
   a. A change in the profitability of producing another product
   b. A decrease in the cost of producing the product
   c. A change in consumer incomes
   d. A change in the price of the product
   e. A change in the plans of producers

ANS:	C	PTS:	1	DIF:	Medium	REF:	Ch 2, Section 3: Demand
OBJ:	2.3	TOP:	Change in demand			TYP:	Applied

56. Which of the following statements is *true*?
   a. An increase in demand always means the same as an increase in quantity demanded.
   b. Price and quantity demanded are positively related.
   c. An increase in quantity demanded means a movement along a given demand curve.
   d. An increase in demand means a movement along a given demand curve.
   e. An increase in demand means that consumers will purchase less of a product at each possible price.

ANS:	C	PTS:	1	DIF:	Medium	REF:	Ch 2, Section 3: Demand
OBJ:	2.3	TOP:	Change in quantity demanded			TYP:	Factual

57. Which of the following would *most* likely cause an increase in the demand for personal computers?
   a. A reduction in the price of personal computers, other things being equal
   b. An increase in the supply of personal computers, other things being equal
   c. A requirement by universities that all students buy personal computers
   d. An increase in the number of computer manufacturers, other things being equal
   e. An increase in the cost of computer paper

ANS:	C	PTS:	1	DIF:	Hard	REF:	Ch 2, Section 3: Demand
OBJ:	2.3	TOP:	Change in demand			TYP:	Applied

58. Assume that there is an inverse relationship between the price and quantity demanded of personal computers. If the price of computers increases, the
   a. quantity supplied decreases.
   b. quantity demanded decreases.
   c. quantity demanded increases.
   d. demand curve shifts to the left.
   e. demand curve shifts to the right.

ANS:	B	PTS:	1	DIF:	Easy	REF:	Ch 2, Section 3: Demand
OBJ:	2.3	TOP:	Change in quantity demanded			TYP:	Applied

59. If consumers are willing and able to pay a higher price to obtain any particular quantity, then
   a. demand has increased.
   b. supply has increased.
   c. demand has decreased.
   d. supply has decreased.
   e. both demand and supply have decreased.

ANS:	A	PTS:	1	DIF:	Medium	REF:	Ch 2, Section 3: Demand
OBJ:	2.3	TOP:	Change in demand			TYP:	Interpretive

60. Tennis rackets and tennis balls are
   a. independent goods.
   b. complementary goods.

c. substitute goods.
d. economic bads.
e. free goods.

ANS: B PTS: 1 DIF: Medium REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Complements TYP: Applied

61. If the price of tennis rackets increases and causes the demand for tennis balls to shift to the left, then
a. tennis rackets and tennis balls are complements.
b. tennis rackets and tennis balls are substitutes.
c. tennis rackets and tennis balls are bads.
d. only tennis balls are bads.
e. tennis rackets and tennis balls are too expensive.

ANS: A PTS: 1 DIF: Medium REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Complements TYP: Applied

62. If a decrease in the demand for product X causes the demand curve for product Y to shift to the right, then X and Y are most likely to be which of the following?
a. Shoes and laces
b. Tennis balls and tennis rackets
c. Butter and margarine
d. Knives and forks
e. Cars and gasoline

ANS: C PTS: 1 DIF: Hard REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Substitutes TYP: Applied

63. If an increase in the price of good X causes the demand for good Y to decrease, it can be concluded that
a. X and Y are substitutes.
b. X and Y are complements.
c. X and Y are inferior goods.
d. X and Y are superior goods.
e. there is collusion in the marketplace.

ANS: B PTS: 1 DIF: Medium REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Complements TYP: Applied

64. If the demand curve for product J shifts to the left as the price of product K increases, then
a. the number of consumers of product K has increased.
b. the income of consumers of product K has increased.
c. products J and K are substitute goods.
d. products J and K are complementary goods.
e. products J and K are not related.

ANS: D PTS: 1 DIF: Hard REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Complements TYP: Applied

65. If beer and pretzels are complementary goods, then an increase in the price of beer, other things being equal, will result in a(n)
a. decrease in the demand for pretzels.
b. decrease in the demand for beer.
c. increase in the demand for pretzels.
d. increase in the quantity demanded of beer.

e. increase in the demand for beer.

ANS: A PTS: 1 DIF: Medium REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Complements TYP: Applied

66. Every Friday night Elizabeth either goes bowling or goes to the movies. Because the price of bowling went up, Elizabeth now sees more movies. Elizabeth's behavior would be best described as a change in which determinant of demand?
a. The price of complementary goods
b. Expectations
c. Income
d. The number of buyers
e. The price of substitute goods

ANS: E PTS: 1 DIF: Medium REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Substitute goods TYP: Interpretive

67. A rightward shift in the demand curve for popcorn could be the result of a(n)
a. decrease in the number of buyers of popcorn.
b. decrease in the price of potato chips (a substitute good).
c. increase in the price of butter (a complementary good).
d. increase in income.
e. increase in the price of popcorn.

ANS: D PTS: 1 DIF: Medium REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Determinants of demand TYP: Interpretive

68. Economists use the term *supply* to refer to
a. the downward-sloping line that relates consumer expenditures to different output levels.
b. the upward-sloping line that relates consumer expenditures to different output levels.
c. a set of price and quantity-supplied combinations, everything else held constant.
d. a particular quantity supplied at a specific price.
e. the amount producers are willing but not able to produce at each price.

ANS: C PTS: 1 DIF: Medium REF: Ch 2, Section 4: Supply
OBJ: 2.4 TOP: Supply TYP: Factual

69. The quantity supplied is
a. the amount sellers are willing and able to offer at a given price during a particular time period, everything else held constant.
b. the amount sellers are willing and able to offer for sale at all possible prices.
c. a set of price and quantity-supplied combinations, everything else held constant.
d. a list of prices and the corresponding quantities supplied.
e. a downward-sloping line that relates expenditures to different levels of output.

ANS: A PTS: 1 DIF: Medium REF: Ch 2, Section 4: Supply
OBJ: 2.4 TOP: Law of supply TYP: Factual

70. The law of supply illustrates that
a. as price increases, quantity supplied decreases.
b. demand must increase to cause an increase in quantity supplied.
c. a change in price causes a change in supply.
d. price and quantity supplied move in the same direction.
e. price changes are always in the same direction as supply changes.

ANS: D PTS: 1 DIF: Medium REF: Ch 2, Section 4: Supply

OBJ: 2.4 TOP: Law of supply TYP: Factual

71. According to the law of supply, if the price of electric ranges increased, everything else held constant, the
    a. supply of electric ranges would decrease.
    b. demand for gas ranges would increase.
    c. demand for electric ranges would decrease.
    d. supply of electric ranges would increase.
    e. quantity supplied of electric ranges would increase.

ANS: E PTS: 1 DIF: Medium REF: Ch 2, Section 4: Supply
OBJ: 2.4 TOP: Law of supply TYP: Interpretive

72. A graph of a list of the prices and corresponding quantities supplied of a good or service is called
    a. a supply curve.
    b. a supply schedule.
    c. a demand curve.
    d. a demand schedule.
    e. none of these.

