

ECON 310: Homework Quiz #1

September 2, 2008

Make sure to fill in your name AND PID on your scantron sheet!

1. What would happen to the price and quantity consumed of corn if the price of wheat (a consumption substitute for corn) were to rise?

- a) Price falls, quantity falls
- b) Price falls, quantity rises
- c) Price rises, quantity falls
- d) Price rises, quantity rises

Questions 2-6 use the following information: Suppose the demand curve for a good is given by the equation  $Q = -12P + 2400$  and the supply curve is given by  $Q = 8P - 400$ .

2. What are the equilibrium price and quantity?

- a)  $p = \$100, q = 1200$
- b)  $p = \$140, q = 720$
- c)  $p = \$14, q = 72$
- d)  $p = \$500, q = 3200$

3. Suppose the government imposes a \$50 per unit excise tax. The tax's legal incidence is paid by

- a) Suppliers
- b) Consumers
- c) Supplier and consumers
- d) The government

4. With a \$50 per unit excise tax, consumers actually pay \_\_\_\_\_, while suppliers actually receive \_\_\_\_\_.

- a) \$110, \$110
- b) \$160, \$160
- c) \$160, \$110
- d) \$210, \$160

5. With the \$50 excise tax, what proportion of the tax is paid by consumers?

- a)  $2/5$
- b)  $3/5$
- c)  $1/3$
- d)  $2/3$

6. If you are a consumer, would you prefer to be taxed under a sales tax or an excise tax? Why?

- a. It doesn't matter, because the legal burden is the same.
- b. Excise tax, because the economic burden is on suppliers.
- c. Excise tax, because the legal burden is on suppliers.
- d. It doesn't matter, because the economic burden of the tax is the same.

7. Suppose that the amount of time required for the electrician or the carpenter to complete a job of rewiring or paneling is given by the following table:

	Rewiring	Paneling
Electrician	5 hours	10 hours
Carpenter	10 hours	15 hours

The electrician's cost of paneling is \_\_\_\_\_ while the carpenter's cost of paneling is \_\_\_\_\_.

- a.  $1/2$  rewiring job,  $3/2$  rewiring jobs
- b.  $1/2$  rewiring job,  $2/3$  rewiring job
- c. 2 rewiring jobs,  $3/2$  rewiring jobs
- d. 2 rewiring jobs,  $2/3$  rewiring job

8. Suppose there are only two goods: food and clothing. What does it mean for the U.S. to have a comparative advantage in food production?
- The U.S. needs fewer resources to grow a given amount of food than do other nations.
  - The U.S. sacrifices less clothing production to grow a given amount of food than do other nations.
  - In the U.S., food production needs fewer resources than does a comparable amount of clothing production.
  - In the U.S., food production costs less than does clothing production.
9. An indifference curve shows the baskets of goods which
- have the same marginal values.
  - the consumer can purchase, given his income and the prices he faces.
  - are the most preferred of the baskets within his budget.
  - are all equally desirable, providing the consumer with some fixed level of satisfaction.
10. Under standard assumptions, which of the following is *not* a property of indifference curves?
- They are downward sloping and convex.
  - They fill the plane and never cross.
  - Their slope is equal, in magnitude, to the relative price of the goods.
  - Baskets on indifference curves further away from the origin provide more satisfaction than those which are closer to the origin.