Added exercises

1. The term quantity demanded refers to the

(a) amount of a good that consumers are willing to purchase at some price during some given time period.
(b) amount of some good that consumers would purchase if they only had the income to afford it.
(c) amount of a good that is actually purchased during a given time period.
(d) minimum amount of a good that consumers require and demand for survival.
(e) amount of a good that consumers are willing to purchase regardless of price.

2. An increase in quantity demanded refers to

(a) rightward shifts in the demand curve only.
(b) a movement up along a demand curve.
(c) a greater willingness to purchase at each price.
(d) an increase in actual purchases.
(e) a movement down along a demand curve.

3. The demand curve and the demand schedule

(a) each reflect the relationship between quantity demanded and price, *ceteris paribus*.
(b) show the impact of changes in income or tastes.
(c) are constructed on the assumption that price is held constant.
(d) illustrate that in economic analysis, only two variables are taken into account at any one time.
(e) characterize the relationship between price and actual purchases.

4. An increase in demand means that

(a) consumers actually buy more of the good.
(b) at each price, consumers desire a greater quantity.
(c) consumers' tastes have necessarily changed.
(d) price has decreased.
(e) All of the above are correct.

6. Increased public awareness of the adverse health effects of smoking

(a) is a noneconomic event that cannot be incorporated into the demand and supply model.
(b) is characterized as a change in tastes that leads to a leftward shift in the demand curve for cigarettes.
(c) will lead to an eventual increase in the price of cigarettes due to shifts in the demand curve for cigarettes.
(d) induces a decrease in the supply of cigarettes.
(e) decreases the quantity demanded of cigarettes.

7. In economics the term "inferior good" means that

(a) the good is of low quality.
(b) an increase in income shifts its demand curve inward to the left.
(c) one of its complementary goods has a significantly higher price.
(d) demand does not change when the price of a substitute good changes
(e) Both (c) and (d) are correct.

8. **A shift in the supply curve may be caused by any of the following except**
   (a) an improvement in technology.
   (b) an increase in the wage paid to labour.
   (c) an increase in average consumer income.
   (d) an increase in the number of firms in the industry.
   (e) Both (b) and (c) are correct.

9. **A rightward shift in the supply curve indicates**
   (a) a decrease in price.
   (b) an increase in demand.
   (c) an increase in quantity supplied.
   (d) that at each price quantity supplied has increased.
   (e) an increase in consumers' desire for a product.

10. **An increase in the price of an input will**
   (a) decrease quantity supplied.
   (b) decrease quantity supplied at each price.
   (c) decrease supply.
   (d) cause the supply curve to shift to the left.
   (e) Answers (b), (c) and (d) are all correct.

11. **A movement along a supply curve could be caused by**
   (a) an improvement in technology.
   (b) a government subsidy to producers.
   (c) a change in the price of the product.
   (d) a change in the number of producers.
   (e) an decrease in production costs.

12. **When two goods are complements *in production***
   (a) a fall in the price of one will increase demand for the other.
   (b) an increase in the price of one will increase the supply of the other.
   (c) an increase in the production of one must be offset by a decrease in production of the other.
   (d) they have identical supply curves.
   (e) they must also be complements in consumption.

15. **An increase in both equilibrium price and quantity exchanged is consistent with**
   (a) an increase in supply.
   (b) a decrease in supply.
   (c) a decrease in quantity supplied.
   (d) an increase in demand.
   (e) a decrease in demand.

16. **Assuming a downward-sloping demand curve, an improvement in production technology is predicted to lead to**
   (a) a decrease in supply.
   (b) an increase in both equilibrium price and quantity exchanged.
   (c) a decrease in equilibrium price and an increase in equilibrium quantity exchanged.
   (d) a decrease in equilibrium price but no change in equilibrium quantity exchanged.
   (e) an increase in equilibrium price and a decrease in equilibrium quantity exchanged.

18. When price exceeds its equilibrium value, the quantity actually bought and sold

(a) is the quantity demanded.
(b) is the quantity supplied.
(c) is unknown because the market is not in equilibrium.
(d) is different for consumers than for producers.
(e) is the quantity at equilibrium.