ANS: A PTS: 1 DIF: Easy REF: Ch 2, Section 4: Supply
OBJ: 2.4 TOP: Supply curve TYP: Factual

Table 2.2

Table 2.2			
	Quantities Supplied		
Price per Loaf	**Orobran** [1]	**Holsum** [1]	**Deliteful** [1]
$5	60	30	12
$4	50	25	9
$3	40	20	6
$2	30	15	3
$1	20	10	0

[1] Orobran, Holsum, and Deliteful are the only producers of bread.

73. According to the data in Table 2.2, the market supply of bread is given by what quantities corresponding to $5, $4, $3, $2, $1?
    a. 102, 84, 66, 48, 30
    b. 60, 50, 40, 30, 20
    c. 42, 34, 26, 18, 10
    d. 90, 75, 60, 45, 30
    e. 30, 25, 20, 15, 10

ANS: A PTS: 1 DIF: Medium REF: Ch 2, Section 4: Supply
OBJ: 2.4 TOP: Market supply TYP: Applied

74. Refer to Table 2.2. If Orobran decreased its bakers' wages, it would
    a. increase its quantity supplied.
    b. increase its supply but the market supply would fall.
    c. decrease its supply but the market supply would rise.
    d. increase its supply and the market supply would rise.
    e. increase its quantity supplied, causing the market quantity supplied to fall.

ANS: D PTS: 1 DIF: Medium REF: Ch 2, Section 4: Supply
OBJ: 2.4 TOP: Market supply TYP: Interpretive

75. Which of the following would *least* affect the supply of automobiles?
  a. An increase in the price of steel
  b. An improvement in the technology of automobile manufacturing
  c. An increase in the price of motor oil
  d. A decrease in the number of automobile producers
  e. An increase in the productivity of workers

ANS: C PTS: 1 DIF: Medium REF: Ch 2, Section 4: Supply
OBJ: 2.4 TOP: Determinants of supply TYP: Interpretive

76. Suppose laborers have received a substantial pay increase. What would happen in those markets in which those workers are employed?
  a. Demand would decrease.
  b. Output would rise.
  c. Price would fall.
  d. Supply would increase.
  e. Supply would decrease.

ANS: E PTS: 1 DIF: Hard REF: Ch 2, Section 4: Supply
OBJ: 2.4 TOP: Supply TYP: Applied

77. An increase in the price of crude oil will most likely cause
  a. an increase in demand for gasoline.
  b. a decrease in demand for computer software.
  c. governments to institute price controls.
  d. an increase in global warming.
  e. a decrease in the supply of products made using oil and oil derivatives.

ANS: E PTS: 1 DIF: Hard REF: Ch 2, Section 4: Supply
OBJ: 2.4 TOP: Supply TYP: Applied

78. The Federal Reserve and economists concerned about inflation monitor changes in technology, knowing improvements in technology tend to
  a. decrease demand for technology.
  b. increase the quantity supplied as prices decrease.
  c. increase supply and lower prices.
  d. reduce offshoring and increase gainsharing.
  e. do all of these.

ANS: C PTS: 1 DIF: Hard REF: Ch 2, Section 4: Supply
OBJ: 2.4 TOP: Change in supply TYP: Applied

79. If producers must obtain a higher price to produce any given quantity, we can conclude that
  a. supply decreased.
  b. demand decreased.
  c. demand increased.
  d. supply increased.
  e. both demand and supply increased.

ANS: A PTS: 1 DIF: Medium REF: Ch 2, Section 4: Supply
OBJ: 2.4 TOP: Supply shifts TYP: Interpretive

80. An improvement in entrepreneurial skills applied to the production of a particular product would cause
  a. the supply curve for that product to shift to the right.

b. a movement to the right along the supply curve for that product.
c. a movement to the left along the supply curve for that product.
d. an increase in the quantity supplied of that product.
e. a decrease in the quantity supplied of that product.

ANS: A PTS: 1 DIF: Medium REF: Ch 2, Section 4: Supply
OBJ: 2.4 TOP: Supply shifts TYP: Interpretive

81. If farmers believe that it is more profitable to produce wheat than corn, we can expect the
a. price of wheat to rise.
b. supply of corn to increase.
c. quantity demanded of wheat to decrease.
d. demand for wheat to increase.
e. supply of corn to decrease.

ANS: E PTS: 1 DIF: Medium REF: Ch 2, Section 4: Supply
OBJ: 2.4 TOP: Supply shifts TYP: Applied

82. In terms of the supply side of the market, the initial consequences of a violation of the "other things being equal" condition is likely to be a
a. movement along the supply curve.
b. movement along the supply schedule.
c. shift of the supply curve.
d. change in quantity supplied.
e. change in quantity sold.

ANS: C PTS: 1 DIF: Hard REF: Ch 2, Section 4: Supply
OBJ: 2.4 TOP: Supply shifts TYP: Interpretive

83. Assume an increase in the profitability of firms in a product market. Over time, we can expect
a. market supply to decrease.
b. the demand for resources to increase.
c. the equilibrium price of the product to rise.
d. firms to leave this market.
e. the equilibrium price of the product to fall.

ANS: B PTS: 1 DIF: Hard REF: Ch 2, Section 4: Supply
OBJ: 2.4 TOP: Determinants of supply TYP: Applied

84. Suppose that sales of a product depend directly on economic growth. If producers of that product expect an economic recession in the near future, there is likely to be
a. a rightward shift of the supply curve.
b. a movement to the left along the supply curve.
c. a leftward shift of the supply curve.
d. a movement to the right along the supply curve.
e. none of these.

ANS: C PTS: 1 DIF: Medium REF: Ch 2, Section 4: Supply
OBJ: 2.4 TOP: Supply shifts TYP: Interpretive

85. When economists say that the supply of a product has decreased, they mean that
a. a smaller quantity will be produced at any price.
b. the price is too high for equilibrium.
c. a greater quantity will be produced at any price.
d. the price is too low for equilibrium.

e. demand is too high for producers to make a profit.

ANS: A PTS: 1 DIF: Medium REF: Ch 2, Section 4: Supply
OBJ: 2.4 TOP: Change in supply TYP: Interpretive

86. Assume that the supply curve of sirloin steak is upward sloping. If the price increases from $5.25 to $8.60 per pound,
a. the supply of sirloin steak will rise.
b. a greater quantity of sirloin steak will be supplied.
c. a smaller quantity of sirloin steak will be supplied.
d. the demand for sirloin steak will decrease.
e. the supply of sirloin steak will decrease.

