

ECON 310
Homework Quiz #1
January 30, 2008

1. Suppose average income rises. What would happen to the price and quantity of beef sold?
 - a. Price would rise, quantity would rise
 - b. Price would fall, quantity would rise
 - c. Price would rise, quantity would fall
 - d. Price would fall, quantity would fall

2. Suppose the price of grazing land falls. What would happen to the price and quantity of beef sold?
 - a. Price would rise, quantity would rise
 - b. Price would fall, quantity would rise
 - c. Price would rise, quantity would fall
 - d. Price would fall, quantity would fall

Use the following information for questions 3-7.

Suppose the demand curve for a good is given by $q = -4p + 500$ and the supply curve is given by $q = 2p - 100$.

3. What is the equilibrium price and quantity.
 - a. $p = 300, q = 500$
 - b. $p = 200, q = 300$
 - c. $p = 100, q = 100$
 - d. $p = 50, q = 300$

4. How does this \$6 sales tax change the demand or supply equation?
 - a. New supply equation: $q = 2p - 94$
 - b. New supply equation: $q = 2p - 112$
 - c. New demand equation: $q = -4p + 494$
 - d. New demand equation: $q = -4p + 476$

5. What is the price actually paid by demanders?
 - a. \$105
 - b. \$96
 - c. \$102
 - d. \$99

6. What fraction of the tax is paid by demanders?
 - a. $1/3$ (33.33%)
 - b. $2/3$ (66.67%)
 - c. $5/6$ (83.33%)
 - d. $1/6$ (16.67%)

7. If you are a demander, under which scenario would you prefer to be taxed? 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.

8. 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 rewiring is _____ while the carpenter's cost of rewiring is _____.

- a. 1/2 a paneling job, 3/2 paneling jobs
 - b. 1/2 a paneling job, 2/3 a paneling job
 - c. 2 paneling jobs, 3/2 paneling jobs
 - d. 2 paneling jobs, 2/3 a paneling job
9. If the supply of oil falls and all other relevant factors remain unchanged, then,
- a. the demand for oil will fall.
 - b. the quantity demanded of oil will fall.
 - c. the demand for oil will rise.
 - d. the quantity demanded of oil will rise.
10. Under standard assumptions, which of the following is *not* a property of indifference curves?
- a. They are downward sloping and convex.
 - b. They fill the plane and never cross.
 - c. Their slope is equal, in magnitude, to the relative price of the goods.
 - d. Baskets on indifference curves further away from the origin provide more satisfaction than those which are closer to the origin.