Chapter 2
Supply and Demand

Multiple Choice

1) The mechanism by which buyers and sellers negotiate an exchange is called a/an
A) equilibrium.
B) model.
C) market.
D) meeting.

Answer: C
Learning Objective: 02-01
Topic: Supply and Demand Defined
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

2) The supply and demand model examines the how prices and quantities are determined
A) in markets.
B) by governments.
C) by churches.
D) by monopolists.

Answer: A
Learning Objective: 02-01
Topic: Supply and Demand Defined
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

3) A market must be in a physical location
A) True
B) False

Answer: B
Learning Objective: 02-01
Topic: Supply and Demand Defined
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

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4) Ebay does not qualify as a market for the good being sold because it is not a specific physical location.
A) True
B) False

Answer: B
Learning Objective: 02-01
Topic: Supply and Demand Defined
Blooms: Apply
AACSB: Knowledge Application
Difficulty: 2 Medium

5) On the Heritage Foundation's scale of "Economic Freedom," the least "free" country would be that one who's economic system was purely
A) capitalist.
B) socialist.
C) utilitarian.
D) communist.

Answer: D
Learning Objective: 02-01
Topic: Supply and Demand Defined
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

6) The amount of money that must be paid per unit of output is called the
A) market.
B) equilibrium.
C) wage.
D) price.

Answer: D
Learning Objective: 02-01
Topic: Supply and Demand Defined
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

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7) The quantity demanded is the amount households wish to purchase
   A) at all possible prices during a specified period of time.
   B) at a particular price during a specified period of time.
   C) at a particular price (the timeframe is irrelevant).
   D) at all possible prices (the timeframe is irrelevant).

   Answer: B
   Learning Objective: 02-01
   Topic: Supply and Demand Defined
   Blooms: Remember
   AACSB: Analytical Thinking
   Difficulty: 1 Easy

8) Economists argue that markets serve the interests of society primarily because
   A) consumers are made better off (regardless of whether producers are made better off).
   B) producers are made better off (regardless of whether consumers are made better off).
   C) both consumers and producers are made better off.
   D) money is made available for government.

   Answer: C
   Learning Objective: 02-02
   Topic: Supply and Demand Defined
   Blooms: Remember
   AACSB: Analytical Thinking
   Difficulty: 1 Easy

9) Economists know that consumers and producers are both made better off than they would be without free exchange because the exchanges are
   A) mandated by government.
   B) voluntary.
   C) able to make consumers better off by an amount that compensates producers for their losses.
   D) able to make producers better off by an amount that compensates consumers for their losses.

   Answer: C
   Learning Objective: 02-02
   Topic: Supply and Demand Defined
   Blooms: Remember
   AACSB: Analytical Thinking
   Difficulty: 1 Easy

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10) The group of people who are willing to provide goods and services in exchange for money are called
A) profiteers.
B) benefactors.
C) consumers.
D) producers.

Answer: D
Learning Objective: 02-01
Topic: Supply and Demand Defined
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

11) The group of people who are willing to offer money in exchange for goods and services are called
A) profiteers.
B) benefactors.
C) consumers.
D) producers.

Answer: C
Learning Objective: 02-01
Topic: Supply and Demand Defined
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

12) The price at which the amount consumers wish to purchase equals the amount firms wish to sell is called the
A) equilibrium quantity.
B) equilibrium price.
C) optimal quantity.
D)optimal result.

Answer: B
Learning Objective: 02-01
Topic: Supply and Demand Defined
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

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13) At the equilibrium price
A) the amount buyers wish to purchase equals the amount producers wish to sell.
B) the amount buyers wish to purchase is greater than the amount producers wish to sell.
C) the amount buyers wish to purchase is less than the amount producers wish to sell.

Answer: A
Learning Objective: 02-01
Topic: Supply and Demand Defined
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

14) The equilibrium quantity is
A) the amount exchanged at the equilibrium price.
B) an amount higher than consumers were wanted to buy.
C) an amount lower than producers wanted to sell.
D) always less than the equilibrium price.

Answer: A
Learning Objective: 02-01
Topic: Supply and Demand Defined
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

15) At the equilibrium price
A) quantity demanded exceeds quantity supplied.
B) quantity demanded equals quantity supplied.
C) quantity demanded is less than quantity supplied.
D) quantity demanded is unrelated to quantity supplied.

Answer: B
Learning Objective: 02-01
Topic: Supply and Demand Defined
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

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16) The amount consumers are willing and able to buy at a particular price during a specified period of time is the
A) demand.
B) supply.
C) quantity demanded.
D) quantity supplied.

Answer: C
Learning Objective: 02-01
Topic: Supply and Demand Defined
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

17) The amount that firms are willing and able to sell at a particular price during a particular period of time is the
A) demand.
B) supply.
C) quantity demanded.
D) quantity supplied.

Answer: D
Learning Objective: 02-01
Topic: Supply and Demand Defined
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

18) The underlying reason for the upward sloping nature of the supply curve is that
A) the production of most goods comes with increasing marginal benefits.
B) the production of most goods comes with increasing marginal costs.
C) the consumption of most goods comes with decreasing marginal utility.
D) the consumption of most goods comes with increasing marginal utility.

Answer: B
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

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19) The Latin phrase “ceteris paribus” is used by economists to mean
A) “all other things being equal” or “all other things held constant”.
B) all is lost.
C) freedom is better than regulation.
D) the only constant is change.

Answer: A
Learning Objective: 02-01
Topic: Supply and Demand Model
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

20) Ceteris paribus is Latin for
A) all is lost.
B) at equilibrium.
C) equilibrium is optimal.
D) holding all other things constant.

Answer: D
Learning Objective: 02-01
Topic: Supply and Demand Model
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

21) When an economics students draws a supply and demand diagram to model an increase in the income, she is assuming this change happens
A) semper fidelis.
B) ceteris paribus.
C) ipso facto.
D) de facto.

Answer: B
Learning Objective: 02-01
Topic: Supply and Demand Model
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

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22) The relationship between price and quantity demanded, ceteris paribus is
A) demand.
B) supply.
C) equilibrium.
D) quantity supplied.

Answer: A
Learning Objective: 02-01
Topic: Supply and Demand Model
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

23) The relationship between price and quantity supplied, ceteris paribus is
A) demand.
B) supply.
C) quantity demanded.
D) equilibrium.

Answer: B
Learning Objective: 02-01
Topic: Supply and Demand Model
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

24) Unless circumstances are quite out of the ordinary, a demand curve will be
A) vertical
B) horizontal
C) downward sloping
D) upward sloping

Answer: C
Learning Objective: 02-03
Topic: All About Demand
Blooms: Apply
AACSB: Knowledge Application
Difficulty: 2 Medium

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25) If the price of a typical good rises, the quantity demanded for that good will
A) decrease.
B) increase.
C) remain the same.
D) automatically decrease to zero.

Answer: A
Learning Objective: 02-03
Topic: All About Demand
Blooms: Apply
AACSB: Knowledge Application
Difficulty: 2 Medium

26) If the price of a typical good falls, the quantity demanded for that good will
A) decrease.
B) increase.
C) remain the same.
D) automatically increase to infinity.

Answer: B
Learning Objective: 02-03
Topic: All About Demand
Blooms: Apply
AACSB: Knowledge Application
Difficulty: 2 Medium

27) In drawing a demand curve, the labels for the axes are
A) price (on the vertical axis) and quantity (on the horizontal axis).
B) price (on the vertical axis) and quantity per unit of time (on the horizontal axis).
C) price (on the horizontal axis) and quantity (on the vertical axis).
D) price (on the horizontal axis) and quantity per unit of time (on the vertical axis).

Answer: B
Learning Objective: 02-03
Topic: Supply and Demand Model
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

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Price	Column A	Column B
$1	5	1
$2	4	2
$3	3	3
$4	2	4
$5	1	5

Table 2.1

28) From Table 2.1, which column is likely to be the one for quantity demanded?

Price	Column A	Column B
$1	5	1
$2	4	2
$3	3	3
$4	2	4
$5	1	5

Table 2.1

A) column A
B) neither A nor B
C) column B
D) either A or B are equally likely

Answer: A
Learning Objective: 02-03
Topic: Supply and Demand Model
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

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29) From Table 2.1, which column is likely to be the one for quantity supplied?

Price	Column A	Column B
$1	5	1
$2	4	2
$3	3	3
$4	2	4
$5	1	5

Table 2.1

A) column A
B) neither A nor B
C) column B
D) either A or B are equally likely

Answer: C
Learning Objective: 02-03
Topic: Supply and Demand Model
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

30) From Table 2.1, and under the most likely scenario where columns A and B are assigned to represent quantity demanded and quantity supplied, which is the equilibrium price?

Price	Column A	Column B
$1	5	1
$2	4	2
$3	3	3
$4	2	4
$5	1	5

Table 2.1

A) $1
B) $2
C) $3
D) $4

Answer: C
Learning Objective: 02-03
Topic: Supply and Demand Model
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

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31) From Table 2.1, and under the most likely scenario where columns A and B are assigned to represent quantity demanded and quantity supplied, which is the equilibrium quantity?

Price	Column A	Column B
$1	5	1
$2	4	2
$3	3	3
$4	2	4
$5	1	5

Table 2.1

A) 1 unit
B) 2 units
C) 3 units
D) 4 units

Answer: C
Learning Objective: 02-03
Topic: Supply and Demand Model
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

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32) In Figure 2.1, Box 1 would be labeled

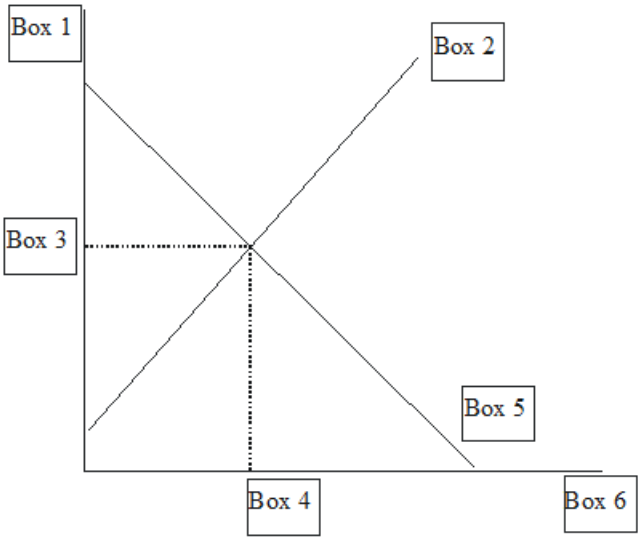

Figure 2.1

A) P* for equilibrium price.
B) P for price.
C) S for supply.
D) D for demand.

Answer: B
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

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33) In Figure 2.1, Box 2 would be labeled

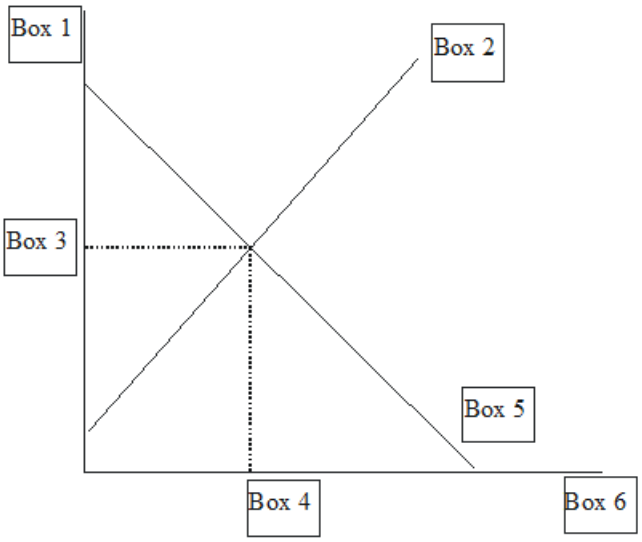

Figure 2.1

A) P* for equilibrium price.
B) P for price.
C) S for supply.
D) D for demand.

Answer: C
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

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34) In Figure 2.1, Box 3 would be labeled

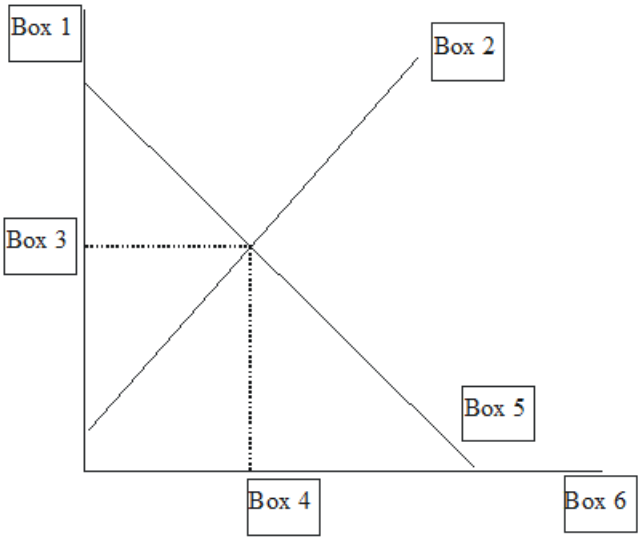

Figure 2.1

A) P* for equilibrium price.
B) P for price.
C) S for supply.
D) D for demand.

