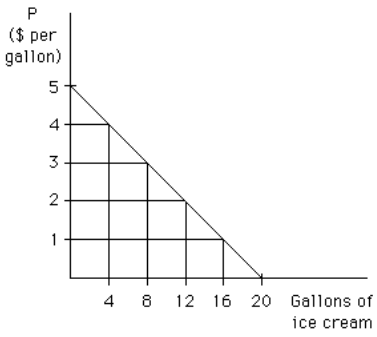
MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) It is efficient to produce an additional shirt if
A) the marginal benefit of producing the shirt is greater than zero.
B) the marginal benefit of producing the shirt is zero.
C) the marginal benefit of producing the shirt is greater than the marginal cost of producing it.
D) total benefits from producing shirts are maximized.

Figure 6.2

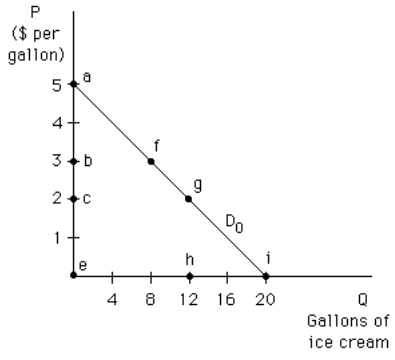


2) In Figure 6.2, the individual's consumer surplus will be highest if
A) the price of ice cream is $5 per gallon.
B) the price of ice cream is $3 per gallon.
C) the price of ice cream is $2 per gallon.
D) ice cream is free.

3) Figure 6.2 shows Marco's marginal benefit curve for ice cream. If the price of ice cream is $2 per gallon and Marco buys the efficient amount then his total benefits (amount spent plus consumer surplus) from buying ice cream will be
A) $0.
B) $18.
C) $24.
D) $42.

4) Figure 6.2 shows Rose's marginal benefit curve for ice cream. If the price of ice cream is $2 per gallon and Rose is allowed to buy only 4 gallons of ice cream, then her consumer surplus will be
A) $2.
B) $6.
C) $8.
D) $10.

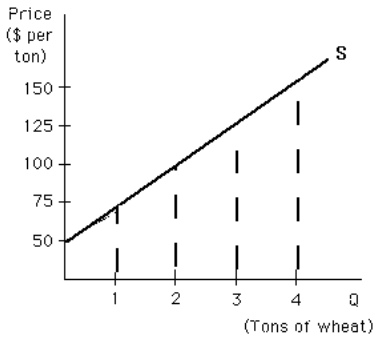
Figure 6.3



5) In Figure 6.3, if the price is $2, then consumer surplus will be
A) triangle acg.
B) triangle ghi.
C) trapezoid ceig.
D) trapezoid aehg.

6) Assume that price is $2 in Figure 6.3. If a demand curve went through point g but was LESS elastic than the one shown in Figure 6.3, then consumer surplus
A) would be smaller than shown in Figure 6.3.
B) would be the same as shown in Figure 6.3.
C) would be larger than shown in Figure 6.3.
D) could be smaller than, the same as, or larger than shown in Figure 6.3.

Figure 6.4

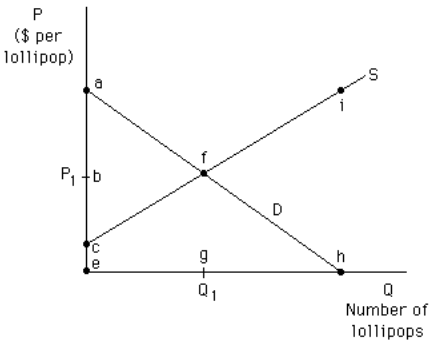


7) Refer to Figure 6.4. Farmer Smith's total opportunity cost of producing 2 tons of wheat is
A) $50. B) $100. C) $150. D) $200.

8) In Figure 6.4 producer surplus would be zero if the price per ton of wheat was
A) $50. B) $75. C) $100. D) $150.

