

Econ 211
Sample Exam 2

1. The price of the steel used to produce engines increases. How does this price hike affect the demand for cars?
 - a) It decreases the demand, that is, the demand curve shifts leftward.
 - b) It increases the demand, that is, the demand curve shifts rightward.
 - c) It does not change the demand, that is, the demand curve does not shift.
 - d) There is not enough information to tell how the change affects the demand for cars.

2. Oatmeal is an inferior good and cold cereal is a substitute for oatmeal. Raisins are a complement for oatmeal. Which of the following increases the demand for oatmeal?
 - a) An increase in the price of raisins.
 - b) An increase in income.
 - c) A decrease in population size.
 - d) An increase in the price of cold cereal.

3. Which of the following shifts the supply curve for gasoline rightward?
 - a) A situation where the quantity demanded exceeds the quantity supplied.
 - b) An increase in the price of gasoline.
 - c) A decrease in the price of a resource used to produce gasoline, such as crude oil.
 - d) An increase in the demand for gas-guzzling, sport utility vehicles.

Price (dollars per disc)	Quantity demanded	Quantity supplied
4	36,000	4,000
8	32,000	8,000
12	28,000	12,000
16	24,000	16,000
20	20,000	20,000
24	16,000	24,000
28	12,000	28,000
32	8,000	32,000
36	4,000	36,000

4. The above table gives the demand and supply schedules for compact discs. If the price of a compact disc is \$28, there is a _____ and the price of a compact disc will _____.
 - a) shortage; rise
 - b) shortage; fall
 - c) surplus; rise
 - d) surplus; fall

5. If the U.S. Surgeon General announced that increased grapefruit juice consumption could cause lower cholesterol levels, what would happen to the equilibrium price and quantity of grapefruit juice?
 - a) Price and quantity both increase.
 - b) Price and quantity both decrease.
 - c) Price increases but quantity decreases.
 - d) Price decreases but quantity increases.

6. If the price of aluminum increases, the price of a bicycle would rise because of a
 - a) rightward shift of the demand curve for bicycles.
 - b) rightward shift of the supply curve for bicycles.
 - c) leftward shift of the demand curve for bicycles.
 - d) leftward shift of the supply curve for bicycles.

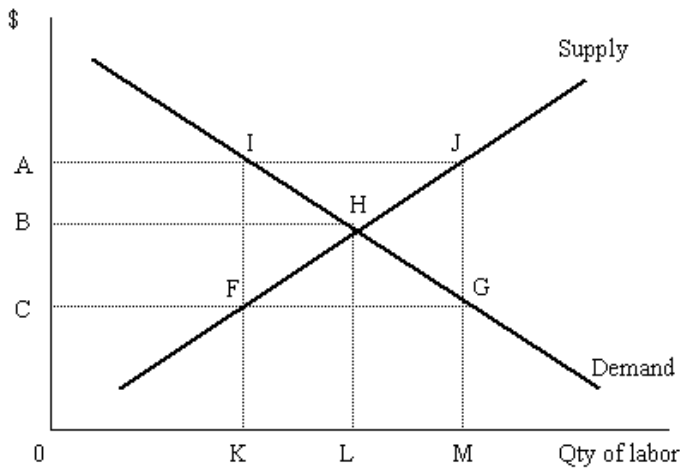
7. Which of the following is NOT assumed to be held constant when a supply curve is drawn?
 - a) consumer incomes.
 - b) the price of an input.
 - c) the price producers expect in the future.
 - d) the number of firms in the industry.

