

Homework 6

Due on 1/10/2024, 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 G10-11-12-13'. 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** or else 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.

- Which of the following is accurate regarding a price ceiling imposed on a PC good?
 - A price ceiling cannot improve efficiency in a PC market.
 - A price ceiling imposed above the equilibrium price will create a DWL.
 - Both A and B.
 - None of the above.
- If beef costs \$30 per kg and the government sets a price ceiling at \$25 per kg, which of the following is most likely to happen?
 - The demand for beef will increase.
 - The supply of beef will decrease.
 - A shortage of beef.
 - All of the above.
- Which of the following is most likely to be a non-excludable good?
 - Prescription medication.
 - FM Radio broadcasts.
 - University education.
 - A paywalled article on Bloomberg.com.
- Which of the following is most likely to be a non-rival good?
 - Natural gas.
 - A weather forecast.
 - A common stock of Berkshire Hathaway Inc.
 - A Singapore dollar.
 - All of the above.
- Which of the following is a main characteristic of a natural monopoly?
 - Spends resources on rent seeking.
 - Inelastic demand.
 - Economies of scale over the relevant range of demand.
 - All of the above.

6. Which of the following is the LEAST possible to be an example of abuse of dominant position?
- A manufacturer requests from all retailers to sell its product at its monopoly price.
 - A monopolist sells its product at its monopoly price.
 - A seller sells below its own cost to drive rivals out of the market.
 - The sellers in one market meet and agree to increase prices.

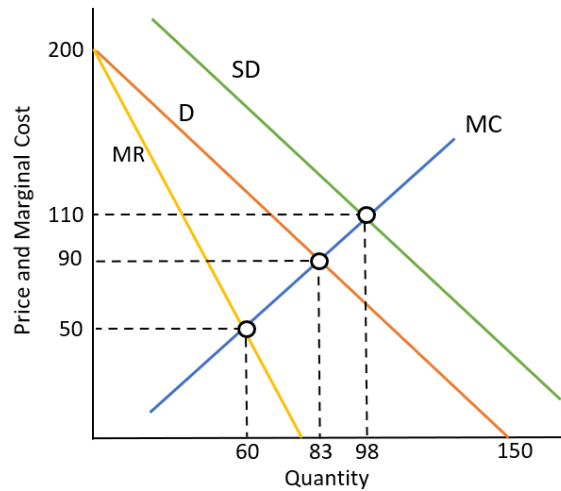


Figure 6.1: The demand, marginal cost and social benefit for a PC market

7. Which of the following is most likely to be depicted in figure 6.1?
- A positive externality from the consumption of the good.
 - A negative externality from the consumption of the good.
 - A positive externality from the production of the good.
 - A negative externality from the production of the good.
8. What quantity will be produced in the market of figure 6.1 without regulation?
- Around 60 units.
 - Around 83 units.
 - Around 98 units.
 - Around 150 units.
9. What is the socially optimal quantity in the market of figure 6.1?
- Around 60 units.
 - Around 83 units.
 - Around 98 units.
 - Around 150 units.
10. How could a regulator implement a quantity closer to the socially optimal quantity in figure 6.1?
- Subsidize the buyers.
 - Impose a per unit tax on the product.
 - Impose a price ceiling below \$90.
 - All of the above could lead to the socially optimal outcome.

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