

## Version 1: Section 1

Instructions: Answer each of the questions. Print your name and student number clearly on the answer sheet. Fill in the bubbles corresponding to your student number, leaving the top two boxes blank (or inserting dashes there) and filling in the "0" bubble in the top two rows.

**NO CALCULATORS, NO TALKING, NO NOTES!**

1. My version of the quiz is

- a. Version 1 – Yellow
- b. Version 2 – Purple
- c. Version 3 – Green
- d. Version 4—Pink
- e. Version 5—White

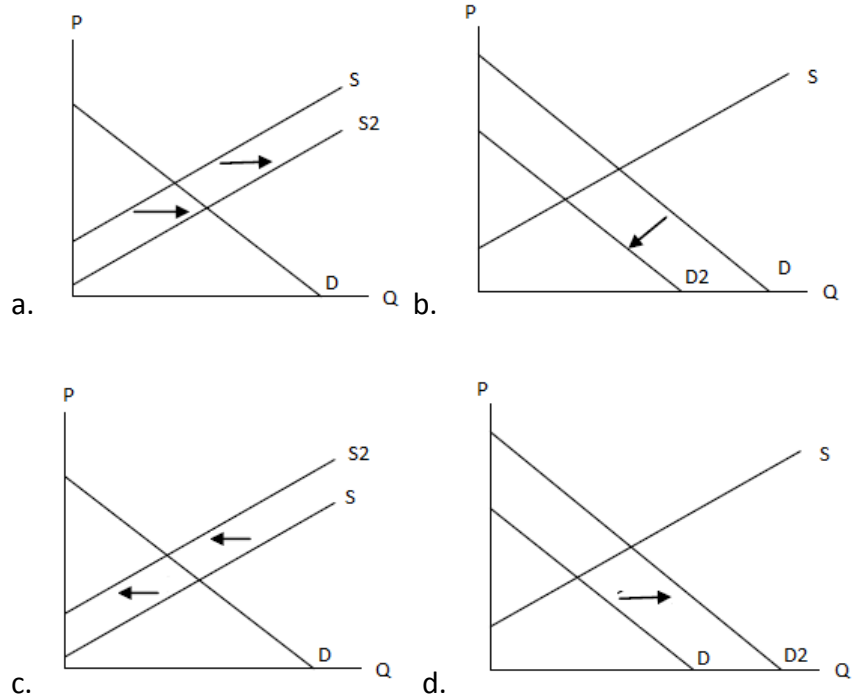
2. If the demand for swimsuits increases and the supply for swimsuits decreases:

- a. the equilibrium price increases.
- b. the equilibrium price decreases.
- c. the equilibrium price does not change.
- d. the change in the equilibrium price is ambiguous.

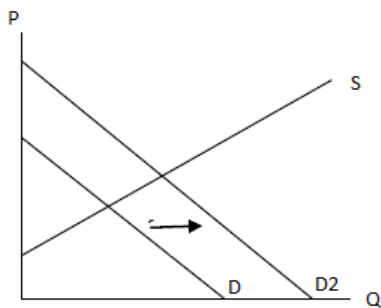
3. Improvement of assembly lines in the auto industry \_\_\_\_\_ cars. As a result, the equilibrium quantity of cars \_\_\_\_\_.

- a. increased the supply of; decreased.
- b. increased the supply of; increased.
- c. decreased the supply of; decreased.
- d. decreased the supply of; increased.

4. Which of the following graphs depicts the change in the market for cheesecakes when the price of pie, a cheesecake substitute, decreases? In all cases, the arrows signify the shift of the curve and D2 and S2 represent the demand and supply curves after the shift, respectively.



5. The following picture, depicting a change in the market for good X, could have been a result of which of the following? Assume D2 is the Demand curve after the shift, and D is the Demand curve before the shift.