Answer: A
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

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35) In Figure 2.1, Box 4 would be labeled

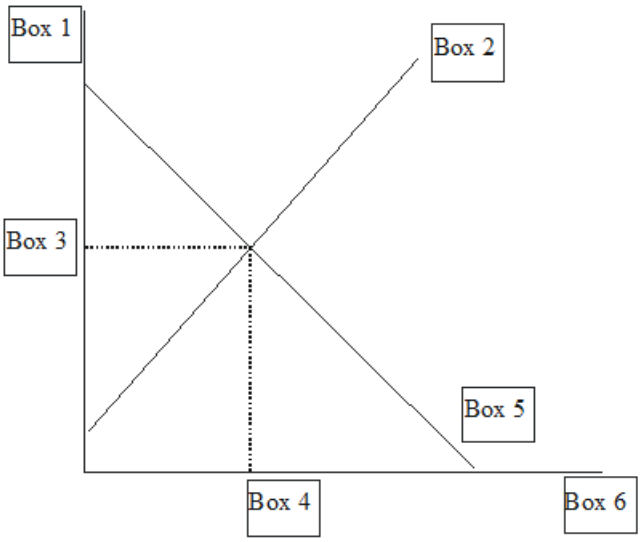

Figure 2.1

A) Q* for equilibrium quantity.
B) S for supply.
C) P for price.
D) D for demand.

Answer: A
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

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36) In Figure 2.1, Box 5 would be labeled

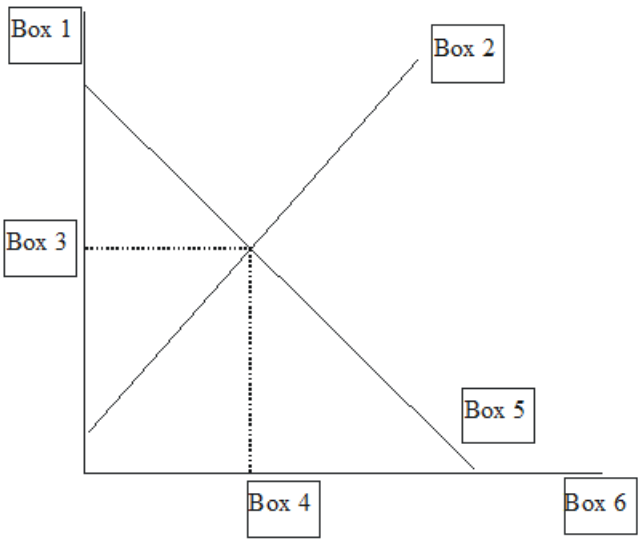

Figure 2.1

A) P* for equilibrium price.
B) P for price.
C) S for supply.
D) D for demand.

Answer: D
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

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37) In Figure 2.1, Box 6 would be labeled

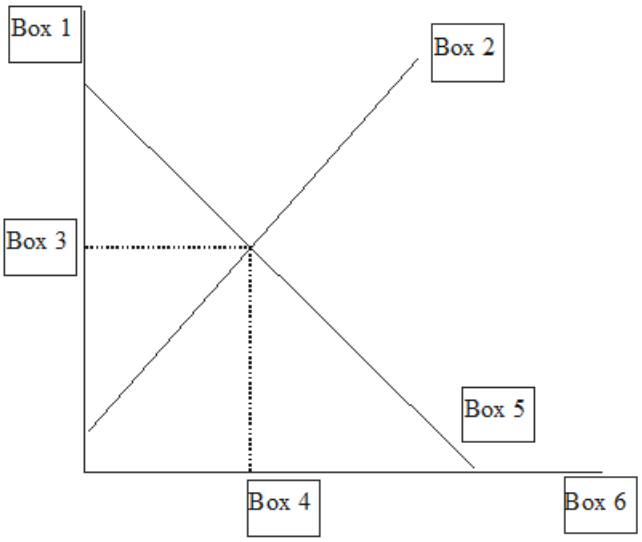

Figure 2.1

A) P* for equilibrium price.
B) S for supply.
C) P for price.
D) Q/t for quantity per unit of time.

Answer: D
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

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38) In Figure 2.1, a "P" for price would go in

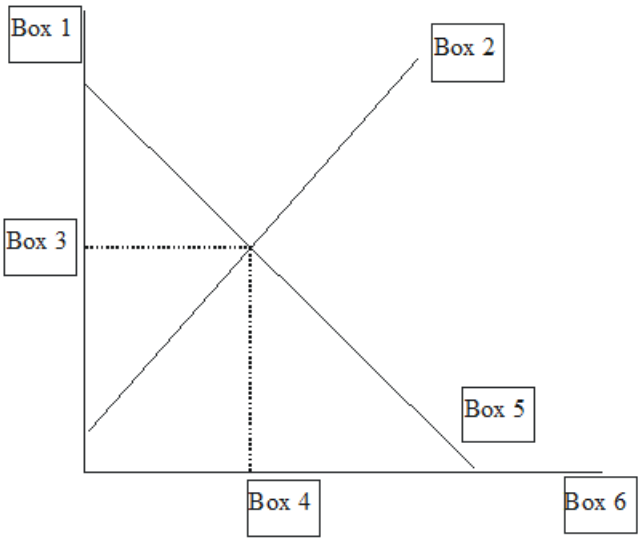

Figure 2.1

A) Box 1.
B) Box 2.
C) Box 4.
D) Box 6.

Answer: A
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

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39) In Figure 2.1, a "P*" for equilibrium price would go in

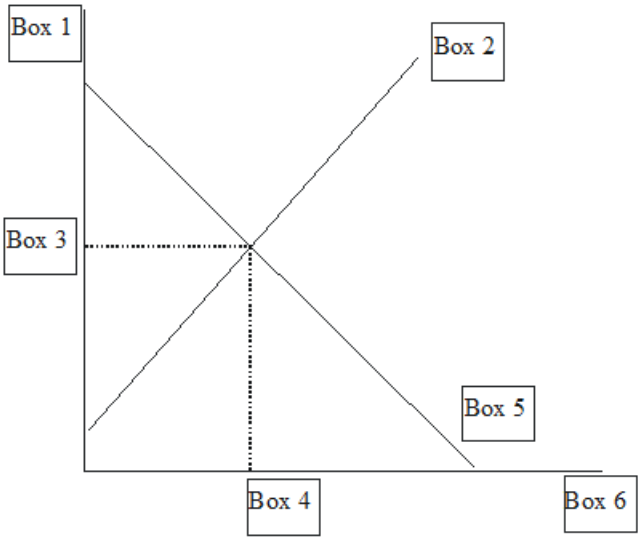

Figure 2.1

A) Box 1.
B) Box 2.
C) Box 3.
D) Box 4.

Answer: C
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

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40) In Figure 2.1, a "D" for Demand would go in

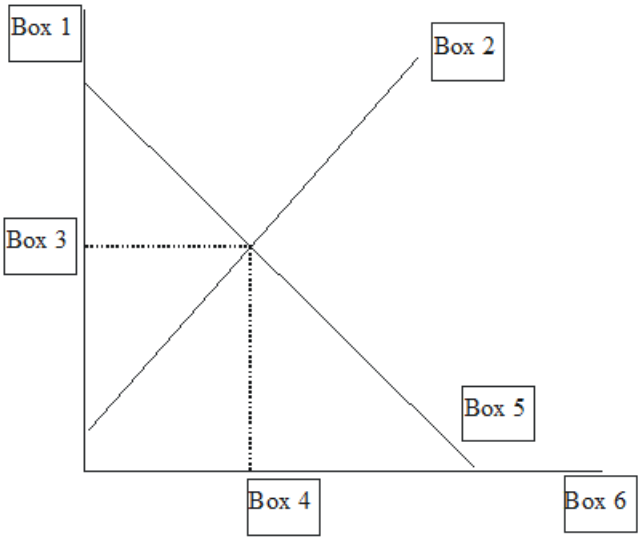

Figure 2.1

A) Box 2.
B) Box 4.
C) Box 5.
D) Box 6.

Answer: C
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

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41) In Figure 2.1, a "S" for Supply would go in

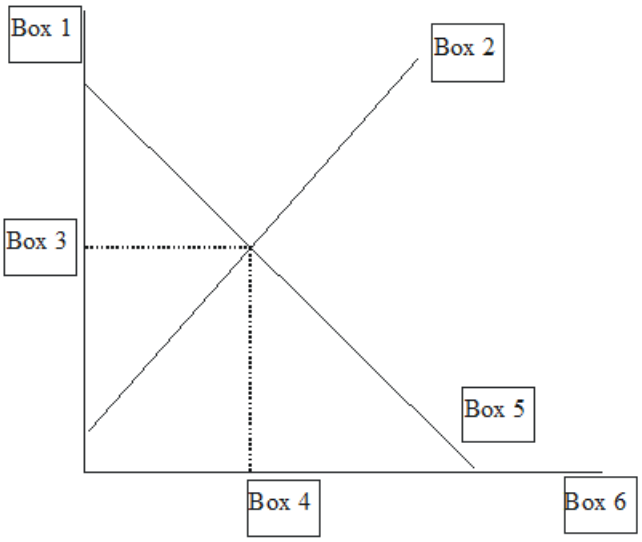

Figure 2.1

A) Box 2.
B) Box 4.
C) Box 5.
D) Box 6.

Answer: A
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy:

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42) In Figure 2.1, a "q/t" for quantity per unit time price would go in

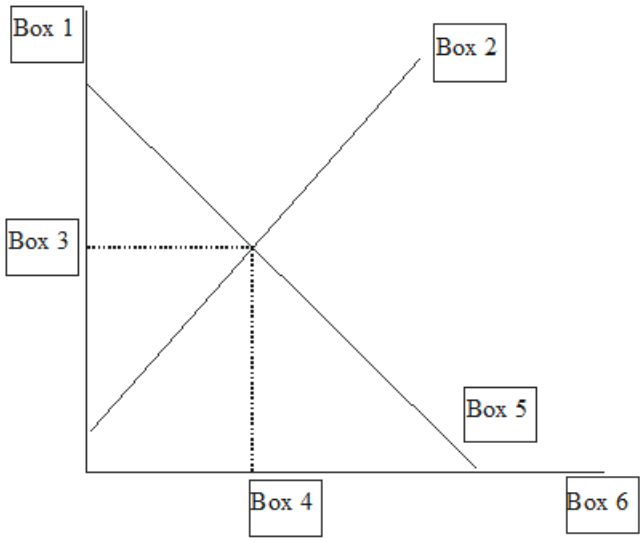

Figure 2.1

A) Box 1.
B) Box 2.
C) Box 4.
D) Box 6.

Answer: D
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

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43) In Figure 2.1, a "Q*" for equilibrium quantity would go in

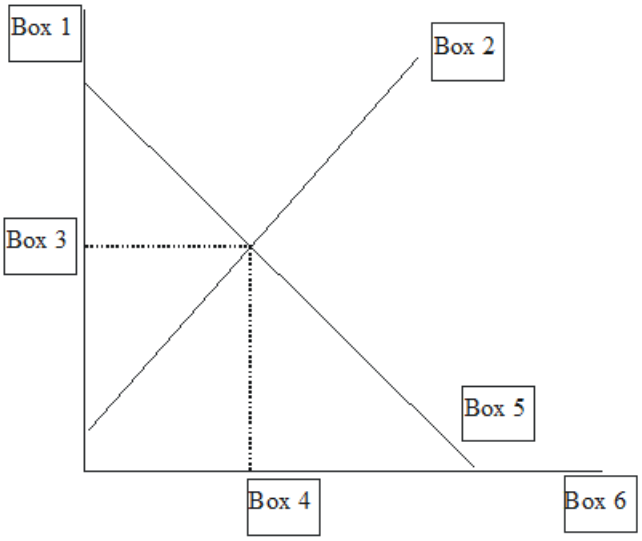

Figure 2.1

A) Box 1.
B) Box 2.
C) Box 3.
D) Box 4.

Answer: D
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

44) The condition where firms do not want to sell as many as consumers want to buy is called
A) a shortage.
B) a surplus.
C) an equilibrium.
D) a market collapse.

Answer: A
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

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45) The condition where firms want to sell more than consumers want to buy is called
A) a shortage.
B) a surplus.
C) an equilibrium.
D) a market collapse.

Answer: B
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

46) If the supply and demand curves cross at a price of $2, at any price above that there will be
A) an equilibrium.
B) a surplus.
C) a shortage.
D) a crisis.

Answer: B
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

47) If the supply and demand curves cross at a quantity of 100, then the price necessary to get firms to sell more than that will have to be _____ equilibrium.
A) above
B) at
C) below
D) within 10% either way of

Answer: A
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

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48) A surplus exists when
A) QD>QS
B) QD<QS
C) QD=QS
D) an act of god makes goods available only at very high prices.

Answer: B
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

49) A shortage exists when
A) QD>QS
B) QD<QS
C) QD=QS
D) an act of god makes goods available at very low prices.

Answer: A
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

50) Another term for surplus is
A) excess supply.
B) excess demand.
C) equilibrium supply.
D) equilibrium demand.

