

Homework 6

Due on 21/2/2023, by 23:00

This assignment is optional but **STRONGLY RECOMMENDED**. If you do not submit the answers till the deadline, the score of your final exam will substitute for the score for this assignment. Submit only the correct letter for each task on eLearn under 'Quizzes' within 'COR2100-Economics and Society G9-10-11-12'. Note that the actual text of questions and answers is not supposed to appear on the eLearn quiz. You have unlimited attempts. The system is programmed to credit your last attempt. Be informed that if you submit an attempt and afterwards you re-open the quiz, you must submit your answers **AGAIN**. Otherwise, the system will grade the unfinished attempt with 0 (because it is the last one) and there is **NOTHING** I can do to fix this after the fact. Late homework or homework submitted outside eLearn cannot be accepted as this would violate SMU official policy for fairness and transparency in grading. This assignment is protected by Grade Insurance™: If the assignment's average turns out to be below 75, an equal amount of bonus points will be given to every work, for the average to become 75. Direct any homework questions to your TA.

1. Which of the following is accurate for government intervention in a PC market?
 - A. Imposing a price ceiling above the market equilibrium price will create a DWL.
 - B. Imposing a price floor below the market equilibrium price will cause a DWL.
 - C. Sometimes a PC market fails to achieve the socially optimal outcome.
 - D. All of the above.
2. A liter of orange juice in Singapore costs \$4.60. If the government sets a price floor at \$5.50, which of the following is the most possible to happen?
 - A. The quantity demanded of orange juice will increase.
 - B. The quantity supplied of orange juice will decrease.
 - C. A shortage of orange juice will occur in the market.
 - D. There will be excess supply of orange juice in the market.
 - E. None of the above.
3. Which of the following is the least possible to be a reason for the emergence of an underground market?
 - A. Extremely high taxation of a good.
 - B. A high price floor.
 - C. The excess supply of a good.
 - D. A quota to quantity set below the market equilibrium.
4. Which of the following could be a reason why national defense cannot be a private good?
 - A. National defense is non-rival.
 - B. National defense is a non-excludable.
 - C. Both A and B.
 - D. None of the above.
5. Which of the following is the most possible to be a non-excludable good?
 - A. Thematic parks.
 - B. Open sea fishing.
 - C. Reading a research paper.
 - D. Netflix.

6. Which of the following is the most possible to be a non-rival good?
- A. An article on New York Times.
 - B. A mobile phone.
 - C. Both A and B.
 - D. None of the above.

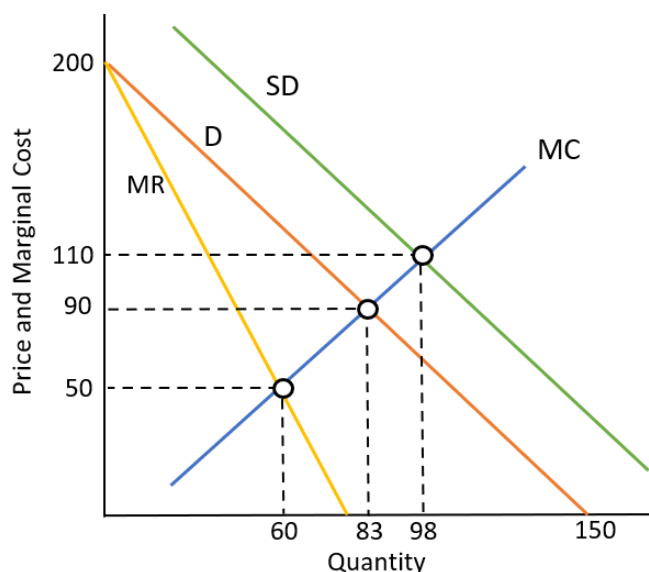


Figure 6.1: The demand, marginal cost and social benefit for a PC market

7. According to figure 6.1, which of the following most possible to occur?
- A. A positive externality.
 - B. A negative externality.
 - C. Both A and B.
 - D. None of the above.
8. According to figure 6.1, what quantity will be produced if there is no government intervention?
- A. Around 60 units.
 - B. Around 83 units.
 - C. Around 95 units.
 - D. Around 150 units.
9. According to figure 6.1, how much is the socially optimal quantity?
- A. Around 60 units.
 - B. Around 83 units.
 - C. Around 98 units.
 - D. Around 150 units.
10. According to figure 6.1, what could the government do in order for the socially optimal quantity to be produced?
- A. Subsidize the sellers.
 - B. Subsidize the buyers.
 - C. Impose a per unit tax.
 - D. Either A or B.

