

1. As a result of a binding price ceiling, there will be:
 - A. an excess demand for the good
 - B. an excess supply of the good
 - C. no change from equilibrium demand or supply

2. As a result of a binding price floor, there will be:
 - A. an excess demand for the good
 - B. an excess supply of the good
 - C. no change from equilibrium demand or supply

3. As a result of a non-binding price ceiling, there will be:
 - A. an excess demand for the good
 - B. an excess supply of the good
 - C. no change from equilibrium demand or supply

4. As a result of a non-binding price floor, there will be:
 - A. an excess demand for the good
 - B. an excess supply of the good
 - C. no change from equilibrium demand or supply

5. Pareto optimality means that:
 - A. no one can be made better off without making someone else worse off
 - B. we have a better outcome than would be delivered by free markets with too much competition.
 - C. everyone has an equal standard of living
 - D. we have an ideal system of central planning.

6. For a price ceiling to be a binding constraint on the market, the government must set it
 - a. above the equilibrium price
 - b. below the equilibrium price
 - c. precisely at the equilibrium price
 - d. at any price because all price ceilings are binding constraints

7. A binding price ceiling creates
 - a. a shortage
 - b. a surplus

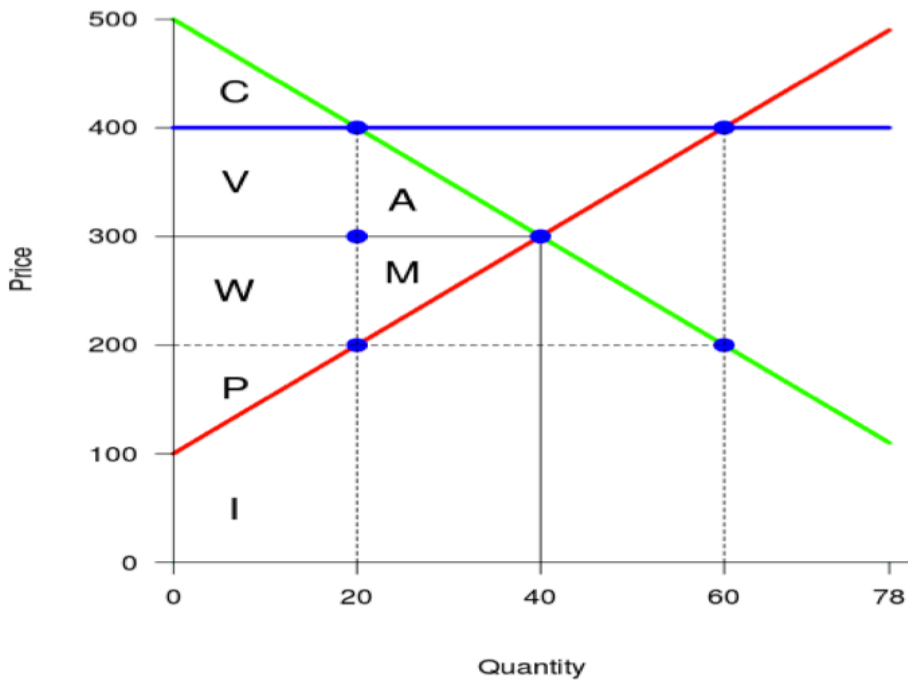
- c. an equilibrium
- d. a shortage or a surplus depending on whether the price ceiling is set above or below the equilibrium price

8. Suppose the equilibrium price for apartments is \$500 per month and the government imposes rent controls of \$250. Which of the following is unlikely to occur as a result of the rent controls?

- a. There will be a shortage of housing
- b. Landlords may discriminate among apartment renters
- c. Landlords may be offered bribes to rent apartments
- d. The quality of apartments will improve
- e. There may be long lines of buyers waiting for apartments

9. A price floor

- a. sets a maximum on the price at which a good can be sold
- b. sets a legal minimum on the price at which a good can be sold
- c. always determines the price at which a good must be sold
- d. is not a binding constraint if it is set above the equilibrium price



10. The area $C + V + A$ represents:

- A. consumer surplus after the price floor.
- B. consumer surplus before the price floor.
- C. producer surplus after the price floor.
- D. producer surplus before the price floor.
- E. deadweight loss after the price floor.

