QUIZ 5 **VERSION 1**

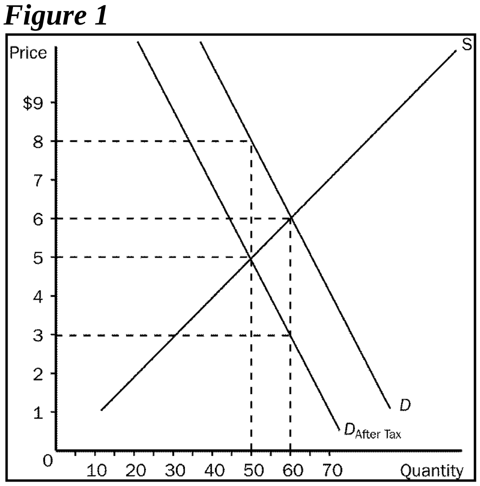
____ 1. Price controls are
- a. used to make markets more efficient.
- b. usually enacted when policymakers believe that the market price of a good or service is unfair to buyers or sellers.
- c. nearly always effective in eliminating inequities.
- d. established by firms with monopoly power.

____ 2. A price ceiling that is not binding will
- a. cause a surplus in the market.
- b. cause a shortage in the market.
- c. cause the market to be less efficient.
- d. have no effect on the market price.

____ 3. A binding price floor causes
- a. excess demand.
- b. a shortage.
- c. a surplus.
- d. equilibrium price to fall.

____ 4. The minimum wage was instituted in order to ensure workers
- a. a middle-class standard of living.
- b. employment.
- c. a minimally adequate standard of living.
- d. unemployment compensation.

Figure 1



____ 5. **Refer to Figure 1**. The amount of the tax that buyers would pay would be
- a. $1.00.
- b. $1.50.
- c. $2.00.
- d. $3.00.

____ 6. A tax on the buyers of popcorn
  a. increases the size of the popcorn market.
  b. reduces the size of the popcorn market.
  c. has no effect on the size of the popcorn market.
  d. may increase, decrease, or have no effect on the size of the popcorn market.

____ 7. A tax placed on the seller of a product will
  a. raise equilibrium price and lower equilibrium quantity.
  b. raise both equilibrium price and quantity.
  c. lower equilibrium price and raise equilibrium quantity.
  d. lower both equilibrium price and quantity.

____ 8. Which of the following is the most correct statement about tax burdens?
  a. A tax burden falls most heavily on the side of the market that is elastic.
  b. A tax burden falls most heavily on the side of the market that is inelastic.
  c. A tax burden falls most heavily on the side of the market that is closer to unit elastic.
  d. A tax burden is distributed independently of relative elasticities of supply and demand.

____ 9. Deadweight loss measures the
  a. loss in a market to buyers and sellers that is not offset by an increase in government revenue.
  b. loss in revenue to the government when buyers choose to buy less of the product.
  c. loss of efficiency in a market as a result of government intervention.
  d. lost revenue to businesses because of higher prices to consumers from the tax.

____ 10. The deadweight economic loss from taxes
  a. does not depend on tax rates.
  b. is higher when tax rates are higher than when tax rates are lower.
  c. is lower when tax rates are higher than when tax rates are lower.
  d. does not depend on the slope of the demand curve.

QUIZ 5 VERSION 2

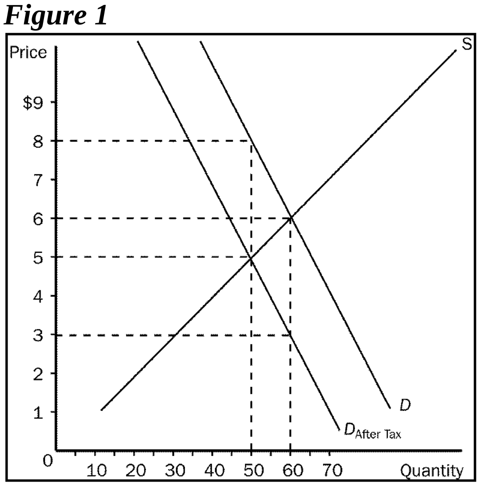
____ 1. Policymakers choose to enact price controls in a market because
a. they believe the market's outcome to be unfair.
b. enacting price controls will directly increase tax revenues.
c. they are required by law to improve market conditions.
d. they believe that the market system is inefficient and their actions will improve efficiency.

____ 2. If a price ceiling is not binding,
a. the equilibrium price is above the ceiling.
b. the equilibrium price is below the ceiling.
c. it has no legal enforcement mechanism.
d. people must voluntarily agree to abide by it.