9) In Figure 6.4, if the market price is $150 per ton of wheat, then Farmer Hammond's total revenue is _____ and her producer surplus is
A) $600; $200. B) $600; $400. C) $300; $200. D) $300; $400.

Figure 6.5

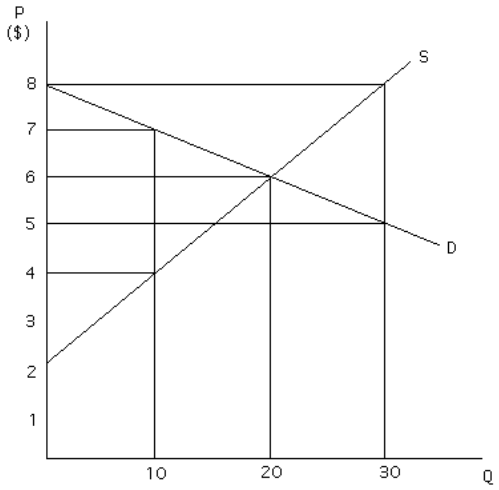


10) In Figure 6.5 if the market produces the efficient amount of lollipops then consumer surplus equals triangle
A) abf. B) bcf. C) acf. D) aeh.

11) In Figure 6.5 if the market produces the efficient amount of lollipops then producer surplus equals triangle
A) abf. B) bcf. C) acf. D) bef.

12) In Figure 6.5, Q1 is
A) the efficient amount to produce because consumer surplus is maximized.
B) the efficient amount to produce because the sum of consumer surplus and producer surplus is maximized.
C) an inefficient amount to produce because consumer surplus is not maximized.
D) an inefficient amount to produce because the sum of consumer surplus and producer surplus is not maximized.

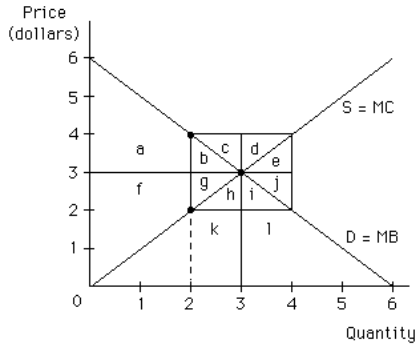
Figure 6.6



13) In Figure 6.6, the deadweight loss is zero if output is
A) 0 units. B) 10 units. C) 20 units. D) 30 units.

14) In Figure 6.6, suppose that the government sets a quota at 10 units of output and the price rises to $7. In comparison to a competitive market the consumer surplus would fall by
A) $0. B) $10. C) $15. D) $20.

Figure 6.7



15) Refer to Figure 6.7. If the quantity is restricted to 2, then the deadweight loss in this market equals
A) b + g. B) c + d. C) e + j. D) h + i.

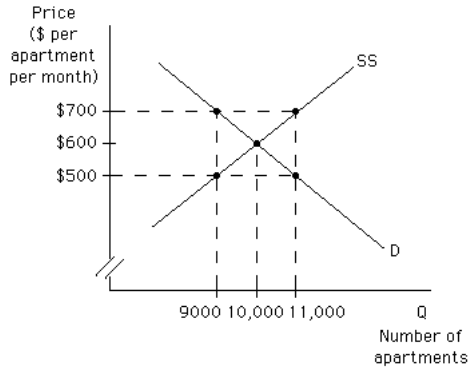
16) Deadweight loss is the decrease in _____ from producing an inefficient amount of a product.
A) consumer surplus B) producer surplus
C) consumer surplus plus producer surplus D) profit.

17) The effect of a rent ceiling set above the equilibrium price
A) is powerful, eliminating price as a regulator of quantity supplied and quantity demanded.
B) is powerful, strengthening price as a regulator of quantity supplied and quantity demanded.
C) is to encourage the development of black markets.
D) is essentially nonexistent.

