

Midterm

Due Feb 17 at 11:59pm**Points** 160**Questions** 40**Available** Feb 16 at 12am - Feb 17 at 11:59pm 2 days**Time Limit** 80 Minutes

Instructions

This exam covers material from chapters 1, 2, 3, 4, 5, 6, 7, 8, and 9. There are 40 questions worth 4 points each. The timer is set to 80 minutes.

This quiz was locked Feb 17 at 11:59pm.

Attempt History

	Attempt	Time	Score
LATEST	Attempt 1	65 minutes	152 out of 160

Score for this quiz: **152** out of 160

Submitted Feb 17 at 2:08pm

This attempt took 65 minutes.

Question 1

4 / 4 pts

The opportunity cost of an item is

- ☐ the number of hours needed to earn money to buy the item.
- ☒ what you give up to get that item.
- ☐ usually less than the dollar value of the item.
- ☐ the dollar value of the item.

Correct!

Question 2**4 / 4 pts**

Guns and butter are used to represent the classic societal tradeoff between spending on

- ☐ durable and nondurable goods.
- ☐ imports and exports.
- ☒ national defense and consumer goods.
- ☐ law enforcement and agriculture.

Correct!**Question 3****4 / 4 pts**

Consider Arnie's decision to go to college. He will spend \$21,000 on tuition, \$11,000 on room and board, and \$1,800 on books. However, if he does not go to college, he will earn \$16,000 working in a store and spend \$7,200 on room and board. Arnie's opportunity cost of going to college is

- ☐ \$33,800.
- ☒ \$42,600.
- ☐ \$10,600.
- ☐ \$57,000.

Correct!

Question 4**4 / 4 pts**

Ramona decides to spend three hours working her part-time job rather than going to see her friends. She earns \$30 per hour for overtime work. Her opportunity cost of working is

- ☐ the \$90 she earns working.
- ☐ the \$90 minus the enjoyment she would have received from seeing her friends.
- ☒ the enjoyment she would have received had she saw her friends.
- ☐ nothing, since she would have received less than \$90 worth of enjoyment from seeing her friends.

Correct!**Question 5****4 / 4 pts**

In a market economy, economic activity is guided by

- ☐ the government.
- ☐ corporations.
- ☐ central planners.

Correct!

- ☒ self-interest and prices.

Question 6**4 / 4 pts**

The production possibilities frontier is used to illustrate some basic economic ideas, including

- ☐ scarcity.
- ☐ opportunity cost.
- ☐ economic growth.

Correct!

- ☒ All of the above are correct.

Question 7**4 / 4 pts**

Production possibilities frontiers are usually bowed outward. This is because

- ☐ the more resources a society uses to produce one good, the fewer resources it has available to produce another good.

Correct!

- ☐ the opportunity cost of producing a good decreases as more and more of that good is produced.
- ☐ of the effects of technological change.
- ☒ resources are specialized; that is, some are better at producing particular goods rather than other goods.

Question 8**4 / 4 pts**

Total output in an economy increases when each person specializes because

Correct!

- ☐ there is less competition for the same resources.
- ☒ each person spends more time producing that product in which he or she has a comparative advantage.
- ☐ a wider variety of products will be produced within each country due to specialization.
- ☐ government necessarily plays a larger role in the economy due to specialization.

Question 9**4 / 4 pts****Table 3-27**

Assume that Huang and Min can switch between producing parasols and producing porcelain plates at a constant rate.

	Labor Hours Needed to Make 1		Quantity Produced in 36 Hours	
	Parasol	Plate	Parasol	Plate
Huang	2	6	18	6
Min	2	4	18	9

Refer to Table 3-27. At which of the following prices would both Huang and Min gain from trade with each other?

☐ 10 parasols for 7 plates

☒ 10 parasols for 4 plates

☐ 15 parasols for 2 plates

☐ Huang and Min could not both gain from trade with each other at any price.

