(4)Which of the following statements about the a priori method of analysis that is used by microeconomists is true?

(a)The analysis goes from the concrete to the abstract

(b)The analysis is based on empirical evidence

(c)The analysis is based on logical inference

(d)All of the above

**(5)The demand schedule for microeconomics classes shows:**

(a)The positive relationship between the price and quantity of microeconomics classes students buy

(b)The negative relationship between the price and quantity of microeconomics classes students buy

(c)The relationship between the price and quantity of microeconomics classes students buy

(d)All of the above

**(6)Which of the following best explains the concept of a time-series graph?**

(a)A graph that measures price on the Y-axis and quantity demanded on the X-axis

(b)A graph that measures the rate of inflation on the Y-axis and the rate of unemployment on the X-axis

(c)A graph that measures time on the Y-axis and years on the X-axis

**(7)Which of the following statements about general equilibrium analysis is false?**

(a)It is an analytical tool employed by economists that suggests that multiple markets in a competitive economy are simultaneously in equilibrium

(b)It is an analytical tool employed by economists that exposes the relationships between multiple markets in an economy

(c)It is an analytical tool employed by economists that focuses on the functioning of single markets in an economy

(d)None of the above

**(10)Which of the following statements is true?**

**If there is a simultaneous decrease in the demand and supply in the market for cooking gas:**

(a)The price for cooking gas decreases and the quantity decreases

(b)The price of cooking gas is undetermined and the quantity decreases

(c)The price of cooking gas decreases and the quantity is undetermined

(d)The price for cooking gas increases and the quantity decreases

(11)If you were a government economic advisor and the government you advise wanted to raise the equilibrium price of Soya milk, which of the following policy action would you recommend to the government?

(a)Take Soya milk from the government reserve and sell it

(b)Subsidize the production costs of Soya milk farmers

(c)Tax the production of Soya milk by farmers

(d)Subsidize the fertilizers and energy costs of Soya milk farmers

(12)Given ceteris paribus, the removal of a 3 percent subsidy on the interest rate paid by celery farmers will have what effect on the market equilibrium of celery?

(a)Price will increase, and quantity will increase

(b)Price will decrease, and quantity will decrease

(c)Price will increase, and quantity will decrease

(d)Price and quantity will stay the same

(14)If consumers switch away from eating pineapples at the same time that the number of pineapple farmers increases in the market, then:

(a)These two effects nullify each other resulting in no change in the market equilibrium price for pineapples

(b)The market price of pineapples increases

(c)The demand curve shifts to the left and the supply curve shifts to the right

(d)The equilibrium quantity of pineapples must increase in the market

(15)Given the demand-supply situations for pineapples in Q#14 above, which of the following statements is true?

(a)The price of pineapples increases and the quantity decreases unambiguously

(b)The price of pineapples decreases unambiguously and the quantity of pineapples is ambiguous

(c)The price of pineapples decreases ambiguously and the quantity of pineapples is unambiguous

(d)None of the above

(16)A revolutionary technology used in the production of brown rice lowers its cost of production given ceteris paribus. As a result, the market changes to a new equilibrium because of a(an):

(a)An upward movement along the demand curve for brown rice

(b)Rightward shift in the supply curve for brown rice

(c)Rightward shift in the demand curve for brown rice

(d)Shortage of brown rice

(17)Which of the following statements is true?

If the federal government subsidies a national day care service for firms that supply this service given ceteris paribus:

(a)The supply curve for day care service will shift to the right

(b)The demand curve for day care service will shift to the right

(c)The demand curve for day care service will shift to the left

(d)Any of the above

**(22)Which of the following statements is true?**

(a)A shift to the left in the demand curve for apples when the original supply curve for apples remain unchanged will cause the new equilibrium price of apples to rise and its new equilibrium quantity to fall

(b) A shift to the right in the supply curve for apples given that its market demand curve does not change will cause a decrease in the equilibrium price of apples and an increase in its equilibrium quantity

(c)A shift to the right in the supply curve for apples when the original demand curve for apples remain unchanged will cause the new equilibrium price of apples to rise and the new equilibrium quantity to fall

(d)None of the above

(23)Suppose blueberry muffins are an inferior good, an increase in consumer income, other things being equal, would:

(a)Increase the demand for muffins

(b)Decrease the quantity demanded of muffins

(c)Decrease the demand for muffins

(d)Increase the quantity demanded of muffins

(24)Which of the following statements best explains the difference between the concepts of market demand and market supply in a given market?

