VERSION 1: Section 3

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 beach balls decreases and the supply for beach balls also 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. A frost in the Napa Valley hurt the grape crop this year which _____ wine. As a result, the equilibrium quantity of wine _____.

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 ice cream when the price of frozen yogurt, an ice cream substitute, increases.

a.

b.

c.

d.
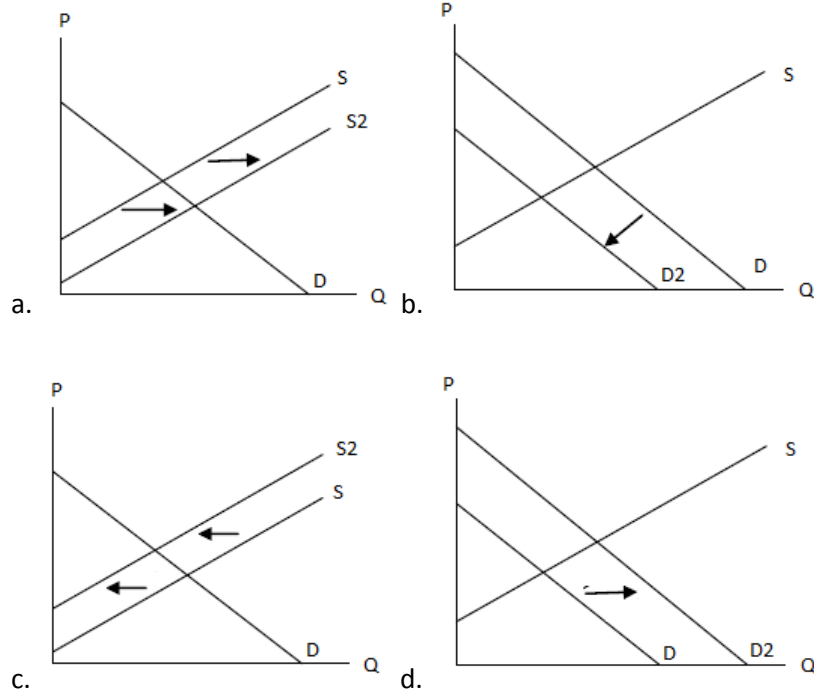
5. The following picture, depicting the market for good X, could have been a result of which of the following?
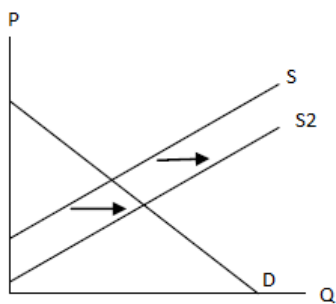
a. An increase in the price of a complement of good X.
b. An increase in the price of a substitute for good X.
c. An improvement in technology used to produce good X.
d. An increase in the price of an input used to produce good X.

6. The table below depicts the market for loaves of bread. The market is initially in equilibrium. Now the government sets a price floor equal to $3. 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 loaves of bread.
b. a surplus of 5 loaves of bread.
c. neither a surplus nor a shortage of bread.
d. a shortage of 10 loaves of bread.

7. The graph below depicts the market for roses. In an attempt to protect flower producers, the government places a price floor $3/rose. How does this affect the market for roses?
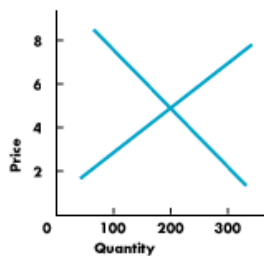
a. there will be a shortage of roses.
b. there will be a surplus of roses.
c. there will neither be a surplus nor a shortage of roses.
d. there is insufficient information to answer this question.

8. The information below depicts the minimum price for which a set of performers are willing to charge for a country music concert per ticket. The ticket price in the market is $19/ticket. Calculate the producer surplus in the market.

Hank-$35
Charlie-$25
Tim-$15
Kenny-$12

a. $11
b. $22
c. $0
d. there is insufficient information to compute the producer surplus.