18) A rent ceiling,
A) always results in a shortage.
B) always results in a surplus.
C) results in a surplus if the ceiling price is less than the equilibrium price.
D) results in a shortage if the ceiling price is less than the equilibrium price.

19) A rent ceiling results in a shortage. As a result, which of the following do you expect?
A) Discrimination as landlords choose their tenants, possibly based on race, age, or gender.
B) The shortage will persist as long as the ceiling is in effect.
C) A black market for apartments whereby higher rents are obtained through various other charges.
D) All of the above would be expected.

Figure 7.3



20) Refer to Figure 7.3. Originally the apartment rental market is in short run and long run equilibrium with a rental price of $600 per month. Then the government imposes a price ceiling of $500 per month, which causes a shortage. Suppose that apartments are a normal good and incomes rise. This will cause
A) the shortage to shrink. B) the shortage to remain the same size.
C) the shortage to grow. D) the rental price to increase.

21) Refer to Figure 7.3. Originally the apartment rental market is in short run and long run equilibrium with a rental price of $600 per month. Then the government imposes a price ceiling of $500 per month. Now suppose that demand increases. This will cause the quantity supplied to
A) increase.
B) stay the same.
C) decrease.
D) increase, stay the same, or decrease– depending on how much demand increases.

22) Refer to Figure 7.3. Originally the apartment rental market is in short run and long run equilibrium with a rental price of $600 per month. Then the government imposes a price ceiling of $500 per month. If the law is strictly enforced, the maximum for which an apartment will rent on the black market is
A) less than $600 per month.
B) $600 per month.
C) $700 per month.
D) more than $700 per month.

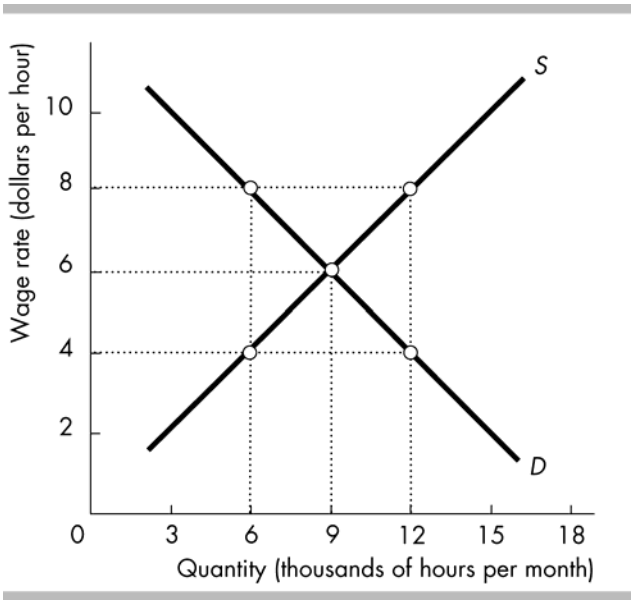
23) Refer to Figure 7.3. Originally the apartment rental market is in short run and long run equilibrium with a rental price of $600 per month. Then the government imposes a price ceiling of $500 per month, which creates a shortage. If the demand curve was less elastic than the one in Figure 7.3, then the shortage at $500 per month
A) would be smaller than in Figure 7.3.
B) would be the same size as in Figure 7.3.
C) would be larger than in Figure 7.3.
D) could be smaller than, the same size as, or larger than in Figure 7.3.

24) Refer to Figure 7.3. Originally the apartment rental market is in short run and long run equilibrium with a rental price of $600 per month. Then the government imposes a price ceiling of $500 per month. If the short-run supply curve in Figure 7.3 was perfectly inelastic, the shortage would be
A) 0 apartments.
B) 1000 apartments.
C) between 1000 and 2000 apartments.
D) 2000 apartments or more.