(a)The market demand is the vertical summation of individual consumer demand for a good whereas market supply is the horizontal summation of the individual supply of the output of firms in a market

(b)The market demand is the rectangular summation of the individual consumer demand for a good whereas market supply is the cubic summation of the individual supply of the output of firms in a market

(c)The market demand is the horizontal summation of the individual consumer demand for a good whereas the market supply is the horizontal summation of the individual supply of the output of firms in a market

(d)None of the above

**(39)Within different price ranges along a linear demand curve, elasticity is:**

(a)Equal

(b)Constant

(c)Different

(d)The same as slope

**(44)In order to prove that ginger tea and mint tea are substitutes, microeconomists should test the------------------------------and get a-------------------------------.**

(a)Price elasticity of demand; positive number

(b)Price elasticity of supply; negative number

(c)Cross price elasticity of demand; positive number

(d)Income elasticity of demand; negative number

**(45)Suppose that the quantity of oranges sold increases by 45 percent when the price of tangerines increases by 25 percent. What is the coefficient of cross price elasticity of demand for these fruits?**

(a)2.5

(b)3.2

(c)1.8

(d)0.3

**(46)Given the coefficient of cross price elasticity of demand for the fruits in Q#45 above, which of the following statements is true?**

(a)They are complements

(b)Their demand curve is negatively sloped

(c)Their cross elasticity of demand is negative

(d)None of the above

**(47)Suppose the cross elasticity of demand for oranges and tangerines is equal to 20.5, it would be reasonable to conclude that the cited fruits are:**

(a)Are strongly correlated substitutes

(b)Are strongly correlated complements

(c)Are weakly correlated substitutes

(d)None of the above

**(48)The rationale for the correct answer to Q#47 above is that:**

(a)The lower the cross elasticity of demand coefficient the more substitutable are two goods

(b)The higher the cross elasticity of demand coefficient the more substitutable are two goods

(c)The lower cross elasticity of supply coefficient indicates greater complementary for two goods

(d)None of the above

**(49)Which of the following statements is true?**

**In the very short run period:**

(a)The price elasticity of supply is very elastic

(b)The price elasticity of demand is very elastic

(c)The price elasticity of supply is very inelastic

(d)Income elasticity of demand is perfectly elastic

**(50)Suppose that when the price of cherries is $10 per lb, the quantity supplied of cherries is 20 lbs. When price of cherries is $6 per lb, the quantity supplied of cherries is 12 lbs. The price elasticity of supply is:**

(a)1.7

(b)1.0

(c)2.5

(d)0.8

**(51)If an excise tax is placed on the producer of a product that has a perfectly inelastic demand, given ceteris paribus then:**

(a)The entire tax will be paid by the producer

(b)The consumer and producer will equally share the burden of the tax

(c)The entire tax will be paid by the consumer

(d)More information is needed to determine the tax incidence

**(52)If bus travel is an inferior good, then its income elasticity of demand will be:**

(a)Positive

(b)Zero

(c)Negative

(d)Greater than 1

**(53)For which of the following medical services is the income elasticity of demand largest?**

(a)Emergency services after a car accident

(b)Flu shots

(c)Breast enhancements

(d)Medical tests to diagnose specific symptoms

**(54)If the income elasticity of demand for undergarments is estimated by economists to be 6.85 in a given market, it would be plausible to conclude that undergarments:**

(a)Have a steep and negatively sloped demand curve

(b)Have a horizontal demand curve

(c)Are normal goods

(d)Are Giffen goods

**(55)Air travel would be classified as a normal good if:**

(a)Consumers buy less when the price falls

(b)Consumers buy less when income rises

(c)Consumers buy more when income rises

(d)More information needed to answer this question

**(56)Air travel in Q#55 would have an income elasticity of demand that is:**

(a)Less than 0

(b)Greater than 0

(c)Equal to 0

(d)None of the above

**(57)Which of the following goods is likely to have the most elastic demand curve?**

(a)Gasoline

(b)Electricity

(c)Tummy tucks

(d)Heart transplants