

Economics  
Instructor Miller  
Supply and Demand Practice Problems

1. A demand curve shows the relationship between
  - A) the price of a product and the quantity of the product demanded.
  - B) the amount of a product sellers are willing to sell at a particular price and the amount consumers are willing to buy at that price.
  - C) the quantity that consumers are willing and able to buy and the quantity that sellers are willing and able to offer.
  - D) the price of a produce and the demand for the product.
  
2. The law of demand implies, holding everything else constant, that as the price of yogurt
  - A) increases, the demand for yogurt will increase.
  - B) increases, the quantity of yogurt demanded will decrease.
  - C) decreases, the quantity of yogurt demanded will decrease.
  - D) decreases, the demand for yogurt will increase
  
3. An \_\_\_\_\_ is represented by a rightward shift of the demand curve while an \_\_\_\_\_ is represented by a movement along a given demand curve.
  - A) increase in demand; decrease in demand
  - B) increase in demand; increase in quantity demanded
  - C) decrease in demand; decrease in quantity demanded
  - D) increase in quantity demanded; increase in demand
  
4. A change in which variable will change the market demand for a product?
  - A) the price of the product
  - B) expected future prices
  - C) the number of firms in the market
  - D) the quantity supplied of the product
  
5. If a decrease in income leads to an increase in the demand for macaroni, then macaroni is
  - A) an inferior good.
  - B) a neutral good.
  - C) a necessity.
  - D) a normal good.

6. According to a recent study, "Stricter college alcohol policies, such as raising the price of alcohol, or banning alcohol on campus, decrease the number of students who use marijuana." On the basis of this information, how would you describe alcohol and marijuana?

- A) The two goods are substitutes in consumption.
- B) There is no relationship between the two goods.
- C) The two goods are complements in consumption.
- D) They are both luxury goods.

7. If the price of gasoline increases, what will be the impact in the market for public transportation?

- A) The demand curve for public transportation shifts to the right.
- B) The quantity of public transportation demanded increases.
- C) The demand curve for public transportation shifts to the left.
- D) The quantity of public transportation demanded decreases

8. If in the market for apples the supply has decreased then

- A) the supply curve for apples has shifted to the right.
- B) there has been a movement upwards along the supply curve for apples.
- C) the supply curve for apples has shifted to the left.
- D) there has been a movement downwards along the supply curve for apples.

9. \_\_\_\_\_ means the supply curve has shifted to the right, while \_\_\_\_\_ refers to a movement along a given supply curve in response to an increase in price.

- A) An increase in supply; a decrease in supply
- B) A decrease in supply; an increase in supply
- C) An increase in supply; an increase in quantity supplied
- D) A decrease in supply; a decrease in quantity supplied

10. Which of the following would cause an increase in the supply of cheese?

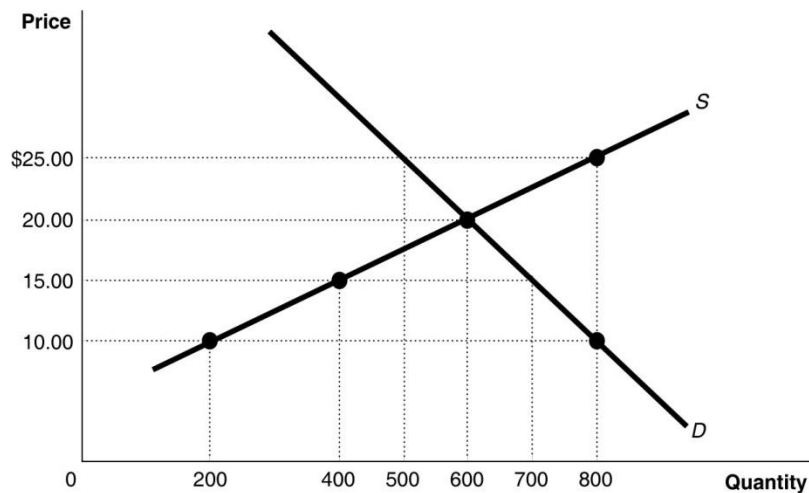
- A) a decrease in the price of wine (assuming that cheese and wine are complements)
- B) an increase in the price of cheese
- C) an increase the price of a product that producers sell instead of cheese
- D) an increase in the number of firms that produce cheese

11. Farmers can plant either corn or soybeans in their fields. Which of the following would cause the supply of soybeans to increase?

