

Supply and demand psychology



**ASSIGN
BUSTER**

The law of demand implies that: A) consumers are not responsive to price changes. B) consumers will buy more at lower prices. C) sellers will offer more on the market at higher prices. D) sellers will offer less on the market at lower prices.

2. Which of the following factors would cause a movement along the demand curve for a particular good? A) a change in the prices of related goods B) a change in the price of that good C) a change in the size of the population D) both a change in the price of that good and a change in the size of the population 3.

In much of the country, homeowners choose to heat their houses with either natural gas or home heating oil. Which of the following would cause a change in the demand for natural gas? A) a change in the price of home heating oil B) a change in income C) an increase in consumer tastes for natural gas as an energy source D) all of the above 4.

When the economy suffers a downturn and the incomes of many people decrease, vacationers are more likely to take car trips than to fly.

Which of the following provides one possible explanation for this phenomenon? A) Air travel and vacation travel by car are complementary goods. B) Air travel and vacation travel by car are both normal goods. C) Air travel is a normal good and vacation travel by car is an inferior good.

D) Air travel is an inferior good and vacation travel by car is a normal good.

5. If the demand for tires goes down when the price of gas goes up, then tires and gas are: A) substitutes.

B) complements.

C) both expensive. D) both inexpensive. Page 1 Else the following to answer question 6: Figure: Demand for DVD's 6. (Figure: Demand for DVD's) Look at the figure Demand for DVD's. A decrease in the price of DVD players (a complement) would result in a change illustrated by: A) the move from f to g in panel A.

B) the move from h to l in panel B. C) the move from j to k in panel C. D) the move from l to m in panel D. 7.

A shift to the left of a supply curve is caused by: A) an increase in the number of sellers. B) a technological improvement in production.

C) an increase in the cost of an input. D) an increase in the number of buyers. Page 2 8. In the market for wheat, what would happen if the price of ethanol (which is made from corn) increases dramatically? A) an increase in supply of wheat B) a decrease in supply of wheat C) an increase in demand for wheat D) a decrease in demand for wheat 9.

If the quantity supplied in a market exceeds the quantity demanded in a market, we would expect prices to: A) stay the same. B) rise. C) fall. D) rise in order to clear the market.