Principles of Macroeconomics
Homework Assignment 3

Instruction: Log in GeorgiaView and submit your answers

____ 1. A competitive market is one in which
- a. there are so many buyers and so many sellers that each has a negligible impact on the price of the product.
- b. there are many sellers and each seller has the ability to set the price of his product.
- c. 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.
- d. there is only one seller, but there are many buyers.

____ 2. A likely example of complementary goods for most American people would be
- a. hamburgers and hot dogs.
- b. lawnmowers and automobiles.
- c. Dr. Pepper and Pepsi.
- d. hamburgers and French fries.

____ 3. A likely example of substitute goods for most American people would be
- a. pencils and pens.
- b. tennis balls and tennis rackets.
- c. CD players and CDs.
- d. 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
- a. decrease and the demand curve shifts to the right.
- b. not change. People still buy new cars.
- c. decrease and the demand curve shifts to the left.
- d. 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
- a. an increase in quantity demanded causes price to increase.
- b. an increase in price causes quantity demanded to increase.
- c. an increase in price causes quantity demanded to decrease.
- d. 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
- a. demand schedule, and it usually slopes upward.
- b. demand curve, and it usually slopes downward.
- c. demand curve, and it usually slopes upward.
- d. demand schedule, and it usually slopes downward.

____ 7. If the demand for chicken increase, what would happen to the chicken market equilibrium?
- a. Both equilibrium price and equilibrium quantity would go up.
- b. Equilibrium price would go up, equilibrium quantity would go down.
- c. Equilibrium price would go down, equilibrium quantity would go up.
- d. Both equilibrium price and equilibrium quantity would go down.

____ 8. The market demand is
- a. positively related to the price of the product in question.
- b. the sum of all buyers' individual demands.
- c. vertical sum of quantity demanded.
- d. 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
- a. peanut to increase.
- b. peach to increase.
- c. pecan to increase.
- d. 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.

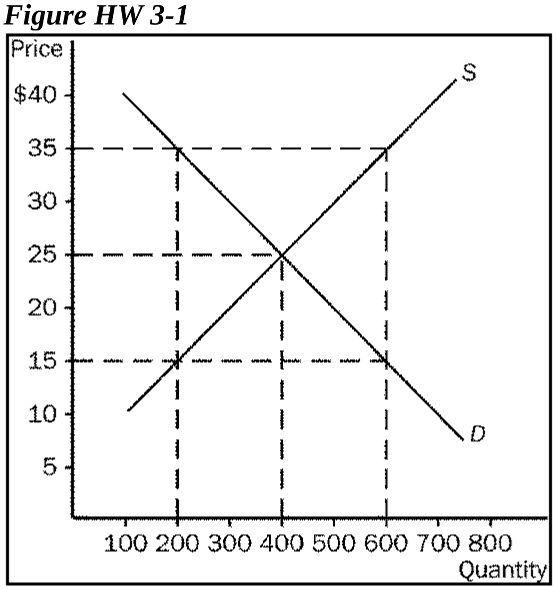
____ 11. A decrease in the supply of televisions is represented by
a. a movement down and to the left along the supply curve for televisions.
b. a rightward shift of the supply curve for televisions.
c. a flattening of the supply curve for televisions.
d. a leftward shift of the supply curve for televisions.

____ 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.