

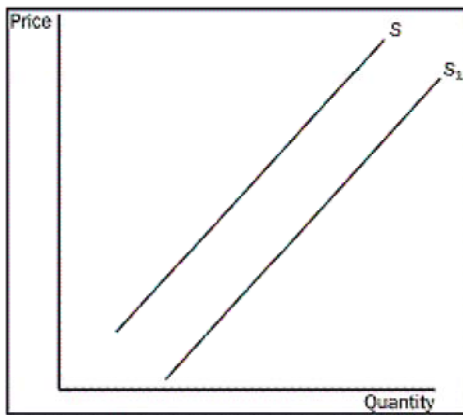
## Econ 111 MT1 A October 11, 2016

### Multiple Choice

Identify the choice that best completes the statement or answers the question.

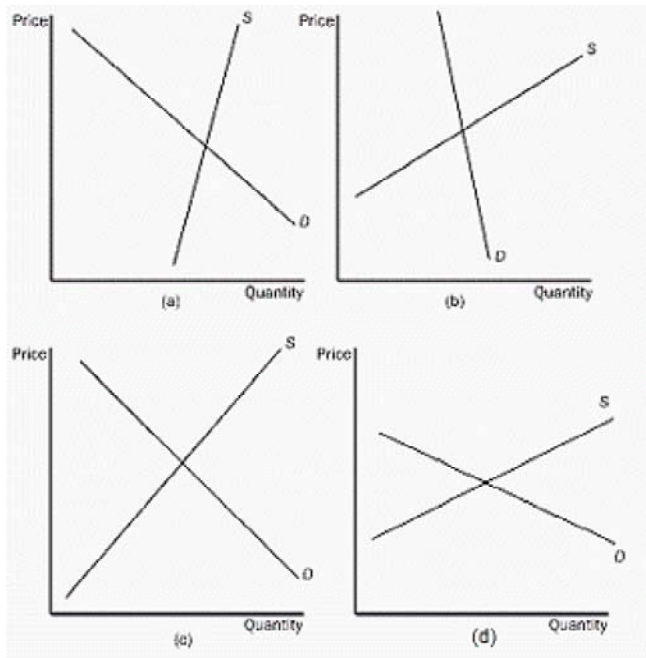
- \_\_\_ 1. What will a price ceiling that is not binding do?
- It will cause a surplus in the market.
  - It will cause a shortage in the market.
  - It will cause the market to be less efficient.
  - It will have no effect on the market price.

**Figure 4-1**



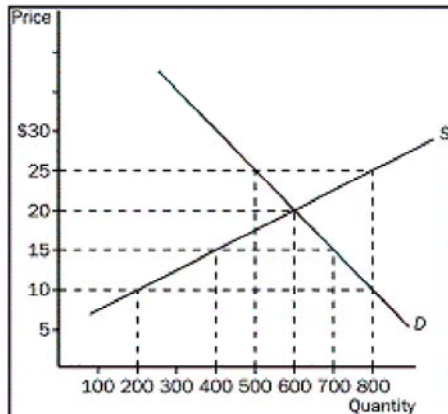
- \_\_\_ 2. Refer to the Figure 4-1. What could cause the movement from  $S_1$  to  $S$ ?
- a decrease in the price of the good
  - an improvement in technology
  - an increase in income
  - an increase in input prices
- \_\_\_ 3. Refer to the Figure 4-1. What is the movement from  $S$  to  $S_1$  called?
- a decrease in supply
  - a decrease in quantity supplied
  - an increase in supply
  - an increase in quantity supplied
- \_\_\_ 4. Because it is difficult for economists to use experiments to generate data, what must they generally do?
- do without data
  - use whatever data the world gives them
  - select a committee of economists to make up data for all economists to use
  - use hypothetical, computer-generated data

