

Practice Exam Fall 2012 Econ 1

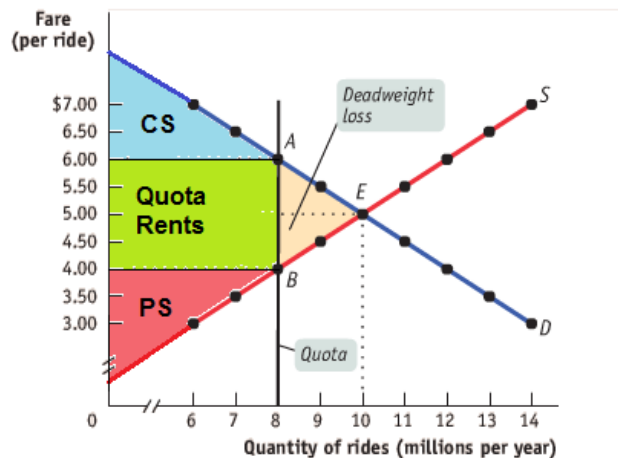
Multiple Choice Questions

- 1.d
- 2.d
3. c
- 4.b
5. a
- 6.d
7. a
- 8.d
- 9.d
- 10.d
- 11.c
- 12.d
- 13.d
14. d
15. c
16. b
17. d
18. d
- 19.e
- 20.d

Short Answer Questions

1. See graph 8-11 on page 230 of the text book. The modeling and analysis for this particular question is similar to that of the graph, except in this question the price would be lowered from the high tariff price P^T to a lower tariff price $P^{T'}$, where $P^{T'}$ is between the world price P^W and high tariff price P^T . Producer surplus falls, consumer surplus rises, tax revenue falls and total surplus rises.

2.



3. a) See graph 7-2 on page 183. The incidence on suppliers is the difference between the price associated with point E and the price associated with point B. The incidence on consumers is the difference between the price associated with point A and the price associated with point E.

b) See graph 7-3 on page 184. The incidence on suppliers is the difference between the price associated with point E and the price associated with point B. The incidence on consumers is the difference between the price associated with point A and the price associated with point E.

c) The incidences are the same regardless of whether the tax is levied on the producer or consumer. What determines tax incidence is the relative elasticities of supply and demand – whichever group has the relatively less elastic (more inelastic) curve will have the higher incidence.

4. See graph 8-9 on page 225.