

Name	Number
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Remarks:

- You have 45 mins. to complete this midterm.
- Signal with an **X** your answer to each of the 18 questions using the table below.
- Each right answer is worth 1.11 points. We take out 0.22 points for each wrong answer.

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)	a)
b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)	b)
c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)	c)
d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)	d)

1. The fact that people exploit opportunities to make themselves better off leads to:

- a) Scarcity.
- b) Markets' movement towards equilibrium.
- c) Government intervention to re-establish equilibrium.
- d) All the answers are CORRECT.

2. There is an equilibrium when:

- a) Agents cannot make themselves better off by individually changing behaviour.
- b) Income is equally distributed.
- c) All resources are used.
- d) Every other answer is WRONG.

3. Since Tom is producing on his production possibility frontier:

- a) He can increase the amount produced of both goods.
- b) He cannot increase the production of any good.
- c) He can only produce more of one good if he produces less of the other.
- d) Every other answer is WRONG.

4. When two resources are used to produce two goods, one resource more apt to produce one good and the other resource more apt to produce the other good, then:

- a) The production possibility frontier is linear.
- b) The production possibility frontier is concave.
- c) The production possibility frontier is rigid.
- d) The production possibility frontier has a right angle.

5. The following table contains the number of hours needed to produce bread and shoes in Malaysia and Senegal.

	Malaysia	Senegal
1 kg of bread	0.5	1
1 pair of shoes	2	1.5

We can say that:

- a) Senegal has comparative advantage in producing bread.
- b) Malaysia has comparative advantage in producing bread.
- c) Malaysia has comparative advantage in producing both bread and shoes.
- d) Senegal has comparative advantage in producing both bread and shoes.

6. When two goods are complements, an increase in the price of one of the goods leads to:

- a) An increase in the price of the other good.
- b) A reduction in the price the other good.
- c) An increase in the demand of the other good.
- d) A reduction in the demand of the other good

7. The market of good X is initially in equilibrium. Knowing that goods X and Y are substitutes, if both the price of good Y and the cost of producing X increase, the new equilibrium in the market of good X entails:

- a) Higher equilibrium price and quantity.
- b) Higher equilibrium price.
- c) Lower equilibrium price.
- d) Lower equilibrium price and higher equilibrium quantity.

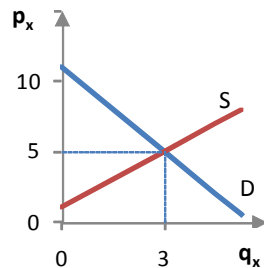
8. A box of strawberries is sold for 2.00€ in equilibrium.

Consumer	Willingness to Pay
John	3.00€
Maryia	2.50€
Phoebe	2.00€
Matthew	2.00€

The above table contains the willingness to pay of the four consumers in this market. Assuming each consumer buys at most one box of strawberries, consumer surplus is equal to:

- a) 1€
- b) 1.50€
- c) 2€
- d) Every other answer is WRONG.

9. What is the value of producer surplus in the market of good X represented in the graph?



- a) 12
- b) 18
- c) 6
- d) Every other answer is WRONG.

10. Following an intervention of the government in the market for lemons that deviates the economy from its competitive equilibrium, it may happen that:

- a) The quantity traded in the market is reduced and the producer surplus is increased.
- b) The market price and the consumer surplus both increase.
- c) The market price changes increasing total surplus.
- d) Every other alternative is WRONG.

11. In order to protect some consumers, the government has decided to impose a price ceiling for good A. Since the price ceiling is lower than the (original) equilibrium price, this decision leads to:

- a) A shortage.
- b) A surplus.
- c) An increase in sellers' profits.
- d) An increase in the price at which the good is sold.

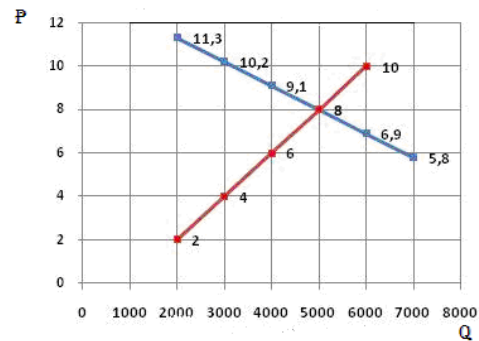
12. Removing a price floor that had previously been set above the (original) equilibrium leads to:

- a) An increase in the quantity traded and a reduction in price.
- b) An excess demand.
- c) An excess supply.
- d) An increase in quality.

13. Which of the following sentences is FALSE?

- a) Setting a price floor below the equilibrium price does not change the quantity traded in equilibrium.
- b) Setting a price ceiling above the equilibrium price does not change the equilibrium price.
- c) Setting a price ceiling below the equilibrium price does not change the quantity traded in equilibrium.
- d) Setting a price floor above the equilibrium price changes the quantity traded in equilibrium.

14. The diagram below represents the market for taxi rides (supposing all have the same duration) in a city where the number of taxi licenses has been limited to 3000. Under these conditions, the quota rent and the loss of welfare:



- a) Amount to 9.3 € and 12250 €, respectively.
- b) Amount to 6.2 € and 6200 €, respectively.
- c) Amount to 3.1 € and 1550 €, respectively.
- d) Cannot be estimated.

15. If the price-elasticity of the demand for a good is 2.1, we can conclude that:

- a) The demand for that good is elastic.
- b) The demand for that good is inelastic
- c) The demand for that good is perfectly inelastic.
- d) The demand for that good is perfectly elastic.

16. An increase of 20% in the price of pink pens leads to an increase in the quantity supplied of 50%. We can therefore say that:

- a) The supply of pink pens is elastic.
- b) The supply of pink pens is inelastic.
- c) The supply of pink pens is perfectly inelastic.
- d) The supply of pink pens is perfectly elastic.

17. Mr. Dekkel sells buttons. Based on his past experience, he believes that by raising their price, the total revenue he gathers always increases. His son, however, explained him that total revenue increases as long as:

- a) The quantity effect is stronger than the price effect, i.e., demand is inelastic.
- b) The price effect is stronger than the quantity effect, i.e., demand is inelastic.
- c) The quantity effect is stronger than the price effect, i.e., demand is elastic.
- d) Every other alternative is WRONG.

18. Cross-price elasticity of demand is positive whenever:

- a) Goods are complements.
- b) Goods are inferior.
- c) Goods are normal.
- d) Goods are substitutes.