**Figure 6-11**



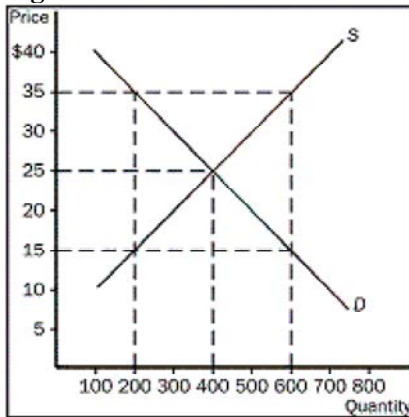
- \_\_\_ 5. Refer to Figure 6-11. In which market will the majority of a tax be paid by the buyer?
- market (a)
  - market (b)
  - market (c)
  - market (d)
- \_\_\_ 6. When would demand for a good tend to be more inelastic?
- when there are fewer available substitutes
  - when the time period considered is longer
  - when the good is considered more of a luxury good
  - when the market is more narrowly defined
- \_\_\_ 7. When evaluating differences or similarities between an increase in supply and an increase in quantity supplied, what do we know?
- The former is a shift of the curve and the latter is a movement along the curve.
  - The former is a movement along the curve and the latter is a shift of the curve.
  - Both are shifts of the supply curve.
  - Both are movements along the curve.
- \_\_\_ 8. What can good assumptions do?
- cause economists to leave out important variables that make their theories worthless
  - simplify the complex world and make it easier to understand
  - further complicate an already difficult topic
  - allow economists to see the “big picture” instead of only small segments

Figure 4-4



- \_\_\_ 9. Refer to the Figure 4-4. In this market, what would the equilibrium price and quantity be?
- \$15 and 400
  - \$20 and 600
  - \$25 and 500
  - \$25 and 800
- \_\_\_ 10. What does efficiency mean?
- Society is conserving resources in order to save them for the future.
  - Society's goods and services are distributed fairly among society's members.
  - Society has lessened its dependence on foreign energy sources.
  - Society is getting the most it can from its scarce resources.
- \_\_\_ 11. What concept does economics primarily deal with?
- scarcity
  - poverty
  - change
  - power
- \_\_\_ 12. Why do both households and societies face many decisions?
- because resources are scarce
  - because populations may increase or decrease over time
  - because wages for households and therefore society fluctuate with business cycles
  - because people, by nature, tend to disagree
- \_\_\_ 13. How do economists compute the price elasticity of demand?
- the percentage change in the price divided by the percentage change in quantity demanded
  - the percentage change in income divided by the percentage change in the quantity demanded
  - the percentage change in the quantity demanded divided by the percentage change in price
  - the percentage change in the quantity demanded divided by the percentage change in income

