MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) A relative price is
   A) the number of dollars that must be given up in exchange for the good.
   B) the ratio of one price to another price.
   C) not an opportunity cost.
   D) also called the money price.

2) The "law of demand" is illustrated by a
   A) rightward shift of the demand curve.
   B) movement along the demand curve.
   C) leftward shift of the demand curve.
   D) Both answers A and B are correct.

3) Which of the following will occur in the market for soft drinks if the money price of soft drinks increases?
   I) The relative price of soft drinks increases.
   II) The substitution effect may cause people to switch to drinking bottled water.
   A) II only
   B) I only
   C) neither I nor II
   D) both I and II

4) Suppose that the price of cereal rises. As a result, people have cereal for breakfast on fewer days and eat eggs instead. This behavior is an example of
   A) an increase in quantity supplied of eggs because of the income effect.
   B) a decrease in the quantity demanded of cereal because of the substitution effect.
   C) a decrease in quantity supplied of cereal because of the substitution effect.
   D) an increase in quantity demanded of eggs because of the income effect.

5) The "income effect" in the market for aspirin means that
   A) a decrease in the price of a substitute good like acetaminophen will make aspirin takers feel a little poorer than they were before.
   B) aspirin are generally taken by people with higher than average incomes.
   C) an increase in the price of aspirin will reduce the total purchasing power of aspirin takers, making them able to afford fewer aspirin.
   D) an increase in the price of aspirin will cause headache sufferers to look for a lower priced remedy.

6) When the price of a normal good falls, ceteris paribus, the substitution effect leads to _______ in the quantity purchased and the income effect leads to _______ in the quantity purchased.
   A) a decrease; a decrease
   B) an increase; an increase
   C) an increase; a decrease
   D) a decrease; an increase

7) Which of the following would lead to a movement along, but no shift in, the demand curve for spinach?
   A) a newly discovered increase in the nutritional value of spinach
   B) an increase in the price of broccoli, a substitute for spinach
   C) an increase in income for all spinach lovers
   D) disastrous weather that destroys about half of this year's spinach crop
8) The observation that the demand curve for grape jelly shifted rightward every time the price of peanut butter fell means that grape jelly and peanut butter are

9) If the price of chicken falls, then in the market for beef,
A) the demand curve for beef would shift rightward.
B) there would be a movement downward along the demand curve for beef.
C) the demand curve for beef would shift leftward.
D) there would be a movement upward along the demand curve for beef.

10) If the price of a DVD player falls, then in the market for DVDs,
A) the demand curve for DVDs would shift rightward.
B) there would be a movement upward along the demand curve for DVDs.
C) the demand curve for DVDs would shift leftward.
D) there would be a movement downward along the demand curve for DVDs.

11) Georgine buys more sweaters when her income increases. For Georgine, sweaters are a(n)
A) inferior good.  B) normal good.  C) substitute.  D) complement.

12) Which of the following statements is correct?
A) A change in demand and change in quantity demanded means the same thing.
B) A change in demand means a shift in the demand curve while change in the quantity demanded means a movement along the demand curve.
C) A change in demand means a movement along the demand curve.
D) A change in the quantity demanded means a shift in the demand curve.

13) Consider the market for soft drinks shown in the figure above. Suppose the economy is at point a. What would result in a movement to point c?
A) a decrease in the price of bottled water
B) a decrease in income
C) an increase in the relative price of a soft drink
D) a decrease in the relative price of a soft drink
14) The "law of supply" states that, other things remaining the same,
   A) firms will produce less of a good the more it costs to produce it.
   B) firms will produce more of a good the less it costs to produce it.
   C) firms will produce more of a good the higher its price.
   D) firms will produce less of a good as the required resources become scarcer.

15) If the price of chocolate chip cookies falls, then
   A) the supply curve of chocolate chip cookies would shift leftward.
   B) there would be a movement downward along the supply curve of chocolate chip cookies.
   C) the supply curve of chocolate chip cookies would shift rightward.
   D) there would be a movement upward along the supply curve of chocolate chip cookies.

16) Which of the following will decrease the supply of restaurant meals?
   A) The demand for restaurant meals decreases.
   B) Consumers' income increases and restaurant meals are a normal good.
   C) Waiters get a pay raise.
   D) The price of movies, a complement to restaurant meals, falls.

17) If the price of lumber rises, then, in the market for sawdust,
   A) there would be a movement downward along the supply curve for sawdust.
   B) the supply curve of sawdust shifts rightward.
   C) the supply curve of sawdust shifts leftward.
   D) there would be a movement upward along the supply curve for sawdust.

18) As the price of a pound of peanuts falls, the
   A) quantity of peanuts supplied will decrease.
   B) quantity of peanuts supplied will increase.
   C) supply of peanuts will decrease.
   D) supply of peanuts will increase.

19) When a market is in equilibrium
   A) there is no automatic tendency for either the supply curve or the demand curve to shift.
   B) there is not a surplus at the existing price.
   C) there is not a shortage at the existing price.
   D) All of the above answers are correct.

20) If the U.S. Surgeon General announces that increased wheat consumption could cause heightened anxiety levels among children and adults, what happens to the equilibrium price and quantity of shredded wheat?
   A) The equilibrium price falls and the equilibrium quantity decreases.
   B) The equilibrium price rises and the equilibrium quantity increases.
   C) The equilibrium price rises and the equilibrium quantity decreases.
   D) The equilibrium price falls and the equilibrium quantity increases.

21) Coffee and sugar are complements. If a poor sugar harvest leads to an increase in the price of sugar, there will also be
   A) a rightward shift in the demand curve for coffee.
   B) a leftward shift of the supply curve of coffee.
   C) an increase in coffee prices as well.
   D) a decrease in coffee prices.
22) A decrease in the demand for beef because of concerns over cholesterol will result in
   A) an offsetting increase in the demand for beef if the price of beef falls.
   B) higher beef prices.
   C) an increase in the supply of beef.
   D) lower beef prices.

23) If the price of crude oil falls, the equilibrium price of gasoline _______ and the equilibrium quantity _______.
   A) rises; decreases
   B) falls; increases
   C) rises; increases
   D) falls; decreases

24) What is the effect on the price of wooden desks and quantity of wooden desks sold if the price of wood, a resource used to produce wooden desks, rises?
   A) The equilibrium quantity of wooden desks decreases and the equilibrium price falls.
   B) The equilibrium quantity of wooden desks increases and the equilibrium price falls.
   C) The equilibrium quantity of wooden desks decreases and the equilibrium price rises.
   D) The equilibrium quantity of wooden desks increases and the equilibrium price rises.

25) If demand increases and supply decreases, what is the effect on equilibrium price and equilibrium quantity?
   A) The price rises and the quantity might increase, decrease or remain the same.
   B) The quantity increases and the price might rise, fall, or remain the same.
   C) The quantity decreases and the price might rise, fall, or remain the same.
   D) The price falls and the quantity might increase, decrease, or remain the same.
Answer Key
Testname: MICRO QUIZ1

1) B
2) B
3) D
4) B
5) C
6) B
7) D
8) A
9) C
10) A
11) B
12) B
13) B
14) C
15) B
16) C
17) B
18) A
19) D
20) A
21) D
22) D
23) B
24) C
25) A