Upon completion of the quiz, save your answers in your clicker and record your answers in the space provided at the end of the quiz. Do not submit your answers from the clicker until instructed to do so.

Multiple Choice

1. The law of demand states that
   a. A decrease in the price of a good causes the demand curve to shift rightward
   b. A decrease in the price of a good causes the demand curve to shift leftward
   c. Other things remaining the same, as the price of a good falls, the quantity demanded falls.
   d. Other things remaining the same, as the price of a good falls, the quantity demanded rises.

2. Which of the following pairs of goods are most likely to be substitutes in production?
   a. Orange juice and water
   b. Hot dogs and ketchup
   c. Corn and beans
   d. Beef and cowhide.

3. Suppose that rice is an inferior good. If income rises, we should expect to see
   a. The demand for rice to increase
   b. The demand for rice to decrease
   c. The supply of rice to increase
   d. The supply of rice decrease

4. Suppose that goods A and B are complements in production. If the demand for A falls, this will cause:
   a. The price of B to drop because the supply of B will increase.
   b. The price of B to drop because the demand for B will decrease.
   c. The price of B to rise because the supply of B will decrease.
   d. None of the above.

5. Suppose that government institutes a price ceiling of $4 for gasoline. This will cause
   a. A shortage of gasoline only if the equilibrium price of gasoline is above $4
   b. A shortage of gasoline only if the equilibrium price of gasoline is below $4
   c. A surplus of gasoline only if the equilibrium price of gasoline is above $4
   d. A surplus of gasoline only if the equilibrium price of gasoline is below $4.
6 Which of the following would simultaneously reduce the equilibrium price and quantity of plasma TVs?
   a. Lower prices for cable TV service which consumers consider to be a complement to a plasma TV.
   b. Lower prices for LCD TVs which consumers consider to be a reasonable substitute for a plasma TV.
   c. Lower prices for the electronic components that are used in the production of plasma TVs.
   d. All of the above.

7 Suppose that the current equilibrium price of corn is $4 and that the government imposes a price floor at $4. If there is exceptionally bad weather leading to a large decrease in the amount of corn produced, we should expect:
   a. Corn prices will rise and no shortage or surplus will occur.
   b. Corn prices cannot rise so a surplus of corn will occur.
   c. Corn prices cannot rise so a shortage of corn will occur.
   d. Corn prices cannot fall so a surplus of corn will occur.

8 Suppose that there is simultaneously an increase in the cost of producing plasma TVs and consumer income rises. Assuming that plasma TVs are normal goods, theory predicts that in the market for plasma TVs
   a. Equilibrium price will rise, but the effect on equilibrium quantity is unknown.
   b. Equilibrium price will fall, but the effect on equilibrium quantity is unknown.
   c. Equilibrium quantity will rise, but the effect on equilibrium price is unknown.
   d. None of the above.

Record your answers here.

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