**Figure 4-2**

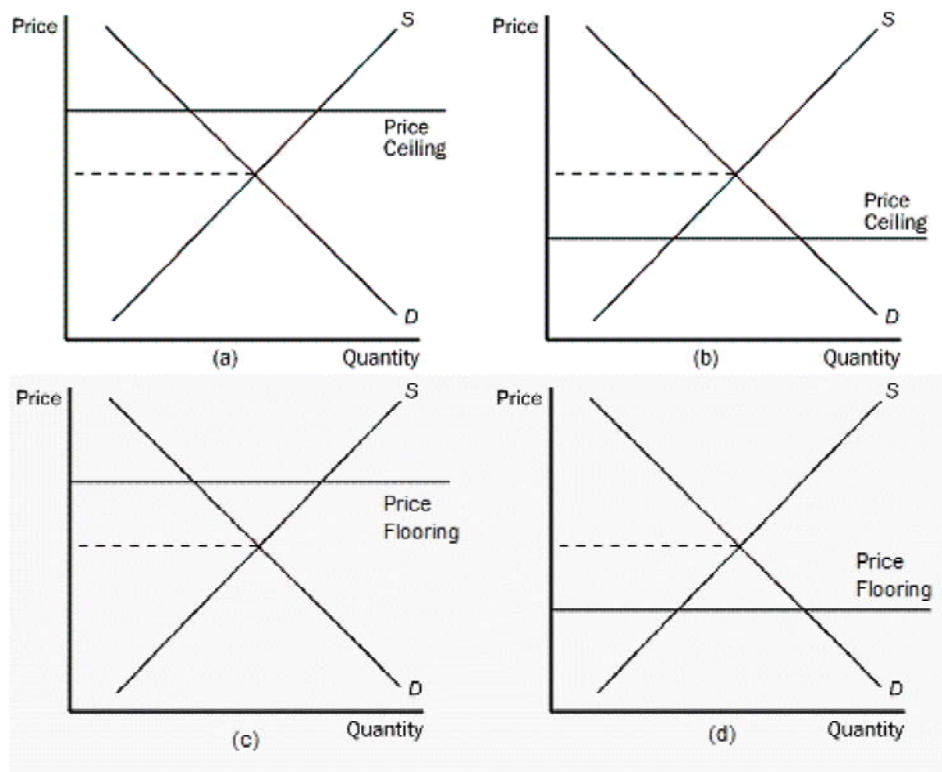


- \_\_\_ 14. Refer to the Figure 4-2. What would happen at a price of \$35?
- There would be a shortage of 400 units.
  - There would be a shortage of 200 units.
  - There would be a surplus of 200 units.
  - There would be a surplus of 400 units.
- \_\_\_ 15. Refer to the Figure 4-2. What are the equilibrium price and quantity?
- \$35 and 200
  - \$35 and 600
  - \$25 and 400
  - \$15 and 200
- \_\_\_ 16. Why do economists make assumptions?
- to diminish the chance of wrong answers
  - to make the world easier to understand
  - because all scientists make assumptions
  - to make certain that all necessary variables are included
- \_\_\_ 17. What does the price elasticity of demand measure?
- how responsive buyers are to a change in income
  - how responsive sellers are to a change in price
  - how responsive buyers are to a change in price
  - how responsive sellers are to a change in buyers' incomes
- \_\_\_ 18. There are very few, if any, good substitutes for motor oil. What does this imply?
- The supply of motor oil would tend to be price elastic.
  - The demand for motor oil would tend to be price elastic.
  - The demand for motor oil would tend to be price inelastic.
  - The demand for motor oil would tend to be income elastic.
- \_\_\_ 19. When is demand said to be inelastic?
- if the quantity demanded changes only slightly when the price of the good changes
  - if demand shifts only slightly when the price of the good changes
  - if buyers respond substantially to changes in the price of the good
  - if the price of the good responds only slightly to changes in demand

- \_\_\_ 20. What is the unique point at which the supply and demand curves intersect?
- market unity
  - an agreement
  - cohesion
  - equilibrium
- \_\_\_ 21. Which of the following is one difficulty economists face that some other scientists do not?
- Unlike other sciences, economic studies must include the largest economic player, the government.
  - Economists unfortunately receive less government funding than other scientists.
  - Corporations are reluctant to disclose necessary information for economic research.
  - Experiments are often difficult to conduct in economics.
- \_\_\_ 22. Why is the use of theory and observation more difficult in economics than in sciences, such as physics?
- It is difficult to evaluate an economic experiment.
  - It is difficult to devise an economic experiment.
  - It is difficult to actually perform an experiment in an economic system.
  - It is difficult to collect sufficient data.
- \_\_\_ 23. What is a government-imposed maximum price at which a good can be sold?
- a price floor
  - a price ceiling
  - a price support
  - a price equilibrium
- \_\_\_ 24. What is another term for equilibrium price?
- balancing price
  - market-clearing price
  - constant price
  - reservation price
- \_\_\_ 25. Recent forest fires in the western provinces are expected to cause the price of lumber to rise in the next six months. As a result, what can we expect to happen to the supply of lumber?
- It will fall in six months, but not now.
  - It will increase in six months when the price goes up.
  - It will fall now.
  - It will increase now to meet as much demand as possible.
- \_\_\_ 26. What is one definition of equity?
- equality
  - efficiency
  - fairness
  - similarity
- \_\_\_ 27. For society, when is a good NOT scarce?
- if at least one individual in society can obtain all he or she wants of the good
  - if firms are producing at full capacity
  - if all members of society can have all they want of the good
  - if those who have enough income can buy all they want of the good

- \_\_\_ 28. Which word comes from the Greek word for “one who manages a household”?
- market
  - consumer
  - producer
  - economy
- \_\_\_ 29. What is the role of price controls in the market economy?
- Price controls are used to make markets more efficient.
  - Price controls are a tool used by business firms to fix prices.
  - Price controls are nearly always effective in eliminating shortages.
  - Price controls are used by governments to reallocate resources more equitably.

**Figure 6-1**



- \_\_\_ 30. Refer to Figure 6-1. Which of the above figures represent price control correctly?
- panel (a) and panel (c)
  - panel (b) and panel (d)
  - panel (a) and panel (d)
  - panel (b) and panel (c)

**Econ 111 MT1 A October10, 2016**  
**Answer Section**

**MULTIPLE CHOICE**

1. D
2. D
3. C
4. B
5. B
6. A
7. A
8. B
9. B
10. D
11. A
12. A
13. C
14. D
15. C
16. B
17. C
18. C
19. A
20. D
21. D
22. C
23. B
24. B
25. C
26. C
27. C
28. D
29. D
30. D