

I. Multiple Choice

1. The relationship between quantity supplied and price is _____ and the relationship between quantity demanded and price is _____.
 - a. direct, inverse
 - b. inverse, direct
 - c. inverse, inverse
 - d. direct, direct

2. A decrease in the price of cameras will:
 - a. cause the demand curve for film to become vertical.
 - b. shift the demand curve for film to the right
 - c. shift the demand curve for film to the left.
 - d. not affect the demand for film.

3. Assume the demand curve for coffee shifts to the right. This might be caused by:
 - a. a decline in income if coffee is an inferior good.
 - b. a decline in the price of tea if tea and coffee are substitute goods.
 - c. a change in consumer tastes which is unfavorable to coffee.
 - d. an increase in the price of sugar if sugar and coffee are complementary goods.
 - e. a decrease in population growth.

4. Which of the following statements is correct?
 - a. If demand increases and supply decreases, equilibrium price will fall.
 - b. If supply increases and demand decreases, equilibrium price will fall.
 - c. If demand decreases and supply increases, equilibrium price will rise.
 - d. If supply declines and demand remains constant, equilibrium price will fall.

5. There will be a surplus of wheat when:
 - a. price is below the equilibrium level.
 - b. the supply curve is downward sloping and the demand curve is upward sloping.
 - c. the demand and supply curves fail to intersect.
 - d. consumers want to buy less than producers offer for sale.

6. Which of the following is a characteristic of all modern economies?
 - a. the use of money as a medium of exchange.
 - b. consumer sovereignty
 - c. private ownership of property
 - d. freedom of enterprise

II. Graphing

1. Show what happens to the US market for potatoes when the following events occur:

- A. Farmers begin to use a genetically modified super-spud that is impervious to the potato beetle.
- B. The price of rice (a substitute) decreases.

Illustrate the effects on the graph and fill in the table with +, - , or ? Also, explain in a few sentences what has happened.

Demand _____
Supply _____
Price _____
Quantity _____

2. Show what happens to the market for oil when the following events occur:

- A. 50 million people decide to drive somewhere for summer vacation.
- B. Saudi Arabia decides to reduce production by 2 million barrels a day.

Illustrate the effects on the graph and fill in the table with +, - , or ? Also, explain in a few sentences what has happened.

D _____
S _____
P _____
Q _____