

## Homework 6

Due on 25/2/2025, 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 G13-14-15-16'. 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.

1. Which of the following could cause a black market?
  - A. Regulating the price for a monopoly.
  - B. Forcing a monopoly to break into multiple firms.
  - C. Imposing a price ceiling on a competitive good.
  - D. Offering a subsidy for the purchase of a good associated with a positive externality.
2. Which of the following could be the reason why firms are seldom fined for price-fixing?
  - A. It is hard to detect high prices.
  - B. It is hard to prove.
  - C. Because in most cases it is not illegal.
  - D. Because price fixing reduces the DWL.
3. Which of the following is the case when natural monopolies are regulated for efficiency ( $p = MC$ )?
  - A. The seller has zero profit.
  - B. The seller will operate at a loss.
  - C. A DWL occurs.
  - D. Entry will occur.
4. If durian costs \$20 per kg and the government sets a price floor at \$24 per kg, which of the following is most likely to happen?
  - A. The demand for durian will decrease.
  - B. The supply of durian will increase.
  - C. Tons of durian will be wasted.
  - D. All of the above.
5. Which of the following could be a positive outcome when imposing a price floor on durians?
  - A. Durian will become more affordable for consumers.
  - B. The DWL in the market of durian will shrink.
  - C. Durian farmers will have a higher income.
  - D. More durian will be sold.

6. In the series “Baby Reindeer”, the main character, Donny Dunn, performs a comedy show at a nearly empty free entry pub and afterwards collects donations from the few patrons saying: “Just give what you think the show is worth”. Which of the following is accurate?
- A. The show is non-rival.
  - B. The show is non-excludable.
  - C. The show is both non-rival and non-excludable.
  - D. The show is neither non-rival, nor non-excludable.
7. Which of the following is most likely to be a public good?
- A. A traffic light.
  - B. A heart transplant at a public hospital.
  - C. Antivirus software.
  - D. A game of bowling.
8. Which of the following will happen, if the government offers a 30% subsidy to individuals who buy an EV?
- A. The supply curve of EVs will shift to the right.
  - B. The supply curve of EVs will shift to the left.
  - C. The demand curve of EVs will shift to the right.
  - D. The demand curve of EVs will shift to the left.
  - E. None of the above.
9. Which of the following is an example of market failure?
- A. Dis-economies of scale.
  - B. Excludable goods are traded in the market.
  - C. One company employs the majority of people in a town.
  - D. All of the above.
10. Which of the following is a negative externality?
- A. The increase in tuition to a point where the poor cannot afford college.
  - B. The correlation between obesity and diabetes.
  - C. The increase in misogyny caused by Andrew Tate’s online content.
  - D. The decrease in the revenue from tourism in Sicily because of Etna’s eruption.

*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*