Homework 6

Due on 20/2/2024, 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 G7-8-9-10'. 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 most possible to be excludable?

    A. Police protection.
    B. The legal system.
    C. Modern art.
    D. The use of Cyrillic alphabet.

2. Which of the following is most likely to be a rival good?

    A. A series on Netflix.
    B. An airshow.
    C. The design of a t-shirt.
    D. A company logo.

3. Which of the following is accurate for government intervention in a PC market?

    A. By imposing price ceilings and floors governments can reduce the market's DWL.
    B. Price ceilings and floors are meaningless in PC markets.
    C. Price ceilings and floors ruin market's efficiency.
    D. PC markets always achieve the socially desirable outcome.

Scenario 6.1: In an attempt to increase its yearly profit from π_1 to π_2, firm A needs a yearly investment of i dollars and creates an externality towards firm B that increases firm B's profits by d per year.

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4. According to scenario 6.1, which of the following is accurate if $d > 0$ and $i > 0$?

    A. The externality is positive.
    B. The externality is negative.
    C. The externality is neutral.
    D. The externality is transitive.

5. According to scenario 6.1, if $d = \$1,000$, $i = \$400$, $\pi_1 = \$1,500$ and $\pi_2 = \$1,600$, which of the following is most likely for firm B to do?

    A. B will offer up to $\pi_1 + \$1$ to buy A and proceed with the investment.
    B. B will offer up to $\pi_2 + \$1$ to buy A and proceed with the investment.
    C. B will pay i for firm A's investment.
    D. B will do nothing.

6. According to scenario 6.1, if $d = \$1,000$, $i = \$400$, $\pi_1 = \$1,500$ and $\pi_2 = \$2,100$, which of the following is most likely for firm B to do?

    A. B will offer up to $\pi_1 + \$1$ to buy A and proceed with the investment.

    B. B will offer up to $\pi_2 + \$1$ to buy A and proceed with the investment.

    C. B will pay i for firm A's investment.

    D. B will do nothing.

7. According to scenario 6.1, if $d = \$1,000$, $i = \$1,200$, $\pi_1 = \$1,500$ and $\pi_2 = \$1,600$, which of the following is most likely for firm B to do?

    A. B will offer up to $\pi_1 + \$1$ to buy A and proceed with the investment.

    B. B will offer up to $\pi_2 + \$1$ to buy A and proceed with the investment.

    C. B will pay i for firm A's investment.

    D. B will do nothing.

8. According to scenario 6.1, if $d = \$1,000$, $i = \$400$, $\pi_1 = \$1,500$ and $\pi_2 = \$1,600$, how much should B want to pay to incentivize firm A to invest?

    A. Around 101 dollars.

    B. Around 201 dollars.

    C. Around 301 dollars.

    D. Around 401 dollars.
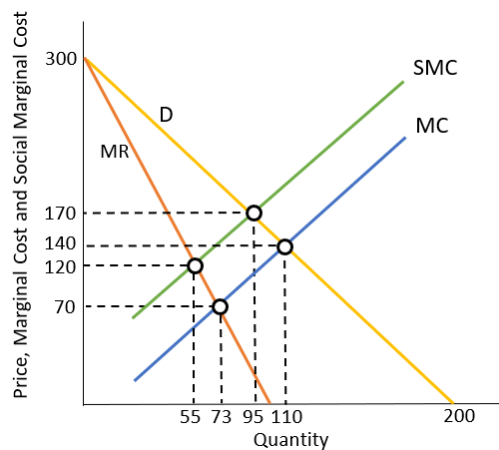
    E. None of the above.

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

9. Which of the following is most likely to be depicted in figure 6.1?

    A. Water pollution due to fertilizers from wheat farming.

    B. The harm caused to passive smokers when others consume cigarettes.

    C. Lowered risk of infection in the society if other people get vaccinated.

    D. A new hospital providing health services improves the productivity of the area's workforce.

10. According to figure 6.1, what quantity will be produced if there is no government intervention?

    A. Around 55 units.

    B. Around 73 units.

    C. Around 95 units.

    D. Around 110 units.

11. According to figure 6.1, how much is the socially optimal quantity?

    A. Around 55 units.

    B. Around 73 units.

    C. Around 95 units.

    D. Around 110 units.

12. According to figure 6.1, what could the government do in order for the socially optimal quantity to be produced?

    A. Impose a per unit tax.

    B. Impose a price ceiling.

    C. Both A and B.

    D. None of the above.

13. Which of the following is a main characteristic of a natural monopoly?

    A. The largest supplier in an industry has an overwhelming advantage over potential competitors.

    B. The largest supplier in an industry has the ability to impose barriers of entry to potential competitors.

    C. Increasing production keeps lowering the average costs.

    D. It is impossible to have more than one firm producing the good.

14. In which way does the Competition and Consumer Commission of Singapore differ from the Competition Commissions in many other countries?

    A. CCCS forbids the abuse of dominant position of some firms.

    B. CCCS has the right to fine firms directly.

    C. CCCS can prohibit the merger of two big companies.

    D. All of the above.

15. Which of the following illicit tactics is most possible to show up in the aftermath of a natural disaster?

    A. Price discrimination.

    B. Price tying.

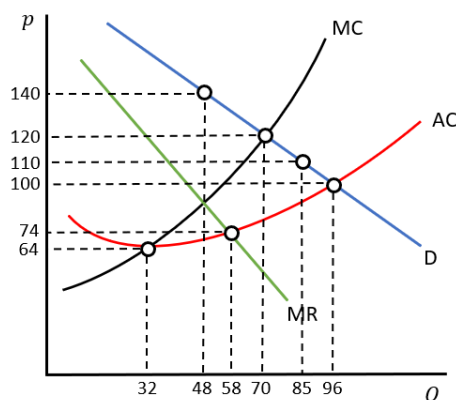   C. Price gouging.

    D. Predatory pricing.

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

16. According to figure 6.2, if a regulator sets a price ceiling at $150, how many units will the seller produce?
    A. Below 32 units.
    B. Below 48 units.
    C. Around 48 units.
    D. Around 58 units.
    E. Around 70 units.

17. According to figure 6.2, how much should a price ceiling be to eliminate the DWL?
    A. Around $64.
    B. Around $74.
    C. Around $100.
    D. Around $120.
    E. Around $140.
    F. No price ensures zero DWL.

18. According to figure 6.2, if the regulator sets a price ceiling of $110, how many units will the seller produce?
    A. 32 units or less.
    B. More than 32 but up to 48 units.
    C. More than 48 but up to 70 units.
    D. More than 70 but up to 85 units.
    E. 85 units or above.

19. According to figure 6.2, what price ceiling should the regulator set to force the seller produce at least 96 units?
    A. $74 or less.
    B. More than $74 but up to $100.
    C. More than $100 but up to $120.
    D. $120 or above.
    E. It is impossible to force the seller to produce 96 units.

20. Which of the following is most likely to be a public good?
    A. A public clinic.
    B. A lighthouse.
    C. Both A and B.
    D. None of the above.