

Unit 1 Macroeconomics Take-Home Test

Multiple Choice

Identify the choice that best completes the statement or answers the question.

- _____ 1. The primary emphasis in macroeconomics is on:
- how firms set prices.
 - the national economy.
 - marginal analysis.
 - bits and pieces of the economy.
 - the employment of individual workers.
- _____ 2. Scarcity in economics means:
- the needs of people are limited.
 - the wants of people are limited.
 - there must be poor people in rich countries.
 - shortages exist in nearly all markets.
 - society is unable to produce all the goods and services we want with existing resources.
- _____ 3. A key theme fundamental to all of economics is:
- there are limited wants.
 - wealthy nations prosper at the expense of poorer nations.
 - people have unlimited wants and face limited means to satisfy them.
 - there are unlimited resources.
 - income is evenly distributed to all persons in the economy.
- _____ 4. Opportunity cost is:
- about half of the monetary cost of a product.
 - the monetary payment for a product.
 - the benefit derived from a product.
 - the minimum price a consumer would be willing to pay for a product.
 - the value of the best alternative forgone in making any choice.
- _____ 5. The basic concern of economics is:
- to keep business firms from losing money.
 - to prove that capitalism is better than socialism.
 - to study the choices people make.
 - to use unlimited resources to produce goods and services to satisfy limited wants.
 - to increase the amount of wealth in the economy.
- _____ 6. Corner offices in high-rise office buildings usually cost more to rent than other offices. This fact best illustrates the economic principle of:
- marginal analysis.
 - scarce resources.
 - resources should be used as efficiently as possible to achieve society's goals.
 - opportunity costs.
 - one person's spending is another person's income

- _____ 7. Rather than accept a job in the workforce, Margo spends \$10,000 on one year's college tuition. The opportunity cost of spending one year in college for Margo is:
- \$10,000.
 - whatever she would have purchased with the \$10,000 instead.
 - whatever she would have earned had she not been in college.
 - whatever she would have purchased with the \$10,000 minus whatever she would have earned had she not been in college.
 - whatever she would have purchased with the \$10,000 plus whatever she would have earned had she not been in college.
- _____ 8. Periods in which output and employment are falling are known as:
- recessions.
 - booms.
 - expansions.
 - deflations.
 - recoveries.
- _____ 9. The short-run alternation between economic downturns, recessions, and economic upturns and expansions is known as the:
- business cycle.
 - contractionary cycle.
 - expansionary cycle.
 - disequilibrium cycle.
 - productivity cycle.
- _____ 10. For the past several months, per-capita output has increased, but at a slower and slower rate. Over the same period of time, the unemployment rate has been falling, but it appears to have leveled off and may soon rise. At what point in the business cycle does the economy appear to be located?
- the business cycle peak
 - a recession
 - the business cycle trough
 - an expansion
 - a contraction
- _____ 11. The point on a business cycle when aggregate output stops falling and begins rising is a(n):
- business cycle peak.
 - expansion.
 - contraction.
 - recession.
 - business cycle trough.
- _____ 12. A depression occurs when:
- both output and employment increase.
 - the economic downturn becomes extremely deep and prolonged.
 - both price level and unemployment increase.
 - output rises but employment remains unchanged.
 - output falls while the employment rate rises.

- _____ 13. An increase in the nation's overall price level is known as _____.
 a. long-term economic growth
 b. unemployment
 c. inflation
 d. deflation
 e. the national debt.
- _____ 14. Price stability refers to a situation where:
 a. the overall price level is zero.
 b. the economy is at full employment.
 c. the overall cost of living is changing very slowly.
 d. food prices have remained the same.
 e. the rate of inflation is less than or equal to zero.
- _____ 15. During a recession, one will often observe:
 a. aggregate output rising.
 b. unemployment rates increasing while aggregate output is falling.
 c. rising employment rates.
 d. zero unemployment rates.
 e. rampant price inflation.
- _____ 16. When an economy is in an expansion, unemployment:
 a. tends to fall, and overall prices tend to rise.
 b. tends to fall while overall prices tend to fall.
 c. tends to rise, and overall prices tend to fall.
 d. tends to rise and overall prices tend to rise.
 e. tends to fall and overall prices tend to remain the same.

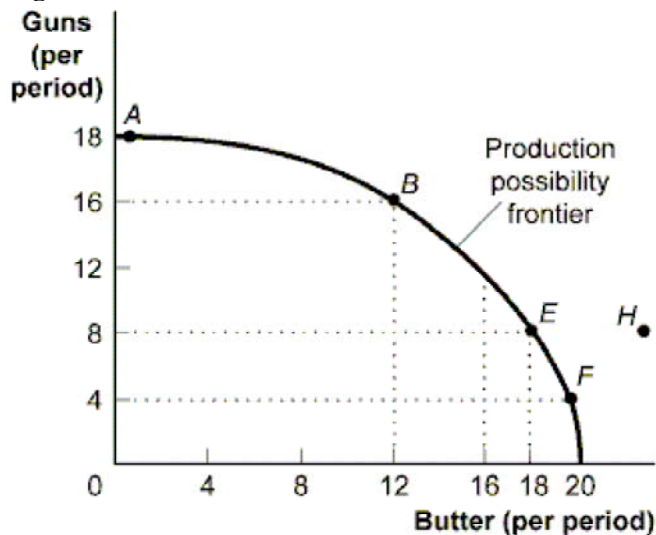
Alternatives	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>	<i>F</i>
Consumer goods per period	0	1	2	3	4	5
Capital goods per period	30	28	24	18	10	0

