QUIZ #4
Solutions

1. A movement along a demand curve from one price-quantity combination to another is called:
   A. a change in quantity demanded.
   B. a shift in the demand curve.
   C. a change in demand.
   D. a change in quantity supplied.

   A change in quantity demanded is a change along a demand curve; a change in demand is a shift in the entire curve.

2. "As the price of personal computers continues to fall, demand increases." This headline is inaccurate because:
   A. a change in the price of personal computers shifts the demand curve.
   B. a change in the price of personal computers shifts the supply curve.
   C. the statement is backwards: increased demand leads to lower prices.
   D. a falling price for personal computers increases quantity demanded, not demand.

   A change in price leads to a change in quantity demanded because it is a change along a demand curve; a change in demand is a shift in the entire curve.

3. If the demand for a good decreases as income decreases, it is a(n):
   A. complementary good.
   B. normal good.
   C. inferior good.
   D. substitute good.

   A normal good is one for which the demand curve shifts leftward when the incomes of buyers decrease.
4. What might cause a demand function to shift to the right?
   A. An increase in the price of a substitute.
   B. An increase in the product's own price.
   C. An increase in the price of a complement.
   D. A decrease in the price of a substitute.

   A substitute is a good for which demand will increase if the price of a related good increases.

5. If the price of computers increases and the demand for monitors decreases as a result, then:
   A. computers and monitors are complements.
   B. computers are a normal good and monitors are inferior.
   C. computers and monitors are substitutes.
   D. computers are an inferior good and monitors are normal.

   A complementary good is one for which the demand curve shifts leftward when the price of a related good increases.

6. Whether or not a good can be classified as a complement depends on whether;
   A. you personally tend to consume the goods together.
   B. no substitutes exist.
   C. an increase in demand for one good follows a decrease in the price of the other.
   D. an increase in demand for one good follows an increase in the price of the other.

   Whether a good is a complement is determined by the reaction of market demand for one good to a change in the price of the other.

7. As consumers' incomes increase, the demand for ground beef decreases. Ground beef is called a(n):
   A. normal good.
   B. complement good.
   C. substitute good.
   D. inferior good.

   An inferior good is one for which the demand curve shifts leftward when the incomes of buyers increase.
8. At the beginning of the fall semester, college towns experience large increases in their populations, causing a(n):
A. decrease in the quantity of apartments demanded.
B. increase in the supply of apartments.
C. increase in the demand for apartments.
D. decrease in the quantity of apartments supplied.

Apartments are complements to college attendance.

9. Refer to the figure above. Demand for coffee last Monday is shown in bold and labeled $D(Monday)$. On Tuesday, the news featured a story about a storm that wiped out the entire coffee crop in Brazil. On Wednesday:
A. the demand function remained at $D(Monday)$, but the quantity demanded increased.
B. demand shifted to $D(A)$ in anticipation of future price increases.
C. demand shifted to $D(B)$ in anticipation of future price increases.
D. there would be no change in either the demand function or the quantity demanded because not enough time had passed for the storm's effects to be felt.

People will have an incentive to purchase coffee before prices rise.