1. If the supply curve shifts to the right, then equilibrium:
   a. price and quantity go up.
   b. price goes down and quantity goes up.
   c. price goes up and quantity goes down.
   d. price and quantity go down.

2. If the demand curve shifts to the left, then equilibrium:
   a. price and quantity go up.
   b. price goes up and quantity goes down.
   c. price goes down and quantity goes up.
   d. price and quantity go down.

3. If income is $48 and the vertical axis measures food which is priced at $6 per unit and the horizontal axis measures clothing which is priced at $4 a unit, the slope of the budget line is:
   a. 3/2
   b. 8
   c. 12
   d. 2/3

4. If the demand for shirts is price inelastic, then a shift to the right in the supply curve of shirts will:
   a. increase the quantity of shirts sold.
   b. increase total spending on shirts.
   c. both a and b are true.
   d. none of the above are true.

5. If goods X and Y are substitutes in consumption, then a fall in the price of Y will:
   a. shift the supply curve for X to the right.
   b. shift the demand curve for X to the right.
   c. shift the demand curve for X to the left.
   d. none of the above.

6. If the price of bread falls from $1.80 to $1.20 per loaf and the quantity purchased goes from 6 to 10 per day, then the arc price elasticity of demand for bread is:
   a. 4/5
   b. 5/4
   c. 1/2
   d. 2
   e. 8/12

7. If an allocation is Pareto efficient then
   a. any change will make someone better off.
   b. there is some change that will make someone better off without hurting anyone
   c. any change will make someone worse off.
   d. no change is possible.

8. Suppose Sam’s income is $70,000 and George’s is $15,000, with Sam’s income on the vertical axis and George’s on the horizontal. Sam has indifference curves between her income and George’s, and at the initial level of incomes her indifference curve has a slope of -1/2. This implies
   a. Sam will give some money to George if $1 given to George costs less than $1 to Sam.
   B. Sam will give some money to George if $1 given to George costs less than $0.50.
   C. Sam will give some money to George if $1 given to George costs less than $2.
   D. Sam would pay up to $0.50 in order to reduce George’s income by $1 from the initial point.
9. Demand for a non-durable product is likely to be:
   a. more elastic in the short run than in the long run
   b. more elastic the more narrowly defined the product (such as Toyota cars versus all cars)
   c. both a and b are true.
   D. none of the above are true.

10. If one has a production possibility frontier with bread on the horizontal axis and potatoes on the vertical axis, then the absolute value of the slope of the ppf curve
   a. is called the marginal rate of substitution.
   b. measures the opportunity cost of a unit of bread in terms of potatoes.
   c. is decreasing with the amount of bread relative to potatoes due to the concave shape of the ppf.
   d. none of the above are true.

11. If the supply curve shifts to the left and the demand curve shifts to the left, then equilibrium:
   a. price will go down.
   b. price will go up.
   c. quantity will go down.
   d. quantity will go up.

12. If the elasticity of demand for corn is (1/3) and the corn crop is 15% smaller this year than last year, then, other things being the same, the price of corn this year will be,
   a. (1/3)% higher.
   B. 20% higher.
   C. 5% higher
d. 45% higher.

13. The income consumption curve is drawn
   a. with a negative slope if both goods are normal.
   B. Holding income constant.
   C. Both a and b are true.
   D. None of the above are true.

14. If the cross-price elasticity of the demand for good x with respect to the price of good z is negative:
   a. goods x and z are substitutes.
   B. then x is an inferior good.
   C. goods x and z are complements.
   D. both b and c are true.

15. Assume that clothing is on the horizontal axis and food on the vertical.  If the price of food doubles and the price of clothing increases to 1.5 its former level and money income doubles, the budget line:
   a. will shift away from the origin in a parallel fashion.
   B. will shift toward the origin in a parallel manner.
   C. will swing inward in a way that makes the budget line steeper (greater absolute slope).
   D. will swing outward in a way that makes the budget line flatter (smaller absolute slope).

16. If Fred spends 20% of his income on clothes when his income is $40 thousand and spends 15% of his income on clothing when his income is $60 thousand, then over this income range:
   a. clothing is an inferior good to Fred.
   B. clothing is a good with an income elasticity greater than zero but less than plus one.
   C. clothing is a good with an income elasticity greater than plus one.
   D. none of the above are necessarily true.
17. An decrease in the price of the “x” good is shown by:
   a. a rotation in the budget line so that it intersects the horizontal axis closer to the origin.
   B. a rotation in the budget line so that it intersects the horizontal axis farther the origin.
   C. a parallel shift in the budget constraint toward the origin.
   D. none of the above.