Table 3-1: Production Possibilities Schedule I

- _____ 17. (**Table 3-1: Production Possibilities Schedule I**) If the economy produces 2 units of consumer goods per period, it also can produce at most _____ units of capital goods per period.
 a. 30
 b. 28
 c. 24
 d. 18
 e. 26

- _____ 18. (Table 3-1: Production Possibilities Schedule I) If the economy produces 10 units of capital goods per period, it also can produce at most _____ units of consumer goods per period.
- 5
 - 4
 - 3
 - 2
 - 1
- _____ 19. (Table 3-1: Production Possibilities Schedule I) The opportunity cost of producing the fourth unit of consumer goods is _____ units of capital goods.
- 2
 - 4
 - 6
 - 8
 - 10

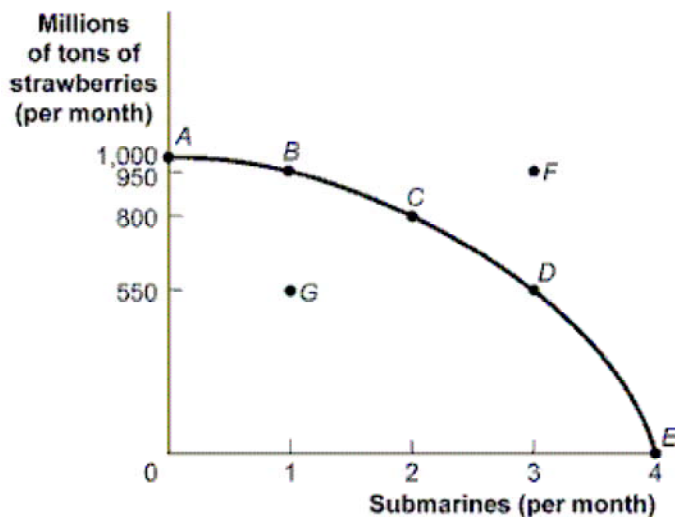
Figure 3-1: Guns and Butter



- _____ 20. (Figure 3-1: Guns and Butter) Points A, B, E, and F:
- indicate combinations of guns and butter that society can produce using all of its factors efficiently.
 - show that the opportunity cost of more guns increases, but that of more butter decreases.
 - indicate that society wants butter more than it wants guns.
 - indicate constant costs for guns and increasing costs for butter.
 - indicate that society is experiencing many idle resources.
- _____ 21. (Figure 3-1: Guns and Butter) This production possibility curve is:
- bowed out from the origin because of increasing opportunity costs.
 - bowed in toward the origin because of increasing opportunity costs.
 - bowed in toward the origin because of constant opportunity costs.
 - linear because of constant opportunity costs.
 - bowed out from the origin because of constant opportunity costs.

- _____ 22. **(Figure 3-1: Guns and Butter)** If the economy were operating at point *B*, producing 16 units of guns and 12 units of butter per period, a decision to move to point *E* and produce 18 units of butter:
- indicates you can have more butter and guns simultaneously.
 - makes it clear that this economy experiences decreasing opportunity costs.
 - involves a loss of 8 units of guns per period.
 - involves a loss of 4 units of guns per period.
 - is impossible because all economic resources are currently being employed.
- _____ 23. **(Figure 3-1: Guns and Butter)** The combination of guns and butter at point *H*:
- can be attained, but would cost too much.
 - is unattainable due to excessive government gun regulation.
 - has no meaning since it does not relate to the preferences of consumers.
 - is attainable but would increase unemployment.
 - cannot be attained, given the level of technology and the factors of production available.
- _____ 24. **(Figure 3-1: Guns and Butter)** If the economy were producing 8 units of guns and 12 units of butter per period:
- this is a possible choice, but would involve unemployment and/or inefficiency.
 - the notion of increasing opportunity cost is invalidated.
 - the economy is still efficient but has made a decision not to buy as much as it could.
 - something must be done to reduce the amount of employment.
 - the economy would be able to increase gun production, but only if butter production was decreased.

Figure 3-2: Strawberries and Submarines



- _____ 25. **(Figure 3-2: Strawberries and Submarines)** Suppose the economy is operating at point *G*. This implies that:
- the economy can move to a point such as *C* only if it improves its technology.
 - the economy is experiencing unemployment and/or an inefficient allocation of resources.
 - the economy lacks the resources to achieve a combination such as *C*.
 - people in this economy don't really like strawberries and submarines.
 - the economy can move to point *B*, but must sacrifice submarine production to do so.