ANS: B PTS: 1 DIF: Medium REF: Ch 2, Section 4: Supply
OBJ: 2.4 TOP: Change in quantity supplied TYP: Applied

87. Which of the following is *not* a determinant of supply?
a. The prices of resources
b. The price of the good or service
c. The number of producers in the market
d. The technology available
e. The expectations of producers

ANS: B PTS: 1 DIF: Easy REF: Ch 2, Section 4: Supply
OBJ: 2.4 TOP: Determinants of supply TYP: Factual

88. In which of the following statements are the terms *demand*, *supply*, *quantity demanded*, and/or *quantity supplied* used correctly?
a. Changes in demand and supply cause changes in the equilibrium price.
b. If the demand rises, supply rises.
c. Oranges are cheaper in Florida and therefore the demand is greater in Florida.
d. When the quantity demanded exceeds supply, the equilibrium price will rise.
e. All of these

ANS: A PTS: 1 DIF: Hard REF: Ch 2, Section 4: Supply
OBJ: 2.4 TOP: Shifts in demand and supply TYP: Applied

89. If a smaller quantity is supplied at each price, then
a. supply has decreased.
b. supply has increased.
c. demand has decreased.
d. demand has increased.
e. none of these is true.

ANS: A PTS: 1 DIF: Medium REF: Ch 2, Section 4: Supply
OBJ: 2.4 TOP: Change in supply TYP: Applied

90. If a U.S. firm is purchasing supplies from another country and that country's currency rose relative to the dollar, the
a. cost to the U.S. firm for the same quantity of the supplies has fallen.
b. cost to the U.S. firm for the same quantity of the supplies has risen.
c. firm will produce more at every output price.
d. firm will produce the same at every output price.
e. firm will not produce.

ANS: B PTS: 1 DIF: Easy REF: Ch 2, Section 4: Supply

OBJ: 2.4 TOP: International effects TYP: Factual

91. A market is in equilibrium when
    a. equilibrium price equals equilibrium quantity.
    b. the price is high.
    c. the price is low.
    d. the government imposes price controls.
    e. the demand and supply curves intersect.

    ANS: E PTS: 1 DIF: Easy
    REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
    OBJ: 2.5 TOP: Equilibrium TYP: Factual

92. A market is in equilibrium when
    a. changes in demand are equal to changes in supply.
    b. the amount consumers wish to purchase is equal to the amount producers wish to produce.
    c. the determinants of supply are equal to the determinants of demand.
    d. quantity demanded is equal to quantity supplied.
    e. consumer preferences are equal to production costs.

    ANS: D PTS: 1 DIF: Easy
    REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
    OBJ: 2.5 TOP: Equilibrium TYP: Factual

93. Which of the following *cannot* occur when a market is not in equilibrium?
    a. There is a shortage.
    b. The quantity demanded and the quantity supplied are not equal.
    c. The quantity demanded and the quantity supplied are equal.
    d. There is a surplus.
    e. The quantity demanded is greater than the quantity supplied.

    ANS: C PTS: 1 DIF: Easy
    REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
    OBJ: 2.5 TOP: Disequilibrium TYP: Factual

94. A price at which quantity demanded equals quantity supplied
    a. could not possibly exist in the short run.
    b. will cause a shift in demand.
    c. is below the equilibrium price.
    d. is an equilibrium price.
    e. is above the equilibrium price.

    ANS: D PTS: 1 DIF: Easy
    REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
    OBJ: 2.5 TOP: Equilibrium TYP: Factual

95. At the equilibrium price,
    a. there is a tendency for the price to rise.
    b. there is no pressure on price to rise or fall.
    c. quantity demanded exceeds quantity supplied.
    d. quantity supplied exceeds quantity demanded.
    e. there is a tendency for the price to fall.

    ANS: B PTS: 1 DIF: Medium
    REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together

OBJ: 2.5 TOP: Equilibrium TYP: Interpretive

Table 2.3

Table 2.3		
Price per Loaf	**Quantity Demanded**	**Quantity Supplied**
$5	30	102
$4	48	84
$3	66	66
$2	84	48
$1	102	30

96. According to the data in Table 2.3, equilibrium in the bread market occurs at which price and quantity supplied?
    a. $5; 72
    b. $4; 36
    c. $3; 66
    d. $2; 36
    e. $1; 72

ANS: C PTS: 1 DIF: Easy
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.5 TOP: Equilibrium TYP: Applied

97. Beginning with equilibrium in Table 2.3, an increase in price of $1 would
    a. cause a shortage of 36.
    b. cause a surplus of 36.
    c. cause a shortage of 72.
    d. cause a surplus of 72.
    e. lead to an increase in demand.

ANS: B PTS: 1 DIF: Hard
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.5 TOP: Equilibrium TYP: Interpretive

98. Refer to Table 2.3. Assuming linearity, an increase in demand of 18 units would lead to a new equilibrium at
    a. $4; 88 units.
    b. $3.50; 75 units.
    c. $2.50; 93 units.
    d. $2; 102 units.
    e. $3; 84 units.

ANS: B PTS: 1 DIF: Hard
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.5 TOP: Equilibrium TYP: Interpretive

99. Disequilibrium does *not* exist when
    a. there is a shortage.
    b. there is a surplus.
    c. the existing price is above the equilibrium price.
    d. the existing price is below the equilibrium price.
    e. quantity demanded and quantity supplied are equal.

ANS: E PTS: 1 DIF: Easy

REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.5 TOP: Disequilibrium TYP: Factual

100. Which of the following statements is *true* of any market?
a. The interaction of demand and supply determines the price and quantity in that market.
b. There must be a supply of the item but not necessarily a demand for the item.
c. Demand and supply are always equal for an item.
d. There must be a demand for the item but not necessarily a supply of the item.
e. The market will always be in equilibrium.

ANS: A PTS: 1 DIF: Medium
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.5 TOP: Equilibrium TYP: Interpretive

101. From a point of equilibrium, which of the following would most likely result in a surplus?
a. If demand shifted to the right
b. If the government kept the price greater than the equilibrium price
c. If supply shifted to the left
d. If the government kept the price below the equilibrium price
e. If the quantity demanded was greater than the quantity supplied

ANS: B PTS: 1 DIF: Medium
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.5 TOP: Surplus TYP: Interpretive

102. When a shortage exists in a market,
a. the actual price is lower than the equilibrium price.
b. there is an excess quantity supplied.
c. consumers increase the quantities they are willing and able to purchase.
d. suppliers will quit producing until the shortage disappears.
e. the actual price is greater than the equilibrium price.

ANS: A PTS: 1 DIF: Medium
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.5 TOP: Shortage TYP: Interpretive

103. The difference between scarcity and shortages is
a. scarcity is reflected in lower prices.
b. shortages are always caused by government.
c. shortages can be eliminated by higher prices.
d. scarcity reflects surpluses.
e. all of these.