Answer: A
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

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51) Another term for shortage is
A) excess supply.
B) excess demand.
C) equilibrium supply.
D) equilibrium demand.

Answer: B
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

52) From Table 2.2, which column is the one for shortage?

Price	Quantity Demanded	Quantity Supplied	Column A	Column B
$1	5	1		4
$2	4	2		2
$3	3	3	0	0
$4	2	4	2	
$5	1	5	4	

Table 2.2

A) column A
B) neither A nor B
C) column B
D) either A or B are equally likely

Answer: C
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

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53) From Table 2.2, which column is the one for surplus?

Price	Quantity Demanded	Quantity Supplied	Column A	Column B
$1	5	1		4
$2	4	2		2
$3	3	3	0	0
$4	2	4	2	
$5	1	5	4	

Table 2.2

A) column A
B) neither A nor B
C) column B
D) either A or B are equally likely

Answer: A
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

54) From Table 2.3, at the price of $1 there is a

Price	Quantity Demanded	Quantity Supplied
$1	5	1
$2	4	2
$3	3	3
$4	2	4
$5	1	5

Table 2.3

A) shortage of 5
B) neither a shortage nor a surplus.
C) shortage of 4.
D) surplus of 4.

Answer: C
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

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55) From Table 2.3, at the price of $2 there is a

Price	Quantity Demanded	Quantity Supplied
$1	5	1
$2	4	2
$3	3	3
$4	2	4
$5	1	5

Table 2.3

A) shortage of 2.
B) neither a shortage nor a surplus.
C) shortage of 4.
D) surplus of 4.

Answer: A
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

56) From Table 2.3, at the price of $3 there is a

Price	Quantity Demanded	Quantity Supplied
$1	5	1
$2	4	2
$3	3	3
$4	2	4
$5	1	5

Table 2.3

A) shortage of 2
B) neither a shortage nor a surplus.
C) shortage of 4.
D) surplus of 4.

Answer: B
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

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57) From Table 2.3, at the price of $4 there is a

Price	Quantity Demanded	Quantity Supplied
$1	5	1
$2	4	2
$3	3	3
$4	2	4
$5	1	5

Table 2.3

A) shortage of 2.
B) surplus of 2.
C) neither a shortage nor a surplus.
D) surplus of 4.

Answer: B
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

58) From Table 2.3, at the price of $5 there is a

Price	Quantity Demanded	Quantity Supplied
$1	5	1
$2	4	2
$3	3	3
$4	2	4
$5	1	5

Table 2.3

A) shortage of 4.
B) surplus of 2.
C) neither a shortage nor a surplus.
D) surplus of 4.

Answer: D
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

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59) The Law of Demand indicates that
A) there is a negative relationship between quantity demanded and quantity supplied.
B) there is a negative relationship between quantity demanded and price.
C) there is a positive relationship between quantity demanded and quantity supplied.
D) there is a positive relationship between quantity demanded and price.

Answer: B
Learning Objective: 02-03
Topic: All About Demand
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

60) The notion that the second unit of a good consumed improves the happiness of the consumer by less than the first unit improved the happiness of the consumer is summarized as
A) the substitution effect.
B) the real-balances effect.
C) diminishing marginal utility.

Answer: C
Learning Objective: 02-03
Topic: All About Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

61) The notion that the money in your possession will buy less when the price rises is provided as the explanation for
A) the substitution effect.
B) the real-balances effect.
C) diminishing marginal utility.

Answer: B
Learning Objective: 02-03
Topic: All About Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

62) The notion that when the price of the good you want rises you will buy less of it because you will find another good that will do instead, is provided as the explanation for

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A) the substitution effect.
B) the real-balances effect.
C) diminishing marginal utility.

Answer: A
Learning Objective: 02-03
Topic: All About Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

63) If you are given $20 and told to go to the store and buy as many potatoes as you can, the reason your demand curve for potatoes is downward sloping has mostly to do with
A) the substitution effect.
B) the real-balances effect.
C) diminishing marginal utility.

Answer: B
Learning Objective: 02-03
Topic: All About Demand
Blooms: Apply
AACSB: Knowledge Application
Difficulty: 2 Medium

64) If you are grocery shopping and you see that the price of beef has risen and as a result you change your planned menu for the week and buy chicken instead, the reason your demand curve for beef is downward sloping has mostly to do with
A) the substitution effect.
B) the real-balances effect.
C) diminishing marginal utility.

Answer: A
Learning Objective: 02-03
Topic: All About Demand
Blooms: Apply
AACSB: Knowledge Application
Difficulty: 2 Medium

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65) A friend is telling you that they tend to drink more at parties than they do at home. You ask about why and they tell you that though they enjoy their fifth and sixth drinks the same regardless of where they are, the fact that it is free at the party and they have to pay to replace it at home, you translate that statement into a verification of
A) the substitution effect.
B) the real-balances effect.
C) the notion of diminishing marginal utility.

Answer: C
Learning Objective: 02-03
Topic: All About Demand
Blooms: Apply
AACSB: Knowledge Application
Difficulty: 2 Medium

66) The substitution effect suggests that
A) when prices are higher your buying power is less so you buy less.
B) when prices are higher you buy less of what you originally wanted and use something else instead.
C) when prices are higher buy fewer because the marginal utility of a good is diminishing.
D) when prices are higher you buy more.

Answer: B
Learning Objective: 02-03
Topic: All About Demand
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

67) The real balances effect suggests that
A) when prices are higher your buying power is less so you buy less.
B) when prices are higher you buy less of what you originally wanted and use something else instead.
C) when prices are higher buy fewer because the marginal utility of a good is diminishing.
D) when prices are higher you buy more.

Answer: A
Learning Objective: 02-03
Topic: All About Demand
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

68) The Law of Diminishing Marginal Utility suggests that

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A) when you consume more you are less happy.
B) when you consume more society is less well off.
C) the more you consume the less extra enjoyment you get out of each additional unit.
D) when prices are higher you buy more.

Answer: C
Learning Objective: 02-03
Topic: All About Demand
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

69) The Law of Supply indicates that
A) there is a negative relationship between quantity demanded and quantity supplied.
B) there is a negative relationship between quantity supplied and price.
C) there is a positive relationship between quantity demanded and quantity supplied.
D) there is a positive relationship between quantity supplied and price.

Answer: D
Learning Objective: 02-03
Topic: All About Supply
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

70) The reason that the supply curve is upward sloping is
A) diminishing marginal costs.
B) diminishing average costs.
C) increasing marginal costs.
D) increasing average costs.

Answer: C
Learning Objective: 02-03
Topic: All About Supply
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

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71) The quantity supplied is the amount firms wish to sell
A) at all possible prices during a specified period of time.
B) at a particular price during a specified period of time.
C) at a particular price (the timeframe is irrelevant).
D) at all possible prices (the timeframe is irrelevant).

Answer: B
Learning Objective: 02-03
Topic: All About Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

72) Unless circumstances are quite out of the ordinary, a supply curve will be
A) vertical.
B) horizontal.
C) downward sloping.
D) upward sloping.

Answer: D
Learning Objective: 02-03
Topic: All About Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

73) If the price of a typical good rises, the quantity supplied for that good will
A) decrease.
B) increase.
C) remain the same.
D) automatically increase to infinity.

Answer: B
Learning Objective: 02-03
Topic: All About Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

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74) If the price of a typical good falls, the quantity supplied for that good will
A) decrease.
B) increase.
C) remain the same.
D) automatically increase to zero.

Answer: A
Learning Objective: 02-03
Topic: All About Supply
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

75) In drawing a supply curve, the labels for the axes are
A) price (on the vertical axis) and quantity (on the horizontal axis).
B) price (on the vertical axis) and quantity per unit of time (on the horizontal axis).
C) price (on the horizontal axis) and quantity (on the vertical axis).
D) price (on the horizontal axis) and quantity per unit of time (on the vertical axis).

Answer: B
Learning Objective: 02-03
Topic: All About Supply
Blooms: Apply
AACSB: Knowledge Application
Difficulty: 2 Medium

76) If you heard overheard a farmer discussing his planting plans for the upcoming season and he said "The price of corn has gone way up. I know I'll have to put some money into fertilizer on that field on the hill that's been idle all these years, but it will be worth it this year." This would be consistent with which justification for an upward sloping supply curve
A) increasing marginal cost.
B) the need for higher prices in one good to motivate a shift in production from another.
C) the real-balance effect.
D) diminishing marginal utility.

Answer: A
Learning Objective: 02-03
Topic: All About Supply
Blooms: Apply
AACSB: Knowledge Application
Difficulty: 2 Medium

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77) If you heard overheard a farmer discussing his planting plans for the upcoming season and he said "The price of corn has gone way up. I know I'll have to put some money into fertilizer on the field where I was going to plant soybeans, but it will be worth it this year." This would be consistent with which justification for an upward sloping supply curve
A) increasing marginal cost.
B) the need for higher prices in one good to motivate a shift in production from another.
C) the real-balance effect.
D) diminishing marginal utility.

Answer: A
Learning Objective: 02-03
Topic: All About Supply
Blooms: Apply
AACSB: Knowledge Application
Difficulty: 2 Medium

78) Which of the following will impact both supply and demand
A) a change in price.
B) a change in expected future price.
C) a change in quantity.
D) a change in income.

Answer: B
Learning Objective: 02-03
Topic: Effects of Changes in Price Expectations
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

79) An increase in which of the following determinants of demand will have an ambiguous (uncertain) effect on price
A) taste.
B) price of a complement.
C) income.
D) price of a substitute.

Answer: C
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

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80) An increase in the income of consumers will cause the
A) supply of all goods to rise.
B) demand for all goods to rise.
C) supply of all goods to fall.
D) the demand for some goods to rise and for others to fall.

Answer: D
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

81) The increase in the price of a good would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

Answer: C
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

82) The decrease in the price of a good would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

Answer: D
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

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83) An increase in the degree a good is liked (the increase in the taste for a good) would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

Answer: A
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

84) A decrease in the degree a good is liked (the increase in the taste for a good) would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

Answer: B
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

85) An increase in household income for a good that is considered normal would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

Answer: A
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

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86) An increase in household income for a good that is considered inferior would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

Answer: B
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

87) A decrease in household income for a good that is considered normal would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

Answer: B
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

88) A decrease in household income for a good that is considered inferior would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

Answer: A
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

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89) If goods A and B are considered substitutes, an increase in the price of A would cause
A) the demand curve for B to the right.
B) the demand curve for B to the left.
C) cause a movement along the demand curve for B to a (higher price, lower quantity) point.
D) cause a movement along the demand curve for B to a (lower price, higher quantity) point.

Answer: A
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

90) If goods A and B are considered complements, an increase in the price of A would cause
A) the demand curve for B to the right.
B) the demand curve for B to the left.
C) cause a movement along the demand curve for B to a (higher price, lower quantity) point.
D) cause a movement along the demand curve for B to a (lower price, higher quantity) point.

Answer: B
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

91) If goods A and B are considered substitutes, a decrease in the price of A would cause
A) the demand curve for B to the right.
B) the demand curve for B to the left.
C) cause a movement along the demand curve for B to a (higher price, lower quantity) point.
D) cause a movement along the demand curve for B to a (lower price, higher quantity) point.

Answer: B
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

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92) If goods A and B are considered complements, a decrease in the price of A would cause
A) the demand curve for B to the right.
B) the demand curve for B to the left.
C) cause a movement along the demand curve for B to a (higher price, lower quantity) point.
D) cause a movement along the demand curve for B to a (lower price, higher quantity) point.

Answer: A
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

93) If there is a good that is consumed almost entirely by the elderly, an aging of the overall population would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

Answer: A
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

94) If there is a good that is consumed almost entirely by children, a significant reduction in the birth rate would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

Answer: B
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

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95) If there is an expectation that the price of a good will increase in the next month this would immediately
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

Answer: A
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

96) If there is an expectation that the price of a good will decrease in the next month this would immediately
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

Answer: B
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

97) If a tax (paid by consumers) is levied on a good this would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

Answer: B
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

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98) If a subsidy (going to consumers) is created for a good this would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

Answer: B
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

99) If a tax (paid by consumers) on a good is reduced this would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

Answer: A
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

100) If a subsidy (going to consumers) on a good is eliminated this would
A) move its demand curve to the right.
B) move its demand curve to the left.
C) cause a movement along the demand curve to a (higher price, lower quantity) point.
D) cause a movement along the demand curve to a (lower price, higher quantity) point.

Answer: B
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

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101) The increase in the price of a good would
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

Answer: C
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

102) The decrease in the price of a good would
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

Answer: D
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

103) Which of the following is the best example of the concept of "inferior"?
A) SUV's
B) Coke and Pepsi
C) Ramen noodles
D) Hot dogs and hot dog buns

Answer: C
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

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104) The quintessential example of a normal good would be
A) steak for someone who liked beef.
B) the substitution of Granny Smith for Golden Delicious apples.
C) Ramen Noodles for a poor college student.
D) peanut butter and jelly for a young boy or girl.

Answer: A
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

105) The quintessential example of an inferior good would be
A) steak for someone who liked beef.
B) the substitution of Granny Smith for Golden Delicious apples.
C) Ramen Noodles for a poor college student.
D) peanut butter and jelly for a young boy or girl.

