View Attempt 1 of unlimited

Title:	**Assignment 4 DUE OCT 19**
Started:	October 19, 2009 4:54 AM
Submitted:	October 19, 2009 12:51 PM
Time spent:	07:57:15

Total score: **13/20 = 65%** | Total score adjusted by 0.0 | Maximum possible score: 20

1.

Which of the following would not be expected to result from a price ceiling (set below the equilibrium price)?

	Student Response	Value	Correct Answer	Feedback
1.	illegal trades			
2.	surplus	100%	✅	
3.	shortage			
4.	fewer exchanges			
5.	nonprice rationing devices			

Score: 1/1

Comments:

2.

If the minimum wage law sets a wage floor above the equilibrium wage in the unskilled labor market,

	Student Response	Value	Correct Answer	Feedback
1.	the minimum wage will create a shortage of labor.			
2.	the minimum wage will not affect the labor market.			

3.	the labor market will change, but we cannot be certain how.		
🗹4.	the minimum wage will create a surplus of labor.	100%	✅

Score: 1/1

Comments:

3.

If the minimum wage law sets a wage floor below the equilibrium wage in the unskilled labor market,

	Student Response	Value	Correct Answer	Feedback
1.	the minimum wage will not affect the labor market.		✅	
2.	the labor market will change, but we cannot be certain how.			
🗹3.	the minimum wage will create a shortage of labor.	0%		
4.	the minimum wage will create a surplus of labor.			

Score: 0/1

Comments:

4.

Exhibit 4-9

Refer to Exhibit 4-9. Suppose that wheat producers lobby the government for a price floor and receive one. This price floor is set at P_F. What has happened to the producers' surplus as a result of the imposition of the price floor?

	Student Response	Value	Correct Answer	Feedback
1.	Producers' surplus has changed by (area 3 - area 5)			
2.	Producers' surplus has fallen by (area 4 + 5)			
☑ 3.	Producers' surplus has risen by (area 2 + 3)	0%		
4.	Producers' surplus has changed by (area 2 - area 5)		☑	

Score: 0/1

Comments:

5.

Exhibit 4-9

Refer to Exhibit 4-9. If the wheat market is in competitive equilibrium, the consumers' surplus will equal

	Student Response	Value	Correct Answer	Feedback
1.	area 1 + 2 + 3 + 4 + 5			
2.	area 6			
☑ 3.	area 1 + 2 + 4	100%	✅	
4.	area 1 + 2 + 3			
5.	area 3 + 5			

Score: 1/1

Comments:

6.

Exhibit 4-9

Refer to Exhibit 4-9. Suppose that wheat producers lobby the government for a price floor and receive one. This price floor is set at P_F. What is the size of the total surplus at P_F?

	Student Response	Value	Correct Answer	Feedback
1.	area 1 + 2 + 3	100%	✓	
2.	area 1 + 2 + 3 + 4 + 5 + 6			
3.	area 1 + 2 + 3 + 4			
4.	area 1 + 2 + 3 + 4 + 5			

Score: 1/1

Comments:

7.

A side effect of an action that adversely affects the well-being of others is called a

	Student Response	Value	Correct Answer	Feedback
1.	supplement.			
2.	complement.			
3.	marginal cost.			
4.	negative externality.	100%	✓	

Score: 1/1

Comments:

8.

Which of the following situations probably would *not* yield a negative externality?

	Student Response	Value	Correct Answer	Feedback
1.	mowing your lawn early on a Saturday morning when you live in a densely populated neighborhood	0%		
2.	one person who is smoking cigarettes in a closed room where several other people are present			
3.	a rock concert in the quad next to the library			
4.	All of the above situations would yield negative externalities.			
5.	a tutor instructing a student in economics as a bystander listens in without the tutor knowing it		✓	

Score: 0/1

Comments:

9.

When negative externalities are connected with the production of a good,

	Student Response	Value	Correct Answer	Feedback
1.	market output will be greater than the socially optimal output.	100%	✅	
2.	private costs and social costs are equal.			
3.	there will be a shortage of the good.			
4.	the government should subsidize the production of the good.			

Score: 1/1

Comments:

10.

When a negative externality exists,

	Student Response	Value	Correct Answer	Feedback
1.	external costs are necessarily greater than private costs.			
2.	none of the above			
3.	social costs equal private costs.			

4. social costs are less than private costs.			
☑5. social costs are greater than private costs.	100%	☑	

Score: 1/1

Comments:

11.

Suppose the production of a good results in negative externalities. If all costs are taken into account, then

	Student Response	Value	Correct Answer	Feedback
1.	output will occur at the socially optimal level.			
☑2.	the price of the product will be higher than if all costs are not taken into account.	0%		
3.	more output will be produced than if all costs are not taken into account.			
4.	1 and 2		☑	
5.	1, 2, and 3			

Score: 0/1

Comments:

12.