Correct!**Question 10****4 / 4 pts****Table 3-27**

Assume that Huang and Min can switch between producing parasols and producing porcelain plates at a constant rate.

	Labor Hours Needed to Make 1		Quantity Produced in 36 Hours	
	Parasol	Plate	Parasol	Plate
Huang	2	6	18	6
Min	2	4	18	9

Refer to Table 3-27. Huang has an absolute advantage in the production of

- ☐ parasols and a comparative advantage in the production of parasols.
- ☐ parasols and a comparative advantage in the production of plates.
- ☒ neither good and a comparative advantage in the production of parasols.
- ☐ neither good and a comparative advantage in the production of plates.

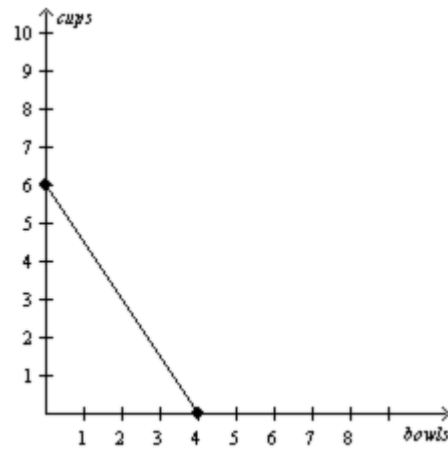
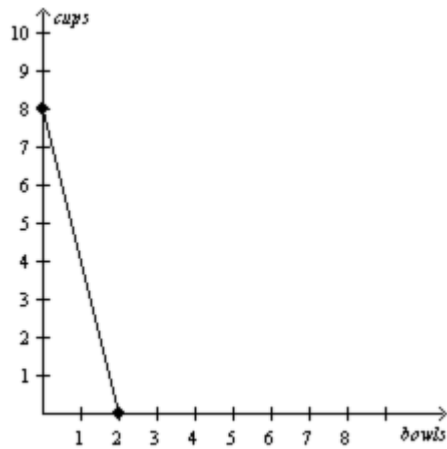
Correct!

Question 11

4 / 4 pts

Figure 3-18

Bintu's Production Possibilities Frontier Juba's Production Possibilities Frontier



Refer to Figure 3-18. Bintu has a comparative advantage in the production of



bowls and Juba has a comparative advantage in the production of cups.



cups and Juba has a comparative advantage in the production of bowls.



both goods and Juba has a comparative advantage in the production of neither good.



neither good and Juba has a comparative advantage in the production of both goods.

Correct!

Question 12

4 / 4 pts

A competitive market is a market in which

- ☐ an auctioneer helps set prices and arrange sales.
- ☐ there are only a few sellers.
- ☐ the forces of supply and demand do not apply.
- ☒ no individual buyer or seller has any significant impact on the market price.

Correct!

Question 13

4 / 4 pts

The law of demand states that, other things equal, when the price of a good

- ☐ falls, the demand for the good rises.
- ☐ rises, the quantity demanded of the good rises.
- ☐ rises, the demand for the good falls.
- ☒ falls, the quantity demanded of the good rises.

Correct!

Question 14

4 / 4 pts

The following table contains a monthly demand schedule for large, single-topping, carry-out pizzas.

Price	Quantity Demanded
\$15	A
\$20	25

If the law of demand applies to these pizzas, then A could be

☐ 0.

☐ 5.

☐ 25.

☒ 32.

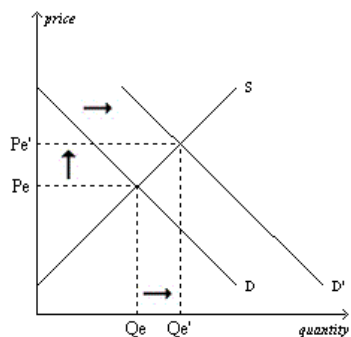
Correct!

