

## Homework #4

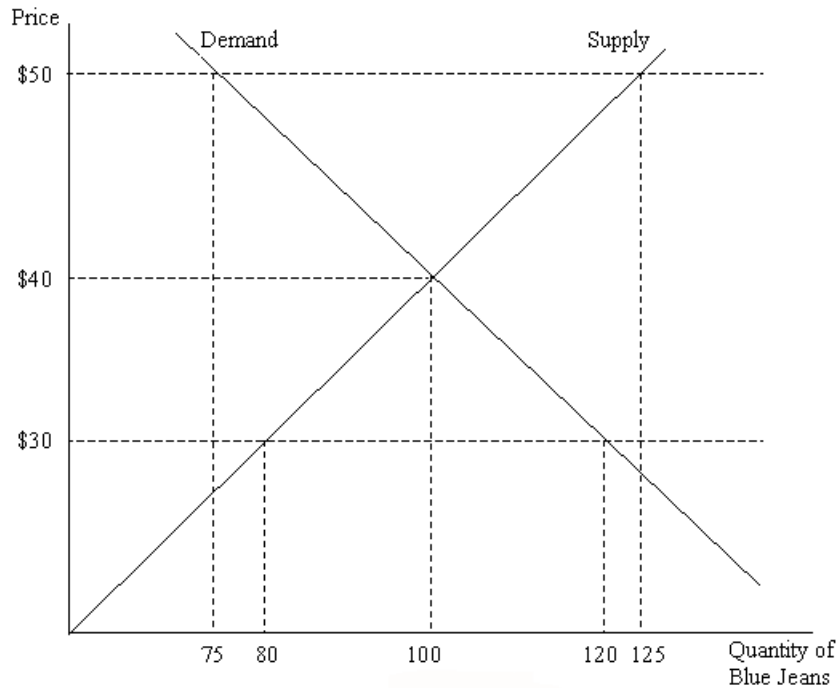
1. Economists postulate that the objective of a firm is to:
  - A. maximize revenue.
  - B. maximize profit.
  - C. maximize utility.
  - D. minimize costs.
  - E. none of the above.
2. An increase in the price of peaches leads to:
  - A. an increase in the supply of peaches.
  - B. an increase in the quantity of peaches supplied.
  - C. an decrease in the supply of peaches.
  - D. a decrease in the quantity of peaches supplied.
3. Oregon is a major producer of grass seed. The flooding in Oregon over the last couple of years:
  - A. decreased the supply of grass seed.
  - B. decreased the quantity supplied of grass seed.
  - C. increased the quantity of grass seed demanded.
  - D. both (A) and (C).
4. The city of Eugene plans to put a 4 percent tax on gasoline to raise revenue to fund road repair. We should expect:
  - A. a decrease in the supply of gasoline.
  - B. an increase in the price of gasoline.
  - C. a decrease in the quantity of gasoline demanded.
  - D. all of the above.
5. Oregon is a major supplier of wood products. The application of the endangered species act to timber lands:
  - A. decreases the quantity of timber supplied.
  - B. decreases the quantity of timber demanded.
  - C. both (A) and (B).
  - D. neither (A) or (B).
6. The increase in the popularity of snow boards likely implies that:
  - A. the demand for skies has decreased.
  - B. the quantity of skies supplied has decreased.
  - C. both (A) and (B).
  - D. neither (A) or (B).

7. At positive prices, producers earn a producer surplus in a competitive market because:
- A. they have market power and are able to appropriate the customers consumer surplus.
  - B. they make more on the last unit they sell than they do on the prior units.
  - C. the additional cost of producing the good is equal to the additional benefit of selling the good only on the last unit sold and is less on all prior units.
  - D. the additional benefit of selling the good on the first unit sold is greater than the additional cost of producing the good and differences increases on all subsequent units sold.
8. The improvement in micro-chip technology has lead to:
- A. an increase in the quantity supplied of computers.
  - B. an increase in the quantity demanded for computers.
  - C. an increase in the demand for computers.
  - D. both (A) and (C).
9. The decline in the stock market over the last year has dramatically reduced the income of the elderly whose pension funds are invested in the stock market. We can say that in the market for recreational vehicles (RVs):
- A. the demand for RVs decreased if an RV is an inferior good.
  - B. the quantity demanded for RVs decreased an RV is a normal good.
  - C. the quantity supplied of RVs decreased.
  - D. both (A) and (C).
  - E. both (B) and (C).
10. The price of beer increases because of a blight on the hops crop. We can say that:
- A. the demand for soft drinks increases.
  - B. the demand for soft drinks decreases.
  - C. the quantity of soft drinks demanded decreases.
  - D. the supply of soft drinks decreases.
11. The price of beer increases because of a blight on the hops crop. We can say that:
- A. the demand for pizza increases.
  - B. the demand for pizza decreases.
  - C. the quantity of pizza demanded decreases.
  - D. the supply of pizza decreases.

12. Over the last 10 years the number of students at the University of Oregon has increased and the number of rental apartments around the campus have also increased. Based on this information we can say:

- A. the supply and demand for rental apartments has increased.
- B. the price of rental apartments has increased.
- C. the quantity of rental apartments has increased.
- D. both (A) and (C).
- E. both (B) and (C).

Use the Figure Below to Answer Questions 2-5.



13. The figure above illustrates the supply and demand for blue jeans. If the actual price of blue jeans is \$50, we would expect that

- A. demand will increase until quantity demanded equals quantity supplied
- B. supply will decrease until quantity demanded equals quantity supplied
- C. price will decrease until quantity demanded equals quantity supplied
- D. no change will occur since the market is in equilibrium.

14. Suppose the government decides that blue jeans are a historically American product and decides to protect U.S. manufactures by placing a price floor on the price of Blue Jeans. An example of a price floor in this market is a price of:

- A. \$50.
- B. \$40.
- C. \$30.
- D. Insufficient information.

15. The figure above illustrates the supply and demand for blue jeans. If the actual price of blue jeans is \$50, we would expect the price of blue jeans to \_\_\_\_\_, the quantity demanded of blue jeans to \_\_\_\_\_ and the quantity supplied of blue jeans to \_\_\_\_\_.

- A. increase; increase; increase.
- B. increase; decrease; increase.
- C. decrease; increase; decrease.
- D. decrease; decrease; increase.

16. Suppose the government decides that blue jeans are a historically American product and decides that it wants increase the number of consumers who wear blue jeans, it could achieve this end by putting on a price ceiling of \$30. This statement is:

- A. true, because the quantity of blue jeans supplied increases to 125.
- B. false, because the quantity of blue jeans demanded decreases to 80.
- C. false, while the quantity of blue jeans demanded increases to 120, the quantity sold is only 80.
- D. insufficient information

17. A spillover benefit is the benefit experienced by people who:

- A. do not decide how much of the good to produce or consume.
- B. did not know why they are experiencing the benefit.
- C. decide how much of the good to produce or consume.
- D. consume the good.

18. Which of the following is not an example of a “public good”:

- A. national defense.
- B. public parks.
- C. provision of basic road service.
- D. none of the above.

19. Economists content that

- A. the government is uniquely suited to produce some goods.
- B. , as the government becomes larger, it begins to produce goods and services that could be produced by the private sector.
- C. , as the government becomes larger, it begins to produce goods and services where the cost-benefit analysis for provision are not obvious.
- D. all of the above.
- E. none of the above.

20. The notion that government should “provide for the public welfare”:

- A. is really a 20<sup>th</sup> century phenomena.
- B. was started by the Bismark Government in Germany.
- C. was not manifested in the U.S. until the Great Depression.
- D. all of the above.