

Microeconomics: Monika Köppl-Turyna

Quiz 1

Each question is worth 1 point (20 total). There is **ONLY ONE** correct answer to each question. No negative points for incorrect answers, take your chances.

1. If you are at an all-you-can-eat buffet dinner and you are considering whether to eat another dessert, you, as a rational consumer should decide to eat the desert:

(a) If it brings you any pleasure at all
 (b) If it brings you more pleasure than the price you paid for the meal
 (c) If it brings you as much pleasure as the desert costs if it is ordered a la carte
 (d) No matter what because you want to get more for your money

2. You can drive to campus, take a bus, or walk. Driving costs you 1 Euro/km in gas and maintenance, the bus costs 1 Euro for unlimited distance, and walking is free but involves a disutility equivalent to 1 Euro/km. If you live 2 kms from campus, and are a rational decision maker, what is your reservation price for a bus ticket?

(a) 0 Euro
 (b) 1 Euro
 (c) 2 Euro
 (d) 4 Euro

3. Let demand be given by $Q_D = 40 - 1/2P$; let supply be given by $Q_S = 10 + P$. What is the equilibrium price?

(a) 10
 (b) 20
 (c) 30
 (d) 40

4. If the income of the consumer increases, what will happen to her demand for pork?

(a) The demand curve for pork will shift right.
 (b) The demand curve for pork will shift left
 (c) The demand curve for pork will stay the same since only price affects it
 (d) One cannot tell which way the demand shifts with the information given

5. Recently, an embargo on some European agricultural products e.g. apples has been introduced by Russia. What is the effect of this policy?

(a) The demand curve for apples would shift left
 (b) The supply curve for apples would shift left
 (c) The demand curve for apples would shift right

NO
GRADE
(d) The supply curve for apples would shift right

6. In the European Union it is common to protect agricultural production by introducing minimum prices (price floors) on some products such as milk. What is a likely outcome of such a policy?

- (a) It causes a shortage of milk.
(b) The demand for milk is likely to be higher than the supply.
(c) The supply of milk is likely to be higher than the demand.
(d) The answer depends on whether milk is a normal or an inferior good.

7. Pork and beef are substitutes. If the price of beef increases, what will happen in the market for pork?

- (a) Equilibrium price rises; equilibrium quantity falls
(b) Equilibrium price falls; equilibrium quantity falls
(c) Equilibrium price rises; equilibrium quantity rises
(d) Equilibrium price falls; equilibrium quantity rises

8. My income rose and the price of good Y rose also. That means that my demand curve for good X shifted right.

- (a) This statement is always true
(b) This statement will always be true if good Y is a substitute for good X
(c) This statement will always be true if good X is a normal good
(d) This statement will always be true if good Y is a substitute for X and X is a normal good

9. If the government wishes to raise revenue by taxing the use of plastic bags, it

- (a) Makes no difference whether the consumer or the producer actually transfers the money to the government since the market effects are the same.
(b) Is best to have the consumers pay the tax since they are the ones who use too many plastic bags.
(c) Is best to tax the producers since they will cut the production because of the tax.
(d) Will decrease the tax revenues, since the revenues for advertisement on plastic bags will drop.

10. An Engel curve

- (a) Always slopes up for an inferior good
(b) Always slopes down for an inferior good
(c) May slope up or down for a normal good
(d) Does not relate to the normal or inferior good concepts