Question 15

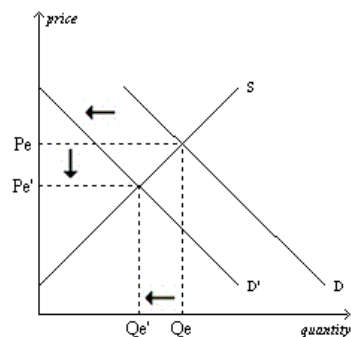
4 / 4 pts

Figure 4-27

Panel (a)

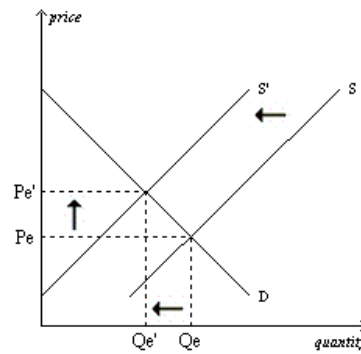
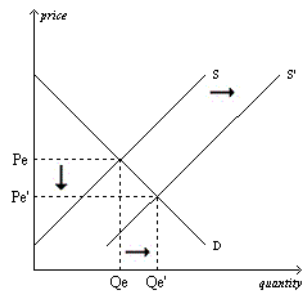


Panel (b)



Panel (c)

Panel (d)



Refer to Figure 4-27. Panel (a) shows which of the following?

Correct!



the effect on the market for cucumbers when news about their positive health benefits is announced.



the effect on the market for cucumbers when news about their negative health benefits is announced.



the effect on the market for strawberries when the price for its complement increases.



the effect on the market for strawberries when a innovative farming technique is discovered.

Question 16

4 / 4 pts

When a surplus exists in a market, sellers



raise price, which increases quantity demanded and decreases quantity supplied, until the surplus is eliminated.



raise price, which decreases quantity demanded and increases quantity supplied, until the surplus is eliminated.

Correct!



lower price, which increases quantity demanded and decreases quantity supplied, until the surplus is eliminated.



lower price, which decreases quantity demanded and increases quantity supplied, until the surplus is eliminated.

Question 17

4 / 4 pts

Imagine that cream and sugar are regarded as complements. Then an increase in the price of cream will cause a(n)



decrease in the demand for sugar and a decrease in the quantity supplied of sugar.



decrease in the supply of sugar and a decrease in the quantity demanded of sugar.

Correct!



decrease in the equilibrium price of sugar and an increase in the equilibrium quantity of sugar.



increase in the equilibrium price of sugar and a decrease in the equilibrium quantity of sugar.

Question 18**4 / 4 pts**

Elasticity is

Correct!

a measure of how much buyers and sellers respond to changes in market conditions.



the study of how the allocation of resources affects economic well-being.



the maximum amount that a buyer will pay for a good.



the value of everything a seller must give up to produce a good.

Question 19**4 / 4 pts**

Consider the demand schedule for notebooks sold at a college bookstore. When the price of a notebook is \$5, the quantity demanded is 100 notebooks per month; when the price is \$7, the quantity demanded is 80 notebooks per month. Using the midpoint method, calculate the price elasticity of demand.

Correct!

- ☐ 0.22.
- ☒ 0.67.
- ☐ 1.33.
- ☐ None of the above.

Question 20**4 / 4 pts**

If the price elasticity of demand for a good is 5, then a 100 percent increase in price results in a

- ☐ 0.5 percent decrease in the quantity demanded.
- ☐ 20 percent decrease in the quantity demanded.
- ☐ 50 percent decrease in the quantity demanded.
- ☒ 500 percent decrease in the quantity demanded.

Correct!**Question 21****4 / 4 pts**

Consider the supply of watermelons. Suppose a 20% change in price results in a 15% change in quantity supplied of watermelons, what is the price elasticity of supply?

- ☐ 1.33, and supply is elastic.
- ☐ 1.33, and supply is inelastic.
- ☐ 0.75, and supply is elastic.
- ☒ 0.75, and supply is inelastic.

Correct!