Answer: C
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

106) The quintessential example of complementary goods would be
A) steak for someone who liked beef.
B) the switching of Granny Smith for Golden Delicious apples.
C) Ramen Noodles for a poor college student.
D) peanut butter and jelly for a young boy or girl.

Answer: D
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

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107) The quintessential example of substitute goods would be
A) steak for someone who liked beef.
B) the switching of Granny Smith for Golden Delicious apples.
C) Ramen Noodles for a poor college student.
D) peanut butter and jelly for a young boy or girl.

Answer: B
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

108) Which of the following is the best example of the concept of "normal"?
A) SUV's
B) Coke and Pepsi
C) Ramen noodles
D) Hot dogs and hot dog buns

Answer: A
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

109) Which of the following is the best example of the concept of "another potential output"?
A) SUV's
B) Ramen noodles
C) Coke and Pepsi
D) corn and soybeans

Answer: D
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

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110) Which of the following is the best example of the concept of "complement"?
A) SUV's
B) Coke and Pepsi
C) Ramen noodles
D) Hot dogs and hot dog buns

Answer: D
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

111) Which of the following goods are likely to be considered complements?
A) Right and left shoes
B) Coke and Pepsi
C) Peanut butter and jelly
D) (a) and (c)

Answer: D
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

112) Which of the following goods are likely to be considered complements?
A) Sprite and 7-Up
B) Gasoline and diesel fuel
C) Peanut butter and jelly
D) Coke and Pepsi

Answer: C
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

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113) Which of the following is the best example of the concept of "substitute"?
A) SUV's
B) Coke and Pepsi
C) Ramen noodles
D) Hot dogs and hot dog buns

Answer: B
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

114) Which of the following goods are likely to be considered substitutes?
A) Hot dogs and hot dog buns
B) Gasoline and diesel fuel
C) Peanut butter and jelly
D) Coke and Pepsi

Answer: D
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

115) Which of the following goods should be clearly considered substitutes?
A) Right and left shoes
B) Gasoline and diesel fuel
C) Peanut butter and jelly
D) Coke and Pepsi

Answer: D
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

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116) The quintessential example for the price of an input and its impact on an output is
A) Hotdogs and hotdog buns
B) Crude oil and gasoline
C) Corn and soybeans
D) 7up and Sprite

Answer: B
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

117) The quintessential example for the price of another potential output and the impact of the price of one good on the market for another is
A) Hotdogs and hotdog buns
B) Crude oil and gasoline
C) Corn and soybeans
D) 7up and Sprite

Answer: C
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

118) If technology increases then
A) the demand curve will shift to the right.
B) the demand curve will shift to the left.
C) the supply curve will shift to the right.
D) the supply curve will shift to the left.

Answer: C
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

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119) If technology decreases then
A) the demand curve will shift to the right.
B) the demand curve will shift to the left.
C) the supply curve will shift to the right.
D) the supply curve will shift to the left.

Answer: D
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

120) If a good is normal and income decreases then
A) the demand curve will shift to the right.
B) the demand curve will shift to the left.
C) the supply curve will shift to the right.
D) the supply curve will shift to the left.

Answer: B
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

121) If a good is normal and income increases then
A) the demand curve will shift to the right.
B) the demand curve will shift to the left.
C) the supply curve will shift to the right.
D) the supply curve will shift to the left.

Answer: A
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

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122) If a good is inferior and income increases then
A) the demand curve will shift to the right.
B) the demand curve will shift to the left.
C) the supply curve will shift to the right.
D) the supply curve will shift to the left.

Answer: B
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

123) If a good is inferior and income decreases then
A) the demand curve will shift to the right.
B) the demand curve will shift to the left.
C) the supply curve will shift to the right.
D) the supply curve will shift to the left..

Answer: A
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

124) If a firm has two production alternatives and the price of one decreases this will cause the other good's
A) demand curve to shift to the right.
B) supply curve to shift to the right.
C) demand curve to shift to the left.
D) supply curve to shift to the left.

Answer: B
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

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125) If a firm has two production alternatives and the price of one increases this will cause the other good's
A) demand curve to shift to the right.
B) supply curve to shift to the right.
C) demand curve to shift to the left.
D) supply curve to shift to the left.

Answer: D
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

126) If the price of a good is expected to fall in the future its
A) demand curve will shift to the right.
B) supply curve will shift to the right.
C) demand curve will shift to the left.
D) b) and c)

Answer: D
Learning Objective: 02-03
Topic: Effects of Changes in Price Expectations
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

127) If the price of a good is expected to rise in the future its
A) demand curve will shift to the right.
B) supply curve will shift to the left.
C) demand curve will shift to the left.
D) a) and b)

Answer: D
Learning Objective: 02-03
Topic: Effects of Changes in Price Expectations
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

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128) In the market for birth control devices, if the number of women of child-bearing age increases, the
A) demand curve will shift to the right.
B) supply curve will shift to the right.
C) demand curve will shift to the left.
D) supply curve will shift to the left.

Answer: A
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

129) In the market for birth control devices, if the number of women of child-bearing age decreases, the
A) demand curve will shift to the right.
B) supply curve will shift to the right.
C) demand curve will shift to the left.
D) supply curve will shift to the left.

Answer: C
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

130) If the price of inputs increases, the
A) demand curve will shift to the right.
B) supply curve will shift to the right
C) demand curve will shift to the left.
D) supply curve will shift to the left.

Answer: D
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

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131) If the price of inputs decreases, the
A) demand curve will shift to the right.
B) supply curve will shift to the right.
C) demand curve will shift to the left.
D) supply curve will shift to the left.

Answer: B
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

132) If the number of sellers increases, the
A) demand curve will shift to the right.
B) supply curve will shift to the right.
C) demand curve will shift to the left.
D) supply curve will shift to the left.

Answer: B
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

133) If the number of sellers decreases, the
A) demand curve will shift to the right.
B) supply curve will shift to the right.
C) demand curve will shift to the left.
D) supply curve will shift to the left.

Answer: D
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

134) If the taste for a good increases, the
A) demand curve will shift to the right.
B) supply curve will shift to the right.

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C) demand curve will shift to the left.
D) supply curve will shift to the left.

Answer: A
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

135) If the taste for a good decreases, the
A) demand curve will shift to the right.
B) supply curve will shift to the right.
C) demand curve will shift to the left.
D) supply curve will shift to the left.

Answer: C
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

136) If two goods are considered complements and the price of one decreases then the other good's
A) demand curve will shift to the right.
B) supply curve will shift to the right.
C) demand curve will shift to the left.
D) supply curve will shift to the left.

Answer: A
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

137) If two goods are considered substitutes and the price of one decreases, the other good's
A) demand curve will shift to the right.
B) supply curve will shift to the right.
C) demand curve will shift to the left.
D) supply curve will shift to the left.

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Answer: C
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

138) If two goods are considered complements and the price of one increases, the other good's
A) demand curve will shift to the right.
B) supply curve will shift to the right.
C) demand curve will shift to the left.
D) supply curve will shift to the left.

Answer: C
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

139) If two goods are considered substitutes and the price of one increases, the other good's
A) demand curve will shift to the right.
B) supply curve will shift to the right.
C) demand curve will shift to the left.
D) supply curve will shift to the left.

Answer: A
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

140) The increase in the price of a good that is used as an input for a second good, would (for the second good)
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

Answer: B
Learning Objective: 02-03
Topic: Determinants of Supply

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Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

141) The decrease in the price of a good that is used as an input for a second good, would (for the second good)
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

Answer: A
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

142) The increase in technology used to produce a good would
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

Answer: A
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

143) The decrease in technology used to produce a good would
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

Answer: B

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Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

144) The increase in the price of a good that is another potential output for another good, would (for the second good)
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

Answer: B
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

145) The decrease in the price of a good that is another potential output for another good, would (for the second good)
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

Answer: A
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

146) The increase in the number of sellers of a good would
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

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Answer: A
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

147) The decrease in the number of sellers of a good would
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

Answer: B
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

148) If there is an expectation that the price of a good will increase in the next month this would immediately
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

Answer: B
Learning Objective: 02-03
Topic: Effects of Changes in Price Expectations
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

149) If there is an expectation that the price of a good will decrease in the next month this would immediately
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

Answer: A
Learning Objective: 02-03

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Topic: Effects of Changes in Price Expectations
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

150) If a tax (paid by producers) on a good is reduced this would
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

Answer: A
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

151) If a subsidy (going to producers) is created for a good this would
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

Answer: A
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

152) If a subsidy (going to producers) on a good is eliminated this would
A) move its supply curve to the right.
B) move its supply curve to the left.
C) cause a movement along the supply curve to a (higher price, higher quantity) point.
D) cause a movement along the supply curve to a (lower price, lower quantity) point.

Answer: B
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Understand
AACSB: Analytical Thinking

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Difficulty: 1 Easy

153) If demand increases and the price doesn't change, there will be a
A) surplus.
B) both a shortage and a surplus.
C) shortage.
D) neither a shortage nor a surplus.

Answer: C
Learning Objective: 02-03
Topic: Why the New Equilibrium
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

154) If supply increases and the price doesn't change, there will be a
A) surplus.
B) both a shortage and a surplus.
C) shortage.
D) neither a shortage nor a surplus.

Answer: A
Learning Objective: 02-03
Topic: Why the New Equilibrium
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

155) If demand decreases and the price doesn't change, there will be a
A) surplus.
B) both a shortage and a surplus.
C) shortage
D) neither a shortage nor a surplus.

Answer: A
Learning Objective: 02-03
Topic: Why the New Equilibrium
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

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156) If supply decreases and the price doesn't change, there will be a
A) surplus.
B) both a shortage and a surplus.
C) shortage.
D) neither a shortage nor a surplus.

Answer: C
Learning Objective: 02-03
Topic: Why the New Equilibrium
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

157) Which of the following is true?
A) the supply curve is downward sloping and demand curve is upward sloping.
B) demand is downward sloping and supply is upward sloping.
C) both the supply curve and the demand curve are downward sloping.
D) both the supply curve and the demand curve are upward sloping.

Answer: B
Learning Objective: 02-03
Topic: Supply and Demand Model
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

158) On a supply and demand diagram
A) the horizontal axis is labeled price and the vertical axis is labeled quantity per unit time.
B) the horizontal axis is labeled quantity per unit time and the vertical axis is labeled price.
C) the horizontal axis is labeled supply and the vertical axis is labeled demand.
D) the horizontal axis is labeled demand and the vertical axis is labeled supply.

Answer: B
Learning Objective: 02-03
Topic: Supply and Demand Model
Blooms: Understand
AACSB: Analytical Thinking
Difficulty: 1 Easy

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159) Of the collection of supply and demand diagrams in Figure 2.2, which one(s) could show the result of an increase in income?

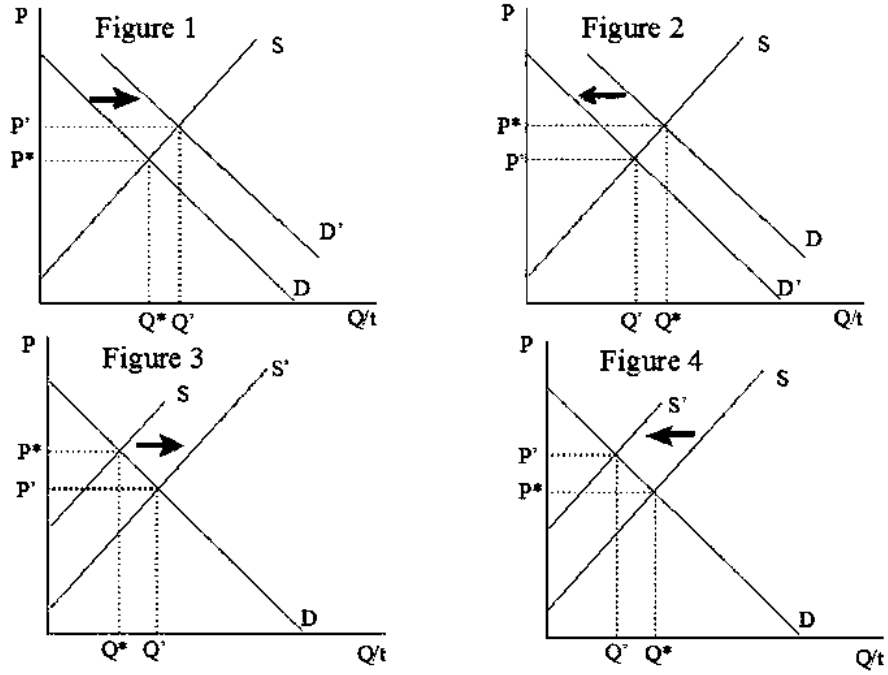

Figure 2.2

A) Figure 1
B) Figure 2
C) Figure 3
D) Figures 1 and 2

Answer: D
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

160) Of the collection of supply and demand diagrams in Figure 2.2, which one(s) could show the result of a decrease in income?

