HW 4—Chapter 3

1) __________ is the number of units that individuals are __________ to buy at a particular price during some time period.
   A) Demand; willing and able
   B) Supply; willing and able
   C) Quantity demanded; willing and able
   D) Demand; able
   E) Quantity demanded; willing

2) One important reason why the law of demand holds is that
   A) one price changing requires at least one other price to change in the opposite direction.
   B) people substitute relatively lower-priced goods for relatively higher-priced goods.
   C) a higher price never reduces quantity demanded by enough to lower total revenue.
   D) people are willing to produce more units at a higher price.

3) "As the price of apples goes up, the demand for apples goes down." The author of this statement
   A) implies that price and demand are unrelated.
   B) uses the word "demand" when he should use the word "supply."
   C) uses the word "demand" when he should use the words "quantity demanded."
   D) implies that demand and price have a direct relationship.

4) At a price of $15 each, Marta buys 4 books per month. When the price increases to $20, Marta buys 3 books per month. Luz says that Marta's demand for books has decreased. Is Luz correct?
   A) Yes, Luz is correct.
   B) No, Luz is incorrect. Marta's demand has increased.
   C) No, Luz is incorrect. Marta's quantity demanded has decreased, but her demand has stayed the same.
   D) No, Luz is incorrect. Marta's quantity demanded has increased, but her demand has stayed the same.
   E) No, Luz is incorrect. Marta's quantity demanded has decreased and her demand has increased.

5) If the demand curve for a good shifts leftward,
   A) quantity demanded is less at each price.
   B) quantity demanded remains constant at each price.
   C) quantity demanded is greater at each price.
   D) demand is greater at each price.

6) If Max's demand for hot dogs falls as his income rises, then for Max hot dogs are
   A) a bad good.
   B) an inferior good.
   C) a preferential good.
   D) a normal good.
   E) a neutral good.

7) If computers and software are complements, then
   A) a fall in the price of computers will increase the demand for software and, ceteris paribus, the price of software will rise.
   B) a rise in the price of computers will decrease the demand for software and, ceteris paribus, the price of software will rise.
   C) a fall in the price of computers will decrease the demand for software and, ceteris paribus, the price of software will fall.
   D) a rise in the price of software will increase the demand for computers and, ceteris paribus, the price of computers will rise.
   E) a fall in the price of software will decrease the demand for computers and, ceteris paribus, the price of computers will fall.

8) A rightward shift in the demand curve for tennis balls could be caused by
   A) a fall in the price of tennis balls.
   B) a fall in the price of tennis rackets.
   C) a rise in the price of tennis lessons.
   D) a fall in income, assuming tennis balls are a normal good.

9) One reads the following in a newspaper: "Today the president and Congress agreed to impose new restrictive quotas on Japanese cars coming into the country." As a result, an economist would predict that the
   A) supply of cars in the country will remain the same and the (average) price of cars will fall.
   B) supply of cars in the country will fall and the (average) price of cars will rise.
   C) supply of cars in the country will rise and the (average) price of cars will rise.
   D) demand for cars in the country will fall and the (average) price of cars will rise.
   E) demand for cars in the country will rise and the (average) price of cars will rise.

10) The law of supply states that price and quantity supplied are
    A) inversely related, ceteris paribus.
    B) directly related, ceteris paribus.
    C) not related.
    D) fixed.
11) An advance in technology causes
A) a rightward shift in the supply curve.
B) a leftward shift in the supply curve.
C) the supply curve to go from upward sloping to vertical.
D) the supply curve to go from vertical to upward sloping.

12) Suppose the government decides that every family should own its own home. To bring this about, the government decides to subsidize the home-construction industry by giving the home-construction companies $10,000 for every house that they build. As a result of this,
A) the supply curve of new houses would shift leftward, since it now costs $10,000 more for builders to produce a house.
B) the demand curve for new houses would shift rightward, since now every family would want to buy a house.
C) the demand curve for new houses would shift leftward.
D) the supply curve of new houses would shift rightward, since builders would be willing to produce and sell more houses at each given price.
E) c and d

13) A vertical supply curve represents
A) an inverse relationship between price and quantity supplied.
B) an independent relationship between price and quantity supplied.
C) an independent relationship between price and supply.
D) a direct relationship between price and quantity supplied.
E) a direct relationship between price and supply.

14) If the supply curve and the demand curve for lettuce both shift to the left by an equal amount, what can we say about the resulting changes in price and quantity?
A) The price will increase, but the quantity may increase or decrease.
B) The price will increase, and the quantity will increase.
C) The price will decrease, and the quantity will increase.
D) The price will stay the same, but the quantity will increase.
E) The price will stay the same, but the quantity will decrease.

15) If demand increases by a lesser amount than supply decreases, then equilibrium price __________ and equilibrium quantity __________.
A) rises; falls
B) falls; falls
C) rises; rises
D) falls; rises

16) Refer to Exhibit 3-1. Equilibrium price and quantity are
A) $2 and 250 units.
B) $4 and 250 units.
C) $2 and 150 units.
D) $6 and 250 units.
E) none of the above

17) Refer to Exhibit 3-1. At a price of $2 there is a
A) shortage of 100 units.
B) shortage of 200 units.
C) shortage of 150 units.
D) surplus of 200 units.
E) surplus of 150 units.

18) Refer to Exhibit 3-1. At a price of $6 there is a
A) surplus of 100 units.
B) surplus of 150 units.
C) surplus of 200 units.
D) shortage of 150 units.
E) shortage of 200 units.

Exhibit 3-1

19) Refer to Exhibit 3-2. Which of the following would result in a movement from point A on D1 to point B on D2?
A) There was a decrease in the price of a substitute for asparagus.
B) There was an increase in the price of a complement to asparagus.
C) There was a decline in technology in the production of asparagus.
D) There was an increase in the price of a substitute for asparagus.

Exhibit 3-2

20) Refer to Exhibit 3-2. Which of the following would result in a movement from point B on D2 to point A on D1?
A) There was an increase in income (assuming that asparagus is an inferior good) and technology remained constant.
B) There was an increase in income (assuming that asparagus is a normal good) and technology remained constant.
C) There was an increase in income (assuming that asparagus is an inferior good) and technology improved.
D) There was an increase in income (assuming that asparagus is a normal good) and technology declined.