Exhibit 16-1

Refer to Exhibit 16-1. This graph represents a negative externality situation. Given this, which of the two curves, X or Y, represents social costs and why?

	Student Response	Value	Correct Answer	Feedback
1.	Curve X, because if there is a negative externality, external costs are associated with it: social costs = external costs + private costs, therefore the social cost curve must lie above the private cost curve.	100%	✅	
2.	Curve Y, because if there is a negative externality			

negative external costs are associated with it: social costs = negative external costs + private costs, therefore the social cost curve must lie below the private cost curve.
3. Curve X, because if there is a negative externality, external benefits are associated with it: social costs = external benefits + private costs, therefore the social cost curve must lie above the private cost curve.
4. Curve Y, because if there is a negative externality, negative external benefits are associated with it: social costs = negative external benefits + private

costs,
therefore
the social
cost curve
must lie
below the
private
cost curve.

Score: 1/1

Comments:

13.

Given a positive externality, the marginal private benefit curve lies to the
_____ of the demand curve, with the market output _____ the socially optimal
output.

	Student Response	Value	Correct Answer	Feedback
1.	right; below		✅	
2.	right; above	0%		
3.	left; above			
4.	left; below			

Score: 0/1

Comments:

14.

When a positive externality exists,

	Student Response	Value	Correct Answer	Feedback
1.	social benefits equal private benefits.			
2.	social benefits are less than private benefits.			
3.	none of the above			

4. external benefits are necessarily greater than private benefits.		
5. social benefits are greater than private benefits.	100% ✅	

Score: 1/1

Comments:

15.

Suppose the production of a good results in positive externalities. If output occurs at the intersection of the social value curve and the supply curve, then

Student Response	Value	Correct Answer	Feedback
1. output will be at a higher level than if all benefits were not taken into account.		✅	
2. output will be at a lower level than the socially optimal level.	0%		
3. the marginal private benefit curve will lie above and to the right of the marginal social benefit curve.			
4. there will be underproduction.			
5. all of the above			

Score: 0/1

Comments:

16.

Which of the following statements is true?

	Student Response	Value	Correct Answer	Feedback
1.	When production of a good yields positive externalities but output is currently at the market level, then a change in output to the socially optimal level will certainly be for the worse.			
2.	When production of a good yields negative externalities but output is currently at the market level, then a change in output to the socially optimal level will cause benefits to increase by an amount greater than costs will increase.			
3.	When production of a good yields positive externalities but output is currently			

at the market level, then a change in output to the socially optimal level will cause benefits to increase by an amount less than costs will increase.		
4. 1, 2, and 3		
5. none of the above	100%	✅

Score: 1/1

Comments:

17.

Exhibit 16-2

Refer to Exhibit 16-2. This graph represents a positive externality situation. Given this, which of the two curves, X or Y, represents marginal social benefits and why?

	Student Response	Value	Correct Answer	Feedback
1.	Curve Y, because if there is a positive		✅	

externality, external benefits are associated with it: social benefits = external benefits + private benefits, therefore the marginal social benefit curve must lie above the marginal private benefit curve.

2. Curve Y, because if there is a positive externality, external costs are associated with it: social benefits = external costs + private benefits, therefore the marginal social benefit curve must lie above the marginal private benefit cost curve.

0%

3. Curve X, because if there is a positive externality.

external benefits are associated with it: social benefits = external benefits + private benefits, therefore the marginal social benefit curve must lie below the marginal private benefit curve.

4. Curve X, because if there is a positive externality, negative external benefits are associated with it: social costs external benefits - private benefits, therefore the marginal social benefit curve must lie below the marginal private benefit curve.

Score: 0/1

Comments:

18.

Exhibit 16-2

Refer to Exhibit 16-2. If Exhibit 30-2 exhibits a positive externality situation, then what is Q_2?

	Student Response	Value	Correct Answer	Feedback
1.	It is the quantity of output at which marginal social benefits (MSB) equal marginal private benefits (MPB).			
2.	It is the quantity of output at which MPB > MSB.			
3.	It is the market output-the quantity of output that exists if the external benefits associated with the			

	positive externality are not taken into account.		
4.	It is the socially optimal output-the quantity of output that exists if the external benefits associated with the positive externality are taken into account.	100% ✅	
5.	none of the above		

Score: 1/1

Comments:

19.

Market demand and supply are given as Qd = 1000 - 5P and Qs = 4P - 80 respectively. At equilibrium, producer surplus is

	Student Response	Value	Correct Answer	Feedback
1.	$24,000			
2.	$48,000			
3.	$16,000			
4.	$20,000	100%	✅	

Score: 1/1

Comments:

20.

Market demand and supply are given as Qd = 1000 - 5P and Qs = 4P - 80 respectively. If P = 100, consumer surplus is

	Student Response	Value	Correct Answer	Feedback

1. $25,000

2. $16,000

3. $20,000

4. $21,760   100% ✅

Score: 1/1

Comments: