

Question 1

1. Which of the following goods or services is best categorized as a public good?

- High school education
- A dam built to prevent floods
- Housing
- Mail delivery service

Question 2

Suppose the elasticity of supply of apartments is perfectly inelastic and the demand for apartments was typically shaped. A result of a rent control law that imposed a price ceiling below the equilibrium rent would be:

- The demand for apartments would exceed the supply.
- There would be a reduction in the quantity supplied of apartments.
- Both A and B
- None of the above

Question 3

A rent control law that imposed a ceiling below the equilibrium rental price could result in:

- a reduction in the sum of producer and consumer surplus.
- discrimination.
- apartment shortages.
- All of the above

Question 4

Generally, the economically efficient amount of industrial pollution is:

- more than what the free market will produce.
- less than what the free market will produce.
- equal to what the free market will produce.
- zero.

Question 5

Which of the following pollution control strategies would provide firms the least incentive to develop new methods to reduce their pollutant emissions?

- Command and control regulation
- Implementation of a pollution tax
- Implementation of tradable pollution permits
- Implementation of a pollution reduction subsidy

Question 6

Suppose the Chicago Transit Authority raises the price of fares and the total revenue received falls. This would be evidence that the price elasticity of demand for transit tickets in Chicago is:

- inelastic.
- elastic.
- unit elastic.
- perfectly inelastic.

Question 7

The market demand curve for hot dogs may increase if:

- the price of mustard increases.
- the cost of producing hot dogs falls.
- the price of hot dogs falls.
- consumer incomes drop.

Question 8

Suppose you spent last night studying economics. You could have spent the night talking with friends. Suppose it would have been worth \$40 to you to have talked with your friends. Alternatively, you could have spent your time studying for a public management exam. Suppose it would have been worth \$50 to you to have studied for your management exam. Your opportunity cost of studying economics last night was:

- \$0.
- \$40.
- \$50.
- \$90

Question 9

City requirements that limit the number of cabs that can serve the city by requiring individuals to own a permit to drive a taxi are likely to result in:

- a. increase in consumer surplus.

- an increase in the sum of producer and consumer surplus.
- a reduction in cab fares.
- None of the above

Question 10

A price ceiling that limits how high drug companies can raise the price of their drugs will result in:

- economic efficiency.
- more people being able to obtain needed drugs.
- None of the above
- Both A and B

Question 11

Which of the following statements is true?

- A person should always continue doing an activity as long as the total benefits that have been received from the activity exceed the total costs that have been received from the activity.
- The opportunity cost of attending a movie equals the sum of the expenditures (on the ticket, gas, parking, etc.) used to attend the movie.
- Neither A nor B
- Both A and B

Question 12

The supply curve for apples will shift to the right if:

- fruit growers see the price of pears decreasing permanently.
- apples are rumored to have been treated with cancer-causing insecticides.
- the government requires that all employees in apple orchards be given more health benefits.
- very bad weather afflicts the apple-growing areas of the country.

Question 13

Suppose the elasticity of demand of gasoline is .4 and the elasticity of supply of gasoline is 1. A tax of the appropriate size on the sellers based on their sales of gasoline can be expected to do all of the following except:

- promote economic efficiency
- burden sellers more than consumers
- correct for negative externalities
- shift the supply curve for gasoline leftward

Question 14

Which of the following is a *normative* statement?

- Minimum wage laws cause teenage unemployment.
- Minimum wage laws reduce the sum of consumer and producer surpluses and are therefore economically inefficient.
- All economically inefficient laws are undesirable.
- All of the above

Question 15

The primary reason public goods are not provided by businesses is:

- the demand for public goods is too low.
- it is too costly for businesses to provide public goods.
- public goods are non-excludable.
- None of the above