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EXAM 1 Christian mata Huy Mondays 4:00 - 4:50 pm

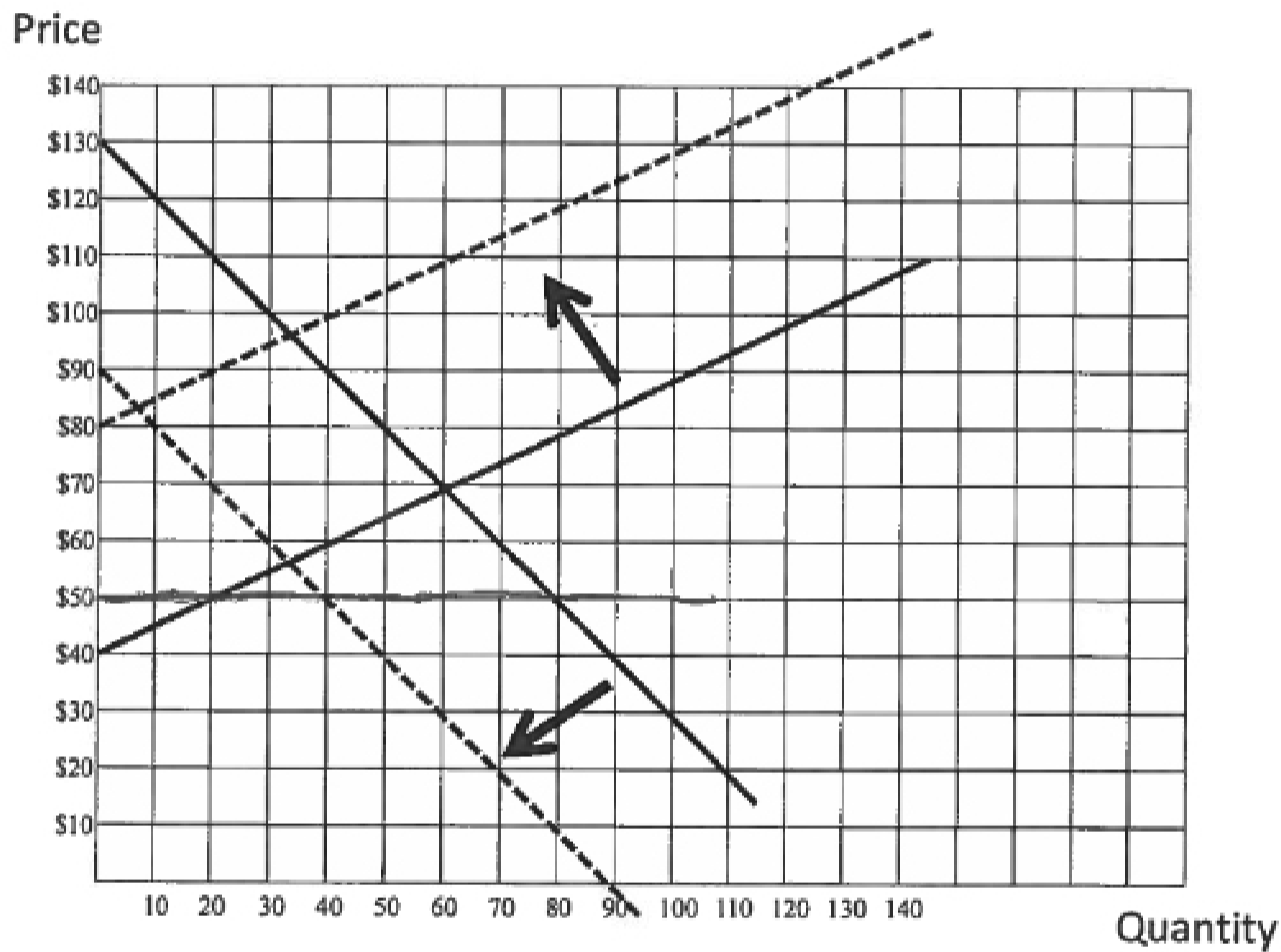
Econ 142 Spring 2012

Dr. Staihr

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30 Multiple Choice Questions. Circle the letter next to the correct answer or most appropriate response.

Use this graph to answer the first four questions.



1. What is the equation for the solid-line supply curve in the graph above?

- a. $P = 130 - Q$
- b. $P = 40 + Q$
- c. $P = 130 + Q$
- d. $P = 40 + (.5) * Q$

2. Using the solid-line demand curve and solid-line supply curve, what is the value of producer surplus?

$130 - 40 = 90$

- a. 1800
- b. 900
- c. 1400
- d. None of the above

3. Using the solid-line demand curve and solid-line supply curve assume a price floor of \$50 is imposed in this market. After this price floor is imposed we will see...

- a. A surplus of 60 units
- b. The equilibrium quantity
- c. A shortage of 60 units
- d. None of the above

4. Which of the following is not depicted on this graph?

- a. This the demand and supply of Chipotle Burritos and the price of flour (an input to the tortilla in the burrito) decreased
- b. This is the demand and supply of Diet Coke and *buyers* expect the price of Diet Coke to go down in the near future
- c. This is the demand and supply for blue jeans and *suppliers* expect the price of blue jeans to increase in the future
- d. Actually, all of the above are depicted on this graph

5. As mentioned in class (and in the book) the concept of the "tragedy of the commons" had to do with a natural resource that was depleted because it was both _____ and _____.

- a. Non-rival in consumption; excludable
- b. Rival in consumption; non-excludable
- c. Non-rival in consumption; non-excludable
- d. Rival in consumption; excludable

6. Which of the following statements is correct?

- a. If income decreases, supply will shift right for a normal good
- b. If the price of an input decreases, supply will shift right
- c. If buyers expect a higher price in the future demand will shift left
- d. Actually, none of the above is correct

7. The demand equation is $P = 180 - .25Q$ and the supply equation is $P = 10 + Q$. Equilibrium price in this market is...

$$180 - .25Q = 10 + Q$$

a. \$136

b. \$150

c. \$146

d. \$160

$$180 - 10 = 1.25Q$$

$$170 = 1.25Q$$

$$Q = 136$$

$$P = 146$$

8. Consider these four topics of discussion:

- ^{macro} I. Investigating whether we are in a recession or not
- ^{micro} II. Investigating how a person divides her time between work and studying
- III. Investigating whether increasing the price of a new product will increase revenues
- ^{macro} IV. Investigating whether or not we are experiencing significant inflation

Which of the following is most accurate?

a. II and III are macro topics; I and IV are micro topics

b. I and III are micro topics; II and IV are macro topics

c. I and IV are macro topics; II and III are micro topics

d. I, II and IV are all micro topics; III is a macro topic

9. You are a farmer and you can plant and grow either wheat or soybeans. Currently you are growing wheat. The price of soybeans increases dramatically. On the graph of the demand and supply for *wheat* this would cause _____ and the equilibrium price of wheat to _____.

a. The supply curve to shift right; decrease

b. The supply curve to shift left; increase

c. The demand curve to shift right; decrease

d. The demand curve to shift left; increase

10. Which of the following is correct? With regard to externalities...

a. Social cost + private cost = external cost

b. Private cost + external cost = social cost

c. Social cost + external cost = private cost

d. None of the above is correct