ECON 180 - Regulation & Antitrust Policy
Drake University, Spring 2015
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Signature: ____________________

Printed name: ____________________

QUIZ 1 VERSION A
"Demand and Supply"

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. Points will be subtracted for illegible writing or incorrect rounding.

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

(1) This course focuses on policy responses to market failure caused by
a. externalities.
b. imperfect information.
c. market power.
d. all of the above.

(2) The *law of demand* means that
a. the quantity that buyers want to buy is negatively related to the price.
b. demand curves must be straight lines.
c. anything consumers want will be produced.
d. if buyers want something, they will pay whatever price is demanded by sellers.

(3) As the price of smart phones falls, consumers are buying more apps to run on their smart phones, because smart phones and apps are
a. substitute goods.
b. complementary goods.
c. inferior goods.
d. normal goods.

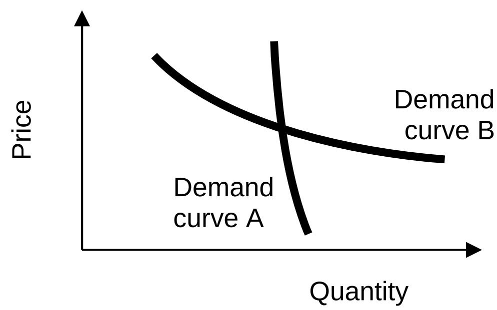
(4) The *law of supply* means
a. the quantity that sellers want to produce and sell is positively related to the price.
b. sellers can charge whatever price they want.
c. legal regulation of sellers.
d. there is always someone willing to sell a product.

(5) Corn oil is made from corn, so if the price of corn rises, then the
a. demand for corn oil will shift left.
b. demand for corn oil will shift right.
c. supply of corn oil will shift left.
d. supply of corn oil will shift right.

(6) Excess demand in the market for cars would occur if the actual price of cars were
a. greater than the equilibrium price.
b. less than the equilibrium price.
c. too close to the equilibrium price.
d. cannot be determined from the information given.

(7) The units of measure for the price elasticity of demand for beef are
a. pounds per dollar.
b. dollars per pound.
c. percent.
d. The elasticity is a pure number and has no units of measure.

(8) Which demand curve below is *less* elastic?
a. Demand curve A.
b. Demand curve B.
c. Both have the same elasticity because they pass through the same point.
d. Cannot be determined from information given.



(9) The price elasticity of demand for food is about – 0.2. If the price of food rises, then the amount of money consumers spend on food will
a. increase.
b. decrease.
c. remain constant.
d. cannot be determined from information given.

(10) Compare the supply of apples when producers are given one month to adjust to a new price, with the supply when producers are given ten years to adjust to the new price.
a. The one-month supply is more elastic.
b. The ten-year supply is more elastic.
c. Time for adjustment does not affect elasticity.
d. Cannot be determined from information given.

[end of quiz]