19. A change in the money price of a product, other things constant, is

(a) a change in its absolute price but not a change in its relative price.
(b) a change in its relative price but not a change in its absolute price.
(c) a change in both its relative price and its absolute price.
(d) a change in its opportunity cost.
(e) Both (c) and (d) are correct.

4. Movements versus Shifts

For each of the following, determine if the sentence is referring to a change in demand, a change in quantity demanded, a change in supply or a change in quantity supplied. If applicable, indicate the resulting change in equilibrium price and quantity.

(a) Oil prices rise because OPEC members agree to new restrictions on output.

(b) Prices of personal computers fall despite a substantial increase in the number sold.

(c) Apartment rental prices rise as student enrolment swells.

(d) Lower air fares reduce the number of empty seats on regularly-scheduled flights. [*Hint*: There is a fixed supply of seats on regularly-scheduled flights.]

(e) Increases in the price of Christmas trees cause trees to be planted on land previously used by dairy farmers. [*Note:* Answer for both the market for Christmas trees and the market for milk.]

(f) An increase in the price of Pacific salmon is linked to a reduction in fishing for Atlantic cod. [*Note:* Answer for both the market for Atlantic cod and the market for Pacific salmon.] [*Hint*: The two types of fish are substitutes in consumption.]

*1. **When the Multiple Listing Service (MLS) reports that in the month of April at an average selling price of $250 000, total sales of homes in Toronto were 2000 units, they are referring to**
   (a) quantity demanded.
   (b) quantity supplied.
   (c) equilibrium quantity.
   (d) actual purchases, which may or may not equal quantity demanded or quantity supplied.
   (e) actual purchases, which must be the equilibrium quantity.

2. **A decrease in the price of videocassette recorders (VCRs) will result in**
   (a) an increase in demand for VCRs.
   (b) a decrease in supply of VCRs.
   (c) an increase in the quantity demanded of VCRs.
   (d) a movement up along the demand curve for VCRs.
   (e) a rightward shift in the demand curve for VCRs.

4. **Which of the following would *not* cause change in demand ?**
   (a) A decrease in average income.
   (b) An increase in the price of a substitute good.
   (c) A decrease in the cost of producing the good.
   (d) An increase in population.
   (e) A government program that redistributes income.

5. **Which of the following would *not* cause an increase in the supply of broccoli?**
   (a) A decrease in the price of broccoli.
   (b) A decrease in the price of labour employed in harvesting broccoli.
   (c) An improvement in pesticides, thereby decreasing the variability in broccoli output.
   (d) An increase in the number of producers.
   (e) An improvement in harvesting technology.

8. As consumer preferences change in favour of organically-grown vegetables, other things constant, economic theory predicts which of the following will occur in the market for these vegetables?

(a) A decrease in price and an increase in the quantity exchanged.
(b) An increase in both equilibrium price and quantity.
(c) A shift in the supply curve to the right.
(d) An increase in equilibrium price and a decrease in equilibrium quantity.
(e) A leftward shift of the demand curve.

9. Simultaneous increases in both demand and supply are predicted to result in

(a) increases in both equilibrium price and quantity.
(b) a higher equilibrium price but a smaller equilibrium quantity.
(c) a lower equilibrium price but a larger equilibrium quantity.
(d) a larger equilibrium quantity but no predictable change in price.
(e) a higher price, but no predicable change in equilibrium quantity.

10. A decrease in input prices as well as a simultaneous decrease in the price of a good that is substitutable in consumption will lead to

(a) a lower equilibrium price and a larger equilibrium quantity.
(b) a lower equilibrium price but no change in equilibrium quantity.
(c) a lower equilibrium price and an uncertain change in quantity.
(d) a lower equilibrium price and a smaller equilibrium quantity.
(e) an unpredictable change in both price and quantity.

11. Which of the following is *not* a potential cause of an increase in the price of housing?

(a) Construction workers' wages increase with no offsetting increase in productivity.
(b) Cheaper methods of prefabricating homes are developed.
(c) An increase in population.
(d) An increase in consumer incomes.
(e) The price of land (an input) increases.