11. Which of the following is the main goal of the government, when it takes actions to remedy externalities?
- To increase the total production in the economy.
 - To move the allocation of resources closer to the social optimum.
 - To eliminate the externalities without affecting market outcomes.
 - All of the above.
12. Which of the following is most likely to happen, when Government imposes a sales tax on cigarettes?
- Demand for cigarettes to shift to the left.
 - Supply of cigarettes to shift to the left.
 - Price of cigarettes to decrease.
 - All of the above.

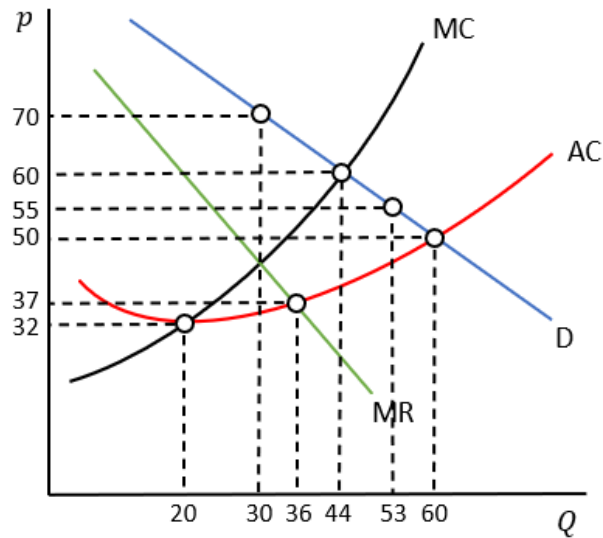


Figure 6.2: The demand and cost functions for a monopoly.

13. According to figure 6.2, if the regulator sets a price ceiling at \$80, how many units will the seller produce?
- Around 30 units.
 - Around 35 units.
 - Around 45 units.
 - Around 60 units.
14. According to figure 6.2, how much should the price ceiling be, in order for the DWL to be zero?
- Around \$32.
 - Around \$37.
 - Around \$50.
 - Around \$60.
 - Around \$70.
 - None of the above.
15. According to figure 6.2, if the regulator sets a price ceiling at \$55, how many units will the seller produce?
- Below 20 units.
 - Between 20 and 30 units.
 - 30 units.
 - Between 30 and 44 units.
 - 44 units.
 - Between 44 and 60 units.
 - 60 units or above.

16. According to figure 6.2, if the regulator wants to force the seller to produce 60 units, what price ceiling should the regulator set?
- A. Below \$50.
 - B. \$50.
 - C. Between \$50 and \$60.
 - D. \$60.
 - E. Above \$60.
 - F. It will not be possible.
17. Which of the following is the least possible to be an example of abuse of dominant position?
- A. Pricing at the profit maximizing level.
 - B. Decreasing their price under their cost in order to drive the competition out of the market.
 - C. A manufacturer forces all retailers to sell the product at the fixed monopoly price.
 - D. All of the above constitute abuse of dominant position.
18. Which of the following refers to the practice where a manufacturer supplies a product only to those retailers who agree to also feature another product by the same manufacturer?
- A. Price fixing.
 - B. Price discrimination.
 - C. Tying.
 - D. Predatory pricing.
19. Since natural monopolies have a declining AC curve, which of the following is most possible to happen when regulating them, by setting their price equal to MC?
- A. Consumer surplus is maximized.
 - B. Producer surplus is maximized.
 - C. The monopolist will operate at a loss.
 - D. None of the above.
20. Which of the following is the most effective way for Singapore's Government to tackle traffic jam?
- A. The increase in the price of Electronic Road Pricing.
 - B. The increase in the ticket price of MRT.
 - C. The reduction in the cost of CoE for owning a car.
 - D. The reduction in the tax on petrol.

Good afternoon! When you find yourself unable to start something because of procrastination, offer the following deal to yourself: "I will start really doing it for just half an hour and if after that I still do not want to do it, I will leave it aside for today". Most of the times this trick works and you will be able to beat procrastination and start doing stuff. Procrastination is not so much a fear of doing things but rather a fear of starting them. "The beginning is the half of everything" ancient Greeks used to say. They were right! It works with everything, including this homework ;)

Kosmas