

Christian Mata
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Monday 4:00-4:50

great!

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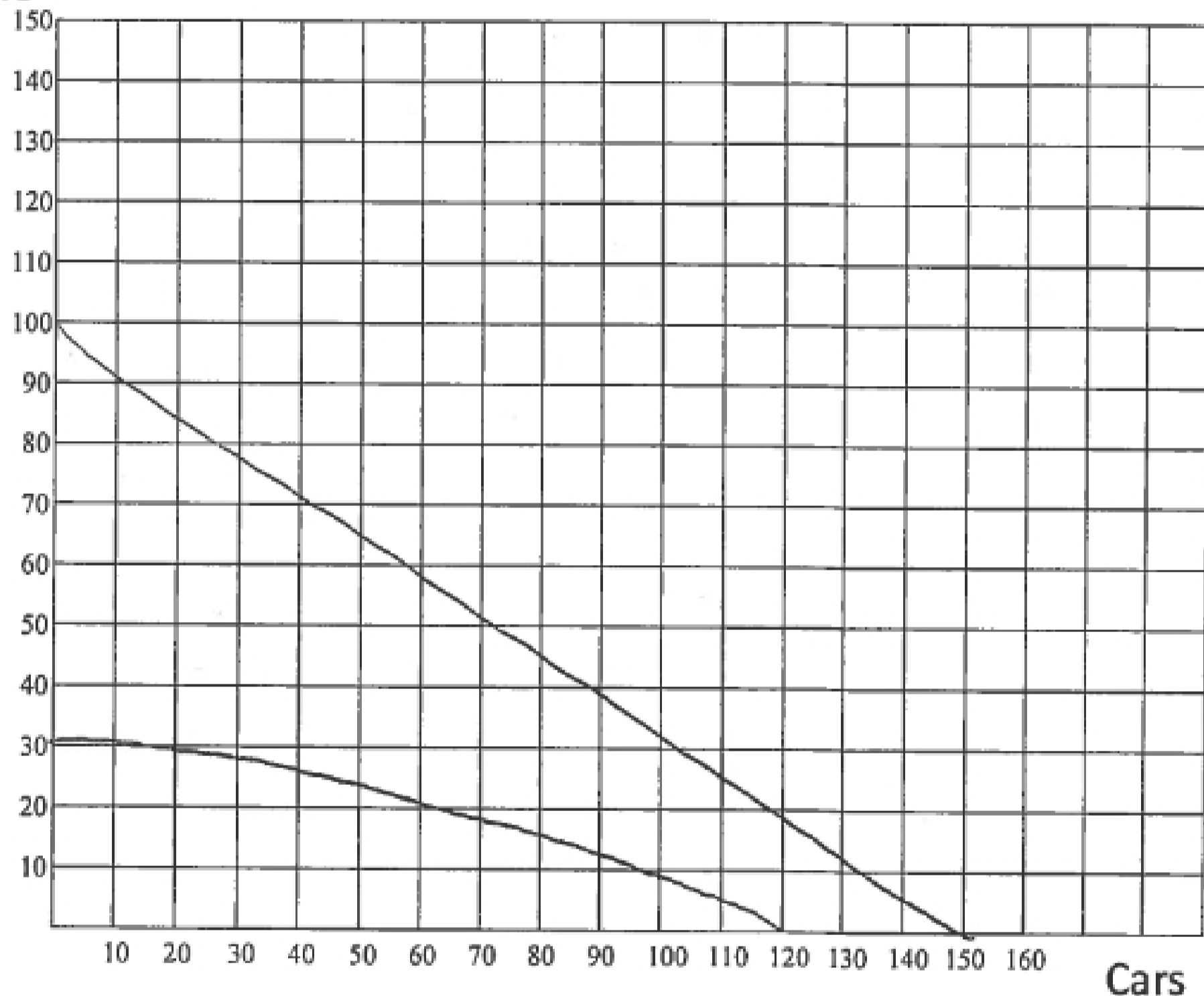
Econ 142 Principles of Microeconomics
Dr. Staihr
EXAM 2
February 29, 2012

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Multiple Choice. 28 Questions. Choose the letter next to the most correct answer or most appropriate response.