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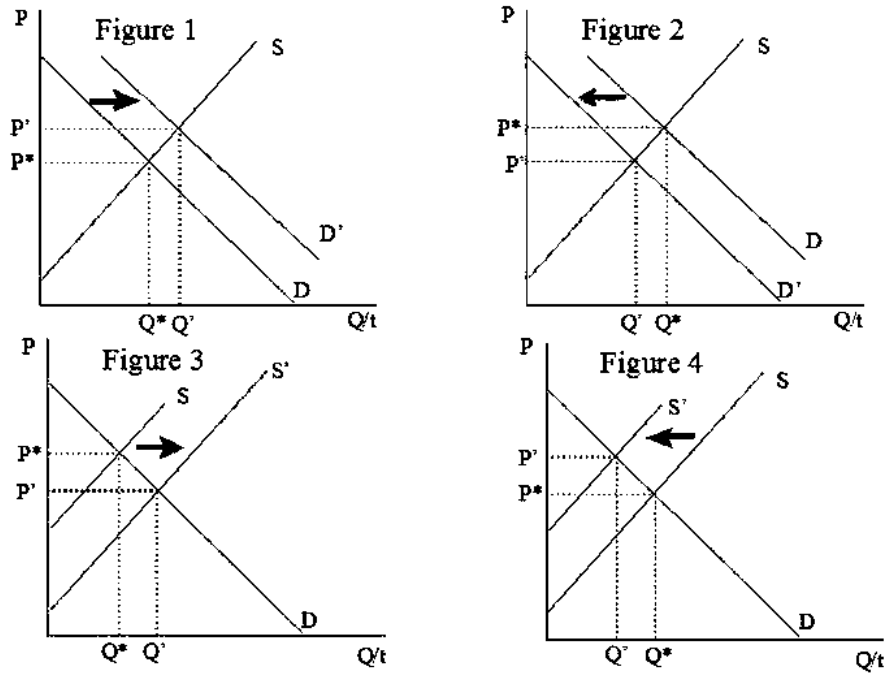

Figure 2.2

A) Figure 1
B) Figure 2
C) Figure 3
D) Figures 1 and 2

Answer: D
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

161) Of the collection of supply and demand diagrams in Figure 2.2 which one shows the result of an increase in the taste for a good?

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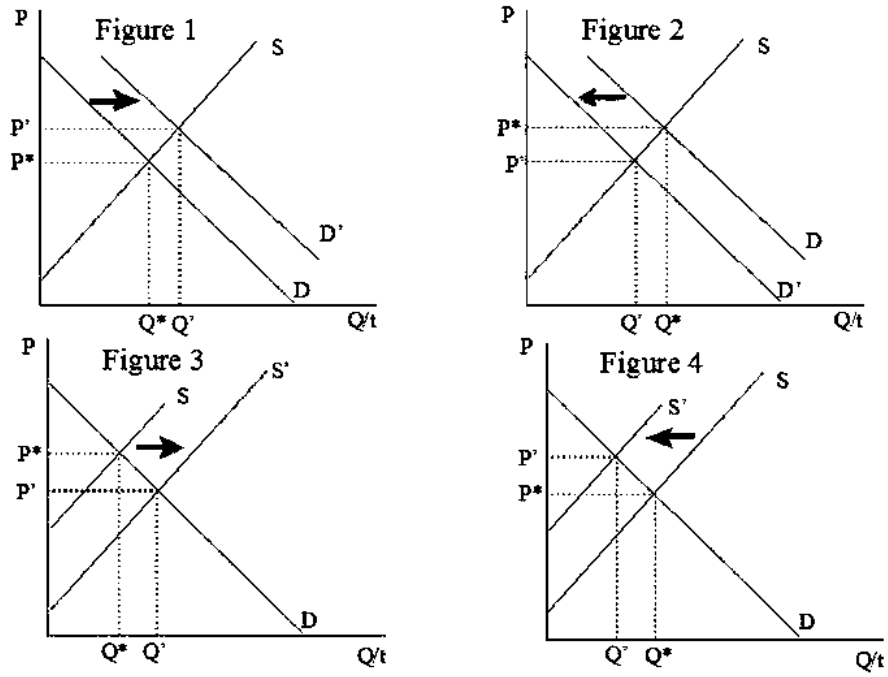

Figure 2.2

A) Figure 1
B) Figure 2
C) Figure 3
D) Figure 4

Answer: A
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

162) Of the collection of supply and demand diagrams in Figure 2.2, which one shows the result of a decrease in the taste for a good?

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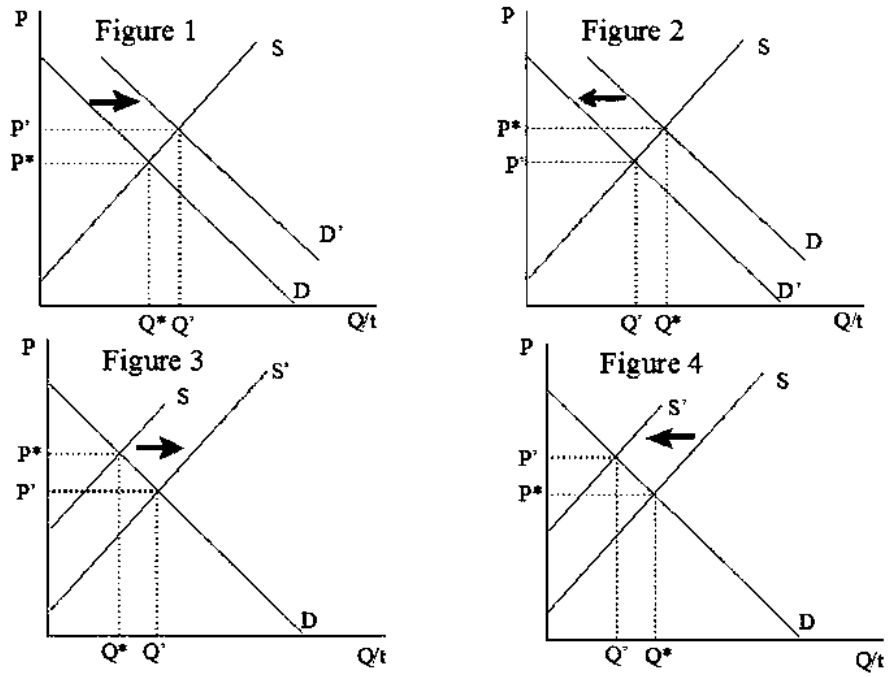

Figure 2.2

A) Figure 1
B) Figure 2
C) Figure 3
D) Figure 4

Answer: B
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

163) Of the collection of supply and demand diagrams in Figure 2.2, which one shows the result of an increase in the price of a complement for a good?

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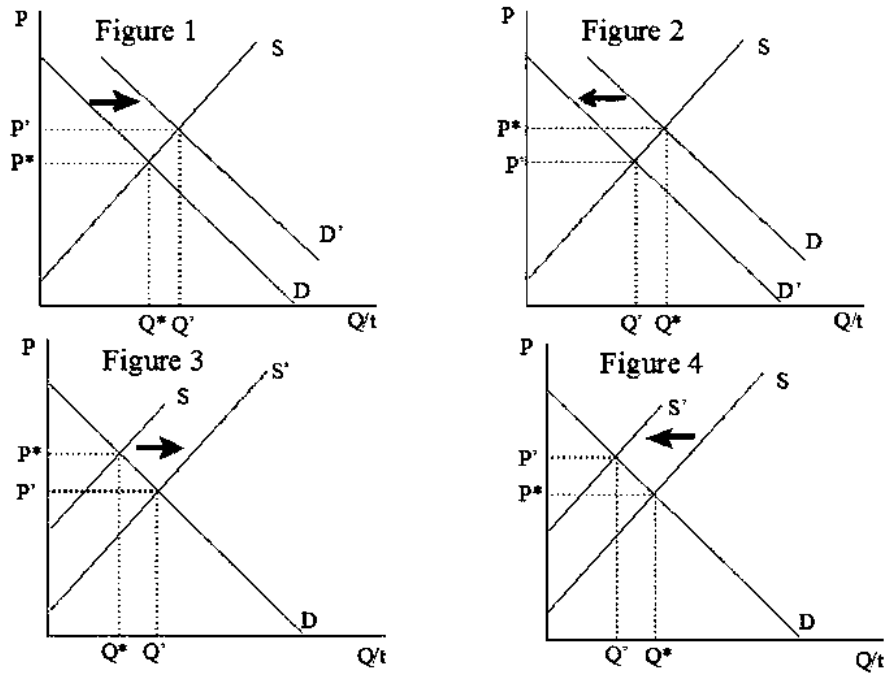

Figure 2.2

A) Figure 1
B) Figure 2
C) Figure 3
D) Figure 4

Answer: B
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

164) Of the collection of supply and demand diagrams in Figure 2.2, which one shows the result of a decrease in the price of a complement for a good?

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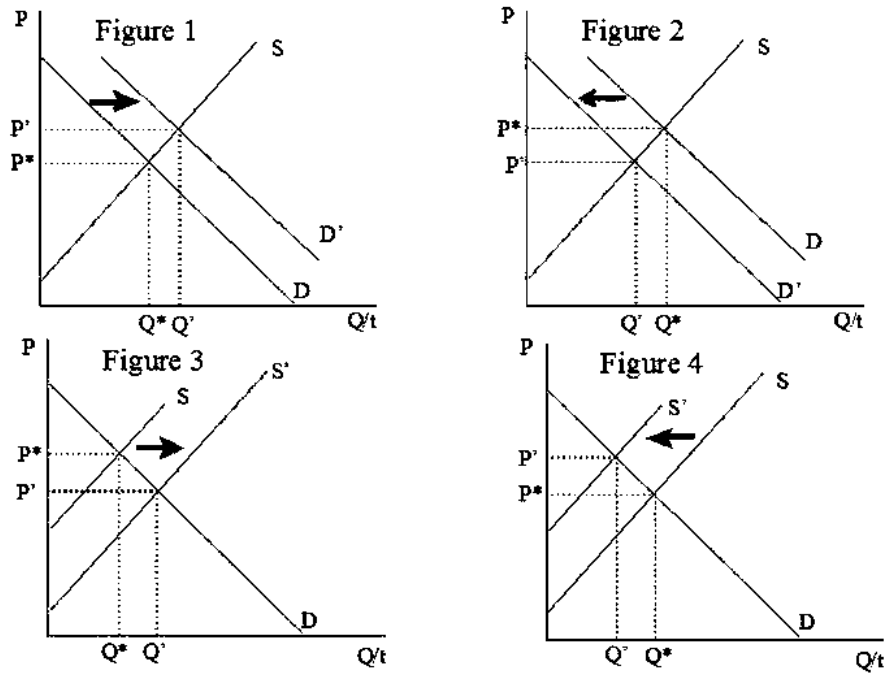

Figure 2.2

A) Figure 1
B) Figure 2
C) Figure 3
D) Figure 4

Answer: A
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

165) Of the collection of supply and demand diagrams in Figure 2.2, which one shows the result of an increase in the price of a substitute for a good?

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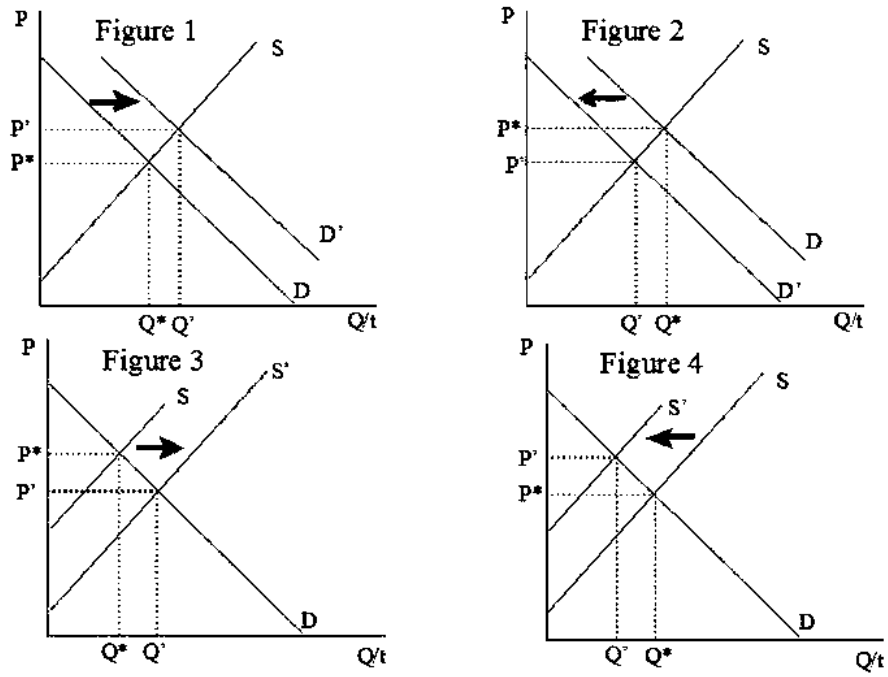

Figure 2.2

A) Figure 1
B) Figure 2
C) Figure 3
D) Figure 4

Answer: A
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

166) Of the collection of supply and demand diagrams in Figure 2.2, which one shows the result of a decrease in the price of a substitute for a good?