- _____ 26. **(Figure 3-2: Strawberries and Submarines)** Suppose the economy is operating at point C. Moving to point E would require that the economy:
- reduce employment and allow some resources to be idle.
 - eliminate its production of strawberries.
 - reduce its production of submarines.
 - improve its technology or increase the quantity of economic resources.
 - convert resources currently in submarine production to strawberry production.
- _____ 27. All points inside the production possibility curve represent:
- efficient production points.
 - inefficient production points.
 - nonfeasible production points.
 - economic growth.
 - a shortage of economic resources.
- _____ 28. All points on the production possibility curve represent:
- a shortage of economic resources.
 - inefficient production points.
 - nonfeasible production points.
 - economic growth.
 - efficient production points.
- _____ 29. All points outside the production possibility curve represent:
- efficient production points.
 - inefficient production points.
 - nonfeasible production points.
 - economic growth.
 - a surplus of economic resources.

Quantity of Hours of Study Time	Quantity of Hours of Leisure Time
16	0
12	4
8	8
4	12
0	16
Table 3-3: Trade-off of Study Time and Leisure Time	

- _____ 30. **(Table 3-3: Trade-off of Study Time and Leisure Time)** A student sleeps 8 hours per day and divides the remaining time between study time and leisure time. The table shows the combinations of study and leisure time that can be produced in the 16 waking hours of each day. If a student decides to consume one additional hour of leisure time, how many hours of study time must be given up?
- 4
 - .25
 - 1
 - 16
 - 2

- _____ 31. **(Table 3-3: Trade-off of Study Time and Leisure Time)** A student sleeps 8 hours per day and divides the remaining time between study and leisure time. Suppose this student is studying 4 hours and spending 10 hours doing leisure activities. What is true about this allocation of his scarce resources?
- This point is outside the production possibility curve.
 - This point is inside the production possibility curve.
 - This point is on the production possibility curve.
 - This point is both efficient and feasible.
 - The student could have 1 more hour of leisure time at an opportunity cost of 1 hours of studying.
- _____ 32. **(Table 3-3: Trade-off of Study Time and Leisure Time)** A student sleeps 8 hours per day and divides the remaining time between study time and leisure time. The table shows the combinations of study and leisure time that can be produced in the 16 waking hours of each day. Suppose the student completes a speed-reading course that allows him to do the same amount of studying in half as many hours. Which of the following is now true of his opportunity costs?
- The opportunity cost of both leisure and of studying has increased.
 - The opportunity cost of studying has increased.
 - The opportunity cost of leisure has decreased.
 - There is no change in the opportunity costs.
 - The opportunity cost of leisure has increased.
- _____ 33. The economy of Eljaburg produces two goods: cars and fruit. Suppose that technological progress has doubled Eljaburg's ability to produce cars and has doubled the ability to produce fruit. How will this impact the production possibility curve?
- The curve has shifted outward along both the cars and the fruit axes, with no change in opportunity costs.
 - The curve has shifted outward along the cars axis, increasing the opportunity cost of producing fruit.
 - The curve has shifted outward along the fruit axis, increasing the opportunity cost of producing cars.
 - The curve has shifted outward along the cars axis, decreasing the opportunity cost of producing fruit.
 - The curve has shifted outward along the fruit axis, decreasing the opportunity cost of producing cars.
- _____ 34. A nation produces goods X and Y. Suppose that technological progress has increased production of good X by 50% and increased production of good Y by 10%. Assuming that good X is plotted on the x-axis and good Y is plotted on the y-axis, we can conclude that
- the production possibility curve has gotten steeper and the opportunity cost of good X has fallen.
 - the production possibility curve has gotten steeper and the opportunity cost of good Y has fallen.
 - the production possibility curve has gotten flatter and the opportunity cost of good X has risen.
 - the production possibility curve has gotten steeper and the opportunity cost of good Y has risen.
 - the production possibility curve has gotten flatter and the opportunity cost of good X has fallen.

	Coffee	Salmon
Brazil	40	20
Alaska	10	10
Table 4-1: Coffee and Salmon Production Possibilities		

- _____ 35. **(Table 4-1: Coffee and Salmon Production Possibilities)** The table shows the maximum amounts of coffee and salmon that Brazil and Alaska can produce if they just produce one good. The opportunity cost of producing 1 unit of coffee for Brazil is:
- 2 salmon.
 - 1/4 salmon.
 - 1 salmon.
 - 1/2 salmon.
 - 20 salmon
- _____ 36. **(Table 4-1: Coffee and Salmon Production Possibilities)** The table shows the maximum amounts of coffee and salmon that Brazil and Alaska can produce if they just produce one good. The opportunity cost of producing 1 unit of salmon for Alaska is:
- 2 coffees.
 - 1/4 coffee.
 - 10 coffee.
 - 1/2 coffee.
 - 1 coffee.
- _____ 37. If they spend all night writing computer programs, Laurence can write 10 programs while Carrie Anne can write 5. If they spend all night making sunglasses, Laurence can make 6 while Carrie Anne can make 4. We know that:
- Laurence has a comparative advantage in programs.
 - Laurence has a comparative advantage in both programs and sunglasses.
 - Carrie Anne has a comparative advantage in programs.
 - Carrie Anne has a comparative advantage in both programs and sunglasses.
 - Laurence has a comparative advantage in sunglasses.

