

Ingrid has been waiting for the show "Mamma Mia!" to come to town. When it finally does come, ticket prices are \$60. Ingrid's reservation price is \$75. But when Ingrid tries to buy a ticket, they are sold out.

1. The fact that Ingrid cannot buy a ticket to "Mamma Mia!" is evidence of

- A. Pareto efficiency in this market.
- B. A price ceiling above the equilibrium price.
- C. A situation that is not Pareto efficient.
- D. Ingrid's consumer's surplus.

2. Ingrid decides to try to buy a ticket from a scalper (a person who has purchased extra tickets at the box office with the intent to resell those tickets). If Ingrid finds someone who is willing to sell her a ticket for \$70, she should

- A. not purchase it because it is overpriced by \$10.
- B. not purchase it because the cost to the scalper was only \$60, and it is unfair of the scalper to take advantage of the ticket shortage.
- C. purchase it, leading to an increase in surplus.
- D. purchase it even though it is not surplus enhancing.

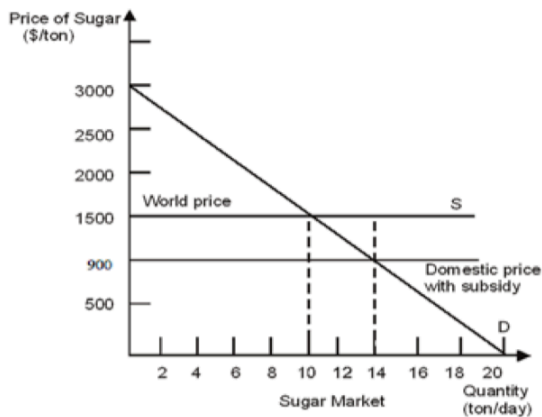
Suppose that a firm is located along a river. The firm uses water from the river to cool its machinery and returns the water to the river several degrees warmer, which has led to a decline in the fish population downstream.

3. If the firm does not have to pay for the damage to the downstream fish, the market equilibrium price will be _____ and the market equilibrium quantity will be _____.

- A. inefficiently high; inefficiently low
- B. inefficiently high; efficient
- C. inefficiently low; inefficiently high
- D. efficient; inefficiently low

4. Suppose the government fines the firm an amount equal to the damage imposed on the fish. This government action

- A. reduces efficiency in the market.
 - B. increases dead weight loss.
 - C. increases efficiency in the market.
 - D. violates Pareto efficiency.
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5. Refer to the figure above. With no subsidy, what is the consumer surplus?

A. \$1,000

B. \$7,500

C. \$10,100

D. \$14,700

$$\frac{1}{2}(10)(1500) = 7500$$

6. Refer to the figure above. With no subsidy, what is the producer surplus?

A. \$0

B. \$6,000

C. \$7,200

D. \$14,700

7. Refer to the figure above. After the subsidy, consumer surplus _____ by _____ per day.

A. stays the same; \$500

B. decreased; \$1200

C. increased; \$1200

D. increased; \$7200

8. Refer to the figure above. The cost of subsidy, which must be borne by taxpayers, is

A. \$6000

B. \$7200

C. \$8400

D. \$10,400

$$(1500 - 900)(4) = 8400$$

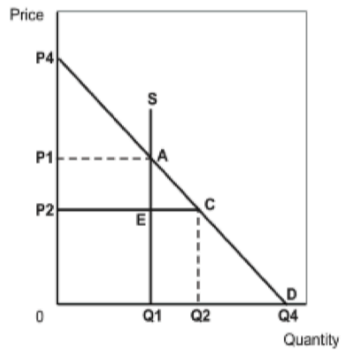
9. Refer to the figure above. The net effect of the subsidy program _____ total economic surplus by _____.

A. increased; \$7200

B. decreased; \$7200

C. increased; \$8400

D. decreased; \$1200



10. Refer to the figure above. The supply and demand for parking spaces on the campus of Green U is illustrated in the figure. Suppose the administration chooses to offer parking spaces for free on a first come first served basis (i.e., parking permits are free) in the interests of poor students. Quantity demanded will be _____ and quantity supplied will be _____.

- A. Q4, Q1
- B. Q1, Q1
- C. Q2, Q1

D. Q4, Q4

11. Refer to the figure above. Under the Green U's administration's first come, first served policy, instead of price determining who gets a parking space, _____ determines who gets a space.

- A. income
- B. opportunity cost of time
- C. reservation price for a permit.
- D. need for parking

12. Refer to the figure above. Under the first come, first served pricing policy for parking at Green U, i.e., free parking, the deadweight loss is

- A. zero
- B. Q2CD
- C. Q1AQ4
- D. EAC

Deadweight loss for perfectly inelastic supply = 0

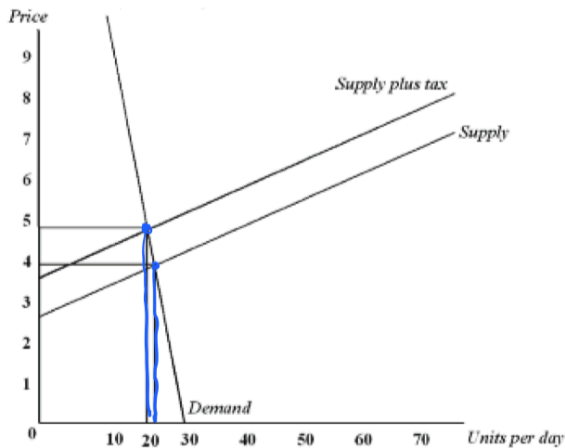
13. Refer to the figure above. Green U tries charging the free market price but faces student protests that a free market solution causes price to be "too high". So it sets the permit price at P2. Now the price of a parking space at Green U is

A. P2.

B. P2 plus the extra time spent leaving early to ensure getting a space.

C. P2 minus the extra time spent leaving early to ensure getting a space.

D. P1-P2.



14. Refer to the figure above. The tax burden is _____ is because _____.
- A. borne by the producers; it is imposed by law on producers
 - B. borne by consumers; at the market price consumer demand is more price elastic
 - C. borne by consumers; at the market price consumer demand is less price elastic
 - D. shared by producers and consumers; producers pass on most of the tax burden to consumers

15. Refer to the figure above. If a tax of one dollar per unit is imposed on the producers of this commodity, the price consumers will pay in the market will

- A. increase by exactly one dollar.
- B. increase by less than one dollar.
- C. increase by more than one dollar.
- D. remain the same as the price before the tax.