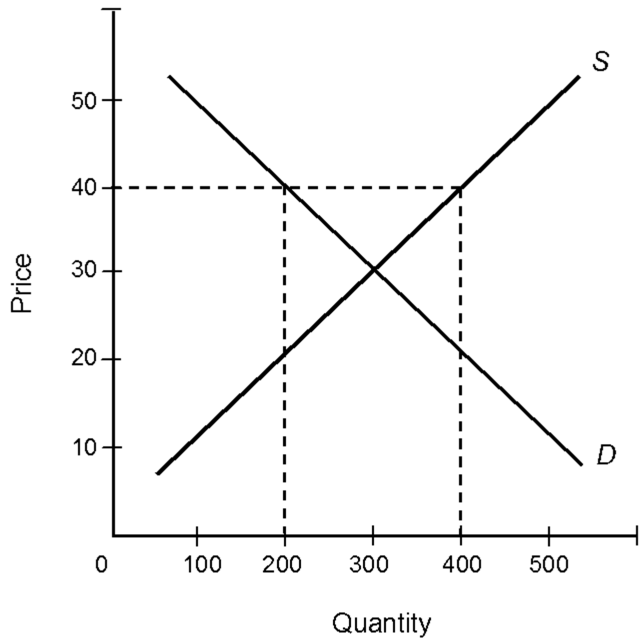
ANS: C PTS: 1 DIF: Medium
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.5 TOP: Disequilibrium TYP: Interpretive

104. If price is below equilibrium,
a. demand is too low for equilibrium.
b. the income and substitution effects will cause the price to rise.
c. quantity demanded exceeds quantity supplied, and a shortage exists.
d. demand will increase.
e. quantity supplied exceeds quantity demanded, and a shortage exists.

ANS: C PTS: 1 DIF: Medium

REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.5 TOP: Disequilibrium TYP: Applied

Figure 2.1



105. Consider the market described by the demand and supply curves in Figure 2.1. Which of the following is *true* if the current market price is $40 per unit?
   a. The quantity demanded is 400 units.
   b. There is a shortage of 200 units.
   c. The quantity sold is 200 units.
   d. The quantity supplied is 200 units.
   e. There is an excess demand of 200 units.

ANS: C PTS: 1 DIF: Medium
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.5 TOP: Equilibrium TYP: Applied

106. Assume that the market described by the demand and supply curves in Figure 2.1 is originally in equilibrium. What is the most likely consequence of a government-imposed price ceiling (maximum price that producers are allowed to charge) of $10 per unit?
   a. Supply will increase.
   b. Demand will increase.
   c. Quantity supplied will decrease.
   d. There will be a surplus of the good.
   e. There will be no consequence at all.

ANS: C PTS: 1 DIF: Medium
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.5 TOP: Price ceiling TYP: Applied

Table 2.4

Table 2.4		
Price	**Quantity Demanded**	**Quantity Supplied**

$1	1,500	500
$2	1,000	700
$3	900	900
$4	600	1,100
$5	400	1,300

107. Consider the market represented by the schedule in Table 2.4. At a price of $2 per unit,
   a. the quantity purchased is 1,000 units.
   b. the quantity sold is 700 units.
   c. there is a surplus of 300 units.
   d. there will be a tendency for the price to decrease.
   e. there is a surplus of 700 units.

   ANS: B PTS: 1 DIF: Medium
   REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
   OBJ: 2.5 TOP: Equilibrium TYP: Applied

108. Consider the market represented by the schedule in Table 2.4. At equilibrium,
   a. the market price is $5 per unit.
   b. there is a surplus of 900 units.
   c. there is a shortage of 900 units.
   d. 900 units are traded at a price of $3 per unit.
   e. the market price is $1 per unit and the quantity traded is 500 units.

   ANS: D PTS: 1 DIF: Medium
   REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
   OBJ: 2.5 TOP: Equilibrium TYP: Applied

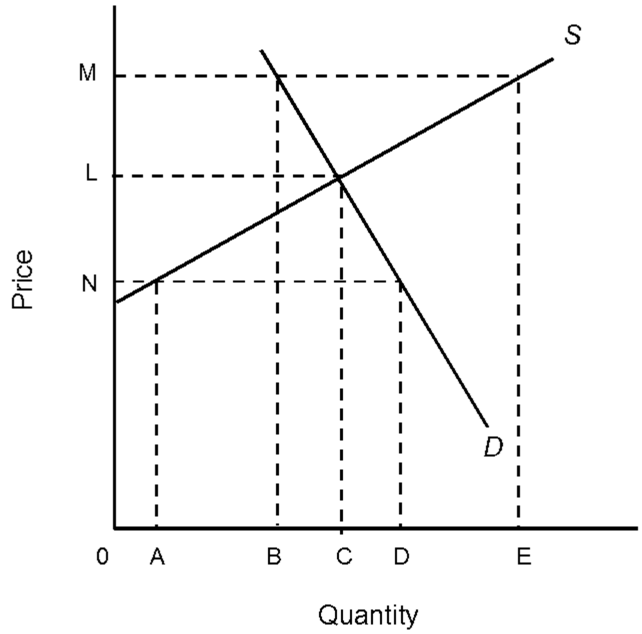
109. Consider the market described by the schedule in Table 2.4. Which of the following is *true*?
   a. The law of demand is violated.
   b. The law of supply is violated.
   c. There is no equilibrium.
   d. At $5 per unit, people will purchase 400 units.
   e. At $2 per unit, people will purchase 1000 units.

   ANS: D PTS: 1 DIF: Medium
   REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
   OBJ: 2.5 TOP: Equilibrium TYP: Applied

110. Consider the market described by the schedule in Table 2.4. At a price of $5 per unit,
   a. the quantity purchased is 1,000 units.
   b. the quantity traded is 1,000 units.
   c. there is a surplus of 900 units.
   d. the quantity sold is 1,800 units.
   e. there is excess demand.

   ANS: C PTS: 1 DIF: Medium
   REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
   OBJ: 2.5 TOP: Equilibrium TYP: Applied

Figure 2.2



111. In Figure 2.2, a price of
   a. *M* would cause a surplus of *BE* quantity.
   b. *M* would cause a shortage of *BE* quantity.
   c. *N* would cause a shortage of *BE* quantity.
   d. *0* would bring about an equilibrium solution.
   e. *L* would cause a shortage of *BC* quantity.

   ANS: A PTS: 1 DIF: Medium
   REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
   OBJ: 2.5 TOP: Equilibrium TYP: Applied

112. In Figure 2.2,
   a. at a price of *M*, quantity *B* will be sold.
   b. at a price of *M*, quantity *E* will be sold.
   c. at a price of *N*, quantity *C* will be sold.
   d. the change in demand exceeds the change in supply.
   e. the change in supply exceeds the change in demand.

   ANS: A PTS: 1 DIF: Medium
   REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
   OBJ: 2.5 TOP: Equilibrium TYP: Applied

113. An equilibrium in a market results when the market
   a. produces a surplus.
   b. produces an output at which the price consumers are willing to pay exactly equals the price producers are willing to accept.
   c. produces an output at which the demand curve lies above the supply curve.
   d. results in a product that can be purchased at many different prices.
   e. produces an output at which the supply curve lies above the demand curve.

