

# Week 7 MCQs

1. What is the main topic of Module 7?
  - A. Surplus and market efficiency only
  - B. Markets, welfare, and conservation (Correct)**
  - C. The cost of taxation only
  - D. International trade only
  
2. How many lectures are included in Module 7?
  - A. One
  - B. Two
  - C. Three (Correct)**
  - D. Four
  
3. What is the first lecture in Module 7 about?
  - A. Market efficiency
  - B. Cost of taxation
  - C. International trade
  - D. Surplus (Correct)**
  
4. According to the text, why does trade make everyone better off?
  - A. Government regulation
  - B. It's not explicitly stated
  - C. Market organization
  - D. Maximization of self-interest (Correct)**
  
5. What is a key characteristic of a market system?
  - A. Centralized price setting
  - B. Government control
  - C. Individual decision-making (Correct)**
  - D. Limited consumer choice
  
6. What are buyers primarily trying to maximize in a market?
  - A. Seller profits
  - B. Government revenue
  - C. Their own surplus or welfare (Correct)**
  - D. Market efficiency
  
7. What are sellers primarily trying to maximize in a market?

- A. Buyer welfare
- B. Market equilibrium
- C. Their own surplus or welfare (Correct)**
- D. Government regulation

8. What determines the value a buyer places on a good?

- A. The seller's cost
- B. The market price
- C. The buyer's individual needs and preferences (Correct)**
- D. International trade agreements

9. What is consumer surplus?

- A. Amount a buyer pays minus the good's value
- B. The seller's profit
- C. Amount a buyer is willing to pay minus the amount actually paid (Correct)**
- D. The market equilibrium price

10. What is willingness to pay an indication of?

- A. Seller's cost
- B. Market price
- C. The value of a good to a buyer (Correct)**
- D. Tax revenue

11. If a buyer's value for a good is less than the price, will they purchase it?

- A. Yes, always
- B. Yes, if they have sufficient funds
- C. No, probably not (Correct)**
- D. It depends on the seller

12. In the cake example, how many potential buyers are there?

- A. Three
- B. Four
- C. Five (Correct)**
- D. Six

13. In the cake example, who valued the cake the most?

- A. Shyam
- B. Sita
- C. Gita

**D. Ram (Correct)**

14. What does the demand schedule show?

- A. Quantity supplied at each price
- B. Producer surplus
- C. Quantity demanded at each price (Correct)**
- D. Market equilibrium

15. What is the law of demand?

- A. Price increase, quantity supplied increase
- B. Price decrease, quantity demanded increase (Correct)**
- C. Price increase, quantity demanded increase
- D. Price decrease, quantity supplied increase

16. What does the area between the demand curve and the price represent?

- A. Producer surplus
- B. Tax revenue
- C. Consumer surplus (Correct)**
- D. Deadweight loss

17. What happens to consumer surplus when prices decrease?

- A. It stays the same
- B. It decreases
- C. It increases (Correct)**
- D. It becomes zero

18. Why do different goods have different costs for sellers?

- A. Only because of differences in raw materials
- B. Because of differences in production costs and seller efficiency (Correct)**
- C. Solely due to market demand
- D. Because of government regulation

19. What is producer surplus?

- A. Amount a seller pays minus the good's cost
- B. The buyer's profit
- C. Amount a seller is paid for a good minus the seller's cost (Correct)**
- D. The market equilibrium price

20. If a seller's cost is higher than the market price, will they sell the good?

- A. Yes, always
- B. Yes, if they have enough inventory
- C. No, probably not (Correct)**
- D. It depends on the buyer

21. What does the supply schedule show?

- A. Quantity demanded at each price
- B. Consumer surplus
- C. Quantity supplied at each price (Correct)**
- D. Market equilibrium

22. What is the law of supply?

- A. Price increase, quantity demanded increase
- B. Price decrease, quantity supplied increase
- C. Price increase, quantity supplied increase (Correct)**
- D. Price decrease, quantity demanded increase

23. What does the area between the supply curve and the price represent?

- A. Consumer surplus
- B. Tax revenue
- C. Producer surplus (Correct)**
- D. Deadweight loss

24. What happens to producer surplus when prices increase?

- A. It stays the same
- B. It decreases
- C. It increases (Correct)**
- D. It becomes zero

25. What is total surplus?

- A. Consumer surplus minus producer surplus
- B. Consumer surplus plus producer surplus (Correct)**
- C. Tax revenue minus deadweight loss
- D. Market equilibrium price

26. How can total surplus be maximized?

- A. By favoring either producers or consumers
- B. By maximizing value to buyers and minimizing cost to sellers (Correct)**
- C. By increasing taxes
- D. By decreasing market competition