11. The area $A + M$ represents:

- A. consumer surplus after the price floor.
- B. consumer surplus before the price floor.
- C. producer surplus after the price floor.
- D. producer surplus before the price floor.
- E. deadweight loss after the price floor.

12. The area $W + M + P$ represents

- A. consumer surplus after the price floor.
- B. consumer surplus before the price floor.
- C. producer surplus after the price floor.
- D. producer surplus before the price floor.
- E. deadweight loss after the price floor.

13. The area C represents:

- A. consumer surplus after the price floor.
- B. consumer surplus before the price floor.
- C. producer surplus after the price floor.
- D. producer surplus before the price floor.
- E. deadweight loss after the price floor.

14. The area I represents:

- A. The consumer share of deadweight loss.
- B. The producer share of deadweight loss.
- C. The producer surplus after the price floor.
- D. The total variable cost of production after the price floor.

15. The area $V + W + P$ represents:

- A. The consumer share of deadweight loss.
- B. The producer share of deadweight loss.
- C. The producer surplus after the price floor.
- D. The total variable cost of production after the price floor.

16. Price floors help

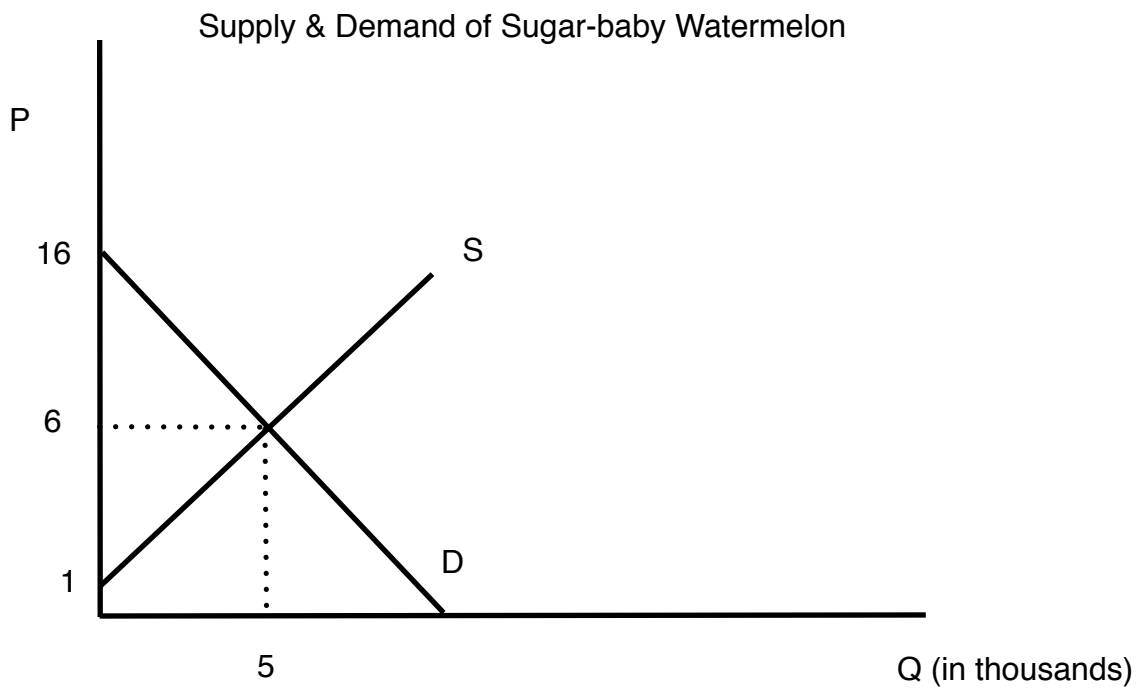
- A. the consumer
- B. the producer
- C. the carpenter
- D. the house