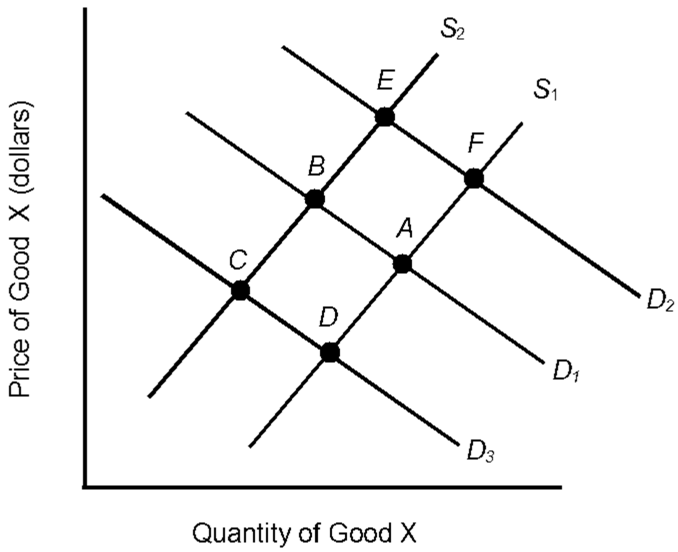
   ANS: B PTS: 1 DIF: Medium
   REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
   OBJ: 2.5 TOP: Equilibrium TYP: Interpretive

114. The output level that occurs in any market that is in equilibrium

a. is the quantity where the supply curve intersects the *Y* axis.
b. is the quantity where the demand curve intersects the *X* axis.
c. is the quantity at an output level in which buyers will pay more than suppliers require.
d. is an output level where buyers will not pay as much as suppliers require.
e. means consumers or producers cannot be made better off by an expansion or contraction of output.

ANS: E PTS: 1 DIF: Hard
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.5 TOP: Equilibrium TYP: Interpretive

Figure 2.3



115. In Figure 2.3, the initial demand curve is D_1 and the supply curve is S_1. Which of the following would *most* likely change equilibrium from point *A* to point *D*?
a. An increase in income
b. A decrease in the price of good X
c. An increase in the price of a complementary good
d. Lower productivity
e. An increase in the price of a substitute good

ANS: C PTS: 1 DIF: Medium
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium: demand shifts
TYP: Applied

116. In Figure 2.3, the initial demand curve is D_1 and the supply curve is S_1. The *most* likely result of pessimistic producer expectations is a move from equilibrium
a. *A* to equilibrium *D*.
b. *A* to equilibrium *E*.
c. *A* to equilibrium *F*.
d. *B* to equilibrium *A*.
e. *A* to equilibrium *B*.

ANS: E PTS: 1 DIF: Medium
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium: demand shifts

TYP: Applied

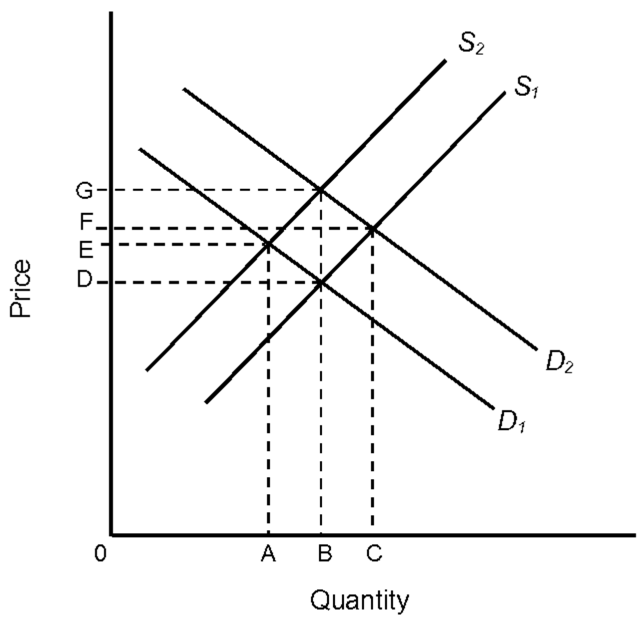
117. In Figure 2.3, the initial demand curve is D_1 and the supply curve is S_1. If the price of a substitute good increases, what is the *most* likely result?
   a. Demand will shift to D_2.
   b. Equilibrium will move from *A* to *E*.
   c. Equilibrium will move from *A* to *C*.
   d. Equilibrium will move from *A* to *D*.
   e. Demand will shift to D_3.

ANS: A PTS: 1 DIF: Medium
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium: demand shifts
TYP: Applied

118. In Figure 2.3, the initial demand curve is D_1 and the supply curve is S_1. If consumers become optimistic about their future economic well-being, the *most* likely consequence is a shift from
   a. S_1 to S_2.
   b. D_1 to D_2.
   c. D_1 to D_3.
   d. D_3 to D_1.
   e. D_2 to D_1.

ANS: B PTS: 1 DIF: Medium
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium: demand shifts
TYP: Applied

Figure 2.4



119. In Figure 2.4, if D_1 and S_1 are the original demand and supply curves, the original equilibrium price and equilibrium quantity would be
   a. *E* and *A*.
   b. *G* and *B*.
   c. *F* and *C*.

d. *D* and *A*.
e. *D* and *B*.

ANS: E PTS: 1 DIF: Medium
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Equilibrium TYP: Applied

120. In Figure 2.4, given D_1, if supply moves from S_1 to S_2,
a. the quantity supplied has increased.
b. the demand will decrease from *B* to *A*.
c. a surplus will exist equal to *AB*.
d. the supply has decreased, and equilibrium price and equilibrium quantity will move to *G* and *B*, respectively.
e. the supply has decreased, and equilibrium price and equilibrium quantity will move to *E* and *A*, respectively.

ANS: E PTS: 1 DIF: Medium
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium TYP: Applied

121. In Figure 2.4, given S_1, if demand shifts from D_1 to D_2, which of the following is *not* correct?
a. Demand has increased.
b. Equilibrium quantity will rise.
c. Equilibrium price will rise to *F*.
d. Quantity supplied will increase to *C*.
e. Quantity supplied will rise to *F*.

ANS: E PTS: 1 DIF: Medium
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium: demand shifts
TYP: Applied

122. In Figure 2.4, if demand shifts from D_1 to D_2 and supply shifts from S_1 to S_2,
a. equilibrium price will rise to *F* but equilibrium quantity will remain at *B*.
b. equilibrium price will move to *C* and equilibrium quantity will move to *G*.
c. demand has decreased and supply has increased.
d. equilibrium price will rise to *G* and equilibrium quantity will remain at *B*.
e. both equilibrium price and equilibrium quantity will decrease.

ANS: D PTS: 1 DIF: Medium
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium TYP: Applied

123. Assume that at the current market price of $4 per unit of a good, you are willing and able to buy 20 units. Last year, at a price of $4 per unit, you would have purchased 30 units. What has *most* likely happened over the last year?
a. Demand has increased.
b. Demand has decreased.
c. Supply has increased.
d. Supply has decreased.
e. Quantity supplied has decreased.

