

Principles of Macroeconomics Homework Assignment 3

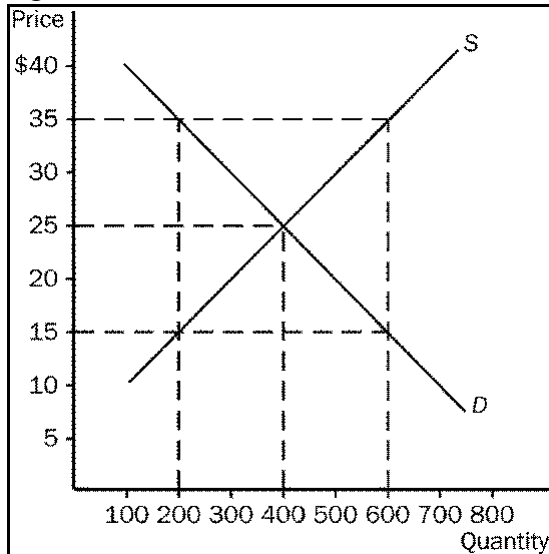
Instruction: Log in GeorgiaView and submit your answers

- _____ 1. A competitive market is one in which
- there are so many buyers and so many sellers that each has a negligible impact on the price of the product.
 - there are many sellers and each seller has the ability to set the price of his product.
 - there are many sellers and they compete with one another in such a way that some sellers are always being forced out of the market.
 - there is only one seller, but there are many buyers.
- _____ 2. A likely example of complementary goods for most American people would be
- hamburgers and hot dogs.
 - lawnmowers and automobiles.
 - Dr. Pepper and Pepsi.
 - hamburgers and French fries.
- _____ 3. A likely example of substitute goods for most American people would be
- pencils and pens.
 - tennis balls and tennis rackets.
 - CD players and CDs.
 - peanut butter and jelly.
- _____ 4. During recession, many workers have been layoff and their income dropped. As a result, the demand for new cars will
- decrease and the demand curve shifts to the right.
 - not change. People still buy new cars.
 - decrease and the demand curve shifts to the left.
 - be uncertain. The demand curve shifts either to the right or to the left, but we cannot determine the direction of the shift from the given information.
- _____ 5. The law of demand says that
- an increase in quantity demanded causes price to increase.
 - an increase in price causes quantity demanded to increase.
 - an increase in price causes quantity demanded to decrease.
 - an increase in quantity demanded causes price to decrease.
- _____ 6. The line that relates the price of a good to the quantity demanded of that good is called the
- demand schedule, and it usually slopes upward.
 - demand curve, and it usually slopes downward.
 - demand curve, and it usually slopes upward.
 - demand schedule, and it usually slopes downward.
- _____ 7. If the demand for chicken increase, what would happen to the chicken market equilibrium?
- Both equilibrium price and equilibrium quantity would go up.
 - Equilibrium price would go up, equilibrium quantity would go down.
 - Equilibrium price would go down, equilibrium quantity would go up.
 - Both equilibrium price and equilibrium quantity would go down.
- _____ 8. The market demand is
- positively related to the price of the product in question.
 - the sum of all buyers' individual demands.
 - vertical sum of quantity demanded.
 - the demand for all products in an industry.
- _____ 9. Suppose the American Medical Association announces that people who consume more pecans are less likely to die of heart failure. We could expect the current demand for
- peanut to increase.
 - peach to increase.
 - pecan to increase.
 - None of the above is correct.
- _____ 10. If a study by medical researchers found that eating tomato reduced the chance of heart disease while consuming white sugar increase the chance of heart disease, we likely would see

- a. an increase in demand for tomato, but no change in the demand for white sugar.
- b. an increase in demand for tomato and a decrease in demand for white sugar.
- c. a decrease in the demand for white sugar, but no change in the demand for tomato.
- d. no change in either demand because heart disease is not a determinant of demand.

- ___ 11. A decrease in the supply of televisions is represented by
- a. a movement down and to the left along the supply curve for televisions.
 - b. a rightward shift of the supply curve for televisions.
 - c. a flattening of the supply curve for televisions.
 - d. a leftward shift of the supply curve for televisions.
- ___ 12. If the number of sellers in a market increases, the
- a. demand in that market will increase.
 - b. demand in that market will decrease.
 - c. supply in that market will increase.
 - d. supply in that market will decrease.
- ___ 13. Suppose you make jewelry with gold. If the price of gold falls, we would expect you to
- a. supply more jewelry than before.
 - b. supply less jewelry than before.
 - c. make less jewelry and sell them at a higher price.
 - d. face a weaker demand for your jewelry.
- ___ 14. The price at which quantity supplied equals quantity demanded is called the
- a. equilibrium price.
 - b. monopoly price.
 - c. coordinating price.
 - d. All of the above are correct.

Figure HW 3-1



- ___ 15. **Refer to Figure HW 3-1.** Equilibrium price and quantity are, respectively,
- a. \$15 and 200.
 - b. \$35 and 600.
 - c. \$35 and 200.
 - d. \$25 and 400.
- ___ 16. **Refer to Figure HW 3-1.** At a price of \$35,
- a. there would be a shortage of 400 units.
 - b. there would be a surplus of 200 units.
 - c. there would be an excess supply of 200 units.
 - d. there would be a surplus of 400 units.
- ___ 17. **Refer to Figure HW 3-1.** At a price of \$15,
- a. there would be a surplus of 400 units.

- b. there would be a shortage of 400 units.
- c. there would be a shortage of 200 units.
- d. there would be an excess demand of 200 units.

- _____ 18. **Refer to Figure HW 3-1.** At the equilibrium price,
- a. 200 units would be supplied and demanded.
 - b. 400 units would be supplied and demanded.
 - c. 600 units would be supplied and demanded.
 - d. 600 units would be supplied, but only 200 would be demanded.

- _____ 19. **Refer to Figure HW 3-1.** At a price of \$35,
- a. a shortage would exist and the price would tend to fall from \$35 to a lower price.
 - b. a surplus would exist and the price would tend to fall from \$35 to a lower price.
 - c. a surplus would exist and the price would tend to rise from \$35 to a higher price.
 - d. an excess demand would exist and the price would tend to fall from \$35 to a lower price.

- _____ 20. **Refer to Figure HW 3-1.** At a price of \$15,
- a. a shortage would exist and the price would tend to rise to a higher price.
 - b. a shortage would exist and the price would tend to fall to a lower price.
 - c. a surplus would exist and the price would tend to fall to a lower price.
 - d. an excess demand would exist and the price would tend to fall to a lower price.