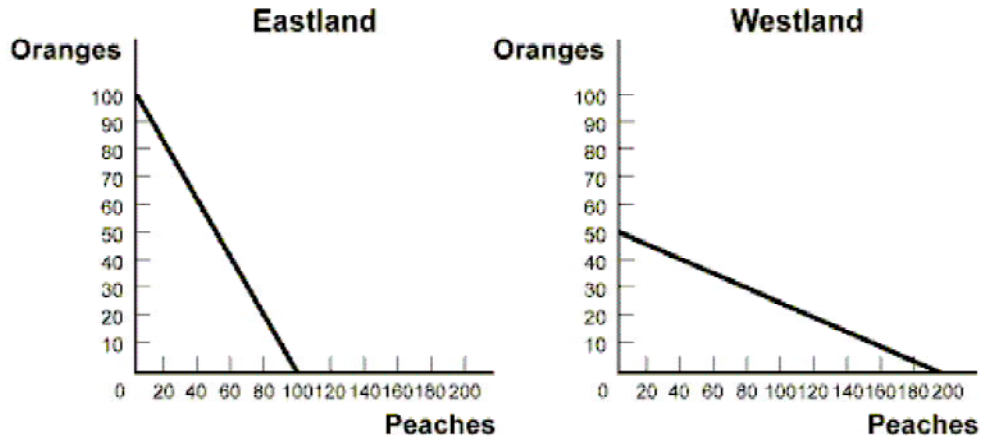
	Coffee	Salmon
Brazil	40	20
Alaska	20	20
Table 4-2: Coffee and Salmon Production Possibilities II		

- _____ 38. **(Table 4-2 Coffee and Salmon Production Possibilities II)** This table shows the maximum amounts of coffee and salmon that Brazil and Alaska can produce if they just produce one good. Brazil has:
- an absolute advantage in producing coffee only.
 - an absolute advantage in producing salmon only.
 - an absolute advantage in producing both coffee and salmon.
 - an absolute advantage in producing neither coffee nor salmon.
 - a comparative advantage in producing both coffee and salmon.

- _____ 39. **(Table 4-2 Coffee and Salmon Production Possibilities II)** This table shows the maximum amounts of coffee and salmon that Brazil and Alaska can produce if they just produce one good. Alaska has:
- an absolute advantage in producing coffee only.
 - an absolute advantage in producing salmon only.
 - a comparative advantage in producing both coffee and salmon.
 - an absolute advantage in producing neither coffee nor salmon.
 - a comparative advantage in producing coffee, but not salmon
- _____ 40. **(Table 4-2 Coffee and Salmon Production Possibilities II)** This table shows the maximum amounts of coffee and salmon that Brazil and Alaska can produce if they just produce one good. Brazil has:
- a comparative advantage in producing coffee only.
 - a comparative advantage in producing salmon only.
 - an absolute advantage in producing both coffee and salmon.
 - a comparative advantage in producing neither coffee nor salmon
 - an absolute advantage in producing neither coffee nor salmon
- _____ 41. The concept of comparative advantage is based upon:
- absolute labor productivity.
 - relative labor costs.
 - dollar prices of labor.
 - relative opportunity costs.
 - relative energy prices.
- _____ 42. Trade can be beneficial to an economy because:
- it results in a more efficient use of the combined resources of some of the trading countries, even though it reduces efficiency in others.
 - more goods and services can be obtained at a lower opportunity cost.
 - it prevents specialization in those activities in which countries have a comparative advantage.
 - it prevents unemployment.
 - it allows wealthy nations to exploit the natural resources of poorer nations.

Figure 4-2: Comparative Advantage

Eastland and Westland produce only two goods, peaches and oranges, and this figure shows each nation's production possibility curve for the two goods.

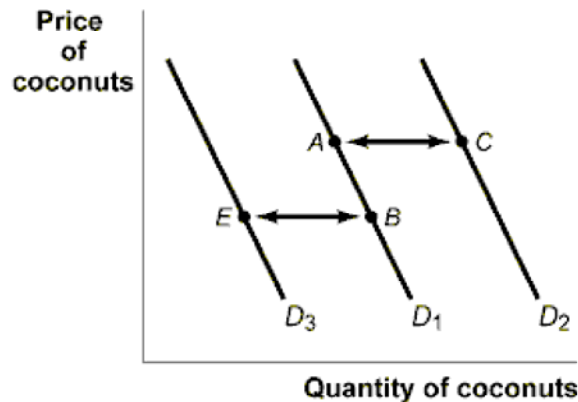


- _____ 43. **(Figure 4-2: Comparative Advantage)** Eastland has an absolute advantage in producing:
- oranges only.
 - peaches only.
 - both oranges and peaches.
 - neither oranges nor peaches.
 - a combination of oranges and peaches.
- _____ 44. **(Figure 4-2: Comparative Advantage)** Westland has an absolute advantage in producing:
- oranges only.
 - a combination of oranges and peaches.
 - both oranges and peaches.
 - neither oranges or peaches.
 - peaches only.
- _____ 45. **(Figure 4-2: Comparative Advantage)** Eastland has a comparative advantage in producing:
- oranges only.
 - peaches only.
 - both oranges and peaches.
 - neither oranges nor peaches.
 - a combination of oranges and peaches.
- _____ 46. **(Figure 4-2: Comparative Advantage)** Westland has a comparative advantage in producing:
- oranges only.
 - peaches only.
 - both oranges and peaches.
 - neither oranges nor peaches.
 - a combination of oranges and peaches.

