

ACTIVITY 14 continued

Part B.

Now, the dog work over, see if you have the point by circling the letter of the answer you think is the one best alternative in each of the following multiple-choice questions.

1. Other things constant, which of the following would *not* cause a change in the demand (shift in the demand curve) for mopeds?
 - a. A decrease in consumer incomes.
 - b. A decrease in the price of mopeds.
 - c. An increase in the price of bicycles.
 - d. An increase in people's tastes for mopeds.

2. "Rising oil prices have caused a sharp decrease in the demand for oil." Speaking precisely, and using terms as they are defined by economists, choose the statement that best describes this quotation:
 - a. The quotation is correct—an increase in price always causes a decrease in "demand."
 - b. The quotation is incorrect—an increase in price always causes an increase in "demand," not a decrease in "demand."
 - c. The quotation is incorrect—an increase in price causes a decrease in the "quantity demanded," not a decrease in "demand."
 - d. The quotation is incorrect—an increase in price causes an increase in the "quantity demanded," not a decrease in "demand."

3. "As the price of domestic automobiles has inched upward, customers have found foreign autos to be a better bargain. Consequently, domestic auto sales have been slipping and foreign auto sales have been moving briskly." Using only the information in this quotation and assuming everything else constant, which of the following best describes this statement?
 - a. A shift in the demand curves for both domestic and foreign automobiles.
 - b. A movement along the demand curves for both foreign and domestic automobiles.
 - c. A movement along the demand curve for domestic autos and a shift in the demand curve for foreign autos.
 - d. A shift in the demand curve for domestic autos, a movement along the demand curve for foreign autos.

4. A fellow student is heard to say the following: "Economic markets are like a perpetual see-saw. If demand rises, the price rises; if price rises, then demand will fall; if demand falls, price will fall; if price falls, demand will rise ... and so on forever." Dispel your friend's obvious confusion (in no more than one short paragraph) below.