8. The price of chicken falls, causing the demand curve for beef to shift leftward, while at the same time a bumper corn crop reduces the cost of feeding steers. These changes cause
- a fall in the equilibrium price of beef and an increase in the equilibrium quantity.
 - a fall in the equilibrium price of beef and an increase in the equilibrium quantity if the shift in the demand curve is smaller than the shift in the supply curve.
 - a fall in the equilibrium price of beef and an increase in the equilibrium quantity if the shift in the demand curve is larger than the shift in the supply curve.
 - a fall in the equilibrium price of beef and no change in the equilibrium quantity of beef.
9. More video cameras are being sold today and the selling price has remained the same. These facts could be caused by
- an improvement in the technology of production and an increase in average income with cameras being a normal good.
 - a fall in the cost of producing video cameras and a rise in the price of a video tape.
 - a fall in the cost of producing video cameras and a rise in the price of a VCR.
 - a rise in the cost of producing video cameras and a decrease in average income with cameras being a normal good.
10. What is the elasticity of demand for oranges (using the midpoint formula) when the price of oranges changes from \$200 to \$160 per bushel and causes the quantity demanded to change from 1000 to 1400 bushels?
- 1.5.
 - 0.10.
 - 10.0.
 - 0.67.
11. The marketing people for Apple believe that if they lower the price of an iPad by 5 percent, their quantity sold will increase by 15 percent. If they are correct in their belief, then
- the demand for iPads is price inelastic.
 - the total revenue from iPad sales will increase if they lower the price.
 - the demand for iPads is income elastic.
 - the total revenue from iPad sales will decrease if they lower the price.
12. The price elasticity of demand for meat in general is inelastic while the price elasticity of demand for turkey or chicken is more elastic. Why?
- Turkey and chicken are not red meat. Because they are not the same as other meats, so they should have different elasticity.
 - Pork and chicken have close substitutes such as fish or beef while meat in general has fewer substitutes.
 - Because pork and chicken are inferior goods.
 - Because pork and chicken are normal goods.
13. A rightward shift of the entire demand curve:
- might be due to an increase in the price of a complement.
 - might be due to a decrease in consumer income for a normal good.
 - might be due to a increase in the price of a substitute.
 - might be due to producer expectations that price will fall in the future.
14. Consider the market for toys. Suppose that the price of plastic increases **and** the consumer income falls. What may we conclude about the equilibrium price and quantity of toys?
- price will rise and quantity is indeterminate.
 - quantity will rise and price is indeterminate.
 - quantity will fall and price is indeterminate.
 - both price and quantity will be indeterminate.
15. In 2008, with the drought in the southeast United States, peanut prices rose. Producers of peanuts argued that, despite this, the supply of peanuts in the United States was sufficient to satisfy demand. A more precise description of the situation would be that
- supply had increased with the higher peanut prices so that consumers got all the peanut butter they wanted.
 - supply had decreased, driving up prices so that quantity demanded decreased.
 - demand had decreased along with supply due to the higher peanut prices so consumers were buying all they were willing to.
 - demand had decreased, driving up prices so that quantity supplied decreased.
 - demand had increased, driving up prices so that quantity supplied increased.

16. Suppose that the price elasticity of demand for a Marietta College education is estimated to be $E = -1.80$. Based on this information, if the college were to raise tuition by 5%, then:
- enrollment will fall by 9% and tuition revenues will decrease.
 - enrollment will fall by 2.8% and tuition revenues will decrease.
 - enrollment will fall by 2.8% and tuition revenues will increase.
 - enrollment will fall by 9% and tuition revenues will increase.
 - enrollment will fall by 1.8% and tuition revenues will decrease.
17. Which of the following is not assumed to be held constant when a supply curve is drawn?
- consumer incomes.
 - the price of inputs.
 - technology.
 - the number of firms in the industry.
18. Suppose auto manufacturers announce an anticipated price increase of 15% for new cars to be sold as the new model year begins. We would expect:
- current demand for new autos to increase.
 - current demand for new autos to decrease.
 - no change in the current demand for new autos.
 - we cannot predict the effect of such an announcement.
19. A rightward shift of the entire demand curve:
- might be due to an increase in income.
 - might be due to a decrease in the price of a substitute.
 - might be due to a decrease in the price of a complement.
 - (a) and (b).
 - (a) and (c).
20. Assume that the supply curve for product Z shifts to the right. This might be caused by:
- an increase in the price of inputs required to make Z.
 - an increase in the tax imposed on producers of Z.
 - a decrease in income.
 - an increase in the number of firms in the industry.
21. Assume that beer and nachos are complements. If the price of beer falls, we may predict that:
- the demand for beer will increase.
 - the demand for nachos will increase.
 - the demand for nachos will decrease.
 - (a) and (b).
 - (a) and (c).
22. The number of people seeking to obtain tickets to a Lady Gaga concert is nearly always greater than the number of available tickets (and seats) to the concert. This is evidence that the price of the ticket is:
- below the equilibrium level.
 - above the equilibrium level.
 - too high for many to afford.
 - at the equilibrium level because the number of tickets bought always equals the number of tickets for sale.
23. Which of the following circumstances would be likely to produce an upward movement in price?
- $Q_d = 7,800$; $Q_s = 7,450$
 - $Q_d = 7,450$; $Q_s = 7,800$
 - $Q_d = 7,450$; $Q_s = 7,450$
 - $Q_d = 6,800$; $Q_s = 7,000$
24. If both demand and supply were to increase, then equilibrium:
- quantity and price would both fall.
 - quantity and price would both be indeterminate.
 - quantity would rise and price would be indeterminate.
 - quantity would be indeterminate and price would rise.

25. What would happen to the equilibrium price of TV sets if the cost of component parts, such as transistors, decreased?
- the price would increase.
 - the price would decrease.
 - the price would initially fall, but the drop in price would then increase demand so that the final price will be about the same.
 - the price would initially rise, but the increase in price would then reduce demand so that the final price will be about the same.
26. Consider the market for computers. Suppose that the price of labor increases and the income of consumers falls. What may we conclude about the equilibrium price and quantity of computers?
- price will fall and quantity is indeterminate.
 - quantity will fall and price is indeterminate.
 - quantity will fall and price will rise.
 - both price and quantity will be indeterminate.
 - none of the above.
27. Consider Lite beer from Miller and Budweiser Light. If the price of Miller Lite falls, we may predict that:
- the demand for Miller Lite will increase.
 - the demand for Bud Light will increase.
 - the demand for Bud Light will decrease.
 - (a) and (c).
28. If the demand curve for product B shifts to the right as the price of product G declines, it can be concluded that:
- B and G are substitute goods.
 - B and G are complement goods.
 - B is an inferior good and G is a normal good.
 - B is a normal good and G is an inferior good.
 - Both B and G are normal goods.
29. The equilibrium price is the one at which:
- there is a steady but minimal upward pressure on price.
 - there is a steady but minimal downward pressure on price.
 - there is a tendency for price to oscillate, first rising, then falling back to the original level.
 - there is no tendency for any price movement as long as all else remains the same.
30. Suppose that a scientist discovers a new way to produce a gasoline-like substance from potatoes. This substance is shown to work well as automobile fuel and can be produced at about the same cost per gallon as gasoline. At the same time, another scientist develops a new fertilizer that raises the yield of potato crops by an average 12 percent per acre. We would conclude that:
- the equilibrium price and quantity of potatoes would increase.
 - the equilibrium price would decrease and quantity would increase.
 - the equilibrium quantity would increase but price is indeterminate.
 - the equilibrium price and quantity would both be indeterminate.
 - the equilibrium price would stay the same while quantity would increase.
31. An increase in supply will lower price unless:
- supply is perfectly inelastic.
 - demand is perfectly inelastic.
 - it is followed by an increase in quantity demanded.
 - demand is perfectly elastic.
 - all of the above.
32. Assume that the demand curve for product Z shifts to the left. This might be caused by:
- an increase in the price of X if X and Z are substitutes.
 - an increase in the cost of producing Z.
 - a decrease in income if Z is a normal good.
 - a decrease in the price of Y if Y and Z are complements.

