

Econ 101 Class 2 Questions

1. It is hot at the football game and Joe is thirsty. He would pay up to \$5.00 for a 20 oz cola. He goes to the concession stand and finds that he can buy a 20 oz cola for \$3.00. His economic surplus from the transaction is...
 - A. \$0.00.
 - B. \$3.00.
 - C. \$2.00 **.
 - D. \$5.00.

2. You won a free ticket to an Eric Clapton concert (which has no resale value). A Bob Dylan concert on the same night is your next-best alternative activity. Tickets to see Dylan cost \$40. You would be willing to pay up to \$50 to see Dylan. There are no other costs. What is your opportunity cost of the Clapton Concert?
 - A. \$0
 - B. \$10 **
 - C. \$40
 - D. \$50

3. You can buy a game for \$25 at the Ram shop or \$15 at University Mall. You can buy a computer for \$1000 at the Ram shop or \$990 at University Mall. Should your answer about where to buy be the same or different for the two cases?
 - A. Different because buying the game at U Mall provides a higher percent discount percent.
 - B. The same because the marginal costs and marginal benefits are the same. **
 - C. Different because the computer is a higher surplus item.
 - D. The same because the opportunity cost of buying at the Ram shop is zero.

4. Residents of your city are charged a fixed weekly fee of \$6 for garbage collection. They are allowed to put out as many trash bags as they wish. The average household disposes of three trash bags of garbage per week under this plan. Suppose that your city changes to a “tag” system. Each trash bag to be collected must have a tag affixed. Tags cost \$2 each and are not reusable. What effect do you think the introduction of the tag system will have on the total quantity of garbage collected in your city?

The Tag System is likely to _____ the quantity of garbage collected because _____.

 - A. Reduce, because the marginal cost of discarding garbage is higher. **
 - B. Reduce, because the marginal benefit of discarding garbage is lower.
 - C. Leave unchanged, because the marginal benefit of discarding garbage is the same.
 - D. Leave unchanged, because there are no substitutes for trash removal.