17. Price ceilings help

- A. the consumer
- B. the producer
- C. the carpenter
- D. the house

True/False

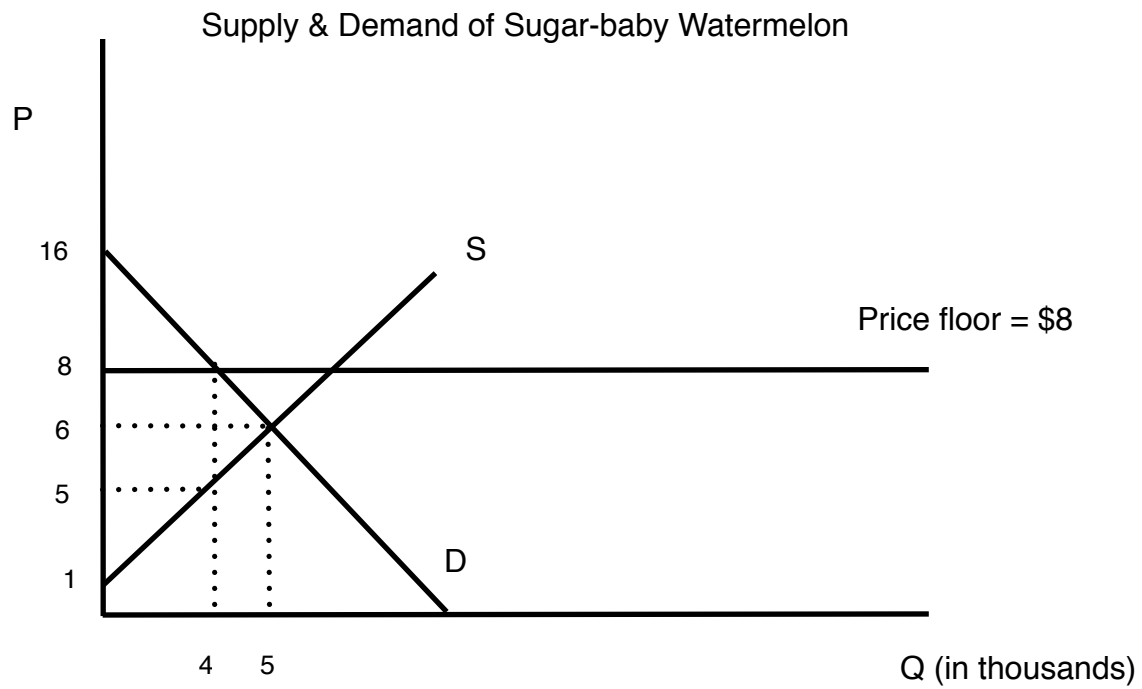
1. If the equilibrium price of gasoline is \$1.00 per gallon and the government places a price ceiling on gasoline of \$1.50 per gallon, the result will be a shortage of gasoline.
2. A price ceiling set below the equilibrium price causes a surplus.
3. A price floor set above the equilibrium price is a binding constraint.
4. The minimum wage helps all teenagers because they receive higher wages than they would otherwise.



a) Calculate the consumer surplus.

b) Calculate the producer surplus.

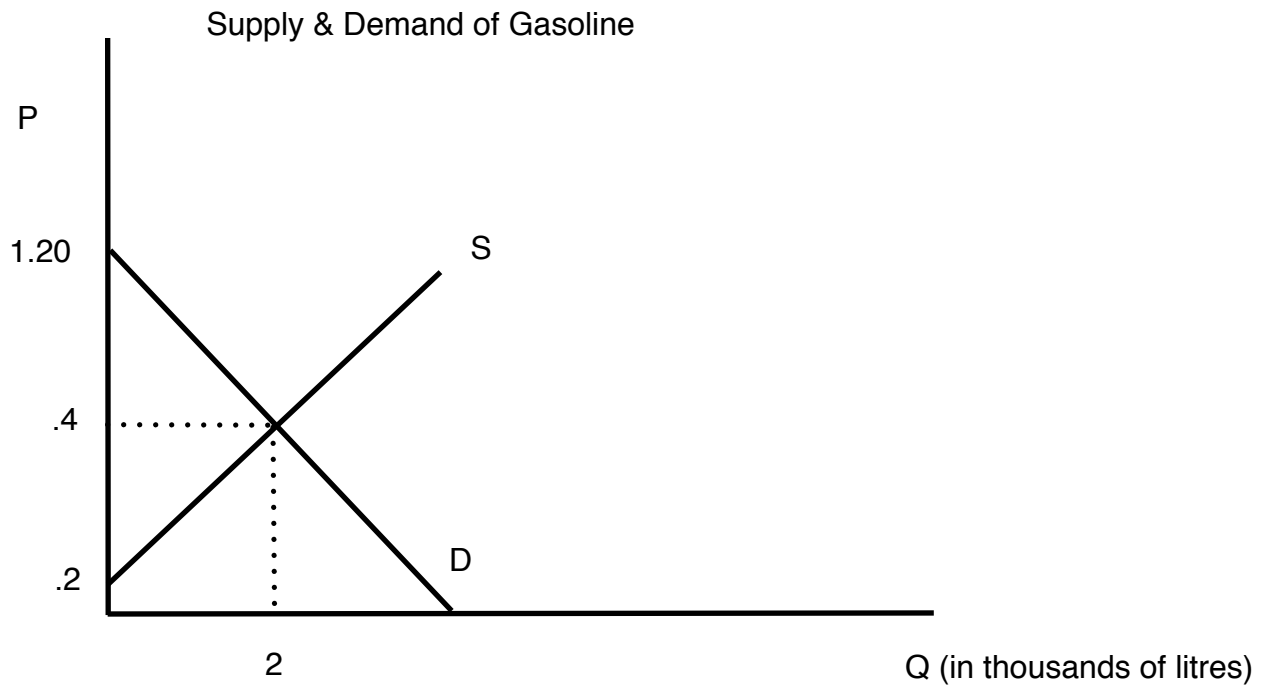
c) Calculate the total surplus.



