

Econ 101 Class 9 Questions

1. Which is correct? The supply schedule for pizza is upward sloping because...

- A. As price rises, pizzeria owners hire more labor to supply pizza.
- B. As price rises, business people open new pizzerias.
- C. To increase pizza quantity, pizza makers must be induced to bear higher costs.
- D. All of the above. **

2. In a “perfectly competitive” market...

- A. Suppliers conduct ad campaigns to increase the demand for their product.
- B. Suppliers create “preferred customer” accounts to induce buyer loyalty.
- C. Suppliers offer quantity discounts to buyers to induce them to purchase more.
- D. Suppliers post a price and stick with it provided that market conditions are unchanged. **

3. What is Harry’s producer surplus if the price he receives for recycling a can is 2 cents?

| Hours | Cans Recycled | Reservation Price |
|-------|---------------|-------------------|
| 1 | 600 | 0.01 |
| 2 | 1000 | 0.015 |
| 3 | 1300 | 0.02 |
| 4 | 1500 | 0.03 |
| 5 | 1600 | 0.06 |

- A. \$8.00 **
- B. \$21.00
- C. \$45.00
- D. \$92.00

4. At UNC, parking supply and parking permit fees are regulated. In 2004, UNC and Chapel Hill worked together to provide free town bus service. Which of the following correctly describes how introducing free bus service affected parking. Introducing free bus service...

- A. Increased the price of a parking permit.
- B. Lowered the price of a parking permit.
- C. Raised the excess demand for parking.
- D. Lowered the excess demand for parking. **

5. A large pay increase for federal employees will _____ rents for apartments near DC metro stations because _____.

- A. Decrease because the supply of apartments will shift out.
- B. Decrease because the demand for apartments will shift out.
- C. Increase because the demand for apartments will shift out. **
- D. Increase because the supply of apartments will shift out.

6. Suppose Ben and Jerry's offers free ice cones in Chapel Hill and Durham. In Chapel Hill, the length of the queue is likely to be ____ because ____.
- A. Longer because people in Chapel Hill like ice cream more than people in Durham.
 - B. Shorter because people in Chapel Hill have a higher opportunity cost of time. **
 - C. Longer because people in Chapel Hill have a higher opportunity cost of time.
 - D. Shorter because people in Chapel Hill like ice cream more than people in Durham.
7. Increased economic growth in China will ____ the price of gasoline and ____ the price of SUVs in the U.S.
- A. Increase, Increase
 - B. Increase, Decrease **
 - C. Decrease, Increase
 - D. Decrease, Decrease
8. A technological improvement that lowers the cost of farm raised fish will ____ the price and ____ the quantity of wild caught fish.
- A. Increase, Decrease
 - B. Decrease, Decrease **
 - C. Increase, Increase
 - D. Decrease, Increase
9. Suppose the demand for gas has a normal shape. An increase in the gasoline tax will ____ the supply of gas and raise the price of gasoline by ____.
- A. Shift out, the full amount of the tax.
 - B. Shift back, the full amount of the tax.
 - C. Shift out, less than the full amount of the tax.
 - D. Shift back, less than the full amount of the tax. **