**Exam 2 - Practice Questions Over Ch.’s 4 and 5**

1. Between Jun 2015 and Jun 2017 there was a decrease in both price and quantity traded of bagels. This change in market equilibrium outcome would result from
   1. an increase in Demand.
   2. a decrease in Demand.
   3. an increase in Supply.
   4. a decrease in Supply.
2. Between January 2015 and January 2017 there was an increase in both price and quantity traded of tomatoes. This change in market equilibrium outcome would result from
   1. an increase in Demand.
   2. a decrease in Demand.
   3. an increase in Supply.
   4. a decrease in Supply.
3. Consider an outcome for which Jamal loses $2, Jimmy gains $5, and Angela gains $3. Based upon this information, it appears as if this is a
   1. **positive-sum environment.**
   2. zero-sum environment.
   3. negative-sum environment.
   4. win-win outcome.
4. A situation in which the sum of gains and losses over all people is exactly equal to zero is defined as a
   1. win-win outcome.
   2. win-lose outcome.
   3. positive-sum environment.
   4. **zero-sum environment.**
5. Scott bought a used snowboard from Brad for $100. This trade gave Scott a Consumer’s Surplus of $20 and generated a Social Surplus of $35. It follows that Brad realized a Producer’s Surplus of from this trade.

A. $15

B. $55

C. $80

D. $13

1. Which of the following could NOT result in a “change in demand” for “hand sanitizer”?
   1. A change in consumer income.
   2. An increase in the price of hand wipes.
   3. A decrease in the price of hand sanitizer.
   4. An increase in the number of buyers of hand sanitizer.
2. The law of demand states that
   1. a decrease in the price of a good shifts the demand curve leftward.
   2. other things remaining the same, the higher the price of a good, the smaller is the quantity demanded.
   3. other thing remaining the same, the higher the price of a good, the larger is the quantity demanded.
   4. an increase in the price of a good shifts the demand curve leftward.
3. Which of the following will always raise the equilibrium price?
   1. an increase in demand combined with a decrease in supply
   2. a decrease in both demand and supply
   3. an increase in both demand and supply
   4. a decrease in demand combined with an increase in supply
4. Consider an outcome for which Dan loses $8, Seth gains $1, and Charlotte gains

$2. Based upon this information, it appears as if this is a

* 1. positive-sum environment.
  2. zero-sum environment.
  3. negative-sum environment.
  4. win-win outcome.

1. Consider an outcome for which Patricia loses $10, Seth gains $10. Based upon this information, it appears as if this is a
   1. positive-sum environment.
   2. zero-sum environment.
   3. negative-sum environment.
   4. win-win outcome.
2. A increase in demand, with no change in supply, will lead to in equilibrium quantity and in equilibrium price
   1. a decrease; a decrease.
   2. a decrease; an increase.
   3. an increase; an increase
   4. none of the above is correct answer
3. An increase in the price of chickens, all other things unchanged, will result in a(n):
   1. greater quantity of chickens demanded.
   2. less quantity of chickens demanded.
   3. demand for chickens will increase
   4. demand for chickens will decrease

*For questions 13-16, refer to the graph below. This graph illustrates the supply and demand for pens in 2017.*

price

Supply 2017

9.95

5.10

2.00

*(d)*

0

*(a)*

*(e)*

*(c)*

*(b)*

*(f)*

*(g)*

Demand 2017

quantity

0 970 1,345 3,635

1. In equilibrium, Total Producers’ Surplus would be A. negative.
2. equal to “area (g).”
3. equal to “area (a)+(b)+(e)
4. equal to “area (c)+(f)+(d)
5. If 3,635 units were traded, Deadweight-Loss would be
   1. negative.
   2. equal to “area (g).”
   3. equal to “area (e) plus area (f).”
   4. equal to “area (g) plus area (h).”
6. If 970 units were traded, Deadweight-Loss would be
   1. zero.
   2. equal to “area (g).”
   3. equal to “area (e) plus area (f).”
   4. equal to “area (g) plus area (h).”
7. A decrease in supply, with no change in demand, will lead to in equilibrium

quantity and in equilibrium price

* 1. a decrease; a decrease.
  2. a decrease; an increase.
  3. an increase; a decrease
  4. none of the above is correct answer

1. A increase in supply, with no change in demand, will lead to in equilibrium quantity and in equilibrium price
   1. a decrease; a decrease.
   2. a decrease; an increase.
   3. an increase; a decrease
   4. none of the above is correct answer

For questions 18 through 19, consider a market with demand and supply as illustrated below.

price



80 Supply

48

40

32

16

0

0 400 500 600

Demand

quantity

1,000

1. In this market there would be at a price of $20.

A “excess supply”

* 1. “excess demand”
  2. both “excess demand” and “excess supply.”
  3. neither “excess demand” nor “excess supply.”

1. Focusing on the “400th unit,” the Buyer’s Reservation Price for this unit is and the Seller’s Reservation Price for this unit is .

A. $88; $72.

B. $80; $16.

C. $48; $32.

D. $8; $8.

1. Between August 2015 and August 2017 there was a decrease in equilibrium price and an increase in equilibrium quantity traded of pens. This change in the market equilibrium outcome would result from
   1. an increase in Demand.
   2. a decrease in Demand.
   3. an increase in Supply.
   4. a decrease in Supply.

*For questions 21- 24 refer to the graph below. This graph illustrates the supply and demand for hats in 2016.*

price

Supply 2016

12.95

9.10

4.00

*(d)*

0

*(a)*

*(e)*

*(c)*

*(b)*

*(f)*

*(g)*

*(h)* Demand 2016

quantity

0 1,870 3,245 6,635

1. In equilibrium, Total Consumers’ Surplus would be
   1. negative.
   2. equal to “area (g).”
   3. equal to “area (a)+(b)+(e)
   4. equal to “area (c)+(f)+(d)
2. If 6,635 units were traded, Deadweight-Loss would be
   1. negative.
   2. equal to “area (g).”
   3. equal to “area (e) plus area (f).”
   4. equal to “area (g) plus area (h).”
3. If 3,245 (at the efficient level) units were traded, Deadweight-Loss would be
   1. zero.
   2. equal to “area (g).”
   3. equal to “area (e) plus area (f).”
   4. equal to “area (g) plus area (h).”
4. If 1,870 units were traded, Deadweight-Loss would be
   1. zero.
   2. equal to “area (g).”
   3. equal to “area (e) plus area (f).”
   4. equal to “area (g) plus area (h).”
5. A decrease in the price of butter, all other things unchanged, will result in a(n):
   1. greater quantity of butter demanded.
   2. less quantity of butter demanded.
   3. demand for butter will increase
   4. demand for butter will decrease