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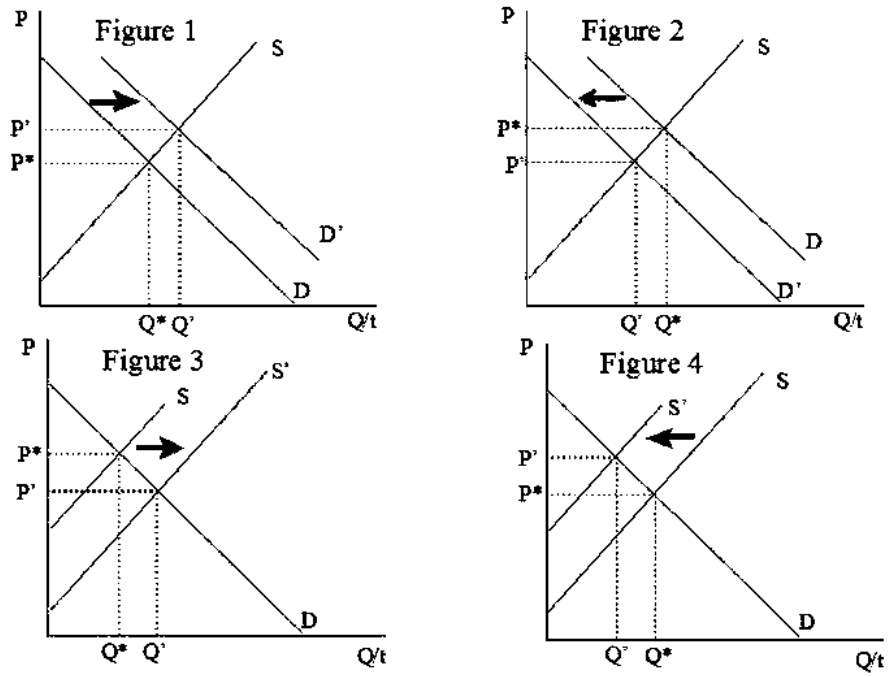

Figure 2.2

A) Figure 1
B) Figure 2
C) Figure 3
D) Figure 4

Answer: B
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

167) Of the collection of supply and demand diagrams in Figure 2.2, which one shows the

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result of an increase in income if a good is considered normal?

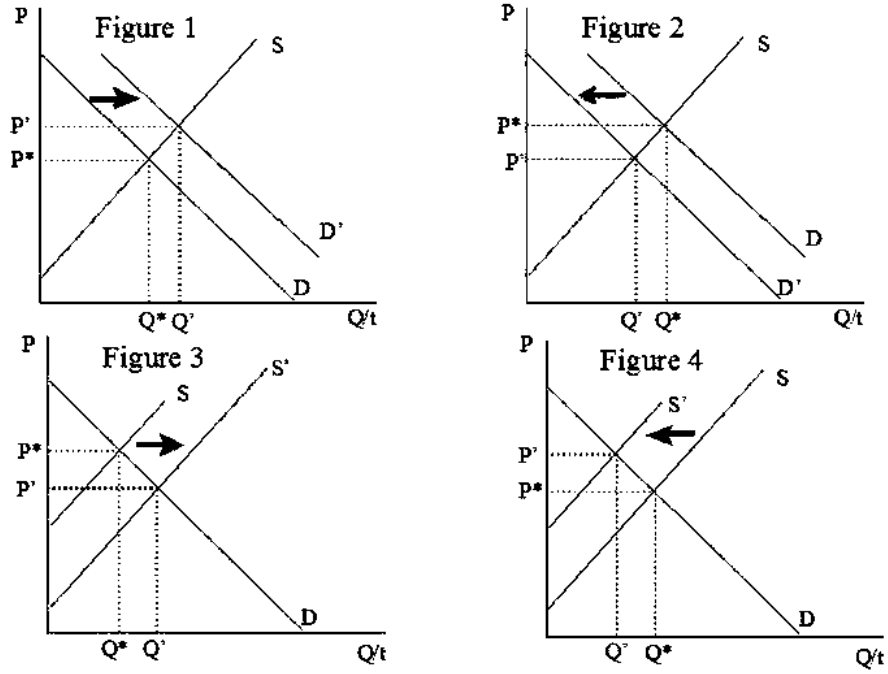

Figure 2.2

A) Figure 1
B) Figure 2
C) Figure 3
D) Figure 4

Answer: A
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

168) Of the collection of supply and demand diagrams in Figure 2.2, which one shows the result of a decrease in income if a good is considered normal?

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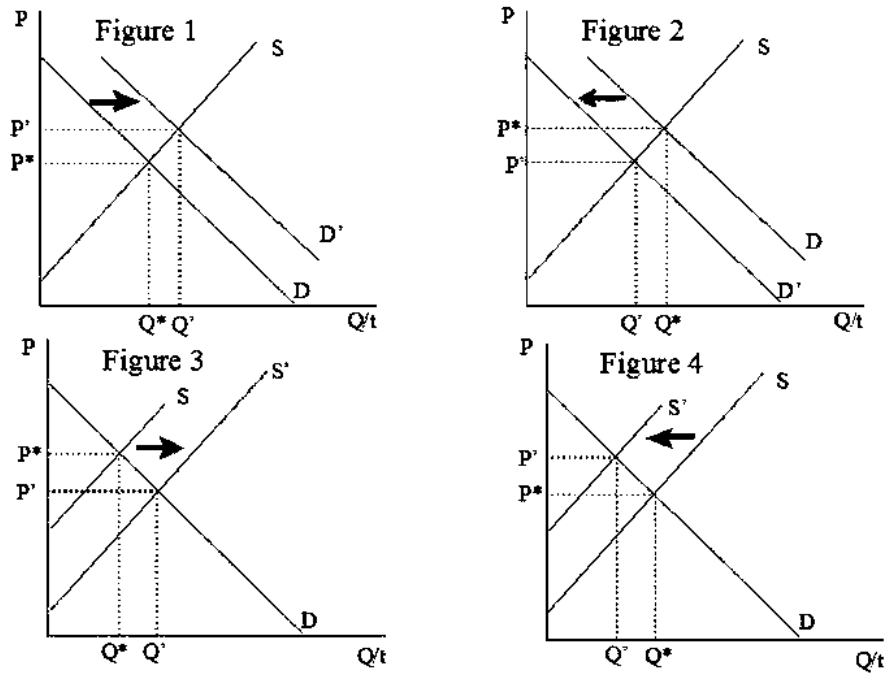

Figure 2.2

A) Figure 1
B) Figure 2
C) Figure 3
D) Figure 4

Answer: B
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

169) Of the collection of supply and demand diagrams in Figure 2.2, which one shows the result of a decrease in income if a good is considered inferior?

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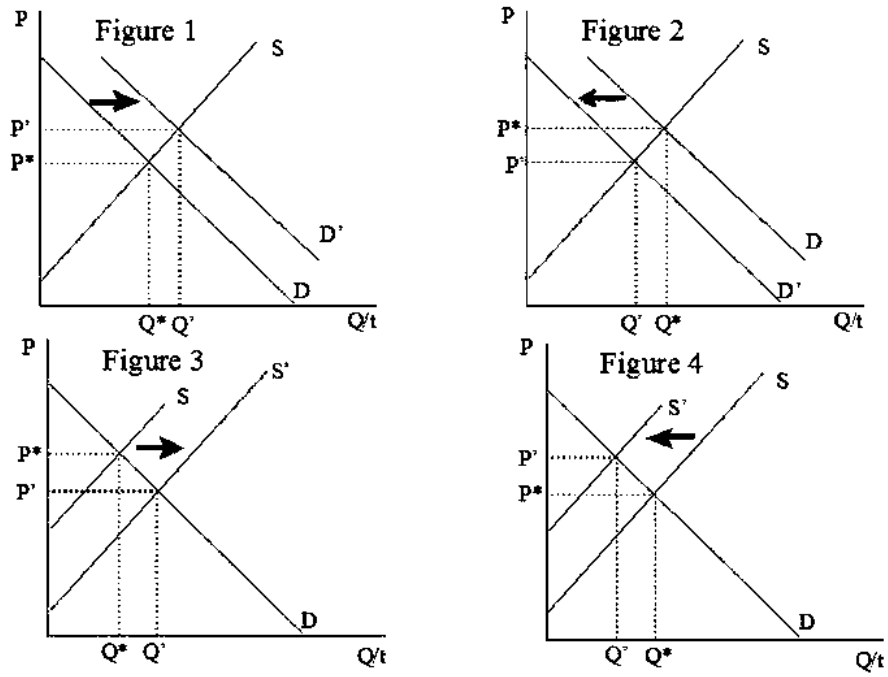

Figure 2.2

A) Figure 1
B) Figure 2
C) Figure 3
D) Figure 4

Answer: A
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

170) Of the collection of supply and demand diagrams in Figure 2.2, which one shows the result of an increase in the population of the group of people likely to buy a good?

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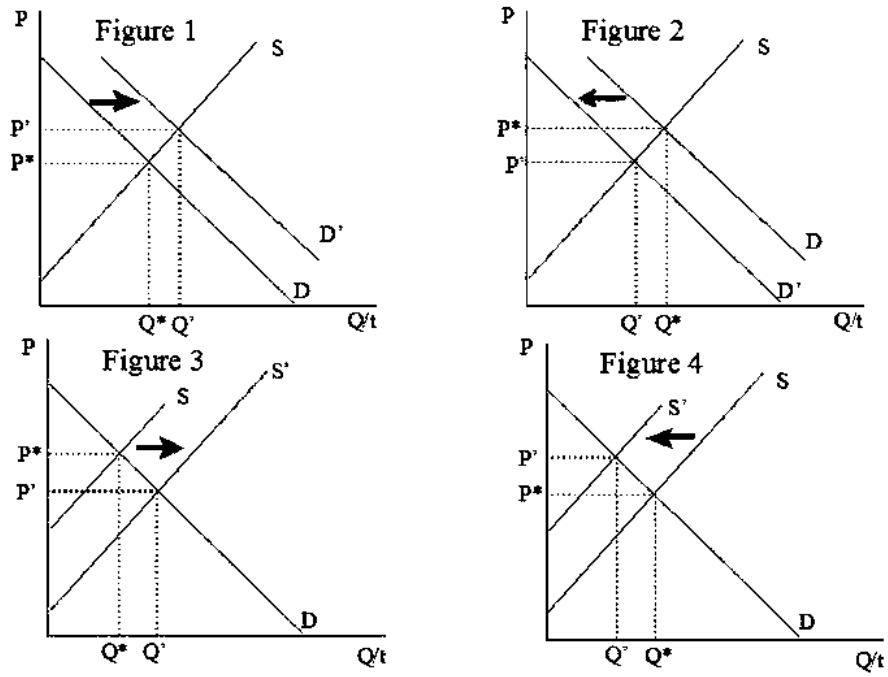

Figure 2.2

A) Figure 1
B) Figure 2
C) Figure 3
D) Figure 4

Answer: A
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

171) Of the collection of supply and demand diagrams in Figure 2.2, which one shows the result of a decrease in the population of the group of people likely to buy a good?

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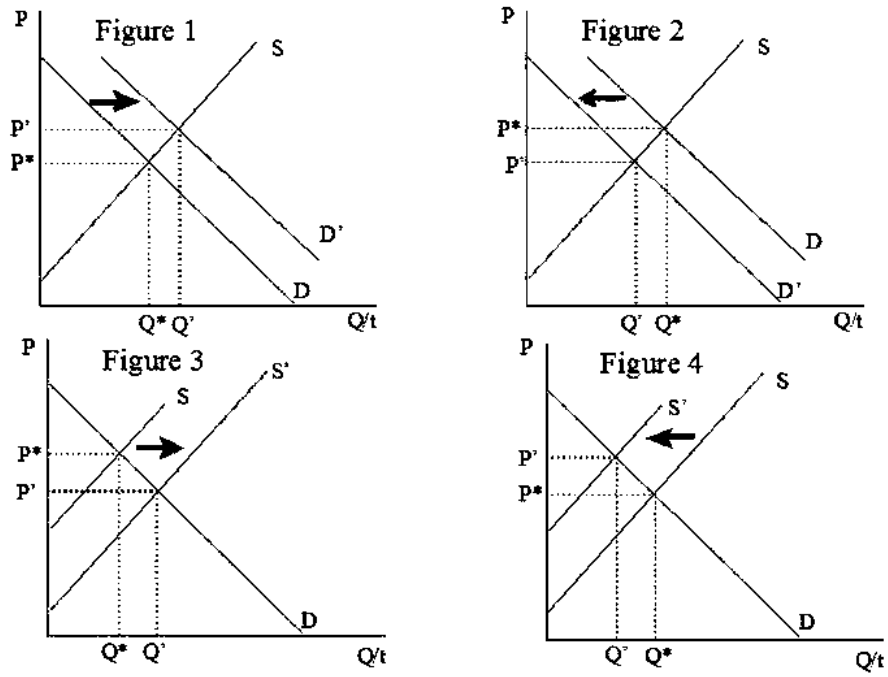

Figure 2.2

A) Figure 1
B) Figure 2
C) Figure 3
D) Figure 4

Answer: B
Learning Objective: 02-03
Topic: Determinants of Demand
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

172) Of the collection of supply and demand diagrams in Figure 2.2 which one shows the result of an increase in technology in the market for anything?