Use the following information to answer the first ⁴ questions. Use the graph any way you like.
IF YOU DRAWE PPFs, DRAW THEM VERY CAREFULLY.

Computers



In the course of one day England can produce 100 computers or 150 cars (or some of both). In the course of a day Denmark can produce 30 computers or 120 cars (or some of both).

1. What is the opportunity cost of producing 1 car in Denmark?
 - a. 4 computers
 - b. 2 computers
 - c. $\frac{1}{2}$ of a computer
 - d. $\frac{1}{4}$ of a computer

2. What is the opportunity cost of producing 1 computer in England?

- a. 3 cars
- b. 1.5 cars
- c. 1 car
- d. 2/3rds of a car

	Com	Car
Eng	100 (com) 1.5	150 (2/3)
Den	30 (4)	120 (1/4)

3. Which of the following statements is correct?

- a. England has the comparative advantage in making cars so England should make and export cars
- b. Denmark has the comparative advantage in making cars so Denmark should make and export cars
- c. Denmark has the comparative advantage in making computers so Denmark should make and export computers
- d. England should make and export both goods because it has a comparative advantage in both cars and computers

4. Which of the following would be an acceptable terms of trade between these two countries? (Remember, with "terms of trade", 1 for 3 is the same as 10 for 30).

- a. 1 computer for 6 cars
- b. 2 computers for 10 cars
- c. 1 computer for 2 cars
- d. 4 computers for 3 cars

5. Which of the following was not one of the arguments in support of tariffs and quotas that was listed in class and in the text?

- a. Tariffs (or quotas) are necessary for national security
- b. Tariffs (or quotas) are a good way for the government to earn revenue
- c. Tariffs (or quotas) are a good way to protect high wages
- d. Tariffs (or quotas) are a good way to save jobs

6. If two goods are complements we know what?

- a. The cross price elasticity between them will be positive
- b. The cross price elasticity between them will be negative
- c. The cross price elasticity between them will be less than 1 in absolute value
- d. None of the above

7. You are the product manager for a good that has many substitutes and generally is considered a luxury. Which of the following is the most accurate advice to give to the pricing manager?

- a. The demand for this good is inelastic so we should increase the price to increase revenues
- b. The demand for this good is elastic so we should increase the price to increase revenues
- c. The demand for this good is inelastic so we should decrease the price to increase revenues
- d. The demand for this good is elastic so we should decrease the price to increase revenues

8. Which of the following statements is incorrect?

- a. If a PPF shifts outward (from the origin of the graph) it means more of both or either good can be produced
- b. If a PPF is a straight line opportunity cost varies along the PPF
- c. If a PPF is curved (or "bowed") it means some inputs are better used for some purposes than other inputs; inputs are not perfect substitutes
- d. All points along a PPF represent what a country can consume as well as produce of the country operates "in autarky"

9. Consider the following three statements:

- I. A \$10 per unit tax placed on every bottle of Stolli vodka that enters the U.S.
- II. A 5% tax on every pair of Nikes imported from China into the U.S.
- III. A limit of 10 million pounds of tuna that can enter the U.S. from Mexico

Which of the following is most correct?

- a. I describes an "ad valorem" tariff; II describes a specific tariff; III describes a quota
- b. I describes a specific tariff; II describes an "ad valorem" tariff; III describes a quota
- c. I describes a quota; II describes a specific tariff; III describes an "ad valorem" tariff
- d. None of the above is correct

10. As discussed in class and in the text, what was the primary determinant of whether supply was elastic or inelastic?

- a. The price of inputs
- b. The size of the good in the supplier's budget
- c. Time
- d. Whether the good is a raw material or a manufactured good

You have already calculated the elasticity of demand for two goods, Good A and Good B. They are as follows:

Price Elasticity of demand for Good A: 1.4 (in absolute value)

Price Elasticity of demand for Good B: .84 (in absolute value)

The current quantity demanded of Good A is 200 and the current price is \$4

The current quantity demanded of Good B is 400 and the current price is \$5

11. Choose the good whose price you would increase in order to increase revenues. Increase the price of that good 10%. Which comes closest to the new quantity that will be demanded of that good?

- a. 366
- b. 420
- c. 186
- d. 212

Handwritten notes: a box with an arrow pointing right and the text "15/11".