Economics 2030
Problem Set 1
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1. Which of the following will change quantity demanded?
a. an increase in consumer income
b. a decrease in consumer income
c. a change in the number of consumers
d. a change in the price of the good

2. Which of the following will increase quantity demanded?
a. an increase in consumer income
b. a decrease in consumer income
c. an increase in the price of the good
d. a decrease in the price of the good

3. Which of the following will increase the demand for Granny Smith apples (GSA)?
a. a decrease the price of GSA
b. an increase in the price of GSA
c. a decrease in the price of Kiwi-style apples
d. an increase in the price of Kiwi-style apples

4. If the demand for good X increases when the price of Y increases, then X and Y are
a. normal goods
b. inferior goods
c. substitute goods
d. complementary goods

5. Market supply represents the sum at every price of each
a. individual firm's supply.
b. individual consumer's demand curve
c. individual consumer's supply curve
d. normal good

6. What happens to the supply of corn if the weather improves?
a. the supply curve will shift to the left
b. the supply curve will shift to the right
c. there is no change in supply, only a change in quantity supplied
d. none of the above

7. When Ford Motor Company introduced assembly-line production of the Model A car, the
   number of hours it required to produce a car went from 720 hours per car to 1.5 hours per car.
   This innovation resulted in which of the following
a. it shifted the Ford Motor Company's supply curve to the right
b. it shifted the Ford Motor company's supply curve to the left
c. it shifted the Ford Motor Company's demand curve to the right
d. it shifted the Ford Motor Company's demand curve to the left

8. The price of a complement for good X increases at the same time the price of an input for producing X decreases. What will happen in the market for X?
a. P & Q both increase
b. P decreases & Q is uncertain
c. P & Q both decrease
d. Q decreases & P is uncertain

9. If a surplus exists in the market for apples, what is likely to happen to the price of apples?
a. increase
b. decrease
c. stay the same
d. either increase or decrease

10. If a shortage exists in the market for apples, what is likely to happen to the price of apples?
a. increase
b. decrease
c. stay the same
d. either increase or decrease

11. The diamond/water example yields a lesson that market price
a. is determined by demand
b. is determined by supply
c. depends mainly on demand
d. depends on both demand and supply

12. A temporary increase in demand is more likely to result in an increase in price
a. when inventory cost is low & the % of customers who are regulars is low
b. when inventory cost is high & the % of customers who are regulars is high
c. when inventory cost is low & the % of customers who are regulars is high
d. when inventory cost is high & the % of customers who are regulars is low

13. With MB a consumer's marginal benefit from a good, market demand schedules slope down because
a. an individual's MB falls as more is consumed & individuals differ in MB
b. an individual's MB is unchanged as more is consumed & individuals differ in MB
c. scarcity is less important as price falls
d. an individual's MB rises as more is consumed & individuals differ in MB

14. To optimize net benefits = TB minus TC
a. produce where MB > MC
b. produce where MB = MC
c. produce where MB < MC
d. none of the above

15. If the price of Y increases when Q decreases
a. the demand for Y must have increased
b. the demand for Y must have decreased
c. the supply of Y must have decreased
d. the supply of Y must have increased

16. Washington apples sell for $P_W = \$10$ in Washington & $P_{NC} = \$13$ in North Carolina. It costs $2 per unit to ship apples from Washington to NC. Shipping cost in Washington is essentially zero. In the long run:
 a. the supply of apples will increase in Washington & decrease in NC until $P_W - \$2 = P_{NC}$
 b. the supply of apples will decrease in Washington & increase in NC until $P_{NC} - \$2 = P_W$
 c. the supply of peaches will increase in Washington & stay the same in NC
 d. none of the above

17. With horizontal supply, an increase in demand
 a. increases P & Q
 b. increases P but Q is unchanged
 c. increases Q but P is unchanged
 d. increases Q & decreases P

18. If MB = $4 & MC = $7
 a. increasing Q by 1 increases total benefit by $3
 b. increasing Q by 1 decreases total benefit by $3
 c. increasing Q by 1 increases net benefit by $3
 d. increasing Q by 1 decreases net benefit by $3

19. A hurricane is expected to reach land in two days What will happen in the market for bottled water (BW)?
 a. demand for BW will decrease, & supply of BW will increase
 b. demand for & supply of BW will decrease
 c. demand for & supply of BW will increase
 d. demand for BW will increase, & supply of BW will decrease

20. Causation means
 a. A & B are related
 b. A causes B
 c. B causes A
 d. either A causes B or vice versa

Answers are listed below.[*]

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[*] 1) d, 2) d, 3) d, 4) c, 5) a, 6) b, 7) a, 8) b, 9) b, 10) a, 11) d, 12) d, 13) a, 14) b, 15) c, 16) b, 17) c, 18) d, 19) d, & 20) d.