- A) an increase in the price of soybeans
- B) a decrease in the price of corn
- C) an increase in the demand for corn
- D) an increase in the price of soybean seeds

12. Which of the following would shift the supply curve for energy drinks to the left?
- A) a decrease in the expected future price of energy drinks
  - B) an increase in consumer income (assuming that energy drinks are normal goods)
  - C) a decrease in the number of firms that produce energy drinks
  - D) a decrease in the price of an input used to produce energy drinks

**Figure 3-4**



13. **Refer to Figure 3-4.** If the price is \$25,
- A) there would be a surplus of 300 units.
  - B) there would be a shortage of 300 units.
  - C) there would be a surplus of 200 units.
  - D) there would be a shortage of 200 units.
14. **Refer to Figure 3-4.** At a price of \$25, how many units will be sold?
- A) 400
  - B) 500
  - C) 600
  - D) 800
15. **Refer to Figure 3-4.** If the current market price is \$25, the market will achieve equilibrium by
- A) a price increase, increasing the supply and decreasing the demand.
  - B) a price decrease, decreasing the supply and increasing the demand.
  - C) a price decrease, decreasing the quantity supplied and increasing the quantity demanded.
  - D) a price increase, increasing the quantity supplied and decreasing the quantity demanded.

16. If the demand for letters written by Abraham Lincoln is higher than the demand for letters written by John Wilkes Booth, what would have to be true for the market equilibrium prices for these letters to be equal?

- A) The supply of Lincoln letters would have to be less than the supply of Booth letters.
- B) The supply of Booth letters would have to be less than the supply of Lincoln letters.
- C) The supply of Lincoln letters and the supply of Booth letters would have to be equal.
- D) If the demand for Lincoln letters is greater than the demand for Booth letters, the market equilibrium price for Lincoln letters will always be greater than the market equilibrium price for Booth letters.

17. Let  $D$  = demand,  $S$  = supply,  $P$  = equilibrium price,  $Q$  = equilibrium quantity. What happens in the market for solar panels if the government offers tax breaks to encourage manufacturers to produce more solar panels?

- A)  $S$  increases,  $D$  no change,  $P$  and  $Q$  increase
- B)  $S$  increases,  $D$  no change,  $P$  decreases,  $Q$  increases
- C)  $D$  and  $S$  increase,  $P$  and  $Q$  decrease
- D)  $D$  no change,  $S$  increases,  $P$  decreases,  $Q$  decreases

18. Electric car enthusiasts want to buy more electric cars at a lower price. All of the following events would have this effect *except*

- A) technological advancement in the production of electric car batteries.
- B) an increase in the number of manufacturers of electric cars.
- C) a decrease in the price of lithium, which is used in the electric car batteries.
- D) an increase in the price of gasoline.

19. Which of the following would cause both the equilibrium price and equilibrium quantity of barley (assume that barley is an inferior good) to increase?

- A) an increase in consumer income
- B) a drought that sharply reduces barley output
- C) a decrease in consumer income
- D) unusually good weather that results in a bumper crop of barley

20. Which of the following would cause the equilibrium price of ketchup to increase and the equilibrium quantity of ketchup to decrease?

- A) a decrease in the price of tomatoes
- B) an increase in the price of tomatoes
- C) an increase in the price of mustard, a substitute for ketchup
- D) an increase in the price of french fries, a complement for ketchup

21. Prices of commercial airline tickets (assume that this is a normal good) have fallen in recent months. Over this same period, the price of jet fuel has risen and consumer incomes have fallen. Which of the following best explains the falling prices of airline tickets?

- A) The supply curve for airline tickets has shifted to the left while the demand curve for airline tickets has shifted to the right.
- B) The demand curve for airline tickets has shifted to the left more than the supply curve has shifted to the left.
- C) The demand curve and the supply curve for airline tickets have both shifted to the right.
- D) The supply curve for airline tickets has shifted to the left more than the demand curve has shifted to the left.