25) Refer to Figure 7.3. Originally the apartment rental market is in short run and long run equilibrium with a rental price of $600 per month. Then the government imposes a price ceiling of $500 per month. The deadweight loss due to the price ceiling is
A) $0 per month.
B) $50,000 per month.
C) $100,000 per month.
D) $150,000 per month.

26) Price ceilings in the housing market are
A) efficient, but often cause housing to deteriorate.
B) efficient and lead to the building of more housing.
C) inefficient and often cause housing to deteriorate.
D) inefficient, but lead to the building of more housing.

27) A minimum wage set above the equilibrium wage rate is a price
A) ceiling that results in a shortage of low-skilled labor.
B) ceiling that results in a surplus of low-skilled labor.
C) floor that results in a surplus of low-skilled labor.
D) floor that results in a shortage of low-skilled labor.



28) The figure above shows the demand for and supply of labor of students in Miami. If the minimum wage is set at $6 per hour, how many hours do students work?
A) 12,000 hours
B) 6,000 hours
C) 9,000 hours
D) None of the above answers is correct.

29) The figure above shows the demand for and supply of labor of students in Miami. If the minimum wage is set at $4 per hour, how many hours do students work?
A) 9,000 hours
B) 6,000 hours
C) 12,000 hours
D) None of the above answers is correct.

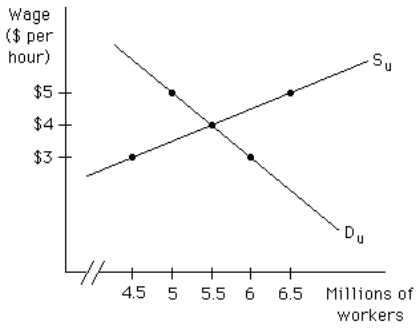
30) The figure above shows the demand for and supply of labor of students in Miami. If the minimum wage is set at $4 per hour, how many hours of students' labor are unemployed?
A) 9,000 hours
B) 0 hours
C) 12,000 hours
D) 6,000 hours

31) The group affected most by a minimum wage law is
A) high-wage, highly skilled workers.
B) older workers across wage levels.
C) low-wage, low-skilled workers.
D) middle-aged workers across wage levels.

32) The minimum wage boosts firms' incentive to
A) hire more workers.
B) increase output.
C) use labor-saving technology.
D) hire teens.

33) Among the probable effects of the minimum wage law are all of the following EXCEPT
A) the minimum wage cause the labor supply curve to shift.
B) the minimum wage causes some teens to quit school to take higher paying jobs.
C) the minimum wage causes some teens to lose their job because they are not productive enough.
D) the minimum wage cause employers to desire to hire fewer unskilled workers.

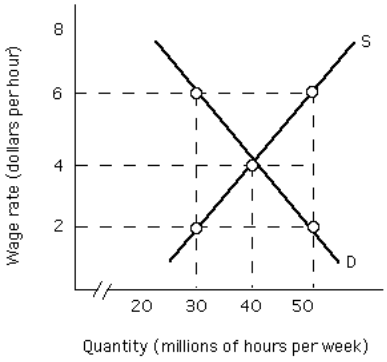
Figure 7.5



34) The market for unskilled labor is described in Figure 7.5. If a minimum wage of $5 per hour is imposed employment will fall by
A) 0 workers. B) 500,000 workers. C) 1,000,000 workers. D) 1,500,000 workers.

35) The market for unskilled labor is described in Figure 7.5. If a minimum wage of $3 per hour is imposed employment will fall by
A) 0 workers. B) 500,000 workers. C) 1,000,000 workers. D) 1,500,000 workers.

36) The market for unskilled labor is described in Figure 7.5. If a minimum wage of $5 per hour is imposed unemployment will rise by
A) 0 workers. B) 500,000 workers. C) 1,000,000 workers. D) 1,500,000 workers.



37) Refer to Figure 7.13. If the minimum wage is set at $6 per hour, the level of unemployment in millions of hours per week is
A) 50. B) 40. C) 20. D) 0.