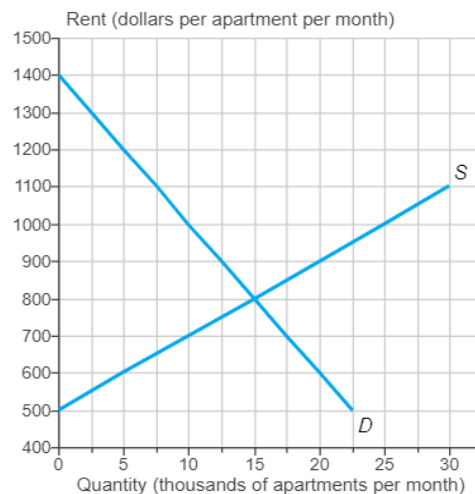


Microeconomics: Practice Quiz#3

MULTIPLE CHOICE. Circle the choice that best completes the statement or answers the question.

1. When a minimum wage is set above the equilibrium wage rate,
 - (a) the supply of workers decreases
 - (b) unemployment increases
 - (c) unemployment decreases
 - (d) job search activity decreases

The figure below shows the market for apartments in St. Catharines, Ontario



2. With the rent ceiling, the market is _____ because _____.
 - (a) inefficient; the marginal social cost of the last apartment rented is greater than its marginal social benefit
 - (b) inefficient; the marginal social benefit from the last apartment rented is greater than its marginal social cost
 - (c) efficient; a rent ceiling gives poorer people greater access to housing
 - (d) efficient; the marginal social cost of the last apartment rented is greater than its marginal social benefit

3. A minimum wage is a _____ applied to labour markets.
- (a) quantity floor
 - (b) price floor
 - (c) price ceiling
 - (d) quantity ceiling
4. A price ceiling _____.
- (a) is a regulation that makes it illegal to offer more than a specified quantity of a good or service for sale
 - (b) always prevents the price from regulating the quantities demanded and supplied
 - (c) is a regulation that makes it illegal to offer less than a specified quantity of a good or service for sale
 - (d) set below the equilibrium price encourages illegal trading in a black market
5. When the price of a litre of gasoline falls by 2 percent, Tony increases the quantity he buys by 5 percent. Tony's expenditure on gasoline _____.
- (a) increase
 - (b) remains the same
 - (c) increases, decreases, or remains the same depending on how much driving he plans to do that week
 - (d) decreases
6. Price elasticity of demand is equal to the _____ divided by the _____.
- (a) price; quantity demanded
 - (b) quantity demanded; price
 - (c) percentage change in quantity demanded; percentage change in price
 - (d) percentage change in price; percentage change in quantity demanded
7. William loves candy bars. As the price of a candy bar increases from \$1.00 to \$1.25 to \$1.50, William continues to buy a dozen candy bars every week. William's demand for candy bars is _____.
- (a) elastic
 - (b) perfectly inelastic
 - (c) unit elastic
 - (d) illustrated by a horizontal demand curve

8. If demand is elastic, a 1 percent price cut _____ the quantity sold by _____.

- (a) increases; less than 1 percent
- (b) increases; more than 1 percent
- (c) decreases; more than 1 percent
- (d) decreases; 1 percent

9. The table give some data on the supply of roses in a small town

Price (dollars per dozen)	Quantity supplied (dozens per day)
17	9
23	11

When the price rises from \$17 a dozen to \$23 a dozen, the elasticity of supply is _____.

- (a) 1.50
 - (b) 0.67
 - (c) 3.00
 - (d) 0.33
10. The demand curve for bus rides is a downward-sloping straight line. The price elasticity of demand for bus rides _____.
- (a) is constant as the price of a bus ride falls or rises
 - (b) decreases as the price of a bus ride falls
 - (c) increases as the price of a bus ride falls
 - (d) decreases as the price of a bus ride rises
11. When Mary's income increases by 3 percent, her demand for tickets to professional football games increases by 6 percent. Mary's demand for tickets is income _____. For Mary, football tickets are _____. good.
- (a) inelastic; a normal
 - (b) inelastic; an inferior
 - (c) elastic; an inferior
 - (d) elastic; a normal

12. The table gives the demand schedule for peanuts.

Price (dollars per packet)	Quantity demanded (packets per day)
0.20	160
0.40	140
0.60	120
0.80	100
1.00	80
1.20	60
1.40	40
1.60	20

- Over the price range of \$0.60 to \$1.00, the demand for peanuts is ____.
- (a) elastic
 - (b) inelastic
 - (c) unit elastic
 - (d) perfectly inelastic
13. If the cross elasticity of demand for hotdogs with respect to the price of a bottle of ketchup is negative, hot dogs and ketchup are ____.
- (a) substitutes
 - (b) complements
 - (c) normal goods
 - (d) inferior goods
14. Dan sells newspapers. Dan says that a percent increase in the price of a newspaper will decrease the quantity of newspapers demanded by percent. According to Dan, the demand for newspapers is ____.
- (a) perfectly elastic
 - (b) unit elastic
 - (c) elastic
 - (d) inelastic
15. The factors that influence the elasticity of supply are ____.
- (a) the proportion of income spent on the good and resource substitution possibilities
 - (b) the proportion of income spent on the good and the time frame for the supply decision
 - (c) the cross elasticity of demand and the price elasticity of demand
 - (d) resource substitution possibilities and the time frame for the supply decision

16. The demand for a necessity is income _____ and the demand for a luxury is income _____.
- (a) elastic; inelastic
 - (b) inelastic; inelastic
 - (c) inelastic; elastic
 - (d) elastic; elastic
17. Webster Dictionaries and Oxford Dictionaries are almost perfect substitutes. The price elasticity of demand for Webster Dictionaries _____.
- (a) is 1
 - (b) is almost zero
 - (c) depends on the complements for dictionaries
 - (d) is almost infinity
18. When calculating the price elasticity of demand, we calculate the change in the quantity demanded as the percentage of the average price and the change in the quantity as a percentage change of the average quantity because this method _____.
- (a) gives the same value for the elasticity regardless of whether the price falls or rises
 - (b) gives a units-free measure
 - (c) is the only one that will calculate a value of zero when demand is perfectly inelastic
 - (d) allows us to calculate the price elasticity of demand as a positive number
19. The supply of apples in the short run will be _____ than the supply in the long run and _____ than the supply today.
- (a) more elastic; less elastic
 - (b) more elastic; more elastic
 - (c) less elastic; less elastic
 - (d) less elastic; more elastic
20. If a price cut increases total revenue, demand is _____. If a price cut decreases total revenue, demand is _____.
- (a) unit elastic; inelastic
 - (b) elastic; inelastic
 - (c) inelastic; elastic
 - (d) elastic; unit elastic

COMPLETE SOLUTIONS. Show all your work, using correct terminology, for full marks. Use fully labelled diagrams and references to examples where appropriate.

21. Discuss the view that price controls imposed by governments on the market for rented housing should never be used.
22. Using an appropriate diagram, explain why a government might decide to impose a price floor on a demerit good such as cigarettes.
23. A government decides to impose a price ceiling on healthy food. Discuss the consequences for the stakeholders in these markets.
24. Explain how the price elasticity of demand for a good might be affected by the portion of consumer income spent on the good.