

Econ 101 Class 13 Questions

1. In Asheville, there are two sources of electric power. A hydroelectric plant produces power at a cost of \$0.04 per KWH. A coal fired generator produces power at a cost of \$0.07 per KWH. Which of the following describes an efficient policy for pricing electricity? The electricity price paid by Asheville customers should...
 - A. Equal the average of the costs at the two production facilities.
 - B. Equal the lower hydroelectric price provided the hydroelectric plant can meet total customer demand. **
 - C. Equal the higher coal-fired plant price no matter how large customer demand.
 - D. Equal the marginal cost of electricity at the plant that supplies them.

2. Buyers are likely to bear a higher burden from a tax on a good when...
 - A. The good is produced with highly mobile inputs. **
 - B. Good substitutes for the good exist.
 - C. It takes a long time to change the quantity supplied of the good.
 - D. The demand for the good is highly elastic.

3. Sellers are more likely to bear the burden of a tax imposed on ____ because _____.
 - A. Tobacco products, because demand is highly inelastic.
 - B. Tobacco products, because farmers can easily switch to other crops.
 - C. Imported oranges, because domestic oranges are good substitutes. **
 - D. Imported oranges, because citrus growers can easily switch to other crops.

4. The proponents of a tax on sugary beverages must believe that the young-person demand for sugary beverages is price _____ because then the tax will _____ of sugary beverages by a large amount.
 - A. Elastic, raise the price
 - B. Elastic, lower the quantity
 - C. Inelastic, raise the price
 - D. Inelastic, lower the quantity