

- 1) Mad cow disease causes a panic in Britain, shifting the demand curve for British beef dramatically to the \_\_?\_\_. Analysts wonder, what will be the effect on American beef? If Europe looks on U.S. beef as a safe replacement for British beef, then the price of U.S. beef should \_\_?\_\_. If, however, American consumers *also* become worried about mad cow disease, then the price of U.S. beef should \_\_?\_\_.
- left, rise, fall
  - right, rise, fall
  - right, fall, rise
  - left, fall, rise
  - none of the above
- 2) Cigarettes cost the U.S. public billions of dollars each year, in terms of higher health insurance premiums and higher expenditures on Medicaid and Medicare. Many analysts therefore advocate a higher cigarette tax, which would shift the \_\_?\_\_ curve for cigarettes \_\_?\_\_ by the amount of the tax. This would have the effect of \_\_?\_\_ the equilibrium quantity of cigarettes consumed and obtaining tax revenue which could be used to subsidize insurance premiums and public health programs, therefore offsetting some of the public costs of smoking.
- demand, to the right, increasing
  - supply, downward, increasing
  - demand, to the left, decreasing
  - supply, upward, decreasing
  - none of the above
- 3) Many fast-food restaurants hire most of their labor at the minimum wage. If the minimum wage increases, it is likely that the equilibrium price of fast food would \_\_?\_\_ and the equilibrium quantity of fast food would \_\_?\_\_. It is also likely that unemployment among teenagers would \_\_?\_\_.
- increase, decrease, increase
  - decrease, increase, decrease
  - increase, increase, decrease
  - decrease, decrease, increase
  - none of the above
- 4) When incomes rise, sales for most firms selling \_\_?\_\_ goods rise, causing profits to \_\_?\_\_, and making the demand curve for stocks shift to the \_\_?\_\_, so that stock prices \_\_?\_\_.
- inferior, rise, right, rise
  - normal, fall, left, fall
  - normal, rise, left, rise
  - inferior, fall, left, fall
  - none of the above
- 5) Suppose that stock traders believe that Cracker Barrel stock prices are the highest that they will ever be (i.e., they will be lower in the future). This will cause the demand curve for Cracker Barrel stock to shift to the \_\_?\_\_, the supply curve for Cracker Barrel stock to shift to the \_\_?\_\_, and the equilibrium price of Cracker Barrel stock to \_\_?\_\_.
- right, left, rise
  - left, right, rise
  - right, left, fall
  - left, right, fall
  - none of the above
- 6) Suppose that Disney attempts to acquire Pepsico. This causes the \_\_?\_\_ curve for Pepsico stock to shift to the \_\_?\_\_, leading to \_\_?\_\_ in the equilibrium price of Pepsico stock.
- demand, right, an increase
  - supply, left, an increase
  - demand, left, a decrease
  - supply, right, a decrease
- 7) Bond yields can also be called \_\_?\_\_. As bond prices \_\_?\_\_, bond yields \_\_?\_\_.
- bond prices, rise, rise
  - bond prices, rise, fall
  - interest rates, fall, fall
  - interest rates, fall, rise