Question 22

4 / 4 pts

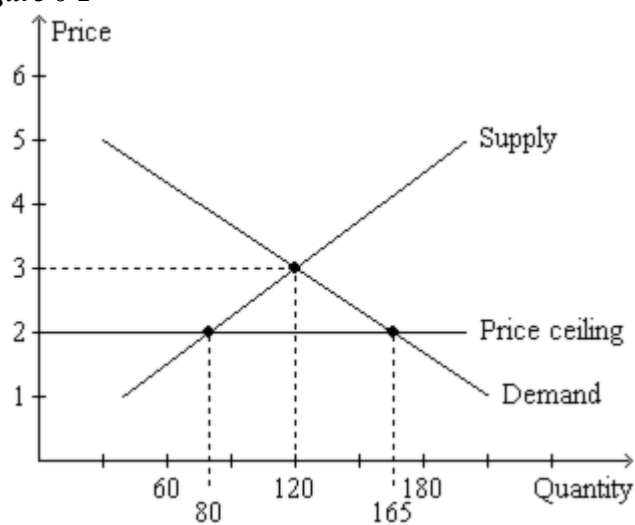
A key determinant of the price elasticity of supply is the

- ☐ income of consumers.
- ☒ time horizon, and this is also a key determinant of the price elasticity of demand.
- ☐ time horizon, and this is NOT a key determinant of the price elasticity of demand.
- ☐ importance of the good in a consumer's budget.

Correct!

Question 23

4 / 4 pts

Figure 6-2

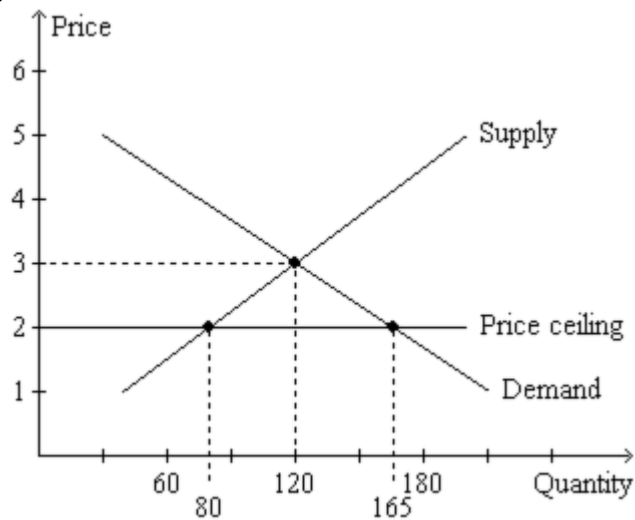
Refer to Figure 6-2. The price ceiling

- ☐ causes a shortage of 45 units of the good.
- ☒ makes it necessary for sellers to ration the good.
- ☐ is not binding because it is set below the equilibrium price.
- ☐ causes a shortage of 40 units of the good.

Correct!

Question 24

4 / 4 pts

Figure 6-2

Refer to Figure 6-2. The price ceiling

- ☐ causes a shortage of 40 units.
- ☐ is not binding, because it is set above the equilibrium price.
- ☐ causes a shortage of 45 units.
- ☒ causes a shortage of 85 units.

Correct!

Question 25

0 / 4 pts

The maximum price that a buyer will pay for a good is called

- ☒ consumer surplus.

ou Answered

orrect Answer

- ☐ willingness to pay.

☐ equilibrium.

☐ efficiency.

Question 26

4 / 4 pts

Table

This table refers to five possible buyers' willingness to pay for a sandwich.

Buyer	Willingness To Pay
Daryl	\$8.50
Laura	\$7.00
Bia	\$5.50
Mallory	\$4.00
Abby	\$3.50

Refer to Table. Which of the following is *not* true?

☐ At a price of \$9.00, no buyer is willing to purchase the item.

☐ At a price of \$5.50, Bia is indifferent between buying the item and not buying one.

