

Economics - The Question sheet for the second mid-term (11.12.2009) Tasdemiv

Instructions: You must finish the test in 45 minutes. Use the answer sheet provided for your answers.

1.A tax on an imported good is called a

- a) quota.
- c) supply tax.
- b) tariff.
- d) trade tax.

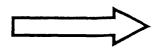
2.An overcrowded beach is an example of

- a) a positive externality.
- b) a Tragedy of the Commons.
- c) an environmentally inefficient allocation of resources.
- d) an economically unfair allocation of resources.
- 3. If the government decides to build a new highway, the first step would be to conduct a study to determine the value of the project. The study is called a
 - a) fiscal analysis.
 - b) monetary analysis.
 - c) welfare analysis.
 - d) cost-benefit analysis.
- 4. What happens to the total surplus in a market
- i when the government imposes a tax?
 - a).; Total surplus increases by the amount of the tax.
 - b) . Total surplus increases but by less than the
- : amount of the tax.
 - c) Total surplus decreases.
 - d) Total surplus is unaffected by the tax.
- 5. If a tax shifts the demand curve downward (or to the left), we can infer that the tax was levied on
 - a) buyers of the good.
- b) (sellers of the good.
 - c) : both buyers and sellers of the good.
 - d). d.We cannot infer anything because the shift to described is not consistent with a tax.
- 6. If an externality is present in a market, economic efficiency may be enhanced by
 - a) increased competition.
 - b) weakening property rights.
 - c) better informed market participants.
 - d): government intervention.
- 7. When a good is taxed,
 - a) both buyers and sellers of the good are made worse off.
 - b) only buyers are made worse off, because they ultimately bear the burden of the tax.
- c) only sellers are made worse off, because they ultimately bear the burden of the tax.
 - d) neither buyers nor sellers are made worse off,
 since tax revenue is used to provide goods and services that would otherwise not be provided
 in a market economy.

- 8. When a tax is placed on a product, the price paid by buyers
 - a) rises, and the price received by sellers rises.
 - b) rises, and the price received by sellers falls.
 - c) falls, and the price received by sellers rises.
 - d) falls, and the price received by sellers falls.
- 9. Which of the following is not a commonlyadvanced argument for trade restrictions?
 - a) the jobs argument
- b) the national-security argument
- c) the infant-industry argument
- d) the efficiency argument
- 10. Which of the following is not a way for the government to solve the problem of excessive use of common resources?
 - a) regulation
 - b) taxes
 - c) turning the common resource into a public good
 - d) turning the common resource into a private good
- 11. A tax levied on the sellers of a good shifts the
 - a) supply curve upward (or to the left).
 - b) supply curve downward (or to the right).
 - c) demand curve upward (or to the right).
- d) demand curve downward (or to the left).

12. A tax on a good

- a) raises the price that buyers effectively pay and raises the price that sellers effectively receive.
- b) raises the price that buyers effectively pay and lowers the price that sellers effectively receive.
- c) lowers the price that buyers effectively pay and raises the price that sellers effectively receive.
- d) lowers the price that buyers effectively pay and lowers the price that sellers effectively receive.
- 13. When a tax is levied on a good, the buyers and sellers of the good share the burden,
 - a) provided the tax is levied on the sellers.
 - b) provided the tax is levied on the buyers.
 - c) provided a portion of the tax is levied on the buyers, with the remaining portion levied on the sellers.
 - d) regardless of how the tax is levied.



14. When a country allows trade and becomes an importer of a good,

- a) everyone in the country benefits.
- b) the gains of the winners exceed the losses of the
- c) the losses of the losers exceed the gains of the winners.
- d) everyone in the country loses.

15. Negative externalities occur when one person's actions

- a) cause another person to lose money in a stock market transaction.
- 'b) cause his or her employer to lose business.
- c) reveal his or her preference for foreign-produced goods.
- d) adversely affect the well-being of a bystander who is not party to the action.

16. The tax on gasoline is an example of

- a) a consumption tax.
- : b) a corrective tax.
 - c) an income tax.
 - d) a command-and-control policy.

17. When the government imposes taxes on buyers or sellers of a good, society

- a) loses some of the benefits of market efficiency.
- b) gains efficiency but loses equality.
- c) is better off because the government's tax revenues exceed the deadweight loss.
- d) moves from an elastic supply curve to an inelastic supply curve.

18. Positive externalities

- a) result in a larger than efficient equilibrium quantity.
- b) result in smaller than efficient equilibrium quantity.
- c) result in an efficient equilibrium quantity.
- d) can be internalized with a corrective tax.

When a country that imported a particular good abandons a free-trade policy and adopts a no-trade policy,

- a) producer surplus increases and total surplus increases in the market for that good.
- b) producer surplus increases and total surplus decreases in the market for that good.
- c) producer surplus decreases and total surplus increases in the market for that good.
- d) producer surplus decreases and total surplus decreases in the market for that good.

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- a) buyers of the good.
- b) sellers of the good.
- c) both buyers and sellers of the good.
- d) We cannot infer anything because the shift described is not consistent with a tax.

21. .An example of a private good would be

- a) national defense.
- b) a t-shirt.
- c) a streetlight.
- d) a river.

22. A tax affects

- a) buyers only.
- b) sellers only.
- c) buyers and sellers only.
- d) buyers, sellers, and the government.

23. When a tax is imposed on a good, the

- a) supply curve for the good always shifts.
- b) demand curve for the good always shifts.
- c) amount of the good that buyers are willing to buy at each price always remains unchanged.
- d) equilibrium quantity of the good always decreases.

24. What is the fundamental basis for trade among nations?

- a) shortages or surpluses in nations that do not trade
- b) misguided economic policies
- c) absolute advantage
- d) comparative advantage

25. The government's benefit from a tax can be measured by

- a) consumer surplus.
- b) producer surplus.
- c) tax revenue.
- d) All of the above are correct.

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MULTIPLE CHOICE

- 1. В
- 2. В
- 3. D
 - 4. C
 - 5. Α
 - D 6.
 - 7. Α
 - 8. В
 - D 9.
 - 10. C
 - 11. Α
 - 12. В
- 13. D
 - 14. В
- . 15. D
 - 16. В
- 17. Α
 - 18. В
 - 19. В
 - 20. D
 - 21. В
 - 22. D
 - 23. D
 - D 24.
 - C 25.

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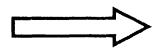
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- d) rises, and the price received by sellers rises.



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MULTIPLE CHOICE

- · 1. D
- 2. В f -
- d. 3. Α
- 4. A
- ₩ 5. D
- C F1 6.
 - 7. В
- 8. В
 - 9. Α
- 10. В
 - 11. В
 - 12. Α
- S 13. Α
 - 14. В
- :e 15. В
 - 16. D
- j. 17. В
 - C 18.

 - 19. C
 - 20. D
 - 21. C

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- C 22.
- 23. Α
- 94. Α
 - C 25.