One More Sample Exam 2

1. Which of the following is not assumed to be held constant when a supply curve is drawn?
a) consumer incomes.
b) the price of inputs.
c) technology.
d) the number of firms in the industry.

2. Suppose auto manufacturers announce an anticipated price increase of 15% for new cars to be sold as the new model year
begins. We would expect:
a) current demand for new autos to increase.
b) current demand for new autos to decrease.
c) no change in the current demand for new autos.
d) we cannot predict the effect of such an announcement.

3. A rightward shift of the entire demand curve:
a) might be due to an increase in income.
b) might be due to an decrease in the price of a substitute.
c) might be due to an decrease in the price of a complement.
d) (a) and (b).
e) (a) and (c).

4. Assume that the supply curve for product Z shifts to the right. This might be caused by:
a) an decrease in the price of inputs required to make Z.
b) an increase in the tax imposed on producers of Z.
c) a decrease in income.
d) an decrease in the number of firms in the industry.

5. Assume that beer and nachos are complements. If the price of beer falls, we may predict that:
a) the demand for beer will increase.
b) the demand for nachos will increase.
c) the demand for nachos will decrease.
d) (a) and (b).
e) (a) and (c).

6. The number of people seeking to obtain tickets to a Pink Floyd concert is nearly always greater than the number of available tickets (and seats) to the concert. This is evidence that the price of the ticket is:
a) below the equilibrium level.
b) above the equilibrium level.
c) too high for many to afford.
d) at the equilibrium level because the number of tickets bought always equals the number of tickets for sale.

7. Which of the following circumstances would be likely to produce a upward movement in price?
a) Qd = 7,800; Qs = 7,450
b) Qd = 7,450; Qs = 7,800
c) Qd = 7,450; Qs = 7,450
d) Qd = 6,800; Qs = 7,000
e) I don't know the answer because I didn't study the material.

8. What would happen to the equilibrium price of TV sets if the cost of component parts, such as transistors, decreased?
a) the price would increase.
b) the price would decrease.
c) the price would initially fall, but the drop in price would then increase demand so that the final price will be about the same.
d) the price would initially rise, but the increase in price would then reduce demand so that the final price will be about the same.

9. If both demand and supply were to increase, then equilibrium:
a) quantity would fall and price would rise.
b) quantity and price would both fall.
c) quantity and price would both be indeterminate.
d) quantity would rise and price would be indeterminate.
e) quantity would be indeterminate and price would rise.

10. Consider the market for computers. Suppose that the price of labor increases and the income of consumers falls. What may we conclude about the equilibrium price and quantity of computers?
a) price will fall and quantity is indeterminate.
b) quantity will fall and price is indeterminate.
c) quantity will fall and price will rise.
d) both price and quantity will be indeterminate.
e) none of the above.

11. When an economist says that the demand for a product has increased, she means that:
a) the demand curve has shifted to the left.
b) there has been movement down and to the right on a given demand curve.
c) the product has become particularly scarce for some reason.
d) consumers are now willing to purchase more of this product at each possible price.
e) none of the above.

12. Consider Lite beer from Miller and Budweiser Light. If the price of Miller Lite falls, we may predict that:
a) the demand for Miller Lite will increase.
b) the demand for Bud Light will increase.
c) the demand for Bud Light will decrease.
d) (a) and (c).
e) Dr. D may be an alcoholic.

13. If the demand curve for product B shifts to the right as the price of product G declines, it can be concluded that:
a) B and G are substitute goods.
b) B and G are complement goods.
c) B is an inferior good and G is a normal good.
d) B is a normal good and G is an inferior good.
e) Both B and G are normal goods.

14. The equilibrium price is the one at which:
a) there is a steady but minimal upward pressure on price.
b) there is a steady but minimal downward pressure on price.
c) there is a tendency for price to oscillate, first rising, then falling back to the original level.
d) there is no tendency for any price movement as long as all else remains the same.

15. Suppose that a scientist discovers a new way to produce a gasoline-like substance from potatoes. This substance is shown to work well as automobile fuel and can be produced at about the same cost per gallon as gasoline. At the same time, another scientist develops a new fertilizer that raises the yield of potato crops by an average 12 percent per acre. We would conclude that:
a) the equilibrium price and quantity of potatoes would increase.
b) the equilbrium price would decrease and quantity would increase.
c) the equilbrium quantity would increase but price is indeterminate.
d) the equilibrium price and quantity would both be indeterminate.
e) the equilibrium price would stay the same while quantity would increase.

16. An increase in supply will lower price unless:
a) supply is perfectly inelastic.
b) demand is perfectly inelastic.
c) it is followed by an increase in quantity demanded.
d) demand is perfectly elastic.
e) all of the above.

17. Assume that the demand curve for product Z shifts to the left. This might be caused by:
a) an increase in the price of X if X and Z are substitutes.
b) an increase in the cost of producing Z.
c) a decrease in income if Z is a normal good.
d) a decrease in the price of Y if Y and Z are complements.
e) Dr. D, when will this torture be over?

18. Consider the market for air travel. Suppose that the price of jet fuel increases and the major airlines announce that all Super-Saver fares will be discontinued next month. What impact will this have on price and quantity this month?
a) price will increase and quantity is indeterminate.
b) price is indeterminate and quantity is indeterminate.
c) price is indeterminate and quantity will fall.
d) price will decrease and quantity is indeterminate.
e) price will increase and quantity will increase.

19. A demand curve gives the relationship between price and quantity demanded, other things held constant. These "other
things" include all of the following except:
a) consumer preferences.
b) income.
c) cost of inputs.
d) price of complements.
e) all of the above.

20. A supply curve gives the relationship between price and quantity supplied, other things held constant. These "other things"
include all of the following except:
a) number of firms in the industry.
b) level of technology.
c) expectations.
d) the price of the commodity.
e) all of the above are held constant in deriving the supply curve.

21. When an economist says that the supply for a product has decreased, she means that:
a) the supply curve has shifted to the left.
b) there has been movement up and to the left on a given supply curve.
c) the supply curve has shifted to the right.
d) consumers are now willing to purchase less of this product at each possible price.
e) none of the above.

22. A rightward shift of the entire supply curve:
a) might be due to a positive change in technology.
b) might be due to an decrease in the cost of labor.
c) might be due to an decrease in the number of sellers.
d) (a) and (b).
e) (a), (b), and (c).

23. All of the following would affect the supply of automobiles except one. Which one would not affect the supply of autos?
a) higher prices for steel.
b) an increase in disposable income.
c) a technological improvement reducing the production cost of autos.
d) increased wages for members of the United Auto Workers.

24. Consider Dr. Pepper and Coca-Cola. If the price of Coca-Cola decreases then we would expect that:
a) the demand for Dr. Pepper will decrease.
b) the demand for Coca-Cola will increase.
c) the demand for Coca-Cola will decrease.
d) (a) and (c).
e) none of the above.