☐ At a price of \$4.00, total consumer surplus in the market will be \$9.00.

☒ All of the above are correct.

Correct!

Question 27

4 / 4 pts

Table

This table refers to five possible buyers' willingness to pay for a sandwich.

Buyer	Willingness To Pay
Daryl	\$8.50
Laura	\$7.00
Bia	\$5.50
Mallory	\$4.00
Abby	\$3.50

Refer to Table. If the market price is \$5.50, the consumer surplus in the market will be

- ☐ \$3.00.
- ☒ \$4.50.
- ☐ \$15.50.
- ☐ \$21.00.

Correct!

Question 28**4 / 4 pts**

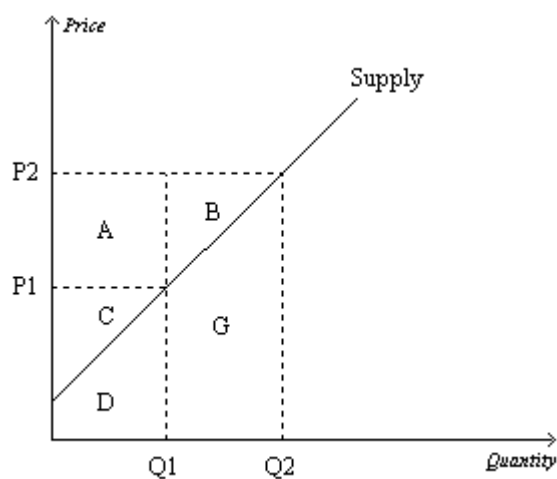
A seller's opportunity cost measures the

- ☒ value of everything she must give up to produce a good.
- ☐ amount she is paid for a good minus her cost of providing it.
- ☐ consumer surplus.

Correct!



out of pocket expenses to produce a good but not the value of her time.

Question 29**4 / 4 pts****Figure**

Refer to Figure. Area A represents



producer surplus to new producers entering the market as the result of an increase in price from P_1 to P_2 .



the increase in consumer surplus that results from an upward-sloping supply curve.



the increase in total surplus when sellers are willing and able to increase supply from Q1 to Q2.

Correct!

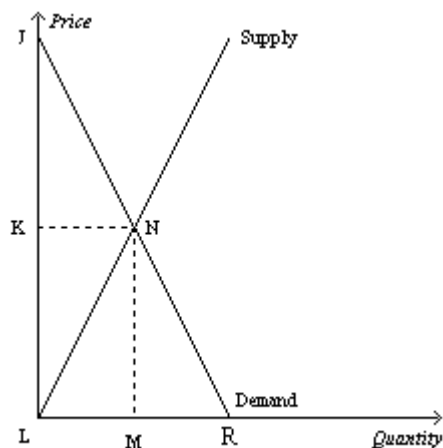


the increase in producer surplus to those producers already in the market when the price increases from P1 to P2.

Question 30

4 / 4 pts

Figure



Refer to Figure. Total surplus can be measured as the area



JNK.



JNML.



JRL.

Correct!

- ☒ JNL.

Question 31**4 / 4 pts**

When a tax is levied on a good, the buyers and sellers of the good share the burden,

- ☐ provided the tax is levied on the sellers.
- ☐ provided the tax is levied on the buyers.
- ☐ provided a portion of the tax is levied on the buyers, with the remaining portion levied on the sellers.

Correct!

- ☒ regardless of how the tax is levied.

Question 32**0 / 4 pts**

Taxes cause deadweight losses because they

- ☐ lead to losses in surplus for consumers and for producers that, when taken together, exceed tax revenue collected by the government.
- ☐ distort incentives to both buyers and sellers.

You Answered



prevent buyers and sellers from realizing some of the gains from trade.