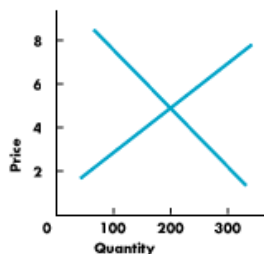
- a. An increase in the price of a complement of good X.
- b. An increase in the price of a substitute for good X.
- c. An improvement in technology used to produce good X.
- d. An increase in the price of an input used to produce good X.

6. The table below depicts the market for eggs (in dozens). The market is initially in equilibrium. Now the government sets a price floor equal to \$1. As a result of the price floor, there is:

Price	Quantity Supplied	Quantity Demanded
0	0	10
1	3	8
2	6	6
3	9	4
4	12	2
5	15	0

- a. a shortage of 5 dozen eggs.
- b. a surplus of 5 dozen eggs.
- c. neither a surplus nor a shortage of eggs.
- d. a shortage of 10 dozen eggs.

7. The graph below depicts the market for tulips. In an attempt to protect the flowers, the government of Holland places a price ceiling on all tulip purchases of \$3. How does this affect the market for tulips?



- a. there will be a shortage of tulips.
- b. there will be a surplus of tulips.
- c. there will neither be a surplus nor a shortage of tulips.
- d. there is insufficient information to answer this question.

8. The table below depicts how much a set of consumers are each willing to pay to attend a classical music concert. The ticket price is \$19/ticket. Calculate the consumer surplus in the market.

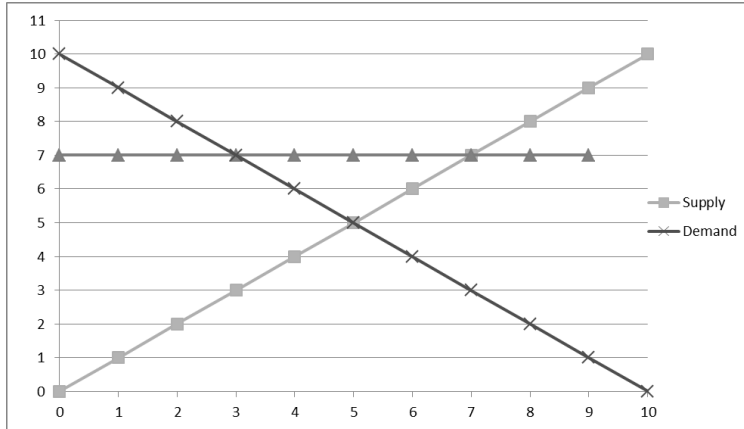
Jim-\$25  
John-\$18  
Joan-\$37  
Jenny-\$21  
Jack-\$10

- a. \$26
- b. \$0
- c. \$20
- d. there is insufficient information to compute the consumer surplus.

9. Consider the market for heavy coats. Now there is a particularly cold winter that sweeps across the United States. In the market for heavy coats, this shift would:

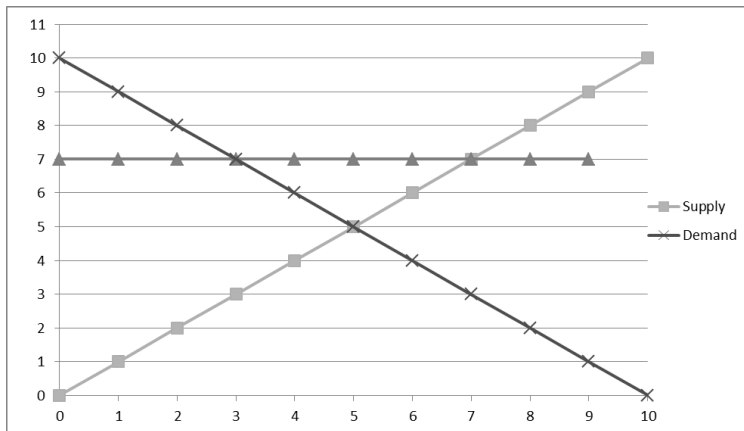
- a. increase consumer surplus.
- b. increase producer surplus.
- c. increase total surplus.
- d. all of the above.