33. A rightward shift of the entire supply curve:
- might be due to a positive change in technology.
 - might be due to an decrease in the cost of labor.
 - might be due to an decrease in the number of sellers.
 - (a) and (b).
 - (a), (b), and (c).
34. A price floor is _____.
- the lowest price a seller can charge without losing all of its customers
 - a legal minimum price below which a good or service cannot be sold
 - a legal maximum that can be charged for a good or service
 - a non-price rationing device



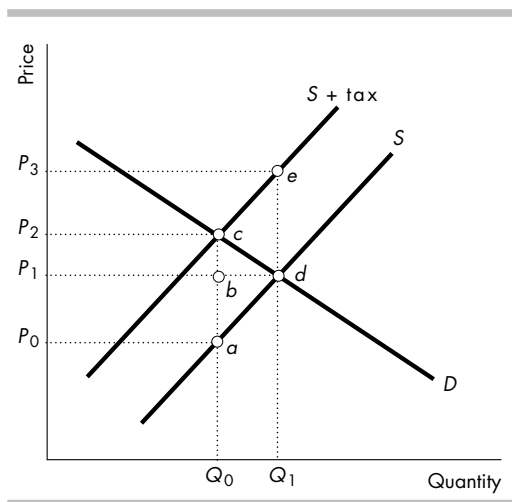
35. The graph above describes the labor market for unskilled workers. Using the effective minimum wage given by point A on the graph, which of the following occur?
- An equilibrium
 - A shortage of KM workers
 - A surplus of LM workers
 - A surplus of KM workers
36. In the graph above, if the number of workers who are employed is reduced to K, the resulting deadweight loss is the area bounded by:
- IHLK
 - IJH
 - FHG
 - IHF
37. When the price of earrings increases by 4%, the quantity demanded of earrings falls by 8%. Which of the following statements is true?
- Elasticity = 0.5 and earrings are inelastic.
 - Elasticity = 0.5 and earrings are elastic.
 - Elasticity = 2 and earrings are inelastic.
 - Elasticity = 2 and earrings are elastic.
38. Jack sells peanuts outside of Jacob's Field in Cleveland. He currently charges \$3 for a bag of peanuts. If Jack's customers have a price elasticity of demand of -0.75, which of the following statements is true?
- If Jack increases his price, he could increase his total revenue.
 - If Jack increases his price, his total revenue will be unchanged.
 - If Jack lowers his price, he could increase his total revenue.
 - If Jack lowers his price, his total revenue will be unchanged.

39. According to one study, ground beef has an income elasticity of -0.19. Given this, an increase in people's income will result in
- the demand curve for ground beef shifting to the right (increase).
 - the demand curve for ground beef shifting to the left (decrease).
 - the demand curve for ground beef staying exactly the same (not shifting at all).
 - the supply curve for ground beef shifting to the right (decrease).

The following table describes the willingness to pay (i.e., buyer values) for *Kanye West* Tickets.

Student	Willingness to pay
Tori	\$170
Tyler	145
Courtney	120
Geoff	80
Molly	45

40. Using the information in the accompanying table, if the box-office price of a ticket to see *Kanye West* is \$90, and there is no other market for tickets, then total consumer surplus for the five students is:
- \$110
 - \$165
 - 270
 - \$435



41. To help pay for the cost of sport related injuries, the government imposes an excise tax on all sports equipment. Referring to the above figure, how much tax per unit has the government imposed?
- cb
 - ca
 - ab
 - db

42. The data in the table below refers to the market for hamburgers in Marietta.

Buyer Values	Number of Buyers
\$9	4
\$6	3
\$4	5
\$3	3

Seller Costs	Number of Sellers
\$1	5
\$3	3
\$5	4
\$7	2

- Plot the supply and demand curves based on this data as step functions.
- What is the competitive equilibrium price and quantity?
- What is the value of consumer surplus at the equilibrium? What is the value of producer surplus? What is the total potential profits (social welfare)? Illustrate the areas representing CS and PS on your graph.
- The table below shows the results of market activity during a given time period. A total of 9 trades took place at an average price of \$4.22. The total profits generated during the period was \$38. Did this market exhibit the efficient number of trades? If not, explain the discrepancy in profits between the efficient number of trades and the actual number of trades described by the table below.

Trades	P	BV	SC
1	3	4	1
2	5	6	3
3	4	6	1
4	6	9	5
5	5	9	3
6	3	4	1
7	4	9	1
8	5	6	3
9	3	4	1

- If the city government imposes a price floor of \$8 per hamburger, what will be the quantity demanded and quantity supplied? What type of disequilibrium is created and how large is it?