9. Consider the market for bathing suits. Now there is a particularly hot summer that sweeps across the United States. In the market for bathing suits, this shift would:

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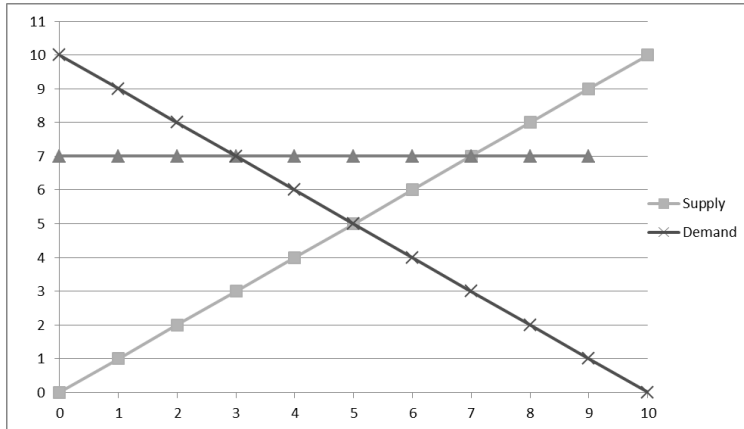c. increase total surplus.
d. all of the above.

10. The below diagram depicts the market for beef (in pounds). Now there is a price floor set at $7/pound. What is the producer surplus in this market now that the price floor is in place?
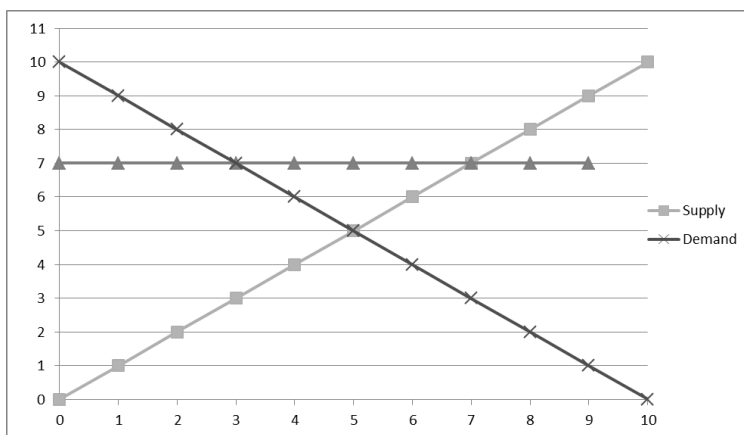
a. $16.5
b. $9

c. $ 4.5
d. $14

11. The below diagram depicts the market for beef (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. decrease 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 bananas (in pounds). There is now a quota set at 1 pound. With the quota, producers will charge:
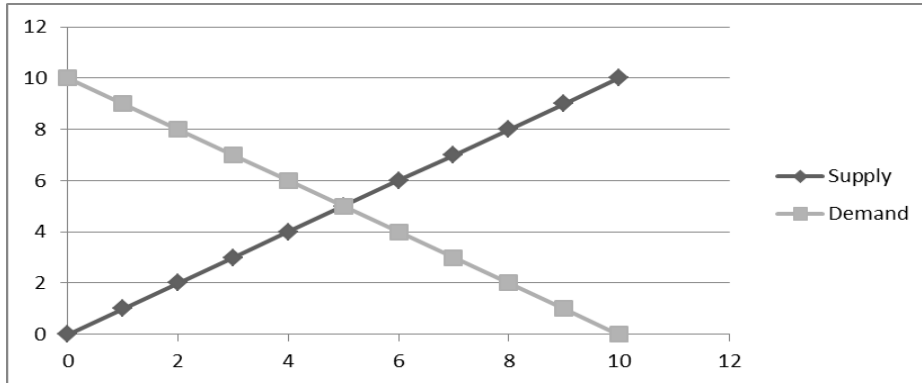
a. $7
b. $9
c. $5
d. $1

14. The below diagram depicts the market for bananas (in pounds). There is now a quota set at 1 pound. With the quota, the consumer surplus in the market is:
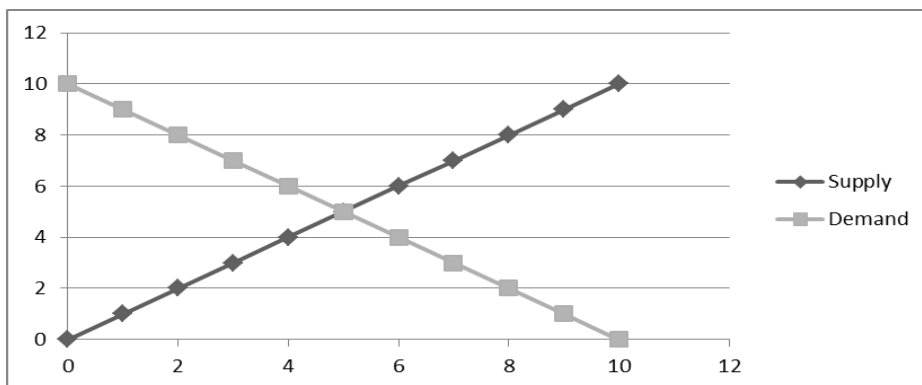
a. $0.50
b. $1
c. $8.50
d. $9