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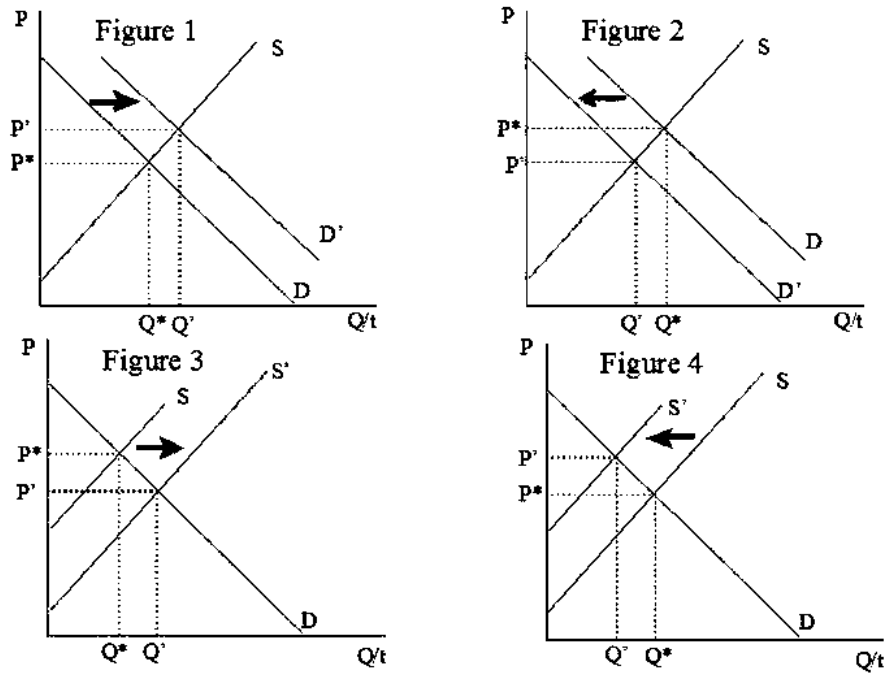

Figure 2.2

A) Figure 1
B) Figure 2
C) Figure 3
D) Figure 4

Answer: C
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

173) Of the collection of supply and demand diagrams in Figure 2.2 which one shows the result of a decrease in technology in the market for anything?

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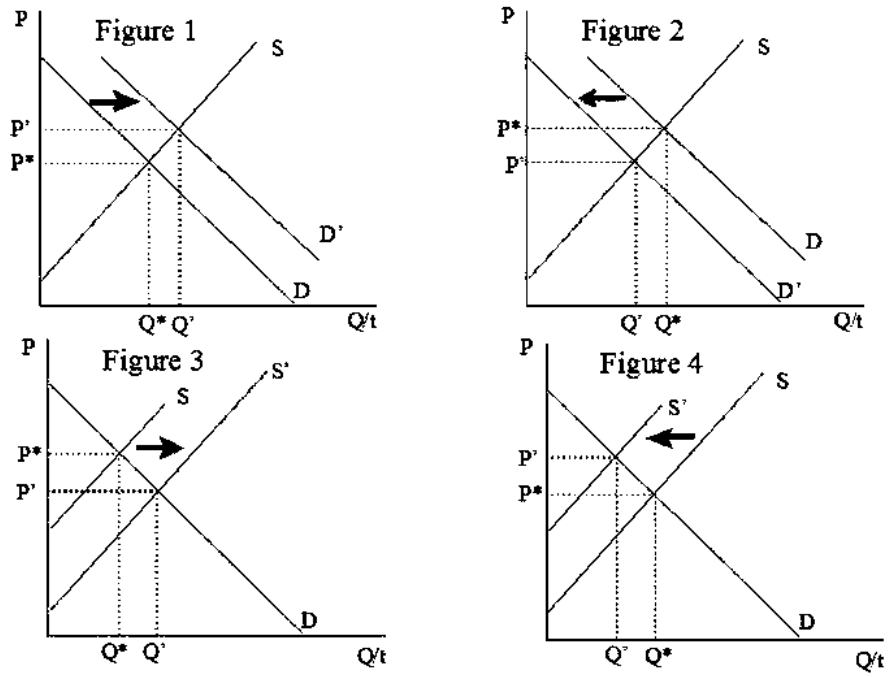

Figure 2.2

A) Figure 1
B) Figure 2
C) Figure 3
D) Figure 4

Answer: D
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

174) Of the collection of supply and demand diagrams in Figure 2.2, which one shows the result of an increase in the price of an input in the market for anything?

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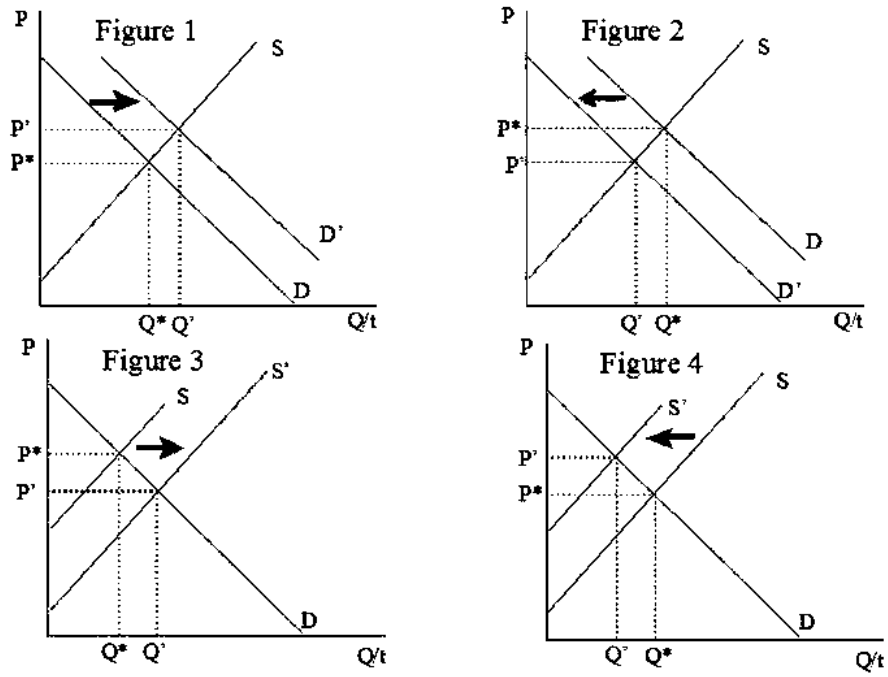

Figure 2.2

A) Figure 1
B) Figure 2
C) Figure 3
D) Figure 4

Answer: D
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

175) Of the collection of supply and demand diagrams in Figure 2.2, which one shows the result of a decrease in the price of an input in the market for anything?

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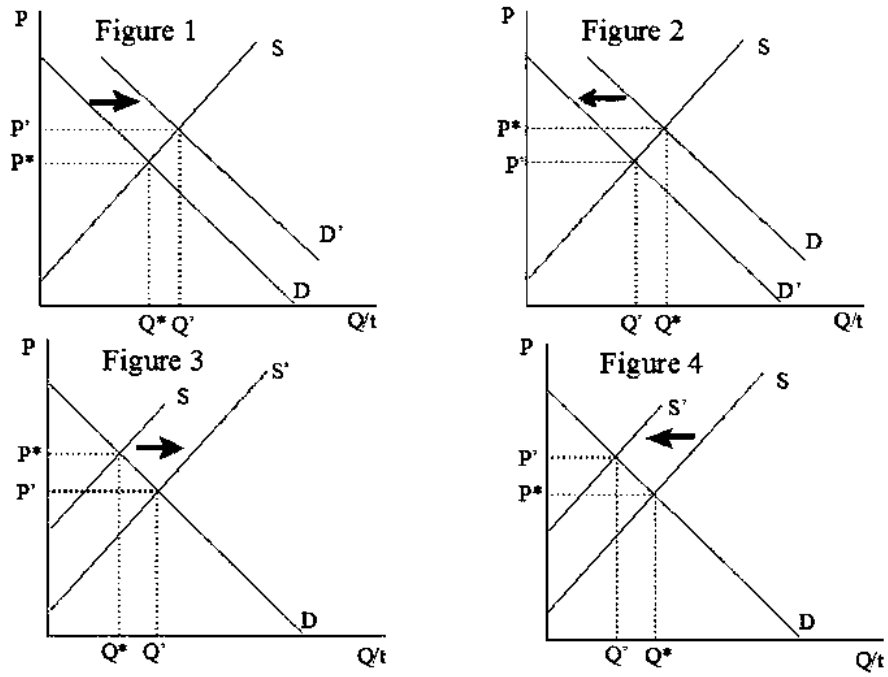

Figure 2.2

A) Figure 1
B) Figure 2
C) Figure 3
D) Figure 4

Answer: C
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

176) Of the collection of supply and demand diagrams in Figure 2.2, which one shows the result of an increase in the number of sellers in the market for anything?

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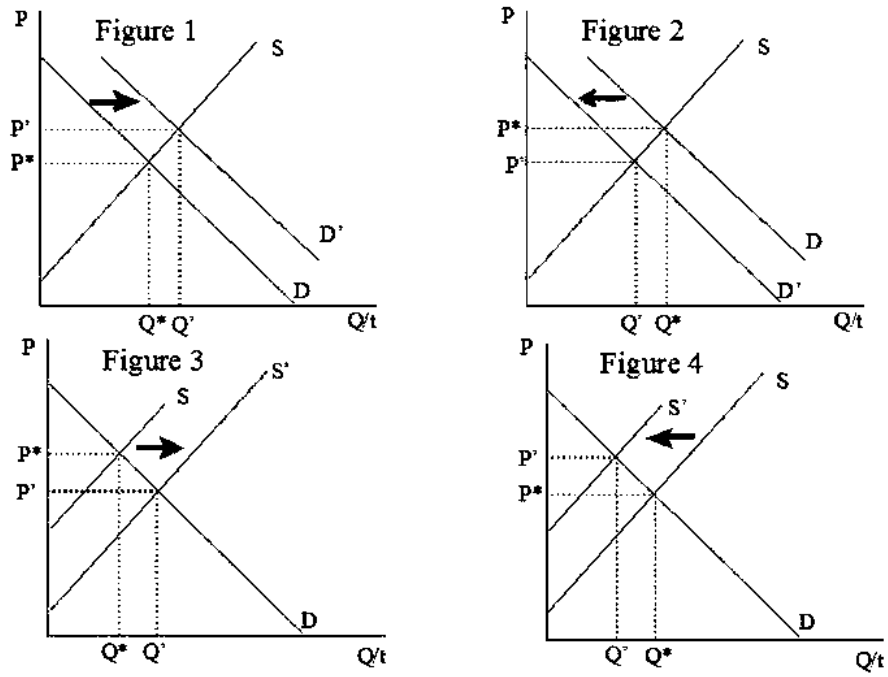

Figure 2.2

A) Figure 1
B) Figure 2
C) Figure 3
D) Figure 4

Answer: C
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

177) Of the collection of supply and demand diagrams in Figure 2.2, which one shows the result of a decrease in the number of sellers in the market for anything?

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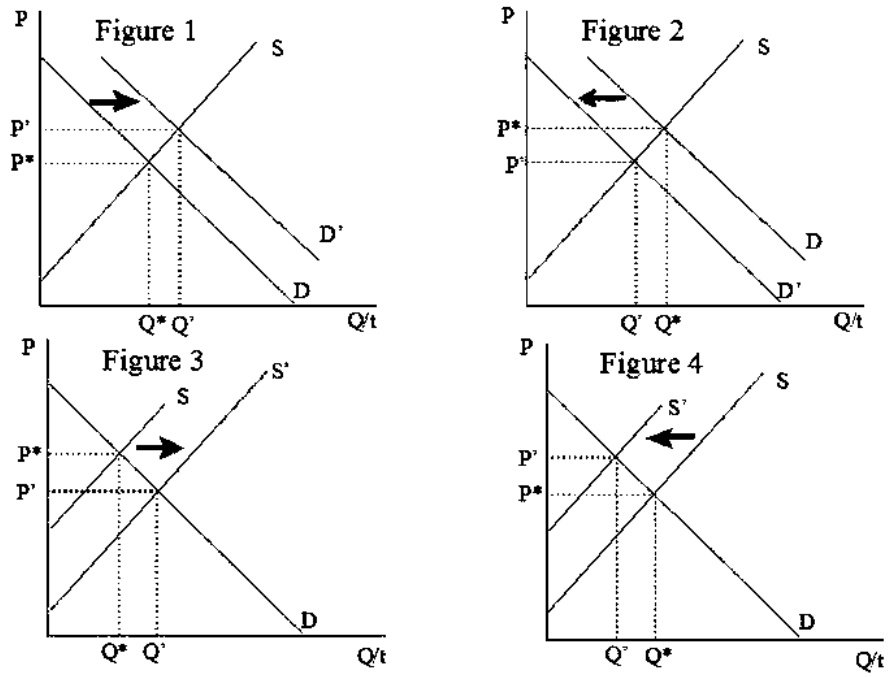

Figure 2.2

A) Figure 1
B) Figure 2
C) Figure 3
D) Figure 4

Answer: D
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

178) Of the collection of supply and demand diagrams in Figure 2.2 which one(s) show the result of an increase in the expected future price?