ANS: B PTS: 1 DIF: Hard
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium: demand shifts

TYP: Applied

124. More television sets are being sold today than one year ago, and the selling price has increased. This could have been caused by a(n)
   a. decrease in supply.
   b. increase in demand.
   c. decrease in demand.
   d. increase in supply.
   e. exception to the law of demand.

ANS: B PTS: 1 DIF: Hard
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium: demand shifts
TYP: Applied

125. The development of a low-cost synthetic fuel is expected to affect the market for crude oil in which of the following ways?
   a. Decrease the demand for oil
   b. Decrease the price of oil
   c. Decrease the quantity demanded and quantity supplied of oil
   d. Decrease the equilibrium quantity of oil
   e. All of these

ANS: E PTS: 1 DIF: Hard
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium TYP: Applied

126. This month Fritter Firm finds that it has been able to sell 200 fritters at a price of $1 per fritter. Last month, the firm was able to sell only 150 fritters at $1 per fritter. What most likely happened over the month?
   a. Demand increased.
   b. Supply increased.
   c. Supply decreased.
   d. Quantity supplied decreased.
   e. Quantity demanded increased.

ANS: A PTS: 1 DIF: Medium
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium: demand shifts
TYP: Applied

127. The entry of Sony's Walkman MP3 player into the portable video and music playback market is expected to cause
   a. Demand to increase, causing price and quantity to increase.
   b. Demand to decrease, causing price and quantity to decrease.
   c. Supply to increase, causing price and quantity to increase.
   d. Supply to increase, causing price to decrease and quantity to increase.
   e. No change in the market.

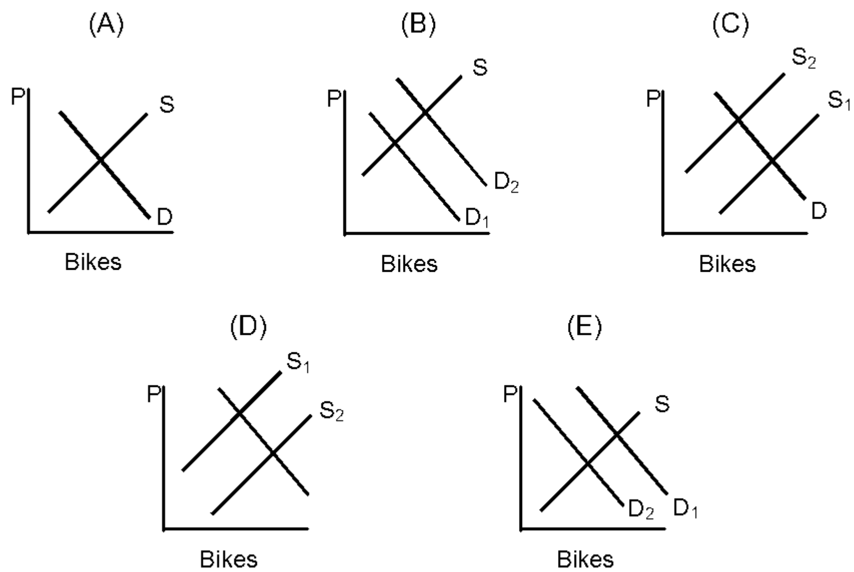
ANS: D PTS: 1 DIF: Medium
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.5 TOP: Changes in equilibrium: supply shifts
TYP: Applied

128. A freeze that destroys all of the Florida orange crop would result in

a. a lower price for orange juice as people will switch to Texas grapefruit juice
b. a higher price for orange juice as people demand more orange juice
c. no change in the price for orange juice
d. a higher price for orange juice due to the decrease in supply of oranges
e. a higher price for orange juice due to the increase in demand for oranges

ANS: D PTS: 1 DIF: Hard
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.5 TOP: Changes in equilibrium: supply shifts
TYP: Applied

Figure 2.5



129. In Figure 2.5, which graph represents what might happen if research proved that riding a bike one mile every day will add two years to your life?
a. A
b. B
c. C
d. D
e. E

ANS: B PTS: 1 DIF: Medium
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium: demand shifts
TYP: Applied

130. In Figure 2.5, which graph represents what might happen to the market for bikes if there were a decrease in the cost of public transportation (i.e., buses, subways, etc.)?
a. A
b. B
c. C
d. D
e. E

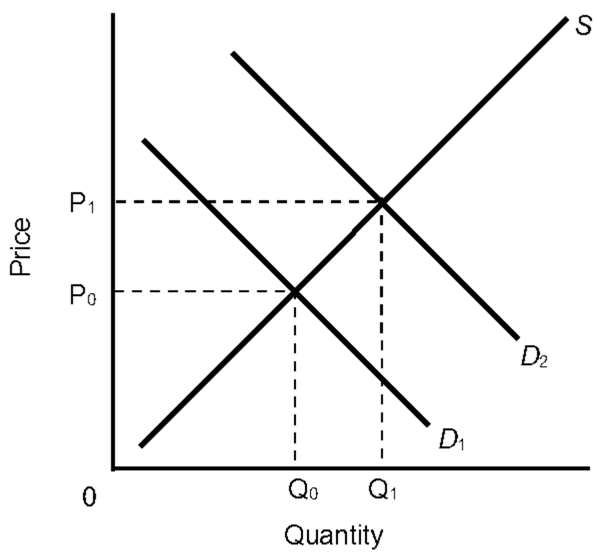
ANS: E PTS: 1 DIF: Medium
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium: demand shifts

TYP: Applied

131. In Figure 2.5, which graph represents what might happen if there were an increase in the price of metal used in the production of bicycles?
   a. A
   b. B
   c. C
   d. D
   e. E

ANS: C PTS: 1 DIF: Medium
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium: supply shifts
TYP: Applied

Figure 2.6



132. In Figure 2.6, if D_1 is the original demand curve and D_2 is the new demand curve, which of the following is *true*?
   a. Supply has increased.
   b. Quantity demanded has increased.
   c. Equilibrium price has decreased.
   d. Equilibrium quantity has decreased.
   e. Immediately after the change in demand, a shortage will exist at the original price P_0.

ANS: E PTS: 1 DIF: Hard
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium: demand shifts
TYP: Applied

133. If the price of hot dogs were to decrease, we would expect the equilibrium price of hot dog buns in the hot dog bun market to
   a. decrease and the quantity of hot dog buns sold to increase.
   b. increase and the quantity of hot dog buns sold to decrease.
   c. increase and the quantity of hot dog buns sold to increase.
   d. decrease and the quantity of hot dog buns sold to decrease.
   e. stay the same and the quantity of hot dog buns sold to increase.

ANS: C PTS: 1 DIF: Medium
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium: demand shifts
TYP: Interpretive

134. If demand decreases but supply increases, we can say that
a. equilibrium price will rise, but equilibrium quantity is indeterminate.
b. equilibrium quantity will decrease, but equilibrium quantity is indeterminate.
c. we require more information to determine the movement in price and quantity.
d. equilibrium price will decrease, but equilibrium quantity is indeterminate.
e. equilibrium quantity will rise, but equilibrium price is indeterminate.

