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Mon @ 1pm

Econ 142 Principles of Microeconomics
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EXAM 2
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Multiple Choice. 30 Questions. Choose the letter next to the most correct answer or most appropriate response.

1. Country Z is importing a good under free trade. Then, a tariff is imposed on the imported good. Which of the following does not happen?

- a. The government earns tax revenue
- b. Deadweight loss is created
- c. Producer surplus becomes smaller than it would be under free trade
- d. Consumer surplus becomes smaller than it would be under free trade

2. If the cross-price elasticity between Good A and Good B is a $-.8$ we know...

- a. Goods A and B are complements
- b. Goods A and B are substitutes
- c. Goods A and B are inferior goods
- d. None of the above

3. Which of the following statements is true?

- a. If marginal utility fell from 12 to 10 then total utility decreased
- b. Total utility increases only if marginal utility increases
- c. If marginal utility is zero total utility is at a minimum
- d. As long as marginal utility is positive total utility is increasing

4. You have already had 2 slices of pizza and 2 beers. You have \$6 more to spend in your pocket; pizza costs \$5 a slice and beers cost \$4 each. If you have one more beer it will provide you with 18 additional units of happiness; if you have one more slice of pizza it will provide you with 20 additional units of happiness. What is your next step as you maximize your utility as we did in class?

- a. Have a third piece of pizza
- b. Have a third beer
- c. Don't have either once since you can't afford to purchase both
- d. None of the above

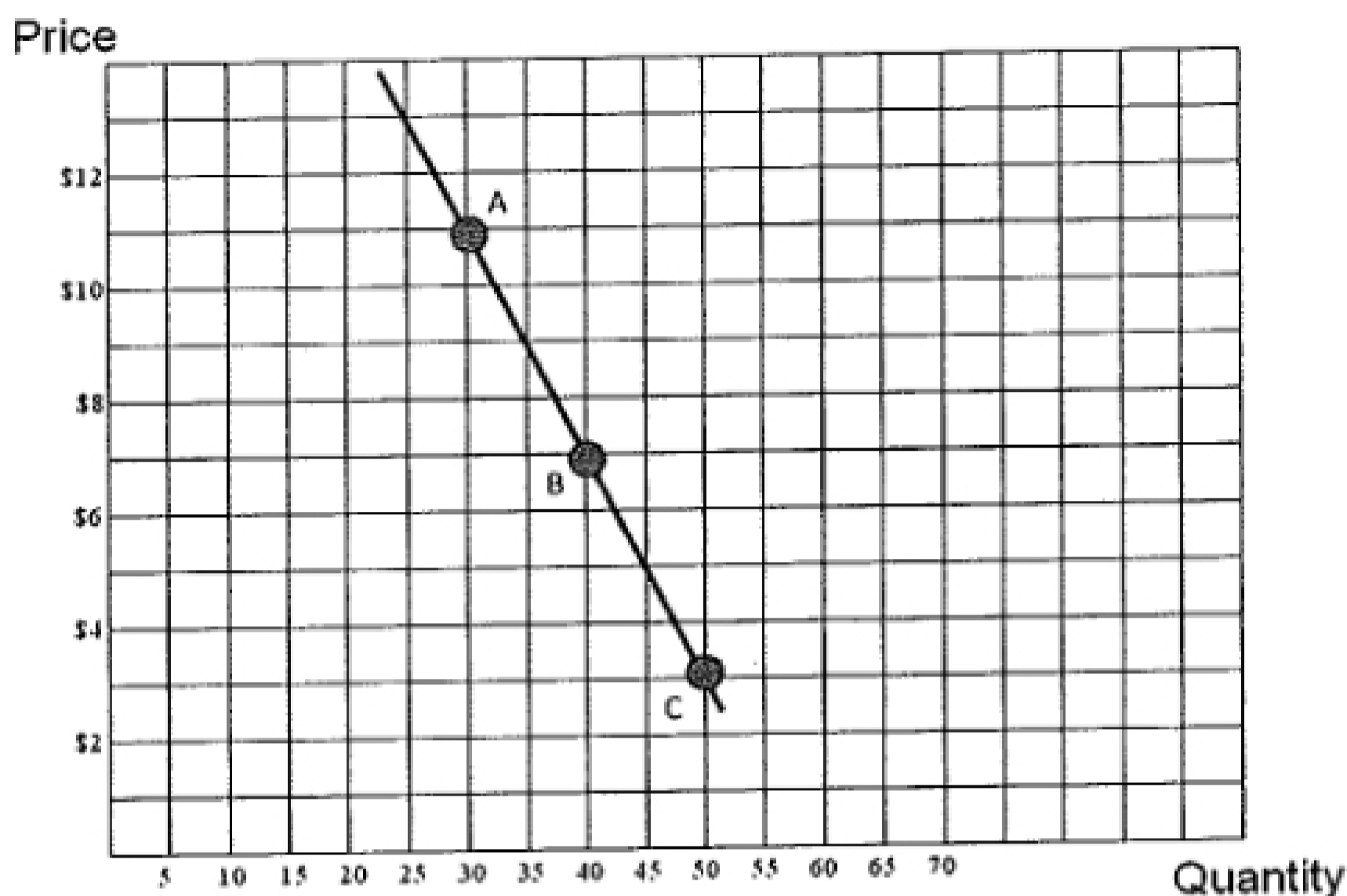
2 pizzas
\$5

20 ut.

2 beers
\$4

18 ut.

Use the following to answer the next three questions.