- _____ 47. **(Figure 4-2: Comparative Advantage)** The opportunity cost of producing 1 unit of oranges for Eastland is:
- 1 unit of peaches.
 - 1/4 unit of peaches.
 - 4 units of peaches.
 - 10 units of peaches.
 - 100 units of peaches.
- _____ 48. **(Figure 4-2: Comparative Advantage)** The opportunity cost of producing 1 unit of oranges for Westland is:
- 1 unit of peaches.
 - 1/4 unit of peaches.
 - 4 units of peaches.
 - 10 units of peaches.
 - 200 units of peaches.
- _____ 49. **(Figure 4-2: Comparative Advantage)** The opportunity cost of producing 1 unit of peaches for Eastland is:
- 1 unit of oranges.
 - 1/4 unit of oranges.
 - 4 units of oranges.
 - 10 units of oranges.
 - 100 units of oranges.
- _____ 50. **(Figure 4-2: Comparative Advantage)** The opportunity cost of producing 1 unit of peaches for Westland is:
- 1 unit of oranges.
 - 1/4 unit of oranges.
 - 4 units of oranges.
 - 10 units of oranges.
 - 50 units of peaches.
- _____ 51. Two kids are responsible for chores around the house. It takes Eli 4 hours to clean his room and 1 hour to mow the lawn. It takes Max 5 hours to clean his room and 2 hours to mow the lawn.
- There are no opportunities for specialization on either chore.
 - Eli should specialize in cleaning his room and Max should specialize in mowing the lawn.
 - Max should specialize in cleaning his room and Eli should specialize in mowing the lawn.
 - Max should do both chores as he is most productive at both cleaning his room and mowing the lawn.
 - Eli should do both chores as he is most productive at both cleaning his room and mowing the lawn.
- _____ 52. If goods A and Z are complements, an increase in the price of good Z will:
- increase the demand for good A.
 - increase the quantity of good Z demanded and decrease the demand for good A.
 - decrease the demand for good Z.
 - decrease the demand for good A and decrease the demand for good Z.
 - decrease the demand for good A.

- _____ 53. Over the past several years, consumer tastes for tattoos have increased. This means that the _____ for tattoos has _____.
- quantity demanded; increased
 - demand; decreased
 - demand; increased
 - quantity demanded; decreased
 - demand; remained the same
- _____ 54. A good is normal if:
- when income increases, the demand remains unchanged.
 - when income increases, the demand decreases.
 - when income increases, the demand increases.
 - income and the demand are unrelated.
 - when income decreases, the demand increases.
- _____ 55. A good is inferior if:
- when income increases, the demand remains unchanged.
 - when income increases, the demand decreases.
 - when income increases, the demand increases.
 - income and the demand are unrelated.
 - when income decreases, the demand decreases.

Figure 5-1: Demand for Coconuts

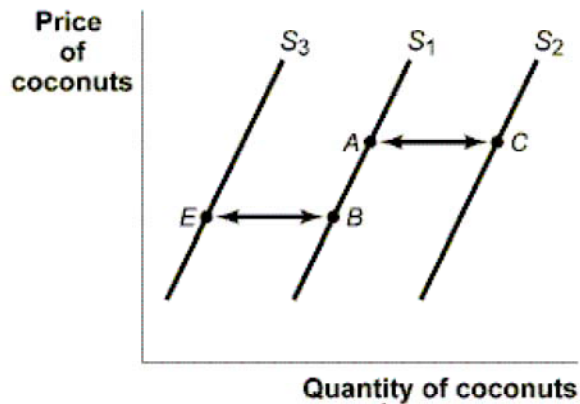


- _____ 56. (**Figure 5-1: Demand for Coconuts**) If a coconut is a normal good and the price of coconuts increases, then the movement that would take place in the model could be:
- A to B.
 - B to E.
 - C to A.
 - E to B.
 - B to A.