27. What is efficiency in resource allocation?

- A. Minimizing consumer surplus
- B. Maximizing producer surplus
- C. Maximizing total surplus (Correct)**
- D. Minimizing tax revenue

28. Where is total surplus maximized in a market?

- A. At any point on the demand curve
- B. At any point on the supply curve
- C. At the market equilibrium (Correct)**
- D. It is not explicitly stated

29. Why does the government need revenue?

- A. To fund its operations and initiatives (Correct)**
- B. To increase consumer surplus
- C. To decrease producer surplus
- D. To control international trade

30. How does the government primarily raise revenue?

- A. Printing more money
- B. Borrowing from other countries
- C. Through taxation (Correct)**
- D. It is not explicitly stated

31. If a tax is imposed only on sellers, what happens to the supply curve?

- A. It shifts to the right
- B. It remains unchanged
- C. It shifts to the left (Correct)**
- D. It becomes vertical

32. If a tax is imposed only on buyers, what happens to the demand curve?

- A. It shifts to the right
- B. It remains unchanged
- C. It shifts to the left (Correct)**
- D. It becomes horizontal

33. In the case of taxation, who bears the burden of the tax?

- A. Only the seller

- B. Only the buyer
- C. The burden is shared between the buyer and seller (Correct)**
- D. The government bears the burden

34. What is tax revenue?

- A. The total amount of tax imposed
- B. The amount paid by buyers
- C. The amount paid by sellers
- D. The amount collected by the government (Correct)**

35. How is tax revenue calculated?

- A. Size of tax / quantity sold
- B. Size of tax + quantity sold
- C. Size of tax - quantity sold
- D. Size of tax \* quantity sold (Correct)**

36. What is a deadweight loss?

- A. A gain in total surplus
- B. Tax revenue collected by the government
- C. A fall in total surplus due to market distortion (Correct)**
- D. Increased market efficiency

37. What causes deadweight loss in the context of taxation?

- A. Increased market efficiency
- B. Higher consumer surplus
- C. Higher producer surplus
- D. Prevented gains from trade (Correct)**

38. How does the elasticity of demand and supply affect deadweight loss?

- A. Deadweight loss is unaffected by elasticity
- B. Deadweight loss decreases with elasticity
- C. Deadweight loss increases with elasticity (Correct)**
- D. Deadweight loss is only affected by supply elasticity

39. What does the Laffer curve illustrate?

- A. The relationship between tax rates and tax revenue (Correct)**
- B. The relationship between elasticity and consumer surplus
- C. The relationship between government spending and economic growth
- D. The relationship between producer surplus and market equilibrium

40. According to the Laffer curve, what happens to tax revenue as tax rates increase?
- A. It continuously increases
  - B. It continuously decreases
  - C. It increases, then decreases (Correct)**
  - D. It remains constant
41. What is international trade?
- A. Exchange of goods within a country
  - B. Exchange of capital, goods, and services across international borders (Correct)**
  - C. The process of taxation
  - D. The production of goods within a country
42. What has been the trend in international trade over time?
- A. Significant decrease
  - B. Significant increase (Correct)**
  - C. It has remained constant
  - D. It is not explicitly stated
43. What are some of the items that constitute a large portion of global trade?
- A. Only agricultural products
  - B. Cars, electronic microcircuits, medicaments, and gold (Correct)**
  - C. Only services
  - D. It is not explicitly stated
44. Which country is the largest exporter of goods, according to the text?
- A. United States
  - B. Germany
  - C. China (Correct)**
  - D. India
45. Which country is the largest importer of goods, according to the text?
- A. China
  - B. Germany
  - C. United States (Correct)**
  - D. India
46. What is one environmental implication of international trade?
- A. Reduced air pollution

- B. Increased biodiversity
- C. Increased world pollution (Correct)**
- D. It has no environmental implications

47. How does international trade affect national emission reduction targets?

- A. It always helps meet the targets
- B. It has no effect on the targets
- C. It can undermine the targets (Correct)**
- D. It is not explicitly stated

48. What is one health implication of international trade, according to the text?

- A. Reduced disease burden
- B. Increased life expectancy
- C. Increased disease burden from pollution (Correct)**
- D. It has no health implications

49. What is one benefit of international trade?

- A. Reduced variety of goods
- B. Increased market power of firms
- C. Increased variety of goods (Correct)**
- D. Decreased competition

50. How does specialization impact prices?

- A. It leads to higher prices
- B. It has no effect on prices
- C. It leads to lower prices (Correct)**
- D. It is not explicitly stated

51. How does increased competition affect market power?

- A. It increases market power
- B. It has no effect on market power
- C. It reduces market power (Correct)**
- D. It is not explicitly stated

52. What is an example of an organization with significant market power?

- A. The World Trade Organization (WTO)
- B. The United Nations (UN)
- C. The Organization of Petroleum Exporting Countries (OPEC) (Correct)**
- D. It is not explicitly stated



