Questions 1 and 2 refer to the table below:

<table>
<thead>
<tr>
<th>Price</th>
<th>Qd</th>
<th>Qs</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1</td>
<td>1500</td>
<td>500</td>
</tr>
<tr>
<td>$2</td>
<td>1000</td>
<td>700</td>
</tr>
<tr>
<td>$3</td>
<td>900</td>
<td>900</td>
</tr>
<tr>
<td>$4</td>
<td>600</td>
<td>1100</td>
</tr>
<tr>
<td>$5</td>
<td>400</td>
<td>1300</td>
</tr>
<tr>
<td>$6</td>
<td>300</td>
<td>1400</td>
</tr>
</tbody>
</table>

1. At equilibrium:
   a) the market price is $5 per unit.
   b) there is a surplus of 900 units.
   c) there is a shortage of 900 units.
   d) 900 units are traded at a price of $3 per unit.
   e) the market price is $1 per unit and the quantity traded is 500 units.

2. Suppose the government imposes a price ceiling at $2. We know that:
   a) there will be a surplus of 300 units.
   b) there will be a shortage of 300 units.
   c) there will be a surplus of 700 units.
   d) there will be a shortage of 700 units.
   e) it will not have any effect on the price and output.

3. When effective, both price ceilings and price floors lead to:
   a) increased sales.
   b) an increase in consumer surplus.
   c) a reduction in quantity bought and sold.
   d) an increase in product quality.
   e) all of the above.

4. Which of the following is not likely to occur under black market conditions?
   a) product quality will become more uncertain.
   b) price is lower compared to comparable legal markets.
   c) violence will be used to settle disputes.
   d) all of the above are likely to happen under black market conditions.

5. The economic analysis of rent controls suggests that all of the following may occur except:
   a) discrimination.
   b) side payments (extortion).
   c) deterioration of existing housing subject to rent control.
   d) a surplus of low-income housing.
   e) an increase in the supply of condominiums.
6. An effective price ceiling:
a) causes a surplus in the market.
b) causes a shortage in the market.
c) helps all consumers.
d) helps all producers.

7. Which of the following is a correct statement about markets for prohibited goods?
a) Penalizing sellers of an illegal good decreases supply and penalizing buyers decreases demand.
b) Penalizing either buyers or sellers of an illegal good decreases the quantity bought.
c) Taxing a good at a sufficiently high rate can achieve the same consumption levels as prohibition.
d) All of the above.

8. In order for the agricultural policy of setting the price of wheat at $4 per bushel to succeed in stabilizing the price,
a) the government must sell the surplus agricultural products to other countries.
b) the government must buy the surplus agricultural products.
c) the government must plant crops of its own to assure that there will be no shortage of agricultural products.
d) the government must bear the cost of the lost consumer surplus.

9. The supply and demand schedules for a product are given in the table below. In the absence of any government intervention, the equilibrium quantity is the efficient quantity. Which of the following government policies will result in a deadweight loss from underproduction?
a) a price ceiling at $3
b) a price ceiling at $5
c) a $2 subsidy paid to the producers for each unit they produce.
d) a $2 subsidy paid to the buyers for each unit they purchase.

<table>
<thead>
<tr>
<th>Price</th>
<th>Quantity Supplied</th>
<th>Quantity Demanded</th>
</tr>
</thead>
<tbody>
<tr>
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<td>0</td>
<td>31</td>
</tr>
<tr>
<td>1</td>
<td>4</td>
<td>28</td>
</tr>
<tr>
<td>2</td>
<td>8</td>
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<tr>
<td>7</td>
<td>28</td>
<td>4</td>
</tr>
<tr>
<td>8</td>
<td>32</td>
<td>0</td>
</tr>
</tbody>
</table>

10. A hurricane sweeps through New Orleans and destroys a substantial portion of available housing. The pre-hurricane housing market is illustrated in the figure below. In the absence of rent controls, the short-run market response will be to move to a new equilibrium in the above figure at a price-quantity combination such as:
a) $750 and 4,000 units
b) $1250 and 2,000 units
c) $1250 and 5,000 units
d) $500 and 5,000 units
11. What would be the effect if a rent ceiling equal to $500 per month were imposed on the above housing market?
   a) a surplus of 3000 units
   b) a shortage of 3000 units
   c) a shortage of 250 units
   d) nothing because the price ceiling has no effect on the equilibrium price and quantity.

12. The stricter the enforcement of a price ceiling,
   a) the smaller is the difference between the black market price and the legal price of the good.
   b) the larger is the difference between the black market price and the legal price of the good.
   c) the greater is the amount of the good available in total, from either the legal market or the black market.
   d) both (b) and (c) are correct.

13. In the US economy, wage rates for various types of labor are determined primarily by:
   a) the Labor Relations Board.
   b) the federal government.
   c) businesses.
   d) the supply and demand for the various types of labor.

14. Suppose that the equilibrium wage in the low-skilled labor market is $6.25 per hour. Further, suppose the federal government raises the minimum wage to $6.00 an hour from its present level of $5.15. The government's action of increasing the minimum wage will result in:
   a) a decrease in unemployment.
   b) an increase in unemployment.
   c) a shortage of low-skilled labor.
   d) neither a shortage nor a surplus of labor in the low-skilled labor market.
15. A sales tax is imposed on the sale of gasoline. This tax will:
   a) shift the supply curve of gasoline to the left.
   b) shift the supply curve of gasoline to the right.
   c) shift the demand curve for gasoline to the right.
   d) lower the price of gasoline and increase the quantity sold.

16. In the figure below, the price received by the seller before the tax is ___ per compact disc, and the price received by the seller after the tax is ___ per compact disc.
   a) $20; $20
   b) $20; $10
   c) $30; $20
   d) $30; $10

![Graph showing supply and demand curves with tax]

17. In the figure above, what is the amount of the tax per compact disc?
   a) $10
   b) $20
   c) $30
   d) $40

18. In the above figure, what is the amount of the total tax revenue collected by the government?
   a) $20 million
   b) $40 million
   c) $200 million
   d) $400 million

19. In the above figure, what is the amount of the deadweight loss created by the tax?
   a) $400 million
   b) $200 million
   c) $100 million
   d) $20
20. Consider the market for heart transplants. Assume that the demand for a heart transplant is perfectly inelastic and the supply is upward sloping. If heart transplants are taxed $1000 per transplant, how will the tax be divided between the buyer and the seller?
a) The seller will pay the entire tax.
b) The buyer will pay the entire tax.
c) The tax will be evenly divided between the seller and the buyer.
d) more information is needed to determine how the tax is split.

21. Price floors in agricultural markets:
a) create shortages that must be covered by the government.
b) create lower prices for consumers.
c) create surpluses that must be bought by the government.
d) decrease the quantity that farmers are permitted to produce.