Correct Answer

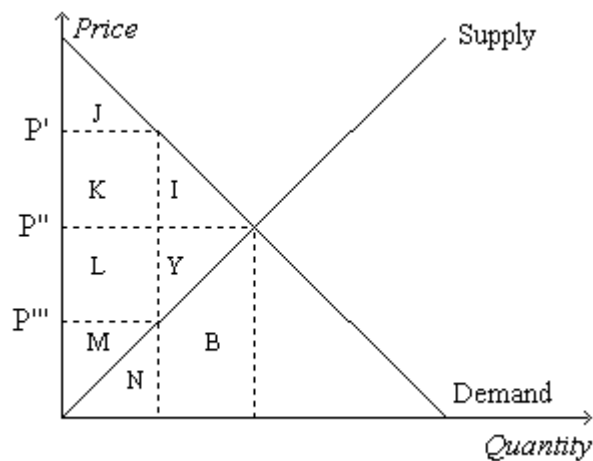


All of the above are correct.

Question 33

4 / 4 pts

Figure



Refer to Figure. Suppose the government imposes a tax of $P' - P'''$. The area measured by $L+M+Y$ represents



consumer surplus after the tax.



consumer surplus before the tax.



producer surplus after the tax.

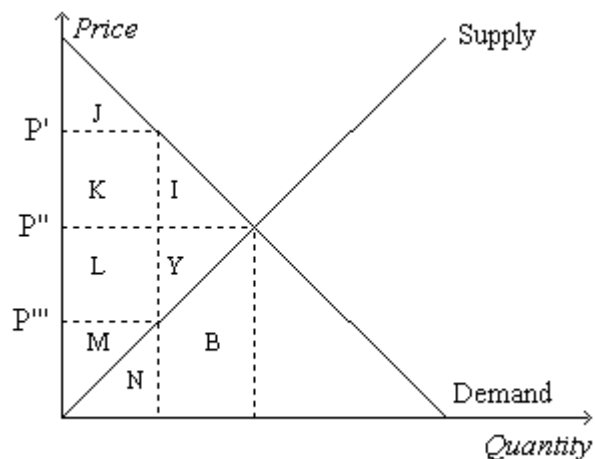


producer surplus before the tax.

Correct!

Question 34

4 / 4 pts

Figure

Refer to Figure. Suppose the government imposes a tax of $P' - P'''$. The producer surplus before the tax is measured by the area

- ☐ I+J+K.
- ☐ I+Y.
- ☒ L+M+Y.
- ☐ M.

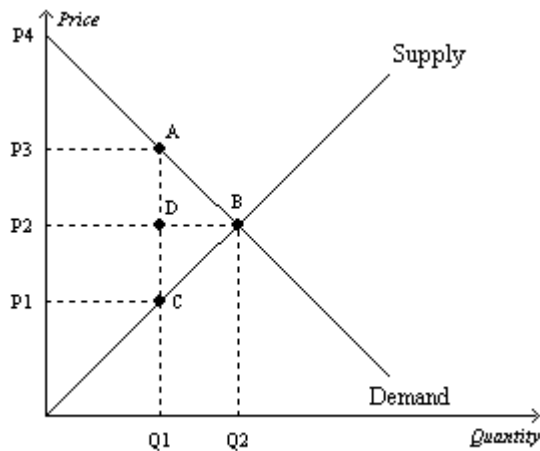
Correct!

Question 35

4 / 4 pts

Figure

The vertical distance between points A and C represents a tax in the market.



Refer to Figure. The amount of the tax on each unit of the good is

Correct!

- ☒ $P3 - P1$.
- ☐ $P3 - P2$.
- ☐ $P2 - P1$.
- ☐ $P4 - P3$.

Question 36

4 / 4 pts

What is the fundamental basis for trade among nations?