53. What is the main argument for understanding international trade's implications?
- A. To completely stop international trade
  - B. To ignore the negative impacts
  - C. To better regulate it and balance benefits and drawbacks (Correct)**
  - D. It is not explicitly stated
54. According to the text, what is one of the reasons why international trade is growing?
- A. It is not explicitly stated (Correct)**
  - B. Increased government regulation
  - C. Decreased demand for goods
  - D. Improved transportation and communication
55. What is a potential negative consequence of international trade, according to the text?
- A. Increased consumer surplus
  - B. Reduced producer surplus
  - C. Increased pollution (Correct)**
  - D. Increased market efficiency
56. What is one potential benefit of specialization due to international trade?
- A. Reduced quality of goods
  - B. Higher prices
  - C. Economies of scale and lower prices (Correct)**
  - D. Increased market power
57. What is a key challenge in balancing the benefits and drawbacks of international trade?
- A. It is not explicitly stated
  - B. Ignoring the environmental impact
  - C. Finding ways to mitigate environmental damage while retaining benefits (Correct)**
  - D. Promoting increased market power
58. What is the significance of the year 1913 in the context of the provided text?
- A. It marks the beginning of international trade
  - B. It represents a baseline year for comparing global export values (Correct)**
  - C. It is the year of maximum trade
  - D. It is not explicitly stated
59. What is a key factor influencing the cost of goods for sellers?
- A. Only buyer demand

**B. Seller efficiency and production costs (Correct)**

- C. Government regulations only
- D. International trade agreements

60. What is a key factor determining the value of goods for buyers?

- A. Only market price
- B. Buyer preferences and needs (Correct)**
- C. Seller costs only
- D. Government regulations

61. In the context of taxation, what is the significance of the Laffer Curve?

- A. It shows the relationship between tax rates and deadweight loss
- B. It shows the relationship between tax rates and tax revenue (Correct)**
- C. It shows the relationship between tax rates and consumer surplus
- D. It is not explicitly stated

62. What is a major factor influencing the amount of deadweight loss from taxation?

- A. The size of the tax
- B. The elasticity of supply and demand (Correct)**
- C. The type of good being taxed
- D. It is not explicitly stated

63. What is the relationship between the price a buyer pays and the value they place on a good?

- A. The price is always higher than the value
- B. The price is always lower than the value
- C. The relationship is not stated
- D. The relationship varies; consumer surplus reflects the difference (Correct)**

64. What is the relationship between the price a seller receives and their cost of production?

- A. The price is always higher than the cost
- B. The price is always lower than the cost
- C. The relationship is not stated
- D. The relationship varies; producer surplus reflects the difference (Correct)**

65. What is the primary goal of economic planning, according to the text?

- A. Maximizing consumer surplus
- B. Maximizing producer surplus
- C. Maximizing total surplus (Correct)**
- D. Minimizing deadweight loss

66. How does taxation affect total surplus?

- A. It increases total surplus
- B. It has no impact on total surplus
- C. It decreases total surplus (Correct)**
- D. It is not explicitly stated

67. What is a key characteristic of a competitive market?

- A. A small number of buyers and sellers
- B. Government price controls
- C. A large number of buyers and sellers (Correct)**
- D. Limited product variety

68. What is the role of government in a market economy?

- A. Only to collect taxes
- B. To ensure a fair and efficient market (Correct)**
- C. To control prices
- D. It has no role in a market economy

69. What happens to the equilibrium point when a tax is imposed?

- A. It remains unchanged
- B. It shifts, depending on whether the tax is on buyers or sellers (Correct)**
- C. It disappears
- D. It is not explicitly stated

70. What are the components of total surplus in a market with taxation?

- A. Only consumer and producer surplus
- B. Consumer surplus, producer surplus, tax revenue
- C. Consumer surplus, producer surplus, tax revenue, deadweight loss (Correct)**
- D. Only tax revenue and deadweight loss

71. How is the tax revenue represented graphically?

- A. A triangle
- B. A circle
- C. A rectangle (Correct)**
- D. It is not explicitly stated

