

Multiple choice Questions For each of the following questions choose the correct answer. There is exactly one correct answer.

1. A decrease in the supply of American cars might be caused by
 - (a) an increase in the price of imported Japanese cars.
 - (b) an increase in the wages of U.S. car workers.
 - (c) an increase in demand that causes car prices to rise.
 - (d) a reduction in the cost of steel.
2. Barney's Bowling Balls and Fred's Bowling Shoes are complement. Fred notices a decrease in the quantity demanded of bowling shoes (a movement along his demand curve). This could have been caused by
 - (a) a decrease in the income of Fred's customers.
 - (b) an increase in the price of Fred's Bowling Shoes.
 - (c) an increase in the price of Barney's Bowling Balls.
 - (d) an increased expectation that Fred will reduce the price of his bowling balls in the near future.
3. The market supply curve for wheat depends on each of the following EXCEPT
 - (a) the price of wheat-producing land
 - (b) the price of production alternatives for wheat
 - (c) the tastes and preferences of wheat consumers
 - (d) the number of wheat farmers in the market
4. Which of the following will cause a decrease in the demand for tennis racquets?
 - (a) A rise in the price of squash racquets
 - (b) A rise in the price of tennis racquets
 - (c) A rise in the price of tennis balls
 - (d) A fall in the price of tennis shoes
5. Suppose you are trying to explain the law of demand for a friend. When the price of cars rises,
 - (a) the opportunity cost of cars increases along the demand curve.
 - (b) sellers switch production and increase the quantity supplied of cars.
 - (c) income rises for producers of cars.
 - (d) the opportunity cost of other goods increases.
6. Good A and Good B are substitutes for one another. An increase in the price of A will
 - (a) increase the demand for B.
 - (b) reduce the quantity demanded of B.
 - (c) increase the quantity demanded of B.
 - (d) reduce the demand for B.

True or False For each of the following statements determine whether it is True or False. Give a proper justification.

1. The supply of oranges to households will shift to the right if the price of oranges increases.
2. The supply of cars to households will shift to the left if the Texas government requires that all cars workers be given more substantial health benefits by employers.
3. Households are demanders, in the labor market.
4. Firms are suppliers, in the product market.
5. The law of demand imply that, if the price of Pepsi rises consumers will buy more Coke.

Short answers

1. During the past ten years, the price of cell phones has fallen, while the numbers sold have increased. Is this a contradiction of the law of supply? How could you best explain this phenomenon, in words and graphically?
2. Enumerate five goods that you think they are inferior. Give a proper Justification.
3. Enumerate five substitutes of Burgers and Five complements.