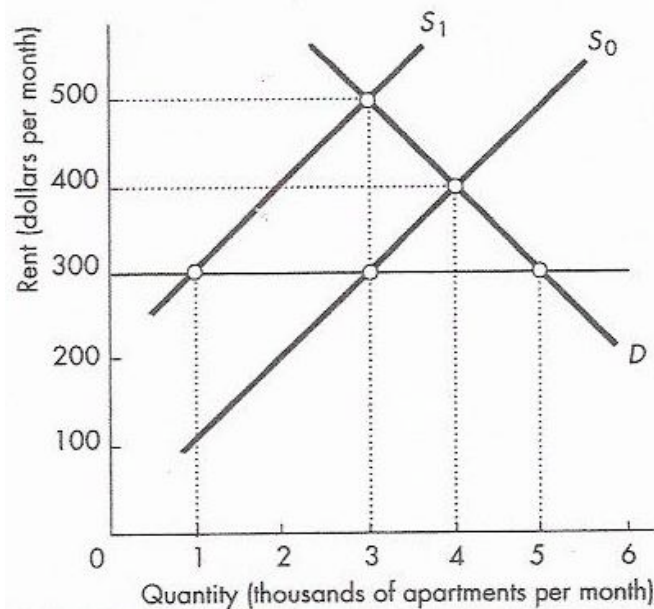


# Sample Markets in Action Test Questions

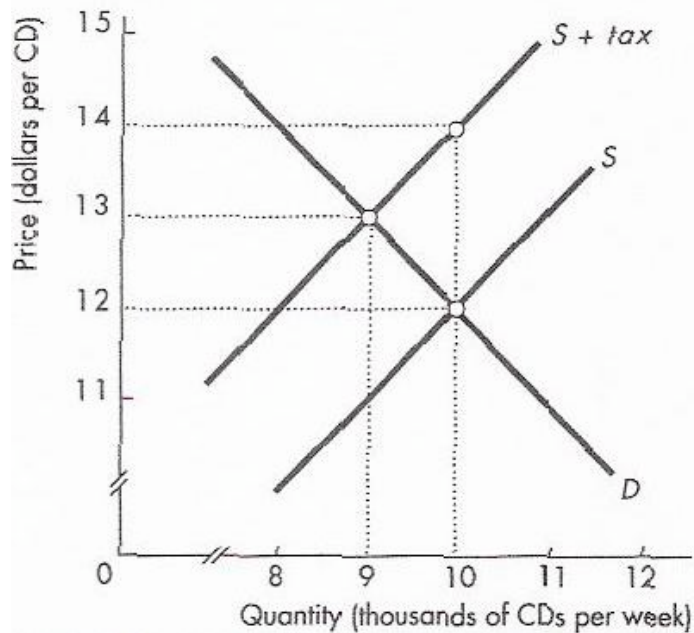
## Textbook Chapter 6

- The short-run supply for rental housing is positively sloped because
  - The supply of housing is fixed in the short-run and not in the long-run
  - The current stock of buildings will be used more intensively as rents rise
  - The cost of constructing new buildings rises as the number of buildings increase
  - New buildings will be constructed as rents rise
- In an unregulated market, which of the following will NOT happen as a result of the sudden destruction of a large proportion of the stock of housing?
  - Higher rents
  - A persisting shortage of rental housing
  - More basement apartments offered for rent
  - More families sharing living quarters
- If the government sets a price ceiling on pizza that is below the equilibrium price of a pizza, then
  - There is a shortage of pizza
  - There is a surplus of pizza
  - Existing firms will expand their production to meet the increase quantity demanded
  - New firms will enter the market to meet the increase in the quantity demanded



- In the graph above, with the supply curve of housing  $S_0$  and with a rent ceiling of \$300 a month, there is
  - A surplus of \$100 a month
  - A shortage of 5,000 apartments a month
  - A shortage of 2,000 apartments a month
  - Neither a shortage nor surplus of apartments
- In the graph above, a disaster strikes so that the supply curve shifts to  $S_1$ . If the rent ceiling remains at \$300, there is a
  - Surplus of \$200 a month
  - Shortage of 5,000 apartments a month
  - Shortage of 4,000 apartments a month
  - Shortage of 1,000 apartments a month

6. Suppose that the government imposes a living wage above the equilibrium wage rate for low-skilled workers. When will more workers be employed?
- When the living wage is in effect
  - When the living wage is NOT in effect
  - Employment is the same regardless of the presence or absence of this living wage
  - The question can't be answered without knowledge of the actual amounts of the living wage and equilibrium wage rate.



7. In the graph above, what is the amount of the tax?
- \$14 per CD
  - \$13 per CD
  - \$2 per CD
  - \$1 per CD
8. The division of a tax falls heaviest on buyers when
- Demand is perfectly elastic
  - Demand is inelastic but not perfectly inelastic
  - Demand is perfectly inelastic
  - Supply is perfectly inelastic
9. By imposing sanctions on buyers of an illegal good, the government shifts the good's
- Demand curve rightward
  - Demand curve leftward
  - Supply curve leftward
  - Supply curve rightward
10. If sanctions are imposed on sellers but not users of an illegal good, the equilibrium price of the good \_\_\_\_\_ and the equilibrium quantity \_\_\_\_\_.
- Falls; decreases
  - Rises; increases
  - Rises; decreases
  - Falls; increases