72. How is the deadweight loss represented graphically?

- A. A rectangle

**B. A triangle (Correct)**

C. A circle

D. A line

73. What is the ideal tax size according to the Laffer curve?

A. The highest possible tax rate

B. The lowest possible tax rate

**C. The tax rate that maximizes tax revenue (Correct)**

D. It does not suggest an ideal tax size

74. What is one factor that should influence the determination of the optimal tax size?

A. Only tax revenue maximization

B. Only deadweight loss minimization

**C. Both tax revenue maximization and deadweight loss minimization (Correct)**

D. Ignoring both tax revenue and deadweight loss

75. What is a potential economic consequence of the disease burden from pollution caused by international trade?

A. Increased economic growth

B. Reduced healthcare costs

**C. Increased healthcare costs (Correct)**

D. No economic consequences

76. According to the text, what is one reason why a country might specialize in producing certain goods?

A. To reduce international trade

B. To increase market power

**C. To achieve economies of scale (Correct)**

D. To decrease competition

77. What is a limitation of relying solely on national emission reduction targets to address pollution?

**A. International trade can undermine these efforts (Correct)**

B. They are not effective

C. They are too costly to implement

D. It is not explicitly stated

78. What is one of the key challenges in managing the environmental impact of international trade?

A. Ignoring the environmental impact completely

B. Promoting only benefits of trade

**C. Balancing environmental protection and economic gains (Correct)**

D. It is not explicitly stated

79. According to the text, what is the approximate current value of global exports in goods and services?

A. \$5 trillion

B. \$10 trillion

**C. \$25 trillion (Correct)**

D. It is not explicitly stated

80. What is one way that international trade can lead to increased pollution?

A. Reduced transportation of goods

**B. Increased production and transportation distances (Correct)**

C. It does not increase pollution

D. It is not explicitly stated

81. What is the purpose of the provided graph showing the value of global exports over time?

A. To show a constant value

B. To demonstrate a decline in trade

**C. To illustrate the growth of international trade (Correct)**

D. It is not explicitly stated

82. What is one of the primary reasons why buyers might have different valuations for the same good?

A. Uniform preferences and needs

B. Identical economic status

**C. Differing needs and preferences (Correct)**

D. It is not explicitly stated

83. What is one reason why sellers might have different costs for producing the same good?

A. Uniform production efficiency

B. Identical production technologies

**C. Varying production efficiency and methods (Correct)**

D. It is not explicitly stated

84. What is the key concept that explains why buyers and sellers engage in trade in a market economy?

A. Government intervention

B. Externalities

**C. Maximization of self-interest (Correct)**

D. It is not explicitly stated

85. What is the primary aim of economic policies related to market efficiency?

- A. Minimizing the welfare of individual agents
- B. Maximizing the total welfare of society (Correct)**
- C. Promoting government intervention
- D. It is not explicitly stated

86. Placeholder: Generation failed/incomplete for Week 7 - Q86

- A. Failed A (Correct)**
- B. Failed B
- C. Failed C
- D. Failed D

87. Placeholder: Generation failed/incomplete for Week 7 - Q87

- A. Failed A (Correct)**
- B. Failed B
- C. Failed C
- D. Failed D

88. Placeholder: Generation failed/incomplete for Week 7 - Q88

- A. Failed A (Correct)**
- B. Failed B
- C. Failed C
- D. Failed D

89. Placeholder: Generation failed/incomplete for Week 7 - Q89

- A. Failed A (Correct)**
- B. Failed B
- C. Failed C
- D. Failed D

90. Placeholder: Generation failed/incomplete for Week 7 - Q90

- A. Failed A (Correct)**
- B. Failed B
- C. Failed C
- D. Failed D

91. Placeholder: Generation failed/incomplete for Week 7 - Q91

- A. Failed A (Correct)**
- B. Failed B

- C. Failed C
- D. Failed D

92. Placeholder: Generation failed/incomplete for Week 7 - Q92

- A. Failed A (Correct)**
- B. Failed B
- C. Failed C
- D. Failed D

93. Placeholder: Generation failed/incomplete for Week 7 - Q93

- A. Failed A (Correct)**
- B. Failed B
- C. Failed C
- D. Failed D

94. Placeholder: Generation failed/incomplete for Week 7 - Q94

- A. Failed A (Correct)**
- B. Failed B
- C. Failed C
- D. Failed D

95. Placeholder: Generation failed/incomplete for Week 7 - Q95

- A. Failed A (Correct)**
- B. Failed B
- C. Failed C
- D. Failed D

96. Placeholder: Generation failed/incomplete for Week 7 - Q96

- A. Failed A (Correct)**
- B. Failed B
- C. Failed C
- D. Failed D

97. Placeholder: Generation failed/incomplete for Week 7 - Q97

- A. Failed A (Correct)**
- B. Failed B
- C. Failed C
- D. Failed D

98. Placeholder: Generation failed/incomplete for Week 7 - Q98

**A. Failed A (Correct)**

B. Failed B

C. Failed C

D. Failed D

99. Placeholder: Generation failed/incomplete for Week 7 - Q99

**A. Failed A (Correct)**

B. Failed B

C. Failed C

D. Failed D

100. Placeholder: Generation failed/incomplete for Week 7 - Q100

**A. Failed A (Correct)**

B. Failed B

C. Failed C

D. Failed D