10. The below diagram depicts the market for potatoes (in pounds). Now there is a price floor set at \$7/pound. What is the consumer surplus in this market now that the price floor is in place?



- a. \$21
- b. \$9
- c. \$ 9/2
- d. \$30

11. The below diagram depicts the market for potatoes (in pounds). Now there is a price floor set at \$7/pound. What is the deadweight loss associated with the price floor (compared to equilibrium)?



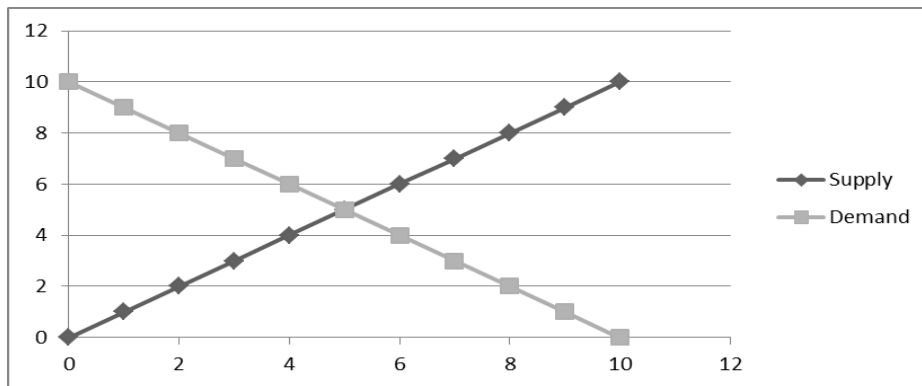
- a. \$14
- b. \$8
- c. \$3

d. \$4

12. If a quota is set lower than the equilibrium quantity, this will:

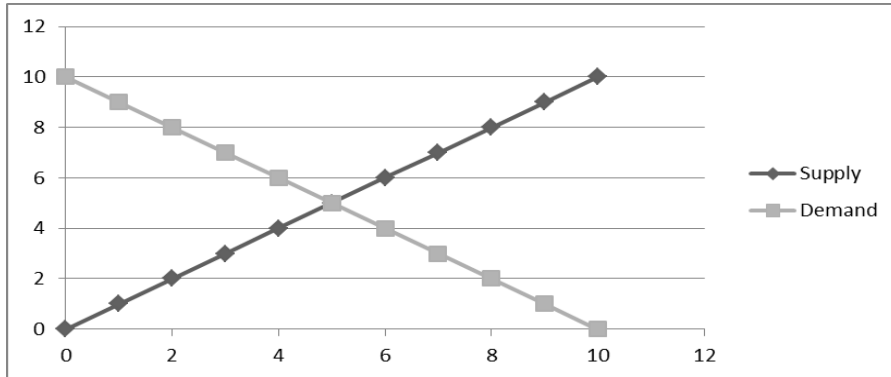
- a. increase consumer surplus.
- b. increase total surplus.
- c. both a and b.
- d. do none of the above.

13. The below diagram depicts the market for cheddar cheese (in pounds). There is now a quota set at 2 pounds. With the quota, producers will charge:



- a. \$7
- b. \$3
- c. \$5
- d. \$8

14. The below diagram depicts the market for cheddar cheese (in pounds). There is now a quota set at 2 pounds. With the quota, the total surplus in the market is:



- a. \$16
- b. \$18
- c. \$14
- d. \$12

15. Haley and Chloe are baking brownies and cookies for a bake sale at their local elementary school. If Haley only bakes brownies she can bake 5 batches in 1 day and if she only bakes cookies, she can bake 2 batches in 1 day. Chloe can bake 4 batches of brownies in 1 day if she bakes no cookies and she can bake 1 batch of cookies if she bakes no brownies. The two are planning on spending the entire day baking and doing nothing else. Based on this information, \_\_\_\_\_ has an absolute advantage in baking brownies and \_\_\_\_\_ has an absolute advantage in baking cookies.

