MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) In the absence of a rent ceiling, the long run adjustment to an initial decrease in the supply of housing is
   A) an increase in the supply of housing due to profits.
   B) an increase in the supply of housing due to the initial surplus.
   C) a decrease in demand for housing due to higher rent.
   D) a decrease in demand for housing due to the initial shortage.

2) In the above figure, which of the following shifts shows the effect of severe flooding that destroys many of the apartment buildings in Bigtown?
   A) from $S_2$ to $S_1$  
   B) from $D_1$ to $D_2$  
   C) from $D_2$ to $D_1$  
   D) from $S_1$ to $S_2$
3) The figure above shows the demand for and supply of rental housing in Smallton. If a rental ceiling is set at $400, there is
   A) a surplus of rental housing of 30,000 units
   B) a shortage of rental housing of 20,000 units.
   C) a shortage of rental housing of 40,000 units.
   D) neither a shortage nor a surplus of rental housing.

4) Which of the following is a result of an effective rent ceiling?
   I. equity in the housing market
   II. efficient allocation of resources
   III. a shortage of housing units.
   A) I and II  B) III only  C) I and III  D) II only

5) Which of the following is a typical effect of a price ceiling set below the equilibrium price?
   A) The price ceiling has no effect on the market equilibrium.
   B) Less of the good is produced with the ceiling than would be produced without the ceiling.
   C) People can buy more than they can at the equilibrium price because the ceiling price is lower.
   D) None of the above answers is correct.

6) A price floor is
   A) a price that creates a surplus of the good if it is set above the equilibrium price.
   B) a price above which a seller cannot legally sell.
   C) a price below which a seller cannot legally sell.
   D) Both answers A and C are correct.

7) A minimum wage set above the equilibrium wage will
   A) have no effect because the equilibrium level of employment is not affected by a minimum wage above the equilibrium wage.
   B) create a surplus of labor.
   C) create a lower wage rate for skilled workers than for unskilled workers.
   D) create a shortage of labor.
8) Suppose that the equilibrium wage in the low-skilled labor market is $6.25. Further, suppose the federal government raises the minimum wage to $6.00 an hour from its present level of $5.15. The government's action of increasing the minimum wage will result in:
   A) a decrease in unemployment.
   B) an increase in unemployment.
   C) neither a shortage nor a surplus of labor in the low-skilled labor market.
   D) a shortage of low-skilled labor.

9) The figure above shows the demand for and supply of labor of students in Smallville. If the minimum wage is set at $8 per hour, how many hours do students work?
   A) 12,000 hours  
   B) 6,000 hours  
   C) 9,000 hours  
   D) None of the above answers is correct.

10) A sales tax imposed on sellers shifts the supply curve leftward for the taxed good because:
    A) the higher price causes entry into the market.
    B) it is paid by the seller to the government and is, therefore, like a cost of production.
    C) it is actually shifted entirely onto the buyer who can afford only a smaller supply.
    D) the tax causes the demand curve to shift leftward.
11) In the above figure, the government has imposed a tax on sellers of pizza. The amount of the tax
   A) is $40.
   B) is $10.
   C) is $30.
   D) cannot be determined without more information.

12) In the above figure, the government has imposed a tax on sellers of pizza. The tax increases
   A) the amount received by sellers by $30.
   B) the after-tax price by $40.
   C) the price paid by buyers by $30.
   D) the quantity of pizza sold from 40 million per year to 60 million per year.

13) In the above figure, the government has imposed a tax on sellers of pizza. After the tax has
    been imposed, the after-tax price of a pizza is ________ and the equilibrium quantity is
    ________ per year.
    A) $30; 20 million
    B) $20; 20 million
    C) $10; 60 million
    D) $20; 40 million

14) A tax is imposed on the sale of a product. As long as neither the supply nor the demand is
    perfectly elastic or inelastic,
    A) the price paid by the consumer will increase by more than the amount of the tax.
    B) the price paid by the consumer will increase by less than the amount of the tax.
    C) there will be no change in the price paid by the consumer.
    D) the price paid by the consumer will increase by the full amount of the tax.

15) The incidence of sales tax is determined by the
    A) federal government in all cases.
    B) greed of the seller.
    C) level of government which imposes the tax.
    D) price elasticities of supply and demand.
16) Which of the following leads to the buyers paying all of a tax?
   A) The demand is perfectly elastic.  B) The supply is unit elastic.
   C) The demand is perfectly inelastic.  D) The supply is perfectly inelastic.

17) Which of the following leads to the producers paying all of a tax?
   A) The supply is perfectly inelastic.  B) The demand is unit elastic.
   C) The supply is perfectly elastic.  D) The demand is perfectly inelastic.

18) The amount of a tax paid by the buyer will be larger
   A) the more inelastic are both the supply and demand.
   B) the more elastic are both the supply and demand.
   C) the more inelastic the demand and the more elastic the supply.
   D) the more elastic the demand and the more inelastic the supply.

19) Assume that the demand for wheat is inelastic and that the momentary supply of wheat is perfectly inelastic. Then, a poor harvest will result in which of the following?
   A) an increase in wheat farmers' revenue
   B) an increase in the demand for wheat because it is in short supply
   C) a fall in the price of wheat
   D) an increase in the momentary supply of wheat

20) When the supply curve of corn shifts leftward, farmers' revenue ________ because ________.
   A) decreases; supply is elastic  B) increases; supply is inelastic
   C) decreases; demand is elastic  D) increases; demand is inelastic

21) The figure above shows the market for milk in Cowland. If a subsidy paid to producers of $1 per gallon of milk is introduced, what is the price that consumers pay?
   A) $3.00 a gallon  B) $4.50 a gallon  C) $4.00 a gallon  D) $3.50 a gallon
22) To try to help farmers, governments
   I. set production quotas
   II. set price ceilings
      A) II  B) I and II  C) neither I nor II  D) I

23) In general, a fine on buying a product leads to the
      A) supply curve shifting leftward.  B) demand curve shifting rightward.
      C) demand curve shifting leftward.  D) supply curve shifting rightward.

24) When a government imposes penalties on both sellers and buyers of an illegal good,
      A) the price of the good falls, but the quantity purchased might increase or decrease.
      B) the price of the good rises, but the quantity purchased might increase or decrease.
      C) the price of the good falls as does the quantity purchased.
      D) the quantity purchased of the good decreases, but the price might rise or fall.

25) If the government imposed stiffer penalties on illegal drug buyers than on sellers,
      A) the quantity of illegal drugs sold will decrease.
      B) the price of drugs will increase and the amount of drugs sold will decrease.
      C) the price of illegal drugs will increase.
      D) the price of illegal drugs and the quantity of drugs sold will decrease.
Answer Key
Testname: MICRO QUIZ 3

1) A
2) A
3) B
4) B
5) B
6) D
7) B
8) C
9) B
10) B
11) D
12) C
13) A
14) B
15) D
16) C
17) A
18) C
19) A
20) D
21) D
22) D
23) C
24) E
25) A