ECON 180 - Regulation & Antitrust Policy
Drake University, Spring 2015
William M. Boal

Signature: ________________________________

Printed name: ________________________________

QUIZ 1 VERSION B
"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. market power.
c. imperfect information.
d. all of the above.

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

(3) A fall in the price of Android smart phones will shift the demand for the iPhone to the left, if Android phones and the iPhone are
a. complementary goods.
b. substitute goods.
c. normal goods.
d. inferior goods.

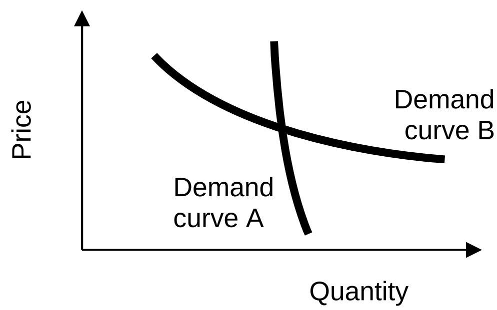
(4) The *law of supply* means
a. sellers can charge whatever price they want.
b. legal regulation of sellers.
c. there is always someone willing to sell a product.
d. the quantity that sellers want to produce and sell is positively related to the price.

(5) Increased environmental regulations on the natural gas industry would
a. shift the demand for natural gas to the right.
b. shift the demand for natural gas to the left.
c. shift the supply of natural gas to the right.
d. shift the supply of natural gas to the left.

(6) Excess supply 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 milk are
a. gallons per dollar.
b. dollars per gallon.
c. percent.
d. The elasticity is a pure number and has no units of measure.

(8) Which demand curve below is *more* 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) Suppose the price elasticity of demand for bacon is about – 2. If the price of bacon rises, then the amount of money consumers spend on bacon 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 less elastic.
b. The ten-year supply is less elastic.
c. Time for adjustment does not affect elasticity.
d. Cannot be determined from information given.

[end of quiz]