- _____ 57. **(Figure 5-1: Demand for Coconuts)** If fish is a substitute good for coconuts and the price of fish increases, then the movement that would take place in the model could be:
- A to C.
 - B to A.
 - C to A.
 - B to E.
 - A to B.
- _____ 58. **(Figure 5-1: Demand for Coconuts)** If coconuts are considered a normal good and the overall income level of consumers is falling, then the movement that would take place in the model could be:
- A to C.
 - B to A.
 - C to A.
 - E to B.
 - A to B.
- _____ 59. **(Figure 5-1: Demand for Coconuts)** If there is an overall increase in taste and preference for coconuts, then the movement that would take place in the model could be:
- A to B.
 - B to A.
 - C to A.
 - B to E.
 - A to C.
- _____ 60. **(Figure 5-1: Demand for Coconuts)** If coconuts are considered a normal good and there is an expectation on the part of consumers that the prices of coconuts will rise significantly in the near future, then the movement that would take place in the model could be:
- C to A.
 - A to B.
 - B to E.
 - E to B.
 - B to A.
- _____ 61. A decrease in the price of a good will result in:
- an increase in demand.
 - an increase in supply.
 - an increase in the quantity demanded.
 - more being supplied.
 - a rightward shift of the demand curve.
- _____ 62. The demand curve for DVDs has shifted to the right. What could have caused it?
- a decrease in the price of DVDs
 - an increase in the price of DVDs
 - an increase in the supply of DVDs
 - an increase in the incomes of buyers
 - an increase in the price of DVD players.

- _____ 63. The law of demand is illustrated by a demand curve that is:
- horizontal.
 - downward-sloping.
 - vertical.
 - upward-sloping.
 - a U-shaped curve.
- _____ 64. When the price of gasoline goes down and the demand for tires goes up, this means tires and gasoline are:
- substitutes.
 - complements.
 - both expensive.
 - both inexpensive.
 - both inferior goods.
- _____ 65. Markets that are characterized by many buyers and many sellers are referred to as:
- inefficient.
 - competitive.
 - foreign.
 - monopolies.
 - corrupt.
- _____ 66. Over the past few years the technology associated with producing flat-panel televisions has improved. This has led to a(n) _____ in _____ flat-panel televisions.
- increase; the supply of
 - increase; the demand for
 - decrease; the supply of
 - decrease; the quantity supplied of
 - decrease; the demand for
- _____ 67. A technological advance in the production of automobiles will:
- increase the demand for automobiles.
 - increase the supply of automobiles.
 - decrease the demand for automobiles.
 - decrease the supply of automobiles.
 - have no effect on the demand or supply of automobiles.

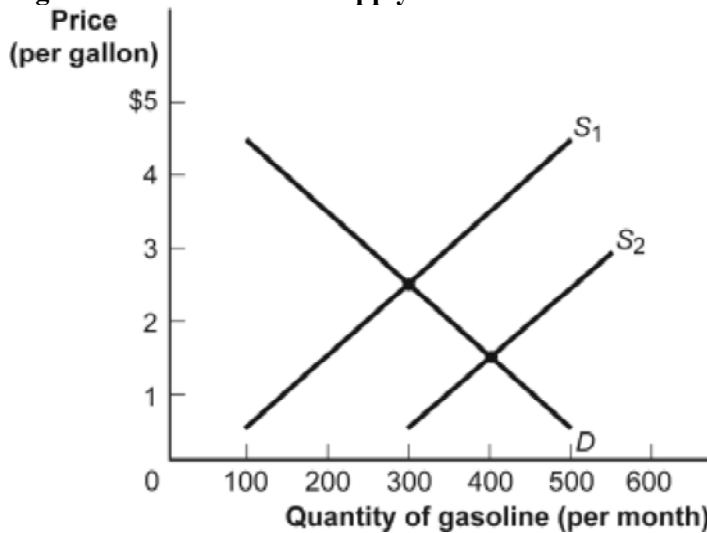
Figure 6-1: Supply of Coconuts



- _____ 68. (Figure 6-1: Supply of Coconuts) If the price of coconuts decreases, then the movement that would take place in the model could be:
- A to C.
 - B to A.
 - C to A.
 - E to B.
 - A to B.
- _____ 69. (Figure 6-1: Supply of Coconuts) If the prices of inputs (e.g., labor, fertilizer, and fuel) used to produce and transport coconuts are increasing, then the movement in the model could be:
- A to B.
 - B to A.
 - C to A.
 - E to B.
 - B to C
- _____ 70. (Figure 6-1: Supply of Coconuts) If the prices of inputs (e.g., labor, fertilizer, and fuel) used to produce and transport coconuts are decreasing, then the movement in the model could be:
- A to B.
 - B to A.
 - C to A.
 - E to B.
 - B to E
- _____ 71. (Figure 6-1: Supply of Coconuts) If there is an improvement in the technology used to harvest coconuts (e.g., a faster, less expensive coconut picker), then the movement in the model could be:
- A to C.
 - B to A.
 - C to A.
 - B to E.
 - A to B

