

QUIZ 13 VERSION A

"Regulation and Deregulation of Transportation"

INSTRUCTIONS: This exam is closed-book, closed-notes. Simple calculators are permitted, but graphing calculators or calculators with alphabetical keyboards are NOT permitted. Mobile phones or other wireless devices are NOT permitted.

Multiple choice: Circle the one best answer to each question. [10 pts each]

- (1) A price floor causes deadweight loss
- a. equal to the loss of consumer surplus.
 - b. greater than the loss of consumer surplus.
 - c. less than the loss of consumer surplus.
 - d. A price floor does not cause deadweight loss.
- (2) Cross-subsidization between markets causes deadweight loss in
- a. the market priced above cost.
 - b. the market priced below cost.
 - c. both markets.
 - d. None of the above.
- (3) Deregulation of an industry previously subject to entry restrictions is likely to cause
- a. entry of new firms.
 - b. exit of some existing firms.
 - c. both (a) and (b).
 - d. neither (a) nor (b).
- (4) Economists seeking to measure the effects of regulation must always deal with the
- a. lack of theories to test.
 - b. lack of examples of unregulated markets.
 - c. complete absence of relevant data.
 - d. inability to perform controlled experiments.
- (5) Why was trucking regulated?
- a. Trucking is a natural monopoly.
 - b. Railroads were losing money.
 - c. Informal cartels had been keeping rates above competitive levels.
 - d. Shippers lobbied heavily for regulation of trucking.
 - e. All of the above.
- (6) "Equalizing discrimination" means
- a. charging a higher price to wealthier customers.
 - b. setting identical prices for goods or services with different costs.
 - c. setting different prices for the same good or service, based on customers' elasticity of demand.
 - d. adjusting prices of goods or services so that equal quantities of each are sold.
- (7) One group that was harmed by deregulation of trucking was
- a. shippers.
 - b. consumers.
 - c. unionized truck drivers.
 - d. all of the above.

(8) From 1938 when the Civil Aeronautics Board was created to 1978 when the Airline Deregulation Act was passed, the CAB received 79 applications for new trunk airlines. How many applications were approved?

- a. 0.
- b. 5.
- c. 12.
- d. 39.
- e. 79.

(9) After airline deregulation, fares *fell* for

- a. short-haul routes (less than 500 miles).
- b. long-haul routes (more than 1000 miles).
- c. all routes.
- d. no routes.

(10) Airlines' shift from a point-to-point route system to a hub-and-spoke system tended to reduce

- a. total travel time from origin to destination.
- b. the number of times passengers had to change planes.
- c. load factors.
- d. the frequency of departures.
- e. airlines' unit (per-passenger) costs.

[end of quiz]