- a. Chloe; Haley
- b. Haley; Chloe
- c. Haley; Haley
- d. Chloe; Chloe

16. Haley and Chloe are baking brownies and cookies for a bake sale at their local elementary school. If Haley only bakes brownies she can bake 5 batches in 1 day and if she only bakes cookies, she can bake 2 batches in 1 day. Chloe can bake 4 batches of brownies in 1 day if she bakes no cookies and she can bake 1 batch of cookies if she bakes no brownies. The two are planning on spending the entire day baking and doing nothing else. Based on this information, \_\_\_\_\_ has a comparative advantage in baking brownies and \_\_\_\_\_ has a comparative advantage in baking cookies.

- a. Chloe; Haley
- b. Haley; Chloe
- c. Haley; Haley
- d. Chloe; Chloe

17. Giant and Specialized are both bicycle companies. Assume at both of these companies, each employee works the same number of hours. At Giant, it takes 10 workers to produce 1 kids bike, and 15 workers to produce 1 mountain bike. At Specialized, it takes 12 workers to produce 1 kids bike and 12 to build 1 mountain bike. Based on this information, \_\_\_\_\_ has an absolute advantage in building kids bikes and \_\_\_\_\_ has an absolute advantage in building mountain bikes.

- a. Specialized; Specialized
- b. Giant; Giant
- c. Giant; Specialized
- d. Specialized; Giant



18.

Country	Production per Year	
Transylvania	10 Solar Panels (millions)	20 Timber (millions of yards)
Abu Dhabi	2 Solar Panels (millions)	22 Timber (millions of yards)

The above table shows the production possibilities frontier for two countries, Transylvania and Abu Dhabi, which produce solar panels and timber. Which of the following are potential trades that would be feasible and make both countries better off?

- a. Abu Dhabi trades away 11 million yards of timber for 1 million solar panels.
- b. Abu Dhabi trades away 1 million solar panels for 10 million yards of timber.
- c. Transylvania trades away 10 million solar panels for 15 million yards of timber.
- d. Transylvania trades away 18 million yards of timber for 2 million solar panels.

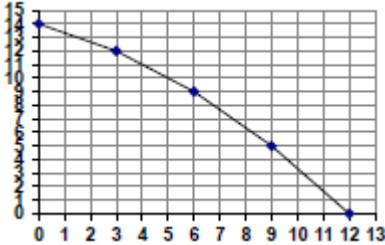
19.

Country	Production per Year	
Transylvania	10 Solar Panels (millions)	20 Timber (millions of yards)
Abu Dhabi	2 Solar Panels (millions)	22 Timber (millions of yards)

The above table shows the production possibilities frontier for two countries, Transylvania and Abu Dhabi, which produce solar panels and timber. If the two were to trade based on their comparative advantages, who would be worse off?

- a. Solar panel manufacturers in Transylvania.
- b. Solar panel manufacturers in Abu Dhabi.
- c. Timber manufacturers in Abu Dhabi
- d. No one is worse off from trade.

20. The following graph exhibits \_\_\_\_\_. Assume that good X is on the X axis and good Y is on the Y axis.



- a. increasing opportunity costs in both goods X and Y.
- b. decreasing opportunity costs in X and increasing opportunity costs in Y.
- c. constant opportunity costs.
- d. increasing opportunity costs in X and decreasing opportunity costs in Y.

21. The table below depicts the Production Possibilities Frontier for European duathlon champion, Bart Aernouts. The duathlon is a race consisting of running and bicycling, and hence, Bart spends his time training in these two events only. In a given week, he has 20 hours to train. He can split his 20 hours anyway he likes as long as it is on his PPF. From the table you can advise him that that biking 15 hours and running 7 hours is \_\_\_\_\_ and the PPF exhibits \_\_\_\_\_ opportunity costs.

Bike Hours	Run Hours
20	0
15	5
10	10
5	15
0	20

- a. attainable and efficient; constant.
- b. attainable and inefficient; increasing.
- c. unattainable; constant.

d. unattainable; increasing.