ANS: D PTS: 1 DIF: Medium
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium: shifts in supply and demand
TYP: Applied

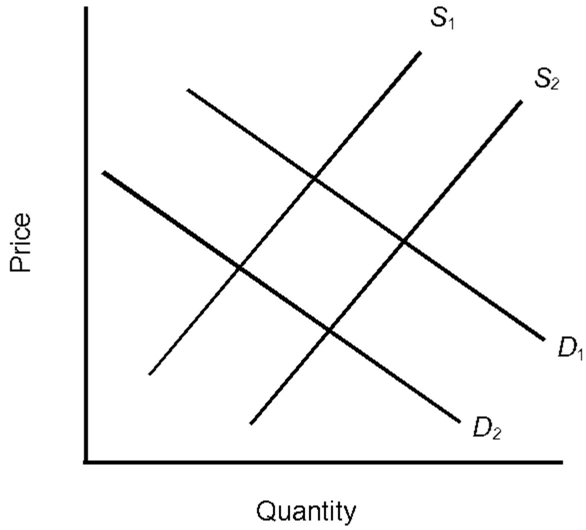
135. If demand moves to the right as supply moves to the right, then
a. equilibrium price must increase, but equilibrium quantity may either rise, fall, or remain unchanged.
b. equilibrium price and quantity must both go down.
c. equilibrium quantity must rise, but equilibrium price may either rise, fall, or remain unchanged.
d. equilibrium price and quantity must both go up.
e. none of these occurs.

ANS: C PTS: 1 DIF: Hard
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium: shifts in supply and demand
TYP: Applied

136. Last year a firm made 1,000 units of its good available at a price of $5 per unit. This year, the firm will still make 1,000 units available, but only if the price is $7 per unit. What has most likely happened?
a. Supply has increased.
b. Supply has decreased.
c. Demand has decreased.
d. Demand has increased.
e. Quantity supplied has decreased.

ANS: B PTS: 1 DIF: Medium
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium: supply shifts
TYP: Applied

Figure 2.7



137. Refer to Figure 2.7. Assume that D_1 and S_1 are the initial curves. The shift in supply to S_2 could have been the result of each of the following *except*
   a. a technological improvement.
   b. optimistic producer expectations.
   c. an increase in the number of producers.
   d. higher resource costs.
   e. greater productivity.

ANS: D PTS: 1 DIF: Medium
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium TYP: Applied

138. Refer to Figure 2.7. Assume that D_1 and S_1 are the initial curves. The shift in demand to D_2 is most likely the result of
   a. an increase in the number of consumers.
   b. an increase in expected income.
   c. an increase in the price of a substitute good.
   d. pessimistic producer expectations.
   e. a shift in consumer tastes away from the product.

ANS: E PTS: 1 DIF: Medium
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium TYP: Applied

139. If a technological improvement took place in the computer industry, we would expect the equilibrium price of computers to
   a. increase and the quantity of computers sold to increase.
   b. decrease and the quantity of computers sold to increase.
   c. increase and the quantity of computers sold to decrease.
   d. decrease and the quantity of computers sold to decrease.
   e. increase and the quantity of computers sold to stay the same.

ANS: B PTS: 1 DIF: Medium
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium: supply shifts
TYP: Interpretive

140. If supply and demand for a good both decrease, which of the following is *true*?

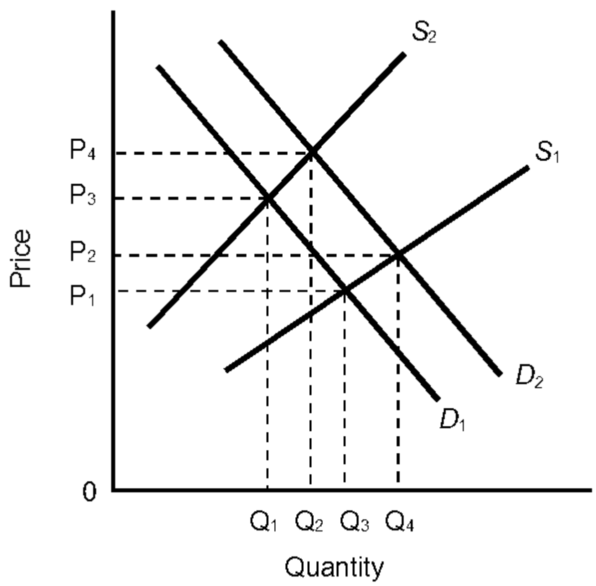
a. Equilibrium price will rise, but we cannot say for sure what will happen to equilibrium quantity.
b. Equilibrium price will fall, but we cannot say for sure what will happen to equilibrium quantity.
c. Equilibrium quantity will rise, but we cannot say for sure what will happen to equilibrium price.
d. Equilibrium quantity will fall, but we cannot say for sure what will happen to equilibrium price.
e. Equilibrium price and equilibrium quantity will both fall.

ANS: D PTS: 1 DIF: Hard
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium: demand and supply shifts
TYP: Applied

141. If both supply and demand for a good increase, which of the following will definitely happen?
a. Price will remain the same.
b. Price will increase.
c. Price will decrease.
d. Quantity will increase.
e. Quantity will decrease.

ANS: D PTS: 1 DIF: Hard
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium: demand and supply shifts
TYP: Applied

Figure 2.8



142. In Figure 2.8, which of the following is *true*?
a. The change in demand could have resulted from a decrease in income if this is a normal good.
b. The change in supply could have resulted from a decrease in resource costs.
c. The new equilibrium occurs at a higher price than the original equilibrium.
d. The change in demand could have resulted from a decrease in price.
e. All of these

ANS: C PTS: 1 DIF: Hard
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium: demand and supply shifts
TYP: Applied

143. Many state governments are looking for new revenue sources, and a tax on internet purchases has been proposed by many. To an economist, this could be modeled by
a. a decrease in demand, resulting in a lower price and quantity
b. a decrease in supply, resulting in a higher price and lower quantity
c. a decrease in demand, resulting in a higher price and lower quantity
d. an increase in demand, resulting in a higher price and higher quantity
e. a decrease in supply, resulting in a higher price and higher quantity.

ANS: B PTS: 1 DIF: Medium
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.5 TOP: Changes in equilibrium: supply shifts
TYP: Applied

144. The increase in gas prices can be explained by
a. increased instability in the Middle East
b. a decrease in personal income
c. an increase in the number of hybrid vehicles sold
d. higher mileage standards for new cars
e. all of these

ANS: A PTS: 1 DIF: Hard
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.5 TOP: Changes in equilibrium TYP: Applied

145. When a new pest destroys the coffee trees in Latin America, which of the following is correct?
a. The demand for coffee decreases, the price of coffee increases, less coffee will be sold.
b. The supply of coffee decreases, the price of coffee increases, the price of tea will increase.
c. The demand for coffee increases, the price of coffee increases, more coffee will be sold.
d. The supply of coffee increases, the price of coffee decreases, more coffee will be sold.
e. The supply of coffee decreases, the price of coffee decreases, more tea will be sold.

