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Department of Electrical and Electronics Engineering

Murat Taşdemir

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

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.
b) tariff.
c) supply tax.
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 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 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 commonly-advanced 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 losers.
   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.
19. 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.
20. If a tax shifts the demand curve upward (or to the right), 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) 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.	B
2.	B
3.	D
4.	C
5.	A
6.	D
7.	A
8.	B
9.	D
10.	C
11.	A
12.	B
13.	D
14.	B
15.	D
16.	B
17.	A
18.	B
19.	B
20.	D
21.	B
22.	D
23.	D
24.	D
25.	C

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2. Which of the following is not a way for the government to solve the problem of excessive use of common resources?
a) turning the common resource into a private good
b) turning the common resource into a public good
c) regulation
d) taxes

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

4. What happens to the total surplus in a market when the government imposes a tax?
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b) Total surplus increases by the amount of the tax.
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8. 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
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b) cost-benefit analysis.
c) monetary analysis.
d) fiscal analysis.

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11. A tax affects
a) buyers and sellers only.
b) buyers, sellers, and the government.
c) buyers only.
d) sellers only.

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

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b) government intervention.
c) increased competition.
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15. If a tax shifts the demand curve upward (or to the right), we can infer that the tax was levied on
a) both buyers and sellers of the good.
b) We cannot infer anything because the shift described is not consistent with a tax.
c) sellers of the good.
d) buyers of the good.

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

19. When a tax is levied on a good, the buyers and sellers of the good share the burden,
a) provided a portion of the tax is levied on the buyers, with the remaining portion levied on the sellers.
b) provided the tax is levied on the buyers.
c) regardless of how the tax is levied.
d) provided the tax is levied on the sellers.

20. A tax on a good
a) lowers the price that buyers effectively pay and raises the price that sellers effectively receive.
b) lowers the price that buyers effectively pay and lowers the price that sellers effectively receive.
c) raises the price that buyers effectively pay and raises the price that sellers effectively receive.
d) raises the price that buyers effectively pay and lowers the price that sellers effectively receive.

21. A tax levied on the sellers of a good shifts the
a) supply curve downward (or to the right).
b) demand curve upward (or to the right).
c) supply curve upward (or to the left).
d) demand curve downward (or to the left).

22. If a tax shifts the demand curve downward (or to the left), we can infer that the tax was levied on
a) both buyers and sellers of the good.
b) We cannot infer anything because the shift described is not consistent with a tax.
c) buyers of the good.
d) sellers of the good.

23. An overcrowded beach is an example of
a) a Tragedy of the Commons.
b) a positive externality.
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a) loses some of the benefits of market efficiency.
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c) moves from an elastic supply curve to an inelastic supply curve.
d) gains efficiency but loses equality.

25. When a tax is placed on a product, the price paid by buyers
a) falls, and the price received by sellers falls.
b) falls, and the price received by sellers rises.
c) rises, and the price received by sellers falls.
d) rises, and the price received by sellers rises.

EE- Seccnd Midterm

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MULTIPLE CHOICE

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