22. Classify the following two statements from recent news:

--*Judge Rules New Jersey Must Permit Gay Marriage.*

--*All states should follow New Jersey's example.*

- a. Statement 1 is normative and Statement 2 is positive.
- b. Both statements are normative.
- c. Both statements are positive.
- d. Statement 1 is positive and Statement 2 is normative.

23. Classify the following two statements as pertaining to macroeconomics or microeconomics.

--*The Federal Reserve Bank raised interest rates to 2 percent.*

--*Wells Fargo fires 1,000 employees.*

- a. Statement 1 pertains to macroeconomics and Statement 2 pertains to microeconomics.
- b. Statement 1 pertains to microeconomics and Statement 2 pertains to macroeconomics.
- c. Both statements pertain to macroeconomics.
- d. Both statements pertain to microeconomics.

24. Your friend Kevin buys a non-refundable lift ticket for \$49 to go skiing on Friday morning. You tell him if he is thinking like an Economist, he should:

- a. ski as long as the marginal benefit exceeds the marginal cost of skiing, and no longer.
- b. ski until his total benefit equals \$49.
- c. ski until the resort closes.
- d. ski as long as his total benefit exceeds his total cost of skiing.

25. Jose has five job opportunities that he values according to the following schedule. What is the opportunity cost of taking job A?

Job A	\$90,000
Job B	\$80,000
Job C	\$85,000
Job D	\$89,000

- a. \$80,000
- b. \$90,000

- c. \$1,000
- d. \$89,000

26. Which of the following statements is **false**?

- a. A normal good is defined as a good where an increase in the price of that good also increases demand for that good.
- b. Microeconomics involves the choices that individuals make.
- c. Changes in the demand for a good can occur if there are changes in tastes and preferences.
- d. Someone has absolute advantage in the production of a good if he can produce more with the same resources.

27. Who has the lowest opportunity cost of washing his car?

- a. Someone who makes \$15/ hour.
- b. Someone who makes \$60/hour.
- c. Someone who is unemployed.
- d. All of these individuals have the same opportunity costs.

28. Diminishing marginal utility means

- a. total utility decreases with consumption.
- b. marginal utility decreases as individuals consume more.
- c. individuals get less satisfaction from a good as they consume more of it.
- d. both b and c are correct.

29. Which of the following is an example of the tradeoff between security and liberty?

- a. High school classes now have video surveillance and allow parents to watch their children all day.
- b. A lottery system is used to decide which students can attend charter schools.
- c. Hunting licenses are sold using an auction.

d. Individuals are given the freedom of speech.

30. Which of the following allocation systems would be the most economically efficient to allocate 5,000 fishing licenses when over 30,000 individuals want to purchase a license?

- a. a lottery
- b. first come first serve
- c. an auction
- d. give them to charity

31. Which of the following is true about market failures?

- a. A pure market capitalist system cannot provide an efficient allocation in the presence of a market failure.
- b. A pure command socialist system cannot provide an efficient allocation in the presence of a market failure.
- c. A market failure can be overcome using Adam Smith's invisible hand.
- d. There is no way to provide an efficient solution to any market failure.

32. Which of the following systems best fits with the "equality of outcomes" principle?

- a. Market Capitalist
- b. Market Socialist
- c. Command Capitalist
- d. Command Socialist

33. Which of the following allocation systems would be the most provide the most equitable allocation of 5,000 fishing licenses when over 30,000 individuals want to purchase a license?

- a. a lottery
- b. first come first serve
- c. an auction
- d. price floor

34. Which of the following systems is characterized by private resource ownership and private resource allocation?

- a. Market Capitalist
- b. Market Socialist
- c. Command Capitalist
- d. Command Socialist

## SOLUTIONS

	Version
1	# 1
2	a
3	b
4	b
5	b
6	c
7	a
8	a
9	d
10	c
11	d
12	d
13	d
14	a
15	c
16	a
17	c
18	a
19	b
20	a
21	c
22	d
23	a
24	a
25	d
26	a
27	c
28	d
29	a
30	c
31	a
32	d
33	a
34	a