22. In recent years the cost of producing wines in the U.S. has increased largely due to rising rents for vineyards. At the same time, more and more Americans prefer wine over beer. Which of the following best explains the effect of these events in the wine market?

- A) The supply curve has shifted to the left and the demand curve has shifted to the right. As a result there has been an increase in the equilibrium quantity and an uncertain effect on the equilibrium price.
- B) Both the supply and demand curves have shifted to the right. As a result, there has been an increase in the equilibrium price and an uncertain effect on the equilibrium quantity.
- C) Both the supply and demand curves have shifted to the right. As a result, there has been an increase in both the equilibrium price and the equilibrium quantity.
- D) The supply curve has shifted to the left and the demand curve has shifted to the right. As a result, there has been an increase in the equilibrium price and an uncertain effect on the equilibrium quantity.

23. A decrease in the demand for eggs due to changes in consumer tastes, accompanied by a decrease in the supply of eggs as a result of an outbreak of Avian flu, will result in

- A) a decrease in the equilibrium quantity of eggs and no change in the equilibrium price.
- B) a decrease in the equilibrium price of eggs and no change in the equilibrium quantity.
- C) a decrease in the equilibrium price of egg; the equilibrium quantity may increase or decrease.
- D) a decrease in the equilibrium quantity of eggs; the equilibrium price may increase or decrease.

24. During the 1990s positive technological change in the production of chicken caused the price of chicken to fall. Holding everything else constant, how would this affect the market for pork (a substitute for chicken)?

- A) The supply of pork would increase and the equilibrium price of pork would decrease.
- B) The demand for pork would decrease and the equilibrium price of pork would decrease.
- C) The demand for pork would increase because consumers could afford to buy more chicken and pork.
- D) The demand for pork would decrease and the equilibrium price of pork would increase.

25. Which of the following statements is true?
- A) An increase in demand causes an increase in equilibrium price; the increase in price causes supply to increase.
  - B) A decrease in supply causes equilibrium price to rise; the increase in price then results in a decrease in quantity demanded.
  - C) If both demand and supply decrease, there must be a decrease in equilibrium price; equilibrium quantity may either increase or decrease.
  - D) If demand increases and supply decreases one cannot determine if equilibrium price will increase or decrease without knowing which change is greater.
26. Which of the following would cause an increase in the equilibrium price and decrease in the equilibrium quantity of watermelon?
- A) a decrease in demand and an increase in supply
  - B) a decrease in supply
  - C) an increase in demand and an increase in supply greater than the increase in demand
  - D) an increase in demand and an increase in supply
27. When Toyota introduced its 2010 Prius, it announced that the average retail price of the 2010 model would be lower than the average retail price was for the equivalent 2009 model. Which of the following would explain the price differential?
- A) The demand for the Prius had increased, and the supply of the Prius remained unchanged.
  - B) The supply of the Prius had decreased, and the demand for the Prius remained unchanged.
  - C) The demand for the Prius had decreased, and the supply of the Prius had increased.
  - D) The demand for the Prius had increased, and the supply of the Prius had decreased.
28. Assume that both the demand curve and the supply curve for DVD players shift to the left but the demand curve shifts more than the supply curve. As a result
- A) both the equilibrium price and quantity of DVD players will decrease.
  - B) the equilibrium price of DVD players will decrease; the equilibrium quantity may increase or decrease.
  - C) the equilibrium price of DVD players may increase or decrease; the equilibrium quantity will decrease.
  - D) the equilibrium price of DVD players will increase; the equilibrium quantity may increase or decrease.

|      |       |       |
|------|-------|-------|
| Key  | 10. D | 21. B |
|      | 11. B | 22. D |
| 1. A | 12. C | 23. D |
| 2. B | 13. A | 24. B |
| 3. B | 14. B | 25. B |
| 4. B | 15. C | 26. B |
| 5. A | 16. B | 27. C |
| 6. C | 17. B | 28. A |
| 7. A | 18. D |       |
| 8. C | 19. C |       |
| 9. C | 20. B |       |