____ 3. When binding price ceilings are imposed to benefit buyers
a. every buyer in the market benefits because of lower prices.
b. some buyers will not be able to buy any of the product.
c. sellers in the market will equally benefit from a price ceiling.
d. the quantity sellers want to sell will equal the quantity buyers want to buy.

____ 4. Minimum wage laws dictate the
a. average price employers must pay for labor.
b. highest price employers may pay for labor.
c. lowest price employers may pay for labor.
d. quality of labor which must be supplied.

Figure 1



____ 5. **Refer to Figure 1**. The price buyers will pay after the tax is imposed is
a. $8.00.
b. $6.00.
c. $5.00.
d. $3.00.

____ 6. A tax on the buyers of coffee will
   a. reduce the equilibrium price of coffee, and increase the equilibrium quantity.
   b. increase the equilibrium price of coffee, and reduce the equilibrium quantity.
   c. increase the equilibrium price of coffee, and increase the equilibrium quantity.
   d. reduce the equilibrium price of coffee, and reduce the equilibrium quantity.

____ 7. A tax placed on the seller of a good
   a. raises the price buyers pay and lowers the price sellers receive.
   b. lowers the price buyers pay and raises the price sellers receive.
   c. raises both the price buyers pay and the price sellers receive.
   d. lowers both the price buyers pay and the price sellers receive.

____ 8. Buyers of a product will pay the majority of a tax placed on a product when
   a. the tax is placed on the seller of the product.
   b. the demand is more elastic than supply.
   c. supply is more elastic than demand.
   d. the tax is placed on the buyer of the product.

____ 9. The loss in total surplus resulting from a tax is called
   a. a deficit.
   b. economic loss.
   c. deadweight loss.
   d. inefficiency.

____ 10. The amount of deadweight loss from taxes depends on
   a. the price elasticity of demand and supply.
   b. how much of the tax revenue the government plans to spend.
   c. the product the government is planning to tax.
   d. All of the above are correct.

QUIZ 5 VERSION 3

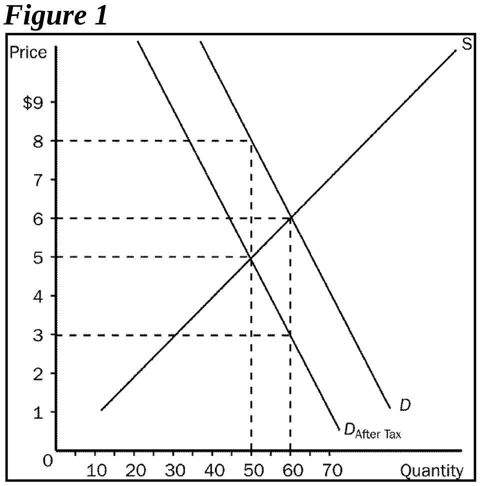
____ 1. Policymakers are led to control prices because
a. they view the market's outcome as inefficient.
b. they view the market's outcome as unfair.
c. all politicians enjoy exercising their power.
d. they are required to do so by law.

____ 2. A price floor
a. is a legal minimum on the price at which a good can be sold.
b. is a legal maximum on the price at which a good can be sold.
c. will generally result in a market shortage.
d. will benefit the consumer, but hurt the supplier.

____ 3. A binding price ceiling causes
a. a shortage, which cannot be eliminated through market adjustment.
b. a surplus, which cannot be eliminated through market adjustment.
c. a shortage, which is temporary, since market adjustment will cause price to rise.
d. a surplus, which is temporary, since market adjustment will cause price to rise.

____ 4. A minimum wage will
a. alter both the quantity demanded and quantity supplied of labor.
b. affect only the quantity of labor firms will demand at the higher wage, but does not affect the quantity supplied of labor.
c. have no effect on the quantity demanded or quantity supplied of labor since the equilibrium wage will not change.
d. cause only temporary unemployment, since the market will adjust and eliminate the surplus of workers.

Figure 1



____ 5. **Refer to Figure 1 on the previous page**. The price sellers receive after the tax is imposed is
a. $8.00.
b. $6.00.
c. $5.00.
d. $3.00.

____ 6. A tax on the buyers of tea will cause the price the buyer pays
a. and the price the seller receives to rise.
b. and the price the seller receives to fall.
c. to rise and the price the seller receives to fall.
d. to fall and the price the seller receives to rise.

____ 7. The initial impact of a tax on the sellers of a product
a. is on the supply of the product.
b. is on the demand for the product.
c. is on both the supply of the product and the demand for the product.
d. Taxes impact both demand and supply.

____ 8. If a tax is imposed on a market with elastic demand and inelastic supply,
a. buyers will bear most of the burden of the tax.
b. sellers will bear most of the burden of the tax.
c. the burden of the tax will be shared equally between buyers and sellers.
d. it is impossible to determine how the burden of the tax will be shared.

