

**ARE 201**  
**Fall 2009**  
**Lab # 2**

Name KEY

Complete the sentences or provide the short answer.

1. If pizza and beer are complements, then an increase in the price of beer will decrease the purchases of pizza.
2. In *Micro Mischief*, Dia appears on a radio talk show and is asked a question about oil. She tells a caller there is an automatic mechanism in the economy that tells us when oil is getting scarcer and alternatives should be considered. The mechanism is an increase in the real, or inflation-adjusted, price of oil.
3. In *Micro Mischief*, Dia participates in a meeting of the college's "pay equity committee". In discussing the high salaries of professional athletes and entertainers, the statement is made that it is the revenues from the athletes and entertainers' work (games, movies, concerts) and the products associated with that work which ultimately pays their salaries.
4. A "high demand" for workers coupled with a "low supply" of those same workers will result in a high wage or salary.
5. A "low demand" for workers coupled with a "high supply" of those same workers will result in a low wage or salary.
6. With the \$20 you have in your pocket, you decide to buy a new CD of your favorite recording group. If your next best use of that \$20 would have been to purchase a new jacket for the winter, then the value you *would have received* from buying that jacket is the opportunity cost of the \$20.
7. The market system guides resource allocation through the "signals" provided by prices.
8. Along a demand curve, the higher the price per unit, the fewer units purchased by consumers.
9. For a "normal good", an increase in income will increase the number of units of the product or service purchased.
10. For an "inferior good", an increase in income will decrease the number of units of the product or service purchased.