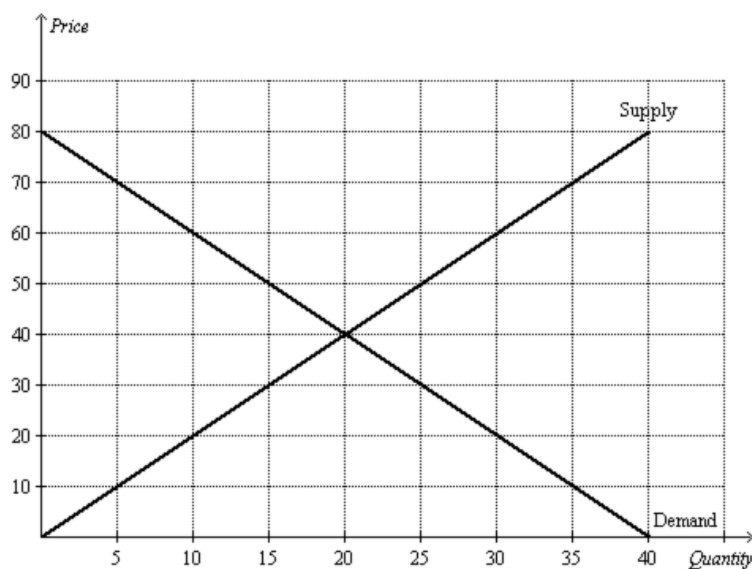
- ☐ shortages or surpluses in nations that do not trade
- ☐ misguided economic policies

Correct!

- ☐ absolute advantage
- ☒ comparative advantage

Question 37**4 / 4 pts****Figure**

The following diagram shows the domestic demand and supply in a market for papayas. Assume that the world price in this market is \$20 per papaya.



Refer to Figure. Suppose the government imposes a tariff of \$10 per unit. With trade and a tariff, total surplus is

- ☐ \$750.
- ☐ \$900.
- ☒ \$950.

Correct!

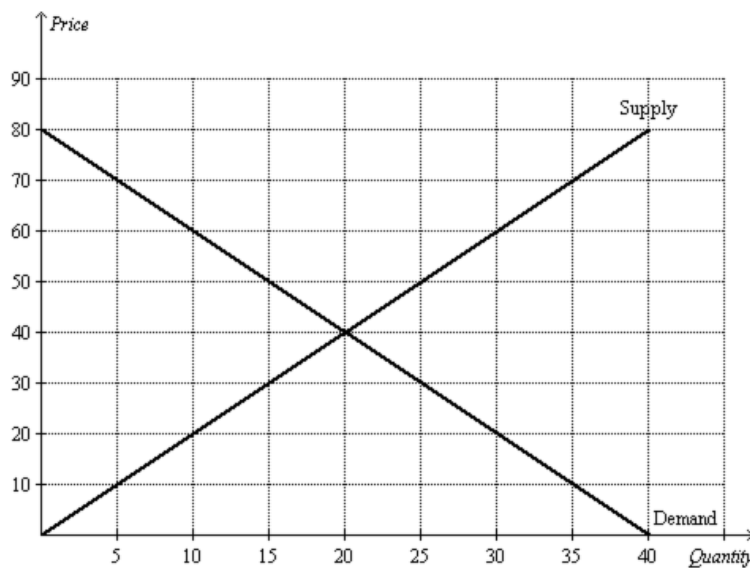
☐ \$1,550.

Question 38

4 / 4 pts

Figure

The following diagram shows the domestic demand and supply in a market for papayas. Assume that the world price in this market is \$20 per papaya.



Refer to Figure. Suppose the government imposes a tariff of \$10 per unit. The deadweight loss caused by the tariff is

☐ \$25.

☒ \$50.

☐ \$75.

☐ \$100.

Correct!

Question 39**4 / 4 pts**

A *tariff* is a

- ☐ limit on how much of a good can be exported.
- ☐ limit on how much of a good can be imported.
- ☐ tax on an exported good.
- ☒ tax on an imported good.

Correct!**Question 40****4 / 4 pts**

The price of a good that prevails in a world market is called the

- ☐ absolute price.
- ☐ relative price.
- ☐ comparative price.
- ☒ world price.

Correct!**Quiz Score: 152 out of 160**