____ 9. Deadweight loss is the
a. reduction in total surplus that results from a tax.
b. loss of profit to businesses when a tax is imposed.
c. reduction in consumer surplus when a tax is placed on buyers.
d. decline in government revenue when taxes are reduced in a market.

____ 10. The size of the tax and the deadweight loss of a tax are
a. positively related.
b. negatively related.
c. independent of each other.
d. equal to each other.

QUIZ 5 **VERSION 4**

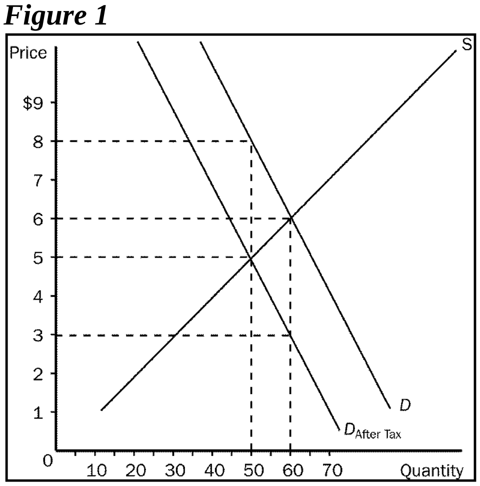
____ 1. Price controls
a. always produce an equitable outcome.
b. always produce an efficient outcome.
c. can generate inequities of their own.
d. produce revenue for the government.

____ 2. A legal minimum price at which a good can be sold is a price
a. cut.
b. stabilization.
c. ceiling.
d. floor.

____ 3. A price ceiling will only be binding if it is set
a. equal to equilibrium price.
b. above equilibrium price.
c. below equilibrium price.
d. A price ceiling is never binding in a free market system.

____ 4. A minimum wage imposed above a market's equilibrium wage will result in the quantity
a. supplied of labor being greater than the quantity demanded of labor and unemployment will occur.
b. demanded of labor being greater than the quantity supplied of labor and unemployment will occur.
c. supplied of labor being greater than the quantity demanded of labor and a shortage of workers will occur.
d. demanded of labor being greater than the quantity supplied of labor and a shortage of workers will occur.

Figure 1



____ 5. **Refer to Figure 1 on the previous page**. The amount of the tax imposed in this market is
a. $1.00.
b. $1.50.
c. $2.50.
d. $3.00.

____ 6. Which is the most correct statement about the burden of a tax imposed on buyers of sugar?
a. Buyers bear the entire burden of the tax.
b. Sellers bear the entire burden of the tax.
c. Buyers and sellers share the burden of the tax.
d. The government bears the entire burden of the tax.

____ 7. When a tax is placed on the sellers of a product the
a. size of the market is reduced.
b. price of the product decreases.
c. demand for the product falls.
d. price of the product falls and quantity demand increases.

____ 8. A tax imposed on a market with an inelastic demand and an elastic supply will cause
a. sellers to pay the majority of the tax.
b. buyers to pay the majority of the tax.
c. the tax burden to be equally divided between buyers and sellers.
d. the tax burden to be divided, but it cannot be determined how.

____ 9. A tax has a deadweight loss because
a. it induces the government to spend more.
b. it induces buyers to consume less and sellers to produce less.
c. it causes a disequilibrium in the market.
d. the loss to buyers is greater than the loss to sellers.

____ 10. The greater the elasticities of demand and supply the
a. smaller the deadweight loss from a tax.
b. less intrusive a tax will be on a market.
c. greater the deadweight loss from a tax.
d. more equitable the distribution of a tax between buyers and sellers.

QUIZ 5 VERSION 1
Answer Section

MULTIPLE CHOICE

1. ANS: B
2. ANS: D
3. ANS: C
4. ANS: C
5. ANS: C
6. ANS: B
7. ANS: A
8. ANS: B
9. ANS: A
10. ANS: B

QUIZ 5 VERSION 2
Answer Section

MULTIPLE CHOICE

1. ANS: A
2. ANS: A
3. ANS: B
4. ANS: C
5. ANS: A
6. ANS: B
7. ANS: A
8. ANS: C
9. ANS: C
10. ANS: A

QUIZ 5 VERSION 3
Answer Section

MULTIPLE CHOICE

1. ANS: B
2. ANS: A
3. ANS: A
4. ANS: A
5. ANS: C
6. ANS: C
7. ANS: A
8. ANS: B
9. ANS: A
10. ANS: A

QUIZ 5 VERSION 4
Answer Section

MULTIPLE CHOICE

1. ANS: C
2. ANS: D
3. ANS: C
4. ANS: A
5. ANS: D
6. ANS: C
7. ANS: A
8. ANS: B
9. ANS: B
10. ANS: C