5. Which statement is correct? As calculated in class, the price elasticity of demand from point A to point B comes closest to:

- a. -1.55
- b. -.79
- c. -.64
- d. -3.4

$A - \text{Price} = 11$
 $Q = 30$
 $B - P = 7$
 $Q = 40$
 $\text{avg } Q = 35$
 $\text{avg } P = 9$
 $\frac{-.286}{.444}$

6. Based on your answer to the question above, which of the following is correct?

- a. The price elasticity of demand from point B to C will be more elastic than the price elasticity of demand from point A to B
- b. The price elasticity of demand from point B to C will be more inelastic than the price elasticity of demand from point A to B
- c. The price elasticity of demand from point B to C will be the same as the price elasticity of demand from point A to B
- d. We cannot know from the information contained in the graph

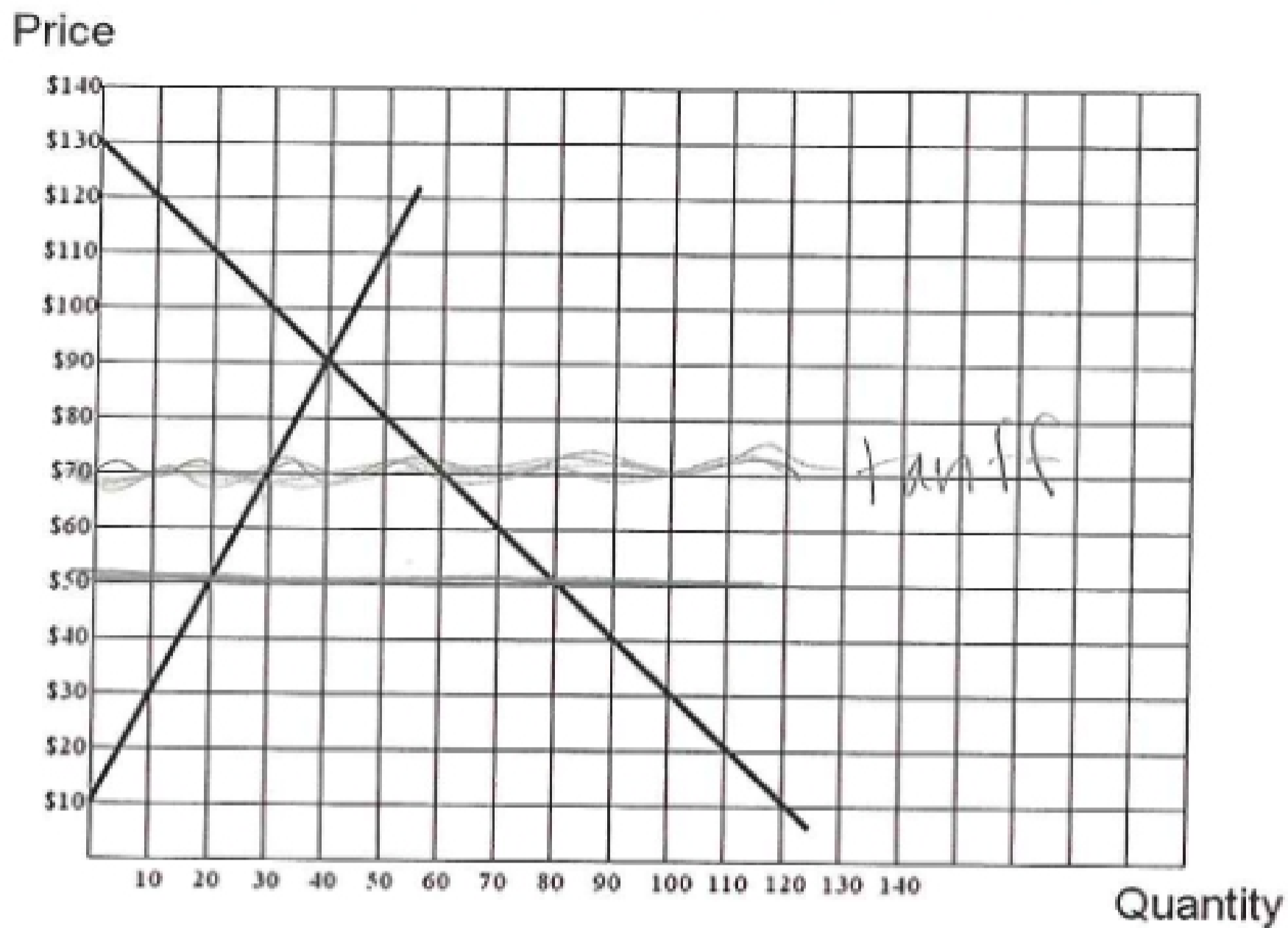
$C P = 3$
 $Q = 50$
 $\text{avg } Q = 45$
 $\text{avg } P = 5$

$\frac{-.222}{.9} = -.278$

7. Based on your answers to the two questions above, which of the following statements is correct:

- a. The good depicted in the graph is probably a necessity, rather than a luxury
- b. The good depicted in the graph probably has many substitutes, rather than a few substitutes
- c. The good depicted in the graph is probably a large part of the consumer's budget, rather than a small part of the consumer budget
- d. None of the above is correct

Use the information contained in the following to answer the following 7 questions.



Assume this represents the supply and demand of Good X in a country before the country opens up international trade. Now, assume free trade opens up and the country begins importing this same good at an international price of \$50.

8. The total quantity of imports at the international price will be _____ and the quantity produced domestically in this country will be _____.

- a. 30; 30
- b. 60; 80
- c. 60; 20
- d. None of the above

9. Consumer surplus before international trade opened up was _____ and consumer surplus after international trade opened up is _____.

- a. \$800; \$3200
- b. \$3000; \$1600
- c. \$1600; \$800
- d. None of the above

10. Producer surplus before international trade opened up was _____ and producer surplus after international trade opened up is _____.

- a. \$400; \$1600
- b. \$1400; \$600
- c. \$1600; \$400
- d. None of the above