18. Suppose Ed has $150 a week to spend on hats and shoes. The price of hats is $15 a piece, and the price of shoes is $30 per pair. The value of the shoe intercept is
   a. 2      b. 1/10       c. 5      d. 1/5

19. If per capita income went from $30 to $50 thousand per year and the consumption of potato chips went from 4 million to 6 million bags per day, one would calculate the arc income elasticity of demand for potato chips as
   a. -4/5   b. 5/4        c. 3/2    d. 4/5    e. 2/5

20. If income goes up and the good x is an normal good, then the new equilibrium of supply and demand in the market for good x will have:
   a. price and quantity higher.
   b. price higher and quantity lower.
   c. price lower and quantity higher.
   d. price and quantity both lower.

21. A price ceiling such as rent control is likely to have which of the following effects relative to a free market:
   a. an increase in the quantity supplied.
   B. the existence of a surplus in the market.
   C. both a and b are true.
   D. none of the above are true.

22. An indifference curve between two goods:
   a. is generally assumed to be convex.
   B. has a negative slope.
   C. both a and b.
   D. none of the above are true.

23. Indifference curves that are sharply curved so as to be nearly “L” shaped, rather than close to being straight lines, are indicative of goods that are:
   a. high in quality.
   b. close complements.
   c. close substitutes.
   d. both inferior

24. A price-consumption curve is:
   a. drawn holding constant the prices of all goods.
   B. Always positive sloping.
   C. Drawn holding income constant.
   D. All of the above are true.
25. A corner solution, where only one of two goods is consumed, by a consumer facing a linear budget constraint, is
   a. always going to happen when indifference curves are convex to the origin.
   B. cannot happen with concave indifference curves.
   C. both a and b are true.
   D. none of the above are true.

26. It is true that:
   a. every good consumed in positive amounts is inferior over some income level.
   B. With two goods, at least one must be a normal good.
   C. Both a and b are true.
   D. None of the above are true.

27. The rate of product transformation is the absolute value of
   a. the slope of a demand curve
   B. the slope of a supply curve.
   C. the slope of a production possibility curve
   D. none of the above.

These assumptions apply to the next two questions:
   Suppose the first 4 visits to the amusement park are $20 each, but each visit after that costs $10. The “other” good has a price of $4 per unit. Our consumer, George, has $160 per period to spend on these two goods, where ‘other’ is measured on the vertical axis and park visits are on the horizontal axis.

28. The slope of George’s budget constraint is
   a. is 5/2 at the point when he is making 3 visits to the park.
   B. is 5 at the point when he is making 8 park visits.
   C. both a and b are true.
   D. none of the above are true.

29. It is true that George could
   a. consume 5 park visits and 20 units of the other good given the prices and budget.
   B. Visit the park a total of exactly 12 times if he spends all his money on such visits.
   C. both a and b are true.
   E. None of the above are true.

30. If a consumer consumes both bread and shoes, where bread is displayed on the vertical and shoes on the horizontal axis, then at the equilibrium choice:
   a. the consumer’s MRS equals the price of bread over the price of shoes.
   B. the consumer’s MRS equals the price of shoes over the price of bread.
   C. the consumer’s MRS equals the ratio of total bread chosen to total shoes chosen.
   D. both b and c are true.

31. Assuming food is displayed on the horizontal axis and the “other” good on the vertical, the budget constraint for someone eligible for food stamps looks most like which of the Figures under the Figure I collection.
   A. i  b. ii  c. iii  d. iv
32. If someone consumes more than the amount of food that he can purchase with the food stamps given to him, then one would expect that if he had been given the same dollar face value in cash instead of food stamps,
   a. exactly as well off.
   b. he would have been worse off.
   C. he would have been better off.
   D. any of the above could be true depending upon how sharply curved are the person’s indifference curves.

33. If the statistics for 2000 compared to 1999 showed that the real price of beans went down and the quantity consumed decreased, you would offer the explanation that:
   a. supply shifted to the right
   b. demand shifted to the right.
   C. supply shifted to the left.
   D. demand shifted to the left.

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Figure I