ANS: B PTS: 1 DIF: Hard
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.5 TOP: Changes in equilibrium TYP: Applied

TRUE/FALSE

146. Economists assume people are selfish.

ANS: F PTS: 1 DIF: Medium
REF: Ch 2, Section 1: Allocation Mechanisms OBJ: 2.1
TOP: Efficiency TYP: Interpretive

147. For a free market to function, economists assume that voluntary exchanges and secure private property rights exist.

ANS: T PTS: 1 DIF: Medium
REF: Ch 2, Section 1: Allocation Mechanisms OBJ: 2.1
TOP: Efficiency TYP: Factual

148. Ryan is on a limited budget. He constantly takes money from the office coffee jar to pay for his meals. Ryan is utilizing a free market as it is intended to be used.

ANS: F PTS: 1 DIF: Hard
REF: Ch 2, Section 1: Allocation Mechanisms OBJ: 2.1
TOP: Efficiency TYP: Interpretive

149. The exchange of goods and services without the use of money is called over-the-counter exchange.

ANS: F PTS: 1 DIF: Easy
REF: Ch 2, Section 2: How Markets Function OBJ: 2.2
TOP: Underground markets TYP: Factual

150. In general, the purpose of markets is to facilitate the exchange of goods and services between buyers and sellers.

ANS: T PTS: 1 DIF: Medium
REF: Ch 2, Section 2: How Markets Function OBJ: 2.2
TOP: Markets TYP: Factual

151. A market is always a specific location or store.

ANS: F PTS: 1 DIF: Medium
REF: Ch 2, Section 2: How Markets Function OBJ: 2.2
TOP: Markets TYP: Factual

152. The market process tends to ensure that the goods and services are provided at the lowest possible price.

ANS: T PTS: 1 DIF: Medium
REF: Ch 2, Section 2: How Markets Function OBJ: 2.2
TOP: Markets TYP: Factual

153. Inefficient firms tend to flourish in a market system.

ANS: F PTS: 1 DIF: Medium
REF: Ch 2, Section 2: How Markets Function OBJ: 2.2
TOP: Markets TYP: Factual

154. According to the law of demand, if the price of compact disks decreased, everything else held constant, the demand for compact disks would increase.

ANS: F PTS: 1 DIF: Medium REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Law of demand TYP: Interpretive

155. The demand curve for ice cream will shift if there is a change in the price of ice cream.

ANS: F PTS: 1 DIF: Medium REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Determinants of demand TYP: Factual

156. According to the law of demand, when the price of a BMW or a Gucci purse increases, the quantity demanded of these goods will also increase because the goods have become more prestigious.

ANS: F PTS: 1 DIF: Hard REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Law of demand TYP: Applied

157. An individual demand schedule or curve shows the various quantities of a good that a person is willing and able to purchase at alternative income levels, everything else held the same.

ANS: F PTS: 1 DIF: Easy REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Individual demand TYP: Factual

158. The demand schedule is a table or list of the prices and corresponding quantities demanded of a particular good or service.

ANS: T PTS: 1 DIF: Easy REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Demand schedule TYP: Factual

159. The market demand curve is determined by adding the individual demand curves in a vertical direction.

ANS: F PTS: 1 DIF: Medium REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Market demand TYP: Factual

160. If more consumers enter a market, the market demand will increase.

ANS: T PTS: 1 DIF: Medium REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Market demand TYP: Factual

161. A successful consumer boycott of lettuce is expected to cause a decrease in the demand for lettuce.

ANS: T PTS: 1 DIF: Medium REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Demand shifts TYP: Applied

162. If the price of a product decreases, then the demand curve shifts to the right.

ANS: F PTS: 1 DIF: Medium REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Change in quantity demanded TYP: Applied

163. When economists say that the demand for a product has increased, they mean that consumers are willing and able to purchase more at any given price.

ANS: T PTS: 1 DIF: Medium REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Change in demand TYP: Interpretive

164. When economists say that the demand for a product has increased, they mean that suppliers will be willing and able to offer more for sale at any given price.

ANS: F PTS: 1 DIF: Medium REF: Ch 2, Section 4: Supply
OBJ: 2.4 TOP: Change in supply TYP: Applied

165. If the price of product X falls and thus causes the demand for product Y to shift to the right, then we can conclude that X and Y are substitutes.

ANS: F PTS: 1 DIF: Hard REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Complements TYP: Applied

166. One reason entertainment and sports stars are paid huge sums to endorse products is that they influence consumers' tastes and preferences.

ANS: T PTS: 1 DIF: Hard REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Tastes and preferences TYP: Applied

167. If the demand curve for product J shifts to the left as the price of product K increases, then J and K are complementary goods.

ANS: T PTS: 1 DIF: Hard REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Complements TYP: Applied

168. If three gasoline stations are located at the same intersection, their prices are often identical because they are complementary goods.

ANS: F PTS: 1 DIF: Hard REF: Ch 2, Section 3: Demand
OBJ: 2.3 TOP: Complements TYP: Applied

169. Economists use the term *supply* to refer to the quantity of a good that is supplied at various price levels, that is, a set of price and quantity-supplied combinations, everything else held constant.

ANS: T PTS: 1 DIF: Medium REF: Ch 2, Section 4: Supply
OBJ: 2.4 TOP: Supply TYP: Factual

170. According to the law of supply, if the price of calculators decreased, the supply of calculators would decrease, everything else held constant.

ANS: F PTS: 1 DIF: Easy REF: Ch 2, Section 4: Supply
OBJ: 2.4 TOP: Law of supply TYP: Interpretive

171. A supply schedule is a table or list of the prices and the corresponding quantities supplied of a good or service.

ANS: T PTS: 1 DIF: Easy REF: Ch 2, Section 4: Supply
OBJ: 2.4 TOP: Supply schedule TYP: Factual

172. This month, Fritter Firm finds that it has been able to sell 200 fritters at a price of $1 per fritter. Last month, the firm was able to sell only 150 fritters at $1 per fritter. This change is most likely due to an increase in supply.

ANS: F PTS: 1 DIF: Medium
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium: demand shifts
TYP: Applied

173. More television sets are being sold today than one year ago, and the selling price has increased. This could have been caused by an increase in demand.

ANS: T PTS: 1 DIF: Hard
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium TYP: Applied

174. The development of a low-cost synthetic fuel is expected to affect the market for crude oil and cause a decrease in the price of oil.

ANS: T PTS: 1 DIF: Hard
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Changes in equilibrium TYP: Applied

175. A shortage occurs when prices are lower than the equilibrium price.

ANS: T PTS: 1 DIF: Hard
REF: Ch 2, Section 5: Equilibrium: Putting Demand And Supply Together
OBJ: 2.6 TOP: Shortages TYP: Applied