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____ 2. If the price of a substitute to good X increases, then a. the demand for good X will increase. b. the market price of good X will decrease. c. the demand for good X will decrease. d. the demand for good X will not change.

____ 3. Suppose you like banana cream pie made with vanilla pudding. Assuming all other things are constant, you notice that the price of bananas is higher. How would your demand for vanilla pudding be affected by this? a. It would decrease. b. It would increase. c. It would be unaffected. d. There is insufficient information given to answer the question.

____ 4. A higher price for batteries would tend to a. increase the demand for flashlights. b. decrease the demand for electricity. c. increase the demand for electricity. d. increase the demand for batteries.

____ 5. What will happen in the rice market if buyers are expecting higher prices in the near future? a. The demand for rice will increase. b. The demand for rice will decrease. c. The demand for rice will be unaffected. d. The supply of rice will increase.

____ 6. Holding all else constant, a higher price for ski lift tickets would be expected to a. increase the number of skiers. b. decrease demand for skis. c. decrease the demand for other winter recreational activities. d. decrease the supply of ski resorts.

____ 7. Refer to Graph 4-1. The movement from point A to point B on the graph shows a. a decrease in demand. b. an increase in demand. c. an increase in quantity demanded. d. a decrease in quantity demanded.

____ 8. Ceteris paribus is a Latin phrase that literally means a. "other things being equal." b. "after this therefore because of this." c. "to respond slowly to a change in price." d. "There"s no such thing as a free lunch."

____ 9. When the price of a good or service changes, a. there is a movement along a stable demand curve. b. demand shifts in the opposite direction. c. demand shifts in the same direction. d. supply shifts in the opposite direction.

____ 10. Other things equal, when the price of a good rises, the quantity supplied of the good also rises. This is a. the law of increasing costs. b. the law of diminishing returns. c. the law of supply. d. the law of demand.

____ 11. Suppose that there is an increase in input prices. We would expect a. supply to increase. b. supply to decrease. c. supply could increase or decrease. d. supply to remain unchanged.

____ 15. Refer to Graph 4-5. According to the graph, at a price of $7, a. there would be a shortage of 40 units. b. there would be a surplus of 40 units. c. there would be a surplus of 20 units. d. the market would be in equilibrium.

____ 18. Refer to the Graph 4-6. At a price of $ a. the market would be in equilibrium. b. 600 units would be bought and sold. c. there would be no pressure for price to change. d. All of the above are true.

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