

## CM 5 S&D QUESTIONS 1/21/19

1. The demand curve for X shows:
  - a. The relationship between the price of X and the demand for X.
  - b. The relationship between the price of X and the number of units of X that consumers need.
  - c. The relationship between the price of X and the quantity supplied of X.
  - d. The relationship between the price of X and the quantity demanded of X.
  - e. The relationship between the price of X and the prices of all the other goods and services that affect X.
  
2. The so-called "law of supply" states that as the price of a good falls:
  - a. Suppliers decrease the quantity supplied of the good.
  - b. Suppliers decrease the supply of the good.
  - c. Buyers increase their quantity demanded of the good.
  - d. Buyers decrease their quantity demanded of the good.
  - e. Buyers increase the demand for the good.
  
3. The equilibrium price in a market:
  - a. Occurs when the supply and demand curves are parallel.
  - b. Is the price at which there is only a small surplus.
  - c. Is the price at which there is only a small shortage.
  - d. Does not depend on supply or demand.
  - e. Is the price at which the quantity demanded equals the quantity supplied.

4. People buy more of good 1 when the price of good 2 rises. These goods are:
  - a. Complements.
  - b. Substitutes.
  - c. Normal goods.
  - d. Inferior goods.
  
5. Which causes a shift in the demand curve for hamburgers?
  - a. An increase in the price of the meat used to produce hamburgers.
  - b. An improvement in the productivity of hamburger-making machines.
  - c. A fall in the price of French Fries, a complement for hamburgers.
  - d. An increase in the number of hamburger restaurants.
  
6. Oatmeal is an inferior good and cold cereal is a substitute for oatmeal. Raisins are a complement for oatmeal. Which of the following increases the demand for oatmeal? [Difficult?]
  - a. An increase in the price of raisins.
  - b. An increase in income.
  - c. A decrease in population size.
  - d. An increase in the price of cold cereal
  
7. The supply curve for X has a positive slope because:
  - a. Marginal cost (MC) increases in the short run because of diminishing returns to the variable input.
  - b. The substitution effect always causes the quantity of X to move in the same direction as the price of X.
  - c. The substitution effect for a normal X always causes the quantity supplied of X to increase when the price of X increases.
  - d. The income effect is always, in practice, smaller than the substitution effect (ignoring the minus sign).
  - e. The income effect is always, in practice, larger than the

substitution effect (ignoring the minus sign).

8. The only thing that will not shift the supply curve for beef is:
  - a. An improvement in agricultural technology.
  - b. A change in the price of beef.
  - c. A change in the price of cattle feed.
  - d. The spread of a cattle disease like "hoof and mouth disease".
  - e. An increase in agricultural wages.
  
9. The determinants of market supply are:
  - a. The price of X, the prices of substitutes, the prices of complements, income, preferences, and the number of buyers.
  - b. The price of X, the prices of inputs, technology, "weather", government activity, and the number of sellers.
  - c. The price of X, the prices of substitutes, technology, "weather", government activity, and the number of sellers.
  - d. The price of X, the prices of inputs, "weather", government activity, and the number of sellers.
  - e) The prices of inputs, technology, "weather", government activity and the number of sellers.
  
10. The demand shifters are:
  - a. The price of X, the prices of substitutes, the prices of complements, income, preferences, and the number of buyers.
  - b. The price of X, the prices of inputs, technology, "weather", government activity, and the number of sellers.
  - c. The price of X, the prices of substitutes, technology, "weather", government activity, and the number of sellers.
  - d. The prices substitutes, the prices of complements, income, tastes, and the number of buyers.
  - e. The price of X, the prices of inputs, technology, "weather", and government activity.

11. In 2018 the price of wine fell and the equilibrium quantity of wine transacted also fell. What might explain that outcome?

- a. A decrease in the demand for wine.
- b. A decrease in the supply of wine.
- c. An increase in the demand for wine.
- d. An increase in the supply of wine.
- e. A decrease in the demand for beer.