

Quiz 2 - ECN 143.02 - Fall 2009
Principles of Microeconomics - Dr. Allen
20 points

Name _____

Circle the letter corresponding to the correct response.

1. If a good has many substitutes, its price elasticity of demand will be
 - a. constant
 - b. larger than if there existed few close substitutes
 - c. smaller than if there existed few close substitutes
 - d. unit elastic

2. A study finds that the cross elasticity of demand between football ticket prices and baseball ticket sales is negative. This indicates that football and baseball games are
 - a. inferior goods
 - b. normal goods
 - c. substitutes
 - d. complements

3. Consumers bear greater excise tax burdens than producers bear
 - a. in markets for elastically demanded goods
 - b. in markets for inelastically demanded goods
 - c. in all markets, regardless of the nature of elasticity of demand
 - d. at no time, which allows government to raise excise tax revenue

4. A city increases regulated taxi fares by 17.5 percent and expects taxi revenue to increase. The taxi commission must believe that taxi demand is
 - a. inelastic
 - b. elastic
 - c. unit elastic
 - d. perfectly elastic

5. The marginal rate of substitution
 - a. is constant along an indifference curve
 - b. cannot be defined unless there are more than two goods
 - c. is the slope of a demand curve which has been adjusted to eliminate the income effect
 - d. is the rate at which the consumer is willing to substitute one good for another good so as to leave her level of utility unchanged