a) Calculate the consumer surplus after the price floor.

b) Calculate the producer surplus after the price floor.

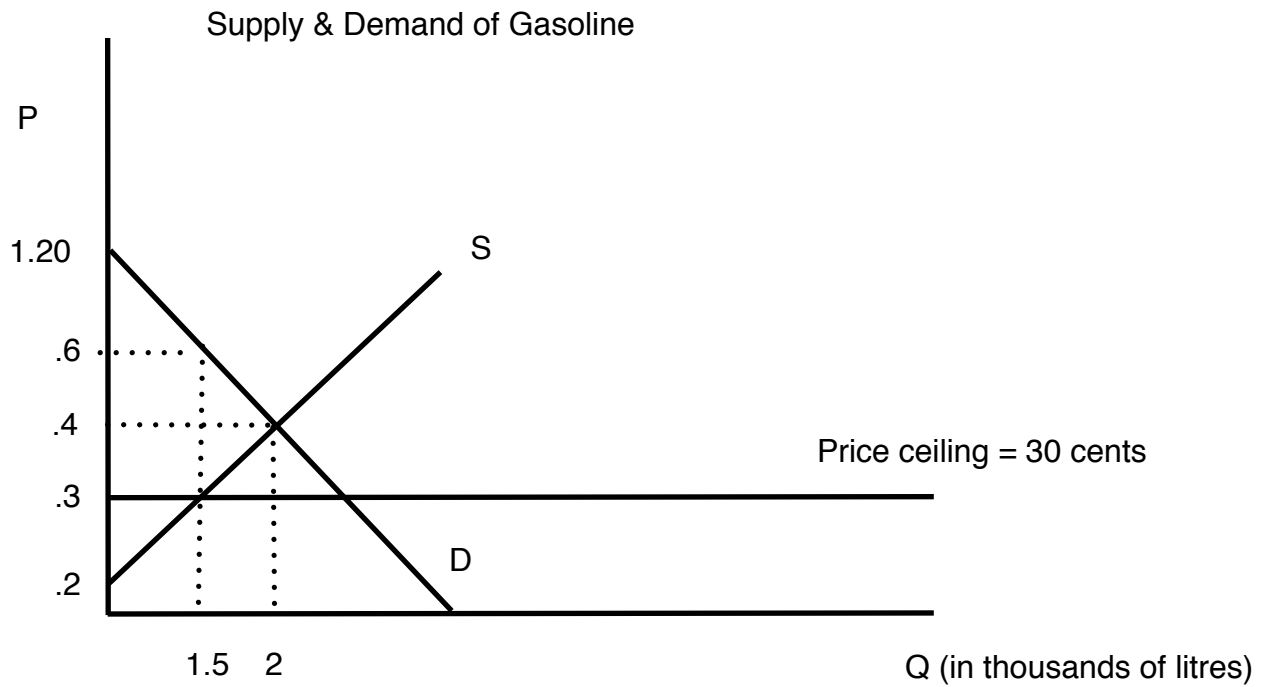
c) Calculate the deadweight loss.



a) Calculate the consumer surplus.

b) Calculate the producer surplus.

c) Calculate the total surplus.



a) Calculate the consumer surplus after the price ceiling.

b) Calculate the producer surplus after the price ceiling.

c) Calculate the deadweight loss.