- _____ 72. **(Figure 6-1: Supply of Coconuts)** If there is an expectation on the part of coconut suppliers that the price of coconuts will be significantly higher in the very near future, then the movement in the model to reflect today's market behavior would be:
- A to B.*
 - B to A.*
 - A to C.*
 - B to E.*
 - E to B.*
- _____ 73. Researchers find a new strain of genetically modified seeds results in a higher yield for corn producers. Holding all other things constant, this research will:
- shift the supply curve for corn left.
 - increase the quantity supplied of corn along the fixed supply curve.
 - decrease the quantity supplied of corn along the fixed supply curve.
 - shift the supply curve for corn to the right.
 - shift the demand curve for corn to the right.
- _____ 74. Suppose that the supply curve for cucumbers at a Saturday farmer's market is vertical. This means that
- the quantity of cucumbers supplied will increase as the price increases.
 - at any quantity of cucumbers supplied, the price remains the same.
 - the quantity of cucumbers supplied will increase as the price decreases.
 - the quantity of cucumbers supplied is directly related to the price.
 - the quantity of cucumbers supplied remains the same at any price.
- _____ 75. Which of the following best describes the typical upward sloping shape of supply curves?
- As the price of corn ethanol rises, farmers plant more acres of soybeans.
 - As the technology used in producing video games increases, more video games are produced.
 - As the tax subsidy on health insurance for families increases, more families can afford to purchase health insurance.
 - As the price of cattle falls, ranchers are less willing to sell their cattle at livestock auctions.
 - As taxes on cigarettes rise, more cigarette smokers decide to quit smoking.

Figure 7-1: Demand and Supply of Gasoline



- _____ 76. Use the “Demand and Supply of Gasoline” Figure 7-1. Given the equilibrium after a change in supply from S_1 to S_2 :
- at the old price of \$2.50, there will be pressure for the price to fall.
 - the new price will be \$2.00.
 - the new quantity will be 600 gallons.
 - the price will remain constant.
 - the new quantity will be 100 gallons.
- _____ 77. Use the “Demand and Supply of Gasoline” Figure 7-1. When the supply curve shifted from S_1 to S_2 , the new intersection of supply and demand has a price of _____ and quantity of 400. This could have resulted from _____.
- \$1.50; an increase in consumers' income if gasoline is a normal good
 - \$1.50; an increase in refining technology
 - \$2.00; an increase in the number of buyers
 - \$2.00; an increase in consumers' income
 - \$1.50; an increase in the price of crude oil
- _____ 78. Use the “Demand and Supply of Gasoline” Figure 7-1. What might cause the supply curve to shift from S_2 back to the initial supply curve S_1 ?
- The Organization of Petroleum Exporting Countries (OPEC) restricts the production of crude oil.
 - The government decreases the per-gallon tax on gasoline production.
 - Americans want to buy more gasoline.
 - Technology in the refinement of gasoline greatly improves.
 - The price of crude oil decreases.
- _____ 79. You notice that the price of DVD players falls and the quantity of DVD players sold increases. This set of observations can be the result of the:
- demand for DVD players shifting to the right.
 - demand for DVD players shifting to the left.
 - supply of DVD players shifting to the right.
 - supply of DVD players shifting to the left.
 - simultaneous shifting of supply and demand to the left.

- _____ 80. Consider the market for iPods. What happens if a fantastic new alternative MP3 player is developed and, at the same time, a boat carrying a large shipment of iPods is attacked by sea monsters and sunk?
- Price decreases and quantity increases.
 - Price increases and quantity increases.
 - The change in price is uncertain and quantity decreases.
 - Price increases and the change in quantity is uncertain.
 - Price decreases and the change in quantity is uncertain.
- _____ 81. Consider the market for corn. What happens if there is an increased demand for corn tortillas and, at the same time, a new corn seed becomes available that dramatically increased the per-acre output?
- Price and quantity both decrease.
 - The change in price is uncertain, quantity decreases.
 - The change in price is uncertain, quantity increases.
 - Price increases, the change in quantity is uncertain.
 - Price and quantity both increase.
- _____ 82. Consider two competing motorcycle manufacturers, Harley-Davidson and Honda. If Harley-Davidson raises the price that it charges for its motorcycles, we can expect:
- a shift to the right in the supply curve of Hondas and lower prices for Hondas.
 - a shift to the left in the supply curve of Hondas and higher prices for Hondas.
 - a shift to the right in the demand curve for Hondas and higher prices for Hondas.
 - a shift to the left in the demand curve for Hondas and lower prices for Hondas.
 - a shift to the right in the demand curve for Hondas and lower prices for Hondas.

Price	Quantity Demanded	Quantity Supplied
0	50	0
5	40	15
10	30	30
15	20	45
20	10	60

Table 7-1: Competitive Market for Good Z

- _____ 83. (**Table 7-1: Competitive Market for Good Z**) If the current price of Good Z is \$15, there will be:
- excess demand of 25 units.
 - excess supply of 25 units.
 - a shortage of 20 units.
 - a surplus of 45 units.
 - no excess demand or excess supply.
- _____ 84. (**Table 7-1: Competitive Market for Good Z**) A surplus of the good will occur at a price of _____.
- \$0
 - \$5
 - \$10
 - \$2.50
 - \$15

- _____ 85. (Table 7-1: Competitive Market for Good Z) The equilibrium price and quantity in this market are, respectively:
- \$5 and 40 units.
 - \$20 and 60 units.
 - \$10 and 30 units.
 - \$15 and 20 units.
 - \$10 and 60 units.
- _____ 86. Rapidly increasing health costs have been a major political concern for several decades. Suppose that to control rising health costs the government sets the maximum price for a normal doctor's visit at \$20, but the current market price is \$40. Then:
- more people will try to visit the doctor, but the doctor will see fewer patients.
 - the same number of people will try to visit the doctor, and the doctor will see the same number of patients.
 - more people will be able to see the doctor, since the price is lower.
 - fewer people will try to see the doctor, and the doctors will see fewer patients.
 - fewer people will try to see the doctor, and the doctor will see the same number of patients.

