

Chapter 6 Supply, Demand and Government Policies Practice Test

Multiple Choice

Identify the letter of the choice that best completes the statement or answers the question.

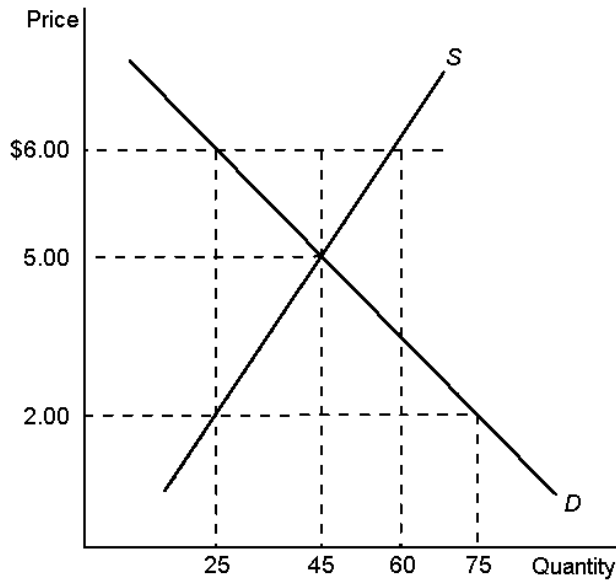
- _____ 1. Price controls
- always produce an equitable outcome.
 - always produce an efficient outcome.
 - can generate inequities of their own.
 - produce revenue for the government.
- _____ 2. A legal maximum price at which a good can be sold is a
- price floor.
 - price stabilization.
 - price support.
 - price ceiling.

Graph 6-2



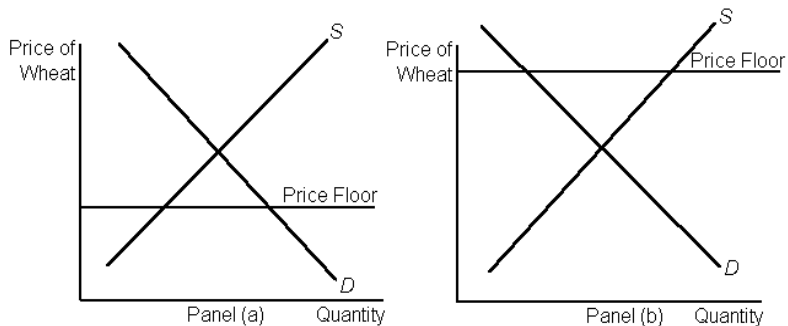
- _____ 3. According to Graph 6-2, a binding price ceiling would exist at a price of
- \$8.00.
 - \$6.00.
 - \$5.00.
 - none of the above.

Graph 6-3



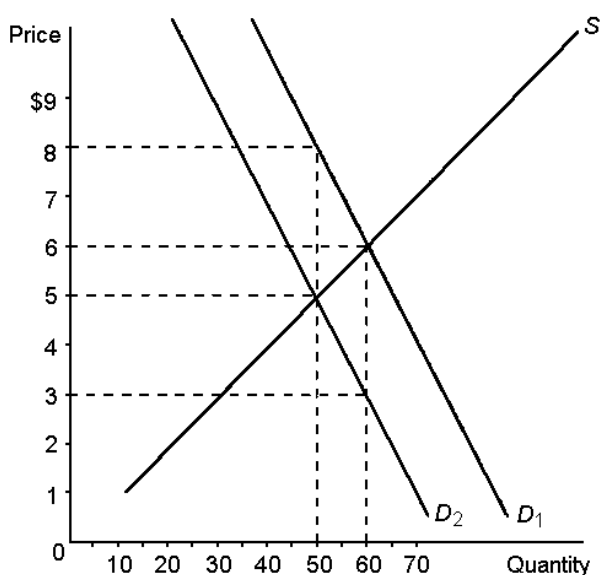
- ___ 4. According to Graph 6-3, if the government imposes a binding price floor of \$6.00 in this market, the result would be
- a surplus of 15.
 - a surplus of 35.
 - a shortage of 30.
 - a shortage of 50.
- ___ 5. Long lines at gas stations in the U.S. in the 1970s were primarily a result of
- the fact that OPEC raised the price of crude oil in world markets.
 - the fact that U.S. gasoline producers raised the price of gasoline.
 - the fact that the U.S. government had imposed a price ceiling on gasoline.
 - the fact that Americans typically commute long distances.
- ___ 6. Which of the following is NOT a mechanism of rationing used by landlords in cities with rent control?
- waiting lists
 - race
 - price
 - bribes
- ___ 7. A price floor is not binding if
- the price floor is higher than the equilibrium market price.
 - the price floor is lower than the equilibrium market price.
 - people are willing to buy as much when the price floor is imposed as they did before.
 - the government sets it.

Graph 6-6



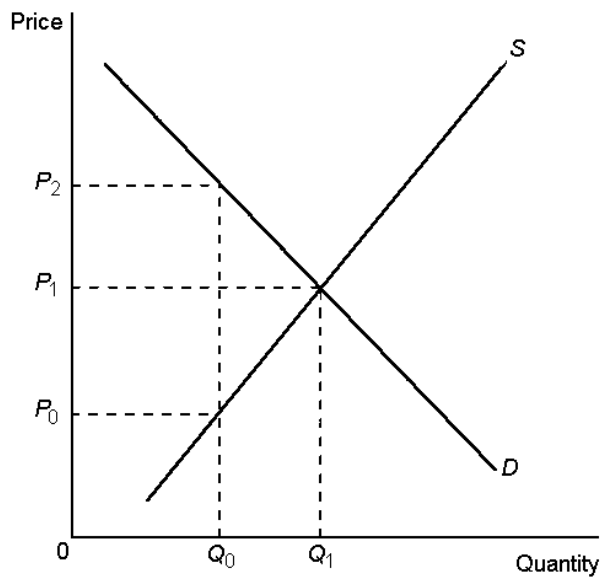
- _____ 8. According to Graph 6-6, in panel (b), at the actual price there will be
- a shortage of wheat.
 - equilibrium in the market.
 - a surplus of wheat.
 - an excess demand for wheat.
- _____ 9. The minimum wage has its greatest impact on
- the market for female labor.
 - the market for white workers.
 - the market for black workers.
 - the market for teenage labor.
- _____ 10. Which of the following is NOT a function of prices in a market system?
- Prices have the crucial job of balancing supply and demand.
 - Prices send signals to buyers and sellers to help them make rational economic decisions.
 - Prices coordinate economic activity.
 - Prices make an equitable distribution of goods and services among consumers possible.

Graph 6-7



- ___ 11. According to Graph 6-7, the price buyers will pay after the tax is imposed is
- \$8.00.
 - \$6.00.
 - \$5.00.
 - \$3.50.
- ___ 12. FICA is an example of
- a payroll tax.
 - a sales tax.
 - a farm subsidy.
 - fire insurance.

Graph 6-10



- ___ 13. In Graph 6-10, the per unit burden of the tax on buyers is
- P_2 minus P_0 .
 - P_2 minus P_1 .
 - P_1 minus P_0 .
 - Q_1 minus Q_0 .
- ___ 14. In Graph 6-10, the per unit burden of the tax on the sellers is
- P_2 minus P_0 .
 - P_2 minus P_1 .
 - P_1 minus P_0 .
 - Q_1 minus Q_0 .