SOME EXAMPLES OF MULTIPLE-CHOICE SUPPLY and DEMAND QUESTIONS. (4-10-21)

The questions are meant to show you the type of question that might appear on exams. But use the short answer questions in the Commentaries to guide what you study. Consult the "Learning Economics" file in the News Feed. Email me if you have questions.

Do the questions under exam conditions. Allow about 10 minutes to answer the questions.

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 the price of X and the quantity demanded of X, ceteris paribus.
e) The relationship between the price of X and the prices of all the other goods and services that affect X.

2. The supply curve for X has a positive slope because:
a) The MC increases in the short run because of diminishing returns to the variable input.
b) The substitution effect always causes 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).

3. The market for X is in equilibrium if:
a) At each and every price everyone who needs to consume X can purchase X.
b) At each and every price every firm that can produce X can sell X.
c) The demand curve is downward sloping.
d) The quantity demanded of X is equal to the quantity supplied of X.
e) The MC of producing X is less than the MB of producing X so that firms are able to make profits rather than losses.

4. 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 price of X, the prices of inputs, technology, "weather", and government activity.

5. 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.

6. The supply curve will not shift if:

a) There is a change in the number of sellers.
b) There is a change in the price of X.
c) There is a change technology.
d) There is a change in the price of an input.
e) There is a change in government activity.

7. If Y is a substitute for X then an increase in the price of Y will:

a) Cause an increase in the demand for X.
b) Cause an decrease in the demand for X.
c) Cause an increase in the demand for Y.
d) Cause an decrease in the demand for Y.
e) Have no effect on the demand for X if X is an inferior good or service.

8. If Y is a input in the production of X then an increase in the price of Y will:
a) Cause an increase in the supply of X.
b) Cause an decrease in the supply of X.
c) Cause an increase in the quantity supplied of Y.
d) Cause an increase in the demand for Y.
e) Have no effect on the supply of X if X in the short run because the firm cannot adjust the amount of capital it can use.

9. In 2019 the price of crude oil decreased and the quantity of crude oil bought and sold increased. It is therefore reasonable to deduce that in 2019:
a) There was an increase in the demand for crude oil.
b) There was an decrease in the demand for crude oil.
c) There was an increase in the supply of crude oil.
d) There was a decrease in the supply of crude oil.
e) There was an increase in the demand for crude oil and a decrease in the supply of crude oil.

CS AND PS EXAMPLE QUESTIONS 4-10-21

10. Consumer Surplus (CS) and Producer Surplus (PS) result from:

a) The fact that in market economies consumers get to choose what to purchase.
b) The fact that in market economies producers get to produce the output that maximizes their profits.
c) The fact that no consumer or producer can control the price of the product.
d) The fact that price is set at the margin.
e) The fact that price is set where TC = TB.

11. The Gains from Trade are equal to:

a) CS - PS.
b) CS/PS.
c) CS x PS.
d) P x CS + P x PS.
e) CS + PS.

12. If the market price of a pizza increases and the demand curve for pizza does not shift, then the consumer surplus from pizza will ________.

a. increase
b. decrease
c. equal the producer surplus if the market produces the efficient quantity of pizza
d. remain the same