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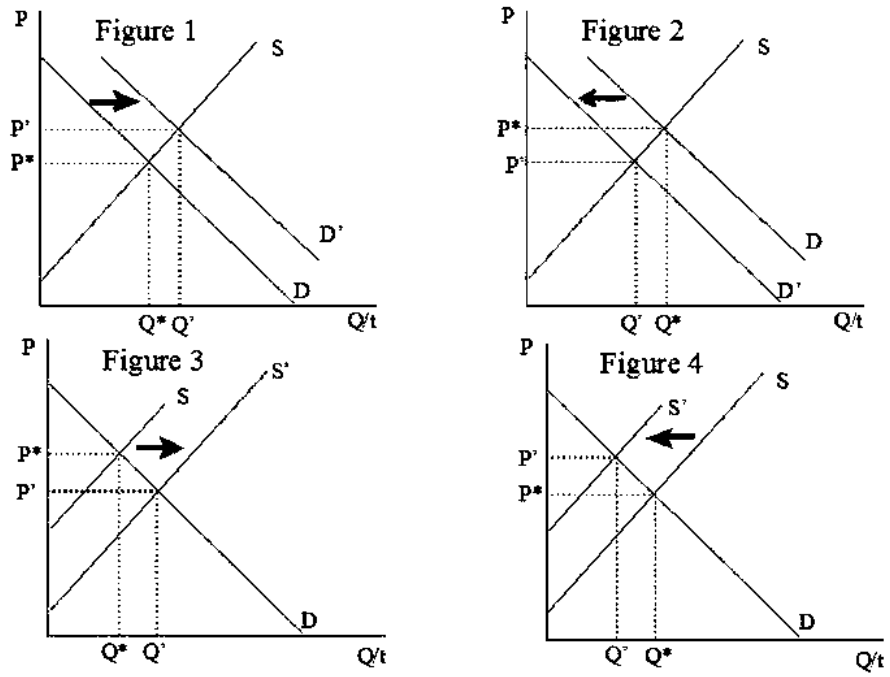

Figure 2.2

A) Figure 1
B) Figure 4
C) Figures 2 and 3
D) Figures 1 and 4

Answer: D
Learning Objective: 02-03
Topic: Effects of Changes in Price Expectations
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

179) Of the collection of supply and demand diagrams in Figure 2.2 which one(s) show the result of an decrease in the expected future price?

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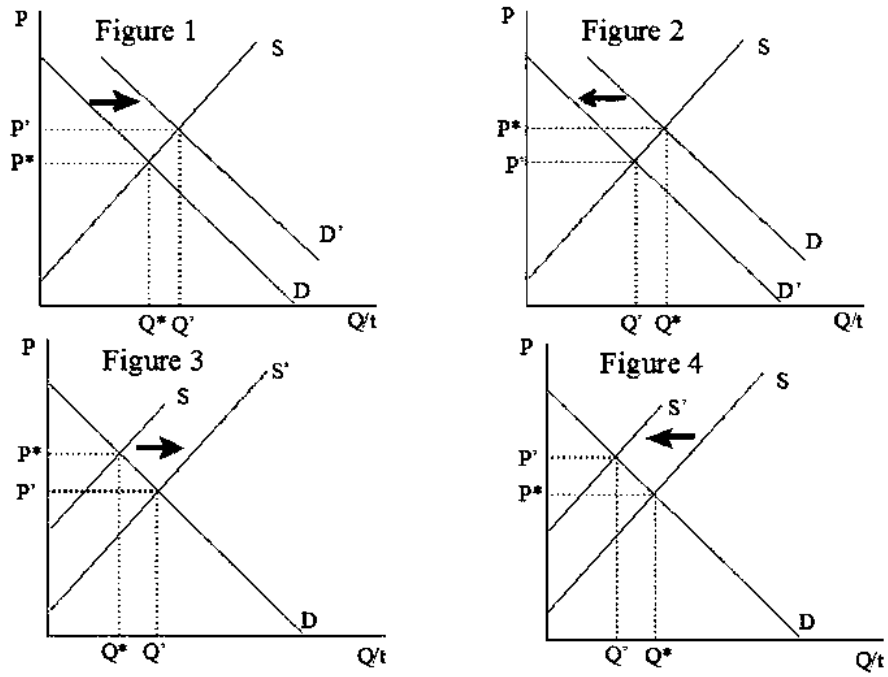

Figure 2.2

A) Figure 1
B) Figure 4
C) Figures 2 and 3
D) Figures 1 and 4

Answer: C
Learning Objective: 02-03
Topic: Effects of Changes in Price Expectations
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

180) If two goods can be made with essentially the same inputs, which one of the collection of supply and demand diagrams above shows the result of an increase in the price of one on the market for the other?
A) Figure 1
B) Figure 2
C) Figure 3
D) Figure 4

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Answer: D
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

181) If two goods can be made with essentially the same inputs, which one of the collection of supply and demand diagrams above shows the result of a decrease in the price of one on the market for the other.
A) Figure 1
B) Figure 2
C) Figure 3
D) Figure 4

Answer: C
Learning Objective: 02-03
Topic: Determinants of Supply
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

182) If the price of a bottle of orange juice in the downtown area is $0.50 per bottle and, at that price, each of the 10,000 people working in the downtown area wants to buy two bottles of orange juice per day, the quantity demanded in the downtown orange juice market would be
A) 5,000 bottles per day.
B) 10,000 bottles per day.
C) 15,000 bottles per day.
D) 20,000 bottles per day.

Answer: D
Learning Objective: 02-02
Topic: All About Demand
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

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183) Market quantity demanded measures the amount of the product that people in the market want to buy
A) if the government subsidizes their purchase.
B) if the sellers in the market force them to buy.
C) per person.
D) per unit time, such as a day or week.

Answer: D
Learning Objective: 02-02
Topic: All About Demand
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

184) If the price of a bottle of orange juice in the downtown orange juice market is $0.50 per bottle, vendors will happily sell orange juice in the market only if their cost per bottle is
A) subsidized by the government.
B) greater than $0.50.
C) less than $0.50.
D) zero.

Answer: C
Learning Objective: 02-02
Topic: All About Supply
Blooms: Evaluate
AACSB: Analytical Thinking
Difficulty: 3 Hard

185) Where the supply and demand curves cross, the amount that consumers want to buy is
A) more than the amount they wanted to buy yesterday.
B) more than the amount firms want to sell.
C) equal to the amount firms want to sell.
D) less than the amount firms want to sell.

Answer: C
Learning Objective: 02-02
Topic: Supply and Demand Model
Blooms: Apply
AACSB: Analytical Thinking
Difficulty: 2 Medium

186) If the price is so low that vendors start to run out of bottled orange juice, they might ration their remaining inventory among willing buyers by

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A) raising the price per bottle.
B) lowering the price per bottle.
C) closing early.
D) creating a shortage.

Answer: A
Learning Objective: 02-03
Topic: Why the New Equilibrium
Blooms: Apply
AACSB: Analytical Thinking
Difficulty: 2 Medium

187) If the price is so high that vendors find too many unsold bottles remaining in inventory, they might dispose of their excess inventory by
A) raising the price per bottle.
B) lowering the price per bottle.
C) closing early.
D) creating a surplus.

Answer: B
Learning Objective: 02-03
Topic: Why the New Equilibrium
Blooms: Apply
AACSB: Analytical Thinking
Difficulty: 2 Medium

188) The supply curve slopes upward because producers' cost per unit eventually
A) decreases as more units are sold.
B) remains unchanged as more units are sold.
C) increases as more units are sold.
D) will be subsidized by the government.

Answer: C
Learning Objective: 02-03
Topic: Why the New Equilibrium
Blooms: Apply
AACSB: Analytical Thinking
Difficulty: 2 Medium

189) During flu season, as people try to boost their immune system believing that orange juice

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might aid in keeping viruses at bay,
A) the taste for orange juice would rise.
B) the taste for orange juice would fall.
C) the taste for orange juice would remain unchanged.
D) the price of orange juice would fall.

Answer: A
Learning Objective: 02-03
Topic: All About Demand
Blooms: Apply
AACSB: Analytical Thinking
Difficulty: 2 Medium

190) If people consume fewer bottles of orange juice as their income rises, orange juice is
A) a necessity.
B) an abnormal good.
C) a normal good.
D) an inferior good.

Answer: D
Learning Objective: 02-03
Topic: All About Demand
Blooms: Apply
AACSB: Analytical Thinking
Difficulty: 2 Medium

191) Orange juice and grapefruit juice are likely to be
A) complementary to one another.
B) substitutes for one another.
C) inferior goods.
D) all of the above.

Answer: B
Learning Objective: 02-03
Topic: All About Demand
Blooms: Apply
AACSB: Analytical Thinking
Difficulty: 2 Medium

192) When the expected future price of a good rises,
A) sellers increase their willingness to sell.
B) consumers increase their willingness to buy, or "stock up".
C) consumers decrease their willingness to buy, or "draw down".

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D) sellers' willingness to sell remains unchanged.

Answer: B
Learning Objective: 02-03
Topic: Effects of Changes in Price Expectations
Blooms: Apply
AACSB: Analytical Thinking
Difficulty: 2 Medium

193) Since teachers are an input in the production of education, when teacher salaries increase
A) the supply of education decreases.
B) the supply of education increases.
C) the demand for education decreases.
D) the demand for teachers increases.

Answer: A
Learning Objective: 02-03
Topic: All About Supply
Blooms: Apply
AACSB: Analytical Thinking
Difficulty: 2 Medium

194) Improvements in technology tend to
A) increase supply.
B) lower the cost of producing a given output.
C) increase the output produced for a given cost.
D) all of the above.

Answer: D
Learning Objective: 02-03
Topic: All About Supply
Blooms: Apply
AACSB: Analytical Thinking
Difficulty: 2 Medium

195) In a market served by vendors who sell both orange juice and bottled water from their carts, an increase in the price of bottled water will tend to
A) reduce the supply of bottled water.

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B) increase the supply of bottled water.
C) reduce the supply of orange juice.
D) increase the supply of orange juice.

Answer: C
Learning Objective: 02-03
Topic: All About Supply
Blooms: Apply
AACSB: Analytical Thinking
Difficulty: 2 Medium

196) If farmers expect the government to increase subsidies on corn grown next year for ethanol production, we should not be surprised to observe
A) a decrease in corn production.
B) a decrease in ethanol production.
C) a decrease in wheat production.
D) all of the above.

Answer: C
Learning Objective: 02-03
Topic: All About Supply
Blooms: Apply
AACSB: Analytical Thinking
Difficulty: 2 Medium

197) On the Heritage Foundation's scale of "Economic Freedom," which of the following countries is least "Free"?
A) Hong Kong
B) United States
C) New Zealand
D) Russia

Answer: D
Learning Objective: 02-01
Topic: Supply and Demand Model
Blooms: Remember
AACSB: Analytical Thinking
Difficulty: 1 Easy

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198) On the Heritage Foundation's scale of "Economic Freedom," which of the following countries is most "Free"?
A) Venezuela
B) Ireland
C) North Korea
D) Russia

Answer: B
Learning Objective: 02-01
Topic: Supply and Demand Model
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199) On the Heritage Foundation's scale of "Economic Freedom," which of the following factors contribute to "Economic Freedom"?
A) high tariffs to protect domestic jobs
B) a minimum wage guaranteeing
C) a legal system conducive to business
D) a vibrant labor union movement

Answer: C
Learning Objective: 02-01
Topic: Supply and Demand Model
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200) A per unit tax or percentage tax on a good or service that must be paid by consumers of that good is
A) a subsidy.
B) taxation without representation.
C) a gift tax.
D) an excise tax.

Answer: D
Learning Objective: 02-03
Topic: All About Demand
Blooms: Apply
AACSB: Analytical Thinking
Difficulty: 2 Medium

201) An increase in the excise tax imposed upon consumers of gasoline

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A) increases the demand for gasoline.
B) decreases the demand for gasoline.
C) increases the supply of gasoline.
D) lowers the market price of gasoline.

Answer: B
Learning Objective: 02-03
Topic: All About Demand
Blooms: Apply
AACSB: Analytical Thinking
Difficulty: 2 Medium

202) An increase in the excise tax imposed upon consumers of gasoline
A) shifts the demand for gasoline to the left.
B) shifts the demand for gasoline to the right.
C) shifts the supply of gasoline to the right.
D) shifts the market price of gasoline.

Answer: A
Learning Objective: 02-03
Topic: All About Demand
Blooms: Apply
AACSB: Analytical Thinking
Difficulty: 2 Medium

203) An increase in the subsidy paid to producers of tobacco
A) increases the demand for tobacco.
B) decreases the demand for tobacco.
C) increases the supply of tobacco.
D) increases the market price of tobacco.

Answer: C
Learning Objective: 02-03
Topic: All About Supply
Blooms: Apply
AACSB: Analytical Thinking
Difficulty: 2 Medium

204) An increase in the subsidy paid to producers of tobacco
A) shifts the supply of tobacco to the right.
B) shifts the demand for tobacco to the left.
C) shifts the demand for tobacco to the right.
D) shifts the market price of tobacco.

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Answer: A
Learning Objective: 02-03
Topic: All About Supply
Blooms: Apply
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