

PPSC Economics Topic 6 Economics Model

Sr	Questions	Answers Choice
1	Consumers and firms are known as price takers only if	A. No market exists to determine the equilibrium price B. they can set the market price C. They cannot effect the market price D. Excess demand exists
2	If price is initially above the equilibrium level.	A. the supply curve will shift rightward B. The supply curve will shift letward C. Excess supply exists D. All firms can sell as much as they want
3	A vertical demand curve results in.	A. No change in quantity when the supply curve shifts. B. No change in price when the supply curve shifts C. No change in the supply curve being possible D. No change in quantity when the demand curve shifts.
4	The percentage change in the quantity demanded in response to a percentage change in the price is known as the.	A. slope of the demand curve B. Excess demand C. Price elasticity of demand D. All of the above
5	An increase in the demand curve for orange juice would be illustrated as a.	A. Leftward shift of the demand curve B. Rightward shift of the demand curve C. Movement up along the demand curve D. Movement down along the demand curve
6	A competitive equilibrium is described by	A. A price only B. A quantity only C. The excess supply minus the excess demand. D. A price and a quantity
7	Which of the following is an example of a normative statement.	A. Since this good is bad for you, you should not consume it. B. this good is bad for you C. If you consume this good you will get sick D. People usually get sick after consuming this good
8	Most Microeconomic models assume that decision makers wish to.	A. Make themselves as well off as possible B. Act selfishly C. Not cooperate with others D. None of the above
9	A specific tax on sellers will	A. shift the demand curve to the right B. Shift the demand curve the left C. Shift the supply curve to the right D. Shift the supply curve to the left
10	The purpose of making assumptions in economic model building is to.	A. Force the model to yield the correct answer B. Minimize the amount of work an economist must do C. simplify the model while keeping important details. D. Express the relationship mathematically.
11	As the price of a good increases, the change in the quantity demanded can be shown by	A. Shifting the demand curve leftward B. Shifting the demand curve rightward C. Moving down along the same demand curve D. Moving up along the same demand

curve

12	If the price of automobile were to decrease substantially the demand curve for automobiles would most likely.	A. shift rightward B. Shift left eard C. Remain unchanged D. Become steeper
13	Holding all other factors constant consumers demand more of a good the	A. Higher its price B. Lower its price C. Steeper the downward slope of the demand curve D. Steeper the upward slope of the demand curve
14	To determine the total demand for all consumers sum the quantity each consumer demands.	A. At a given price B. At all prices and then sum this amount across all consumers C. Both a and b will generate the same total demand D. None of the above
15	For a given positively sloped supply curve the price increase to consumers resulting from a specific tax imposed on sellers will be.	A. Greater the more price elastic demand is B. Greater the less price elastic demand is C. Equal to the entire tax when demand is perfectly elastic D. Equal to half of the tax whenever demand is unit elastic
16	It is appropriate to use the supply and demand model if in a market.	A. Everyone is a price taker with full information about the price and quantity of the good. B. Firms sell identical products C. Costs of trading are low D. All of the above
17	In the labor market if the government imposes a minimum wage that is below the equilibrium wage then.	A. Workers who wish to work at the minimum wage will have a difficult time finding jobs. B. Firms will hire fewer workers than without the minimum wage law. C. Some workers may lose their jobs as a result D. Nothing will happen to the wage rate or employment
18	If the price of automobiles were to increase substantially the demand curve for gasoline would most likely	A. Shift leftward B. Shift right ward C. Become flatter D. Become steeper
19	Equilibrium is defined as a situation in which.	A. Neither buyers nor sellers want to change their behavior B. No government regulations exist C. Demand curves are perfectly horizontal D. suppliers will supply and amount that buyers wish to buy
20	If government regulations prohibit the production of a particular good the demand curve for that good will most likely.	A. Shift leftward B. Shift rightward C. Remain unchanged D. Disappear