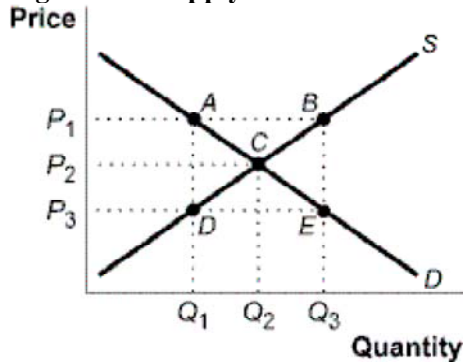
Scenario 8-1: Market for Apartments

Rent (per apartment per month)	Quantity Demanded (millions of apartments)	Quantity Supplied (millions of apartments)
\$1,400	1.6	2.4
1,300	1.7	2.3
1,200	1.8	2.2
1,100	1.9	2.1
1,000	2.0	2.0
900	2.1	1.9
800	2.2	1.8
700	2.3	1.7
600	2.4	1.6

- _____ 87. **(Scenario 8-1: Market for Apartments)** This figure represents a competitive market for apartments. If a government price ceiling at \$700 is now imposed on this market (in the name of fairness), then an *inefficiency* will result in the form of a:
- surplus of 0.6 million apartments.
 - shortage of 0.6 million apartments.
 - surplus of 0.2 million apartments.
 - shortage of 0.2 million apartments.
 - shortage of 2.3 million apartments.
- _____ 88. **(Scenario 8-1: Market for Apartments)** This figure represents a competitive market for apartments. If a government price ceiling at \$900 is now imposed on this market (in the name of fairness), then an *inefficiency* will result in the form of a:
- surplus of 0.6 million apartments.
 - shortage of 0.6 million apartments.
 - surplus of 0.2 million apartments.
 - shortage of 0.2 million apartments.
 - shortage of 2.1 million apartments.

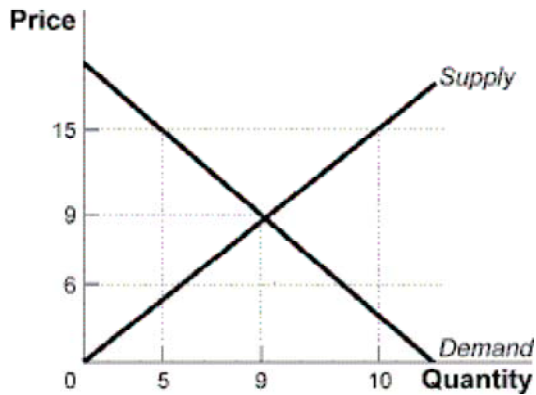
89. **(Scenario 8-1: Market for Apartments)** This figure represents a competitive market for apartments. If a government price ceiling at \$600 is now imposed on this market (in the name of fairness), then an *inefficiency* will result in the form of a:
- surplus of 0.6 million apartments.
 - surplus of 0.8 million apartments.
 - shortage of 0.8 million apartments.
 - shortage of 0.6 million apartments.
 - shortage of 1.6 million apartments.

Figure 8-6: Supply and Demand



90. **(Figure 8-6: Supply and Demand)** In the market shown in the figure, a price ceiling of P_1 causes:
- a shortage equal to the distance AB .
 - a surplus equal to the distance AB .
 - a shortage equal to the distance DE .
 - no change to the market.
 - a surplus equal to the distance BC .
91. **(Figure 8-6: Supply and Demand)** In the market shown in the figure, a price ceiling of P_3 causes:
- a shortage equal to the distance AB .
 - a surplus equal to the distance AB .
 - a shortage equal to the distance DE .
 - no change to the market.
 - a shortage equal to the distance CD .
92. **(Figure 8-6: Supply and Demand)** In the market shown in the figure, a binding price ceiling is represented by:
- the price P_1 .
 - the price P_2 .
 - the price P_3 .
 - point C .
 - the quantity Q_3 .

Figure 8-16: Market I



- _____ 93. (Figure 8-16: Market I) A surplus of the good would result if the price was equal to:
- \$3.
 - \$9.
 - \$6.
 - \$0.
 - \$15.
- _____ 94. (Figure 8-16: Market I) If a price floor of \$15 was imposed on this market, government would need to buy _____ units of the good, and spend a total amount of _____ on its purchase.
- 5; \$75
 - 10; \$150
 - 9; \$135
 - 9; \$81
 - 5; \$15
- _____ 95. (Figure 8-16: Market I) If a price floor of \$6 was imposed on this market, this would:
- result in a surplus of the good.
 - have no effect on this market.
 - increase production of this good.
 - increase consumer spending on this good.
 - result in a shortage of the good.