Multiple Choice Questions

1. (Consider This) Elastic demand is analogous to a ________ and inelastic demand to a _________.
   A. normal wrench; socket wrench
   B. Ace bandage; firm rubber tie-down
   C. tight rubber band; loose rubber band
   D. one-foot ruler; tape measure

   \[
   \begin{array}{|c|c|}
   \hline
   \text{Price per ticket} & \text{Quantity demanded} \\
   \hline
   $13 & 1,000 \\
   11 & 2,000 \\
   9 & 3,000 \\
   7 & 4,000 \\
   5 & 5,000 \\
   3 & 6,000 \\
   \hline
   \end{array}
   \]

2. Refer to the above information. Over the $7-$5 price range, demand is:
   A. perfectly elastic.
   B. perfectly inelastic.
   C. elastic.
   D. inelastic.

3. Suppose the price elasticity of demand for bread is 0.20. If the price of bread falls by 10 percent, the quantity demanded will increase by:
   A. 2 percent and total expenditures on bread will rise.
   B. 2 percent and total expenditures on bread will fall.
   C. 20 percent and total expenditures on bread will fall.
   D. 20 percent and total expenditures on bread will rise.

4. Studies show that the demand for gasoline is:
   A. price inelastic in the short run, but elastic in the long run.
   B. price inelastic in both the short and long run.
   C. price elastic in the short run, but inelastic in the long run.
   D. price elastic in both the short and long run.

5. At the output where the combined amounts of consumer and producer surplus are largest:
   A. the areas of consumer and producer surplus necessarily are equal.
   B. the maximum willingness to pay for the last unit of output equals the minimum acceptable price of that unit of output.
   C. consumer surplus exceeds producer surplus by the greatest amount.
   D. marginal benefit exceeds marginal cost by the greatest amount.
6. Other things the same, if a price change causes total revenue to change in the opposite direction, demand is:
A. perfectly inelastic.
B. relatively elastic.
C. relatively inelastic.
D. of unit elasticity.

7. For a linear demand curve:
A. elasticity is constant along the curve.
B. demand is elastic at low prices.
C. elasticity is unity at every point on the curve.
D. demand is elastic at high prices.

8. Most demand curves are relatively elastic in the upper-left portion because the original price:
A. and quantity from which the percentage changes in price and quantity are calculated are both large.
B. and quantity from which the percentage changes in price and quantity are calculated are both small.
C. from which the percentage price change is calculated is small and the original quantity from which the percentage change in quantity is calculated is large.
D. from which the percentage price change is calculated is large and the original quantity from which the percentage change in quantity is calculated is small.

9. The supply curve of antique reproductions is:
A. relatively elastic.
B. relatively inelastic.
C. perfectly inelastic.
D. unit elastic.
10. Refer to the above diagram and assume that price increases from $2 to $10. The coefficient of price elasticity of demand (midpoints formula) relating to this change in price is about:
A. .25 and demand is inelastic.
B. 1 and demand is unit elastic.
C. 1.5 and demand is elastic.
D. .67 and demand is inelastic.

<table>
<thead>
<tr>
<th>Price</th>
<th>Quantity supplied</th>
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<tbody>
<tr>
<td>$10</td>
<td>10</td>
</tr>
<tr>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>6</td>
<td>8</td>
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<tr>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>2</td>
<td>6</td>
</tr>
</tbody>
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11. Over the $4-$2 price range, the elasticity coefficient of supply is:
A. 1.
B. zero.
C. less than 1.
D. greater than 1.

12. The more time consumers have to adjust to a change in price:
A. the smaller will be the price elasticity of demand.
B. the greater will be the price elasticity of demand.
C. the more likely the product is a normal good.
D. the more likely the product is an inferior good.

13. (Consider This) Elasticity can be thought of as degree of relative:
A. video brightness.
B. price bounce.
C. audio volume.
D. quantity stretch.

14. The supply of product X is elastic if the price of X rises by:
A. 5 percent and quantity supplied rises by 7 percent.
B. 8 percent and quantity supplied rises by 8 percent.
C. 10 percent and quantity supplied remains the same.
D. 7 percent and quantity supplied rises by 5 percent.

15. If the demand for a product is elastic, then total revenue will:
A. increase whether price increases or decreases.
B. fall as price falls.
C. be constant in response to a price change.
D. rise as price falls.
16. In which price range of the accompanying demand schedule is demand elastic?