15. John and Tom are professional chefs doing a charity event to make chicken noodle soup and tomato soup for the homeless. If John makes only chicken noodle soup, he can make 14 bowls in one hour, and if he only makes tomato soup, he can make 12 bowls in one hour. If Tom only makes chicken noodle soup, he can make 8 bowls in one hour, and if he only makes tomato soup, he can make 6 bowls in one hour. The two are planning on spending the next hour making soup and doing nothing else. Based on this information, _____ has an absolute advantage in making chicken noodle soup and _____ has an absolute advantage in making tomato soup.

a. John; John
b. Tom; Tom
c. John; Tom
d. Tom; John

16. John and Tom are professional chefs doing a charity event to make chicken noodle soup and tomato soup for the homeless. If John makes only chicken noodle soup, he can make 14 bowls in one hour, and if he only makes tomato soup, he can make 12 bowls in one hour. If Tom only makes chicken noodle soup, he can make 8 bowls in one hour, and if he only makes tomato soup, he can make 6 bowls in one hour. The two are planning on spending the next hour making soup and doing nothing else. Based on this information, _____ has a comparative advantage in making chicken noodle soup and _____ has a comparative advantage in making tomato soup.

a. John; John
b. Tom; Tom
c. John; Tom
d. Tom; John

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 4 workers to produce 1 kids bike, and 3 workers to produce 1 mountain bike. At Specialized, it takes 2 workers to produce 1 kids bike and 2 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 better off?

a. Solar panel manufacturers in Transylvania.
b. Solar panel manufacturers in Abu Dhabi.
c. Timber manufacturers in Abu Dhabi
d. Both a and c are correct.

20. The following graph exhibits:
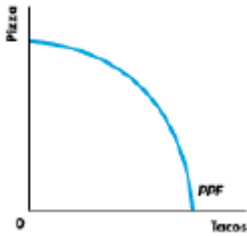
a. increasing opportunity costs in both pizza and tacos.
b. decreasing opportunity costs in pizza and increasing opportunity costs in tacos.
c. constant opportunity costs.
d. increasing opportunity costs in pizza and decreasing opportunity costs in tacos.

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	8
10	14
5	18
0	20

a. attainable and inefficient; constant.
b. attainable and inefficient; increasing.
c. unattainable; constant.
d. unattainable; increasing.

22. Classify the following two statements from recent news:
--*Senate Restores Funds Cut by House.*
--*Partisanship Should Not be a Factor in Healthcare.*

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 Government decides to increase unemployment insurance.*
--*Apple hires 10,000 new 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 Jenna buys a non-refundable to a watermark for $30. You tell her if she is thinking like an Economist, she should:

a. stay as long as the marginal benefit exceeds the marginal cost of being at the waterpark, and no longer.
b. stay until her total benefit equals $30.
c. stay until the park closes.
d. stay as long as her total benefit exceeds her total cost of being at the waterpark.

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

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

a. $80,000
b. $90,000
c. $10,000

d. $89,000

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

a. Deadweight loss is a measure of inefficiency.
b. Macroeconomics involves the choices that societies make.
c. Changes in the demand for a good can occur if there are changes in the number of producers.
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. Which of this is **FALSE** of the Law of Demand?

a. As price increases, consumers are willing to consume less of a good.
b. Consumers value the first unit of a good more than the tenth unit of a good.
c. The Demand curve represents the marginal benefit of consume each unit of a good.
d. Consumers decide where on the demand curve to consume based on their total benefit at each quantity.

29. Which of the following is **NOT** 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. Airports require individuals to remove their shoes and have their bags screened before getting on a plane.
c. The newest gold plated iPhones are now sold using an auction.
d. Government officials now have the authority to access all individuals' bank statements.

30. Which of the following allocation systems would be the most economically efficient way to allocate only 1,000 hunting licenses when over 100,000 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 has the power to regulate monopolies?

a. Market Capitalist
b. Command Socialist
b. Adam Smith
d. No one can regulate monopolies.

33. Which of the following allocation systems would be the most equitable way to allocate only 1,000 charter school slots to over 100,000 eligible students in a given city?

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

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

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

SOLUTIONS

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