<table>
<thead>
<tr>
<th>Price</th>
<th>Quantity demanded</th>
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<tbody>
<tr>
<td>$4</td>
<td>2</td>
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<tr>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>1</td>
<td>8</td>
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</tbody>
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A. $4-$3  
B. $3-$2  
C. $2-$1  
D. below $1

17. Refer to the above diagram. In the $P_3 P_4$ price range demand is:

A. of unit elasticity.  
B. relatively inelastic.  
C. relatively elastic.  
D. perfectly elastic.

18. If the demand for farm products is price inelastic, a good harvest will cause farm revenues to:

A. increase.  
B. decrease.  
C. be unchanged.  
D. either increase or decrease, depending on what happens to supply.
19. The concept of price elasticity of demand measures:
A. the slope of the demand curve.
B. the number of buyers in a market.
C. the extent to which the demand curve shifts as the result of a price decline.
D. the sensitivity of consumer purchases to price changes.

20. Refer to the above diagram. Assuming equilibrium price $P_1$, producer surplus is represented by areas:
A. $a + b$.
B. $a + b + c + d$.
C. $c + d$.
D. $a + c$.

21. It takes a considerable amount of time to increase the production of pork. This implies that:
A. a change in the demand for pork will not affect its price in the short run.
B. the short-run supply curve for pork is less elastic than the long-run supply curve for pork.
C. an increase in the demand for pork will elicit a larger supply response in the short run than in the long run.
D. the long-run supply curve for pork is less elastic than the short-run supply curve for pork.

22. Gigantic State University raises tuition for the purpose of increasing its revenue so that more faculty can be hired. GSU is assuming that the demand for education at GSU is:
A. decreasing.
B. relatively elastic.
C. perfectly elastic.
D. relatively inelastic.
23. Refer to the above diagram. In the $P_1$ to $P_2$ price range, we can say:
A. that consumer purchases are relatively insensitive to price changes.
B. nothing concerning price elasticity of demand.
C. that demand is inelastic with respect to price.
D. that demand is elastic with respect to price.

24. Suppose that when your income increases from $28,000 to $30,000 per year, your purchases of X increase from 4 to 5 units because of that income increase. Thus:
A. X is an inferior good.
B. X is a substitute good.
C. the income effect exceeds the substitution effect.
D. the demand for X is elastic with respect to income.

25. Refer to the above diagram. If actual production and consumption occur at $Q_3$:
A. efficiency is achieved.
B. an efficiency loss (or deadweight loss) of $e + f$ occurs.
C. an efficiency loss (or deadweight loss) of $a + b + c + d$ occurs.
D. an efficiency loss (or deadweight loss) of $a + c$ occurs.

26. Which of the following is correct?
A. If the demand for a product is inelastic, a change in price will cause total revenue to change in the opposite direction.
B. If the demand for a product is inelastic, a change in price will cause total revenue to change in the same direction.
C. If the demand for a product is inelastic, a change in price may cause total revenue to change in either the opposite or the same direction.
D. The price elasticity coefficient applies to demand, but not to supply.
27. Suppose that the price of product X rises by 20 percent and the quantity supplied of X increases by 15 percent. The coefficient of price elasticity of supply for good X is:
A. negative and therefore X is an inferior good.
B. less than 1 and therefore supply is inelastic.
C. positive and therefore X is a normal good.
D. more than 1 and therefore supply is elastic.

28. The larger the positive cross elasticity coefficient of demand between products X and Y, the:
A. stronger their complementariness.
B. greater their substitutability.
C. smaller the price elasticity of demand for both products.
D. the less sensitive purchases of each are to increases in income.

29. Refer to the above diagram. If price falls from $10 to $2, total revenue:
A. rises from A + B to A + B + C + D and demand is elastic.
B. falls from A + D to B + C and demand is inelastic.
C. rises from C + D to B + A and demand is elastic.
D. falls from A + B to B + C and demand is inelastic.

Pre-Test Chapter 18 ed17 Key

1. C
2. D
3. B
4. B
5. B
6. B
7. D
8. D
9. A
10. A
11. C
12. B
13. D
14. A
15. D
16. A
17. B
18. B
19. D
20. C
21. B
22. D
23. D
24. D
25. B
26. B
27. C
28. B
29. D
30. D