

Name _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) The value to the consumer of purchasing an additional unit of a good is best measured by 1) _____
 - A) its value to someone else who does not receive it.
 - B) the difference between the price on the consumer's demand curve for that unit and the actual price charged in the market place.
 - C) the difference between the utility of that unit of the good and the utility of another unit of another good.
 - D) the good's price.

- 2) If Yvette would be willing to pay up to \$10 for one gizmo, up to \$8 for a second, and up to \$6 for a third, and the price of gizmos is \$6 apiece, then Yvette's consumer surplus totals 2) _____
 - A) \$24.
 - B) \$18.
 - C) \$6.
 - D) \$4.

- 3) The difference between the value of a good to consumers and its price is termed 3) _____
 - A) surplus cost.
 - B) consumer surplus.
 - C) opportunity benefit.
 - D) opportunity cost.

- 4) Studies of the minimum wage cited in the text reveal that 4) _____
 - A) a negative impact on employment or income is found.
 - B) the minimum wage has no effect on employment.
 - C) the minimum wage increases employment.
 - D) the minimum wage helps all workers.

- 5) When rent controls have been in effect for a long period of time, it is very difficult to gain political support for their removal. Which of the following would NOT be a possible reason for this support? 5) _____
 - A) Removing rent controls might cause rents to skyrocket.
 - B) Removing rent controls might alter the racial and ethnic composition of neighborhoods.
 - C) There are more tenants than landlords.
 - D) Rent controls offer everyone easy access to affordable housing.

- 6) A market-based alternative to rent control that could ensure affordable housing is 6) _____
 - A) housing price supports.
 - B) anti-gouging laws.
 - C) housing vouchers.
 - D) urban renewal.

- 7) Markets are efficient to the extent that they produce the _____ from the economy's resources. 7) _____
 - A) highest price
 - B) most value
 - C) highest marginal benefit
 - D) most equity

- 8) Compared to a free-market equilibrium, rent controls on housing have the effect of 8) _____
 - A) decreasing both the quantities supplied and demanded.
 - B) increasing the quantity supplied and decreasing the quantity demanded.
 - C) decreasing the quantity supplied and increasing the quantity demanded.
 - D) increasing both the quantities supplied and demanded.

9) A law that restricts prices from rising above a certain level is called a
A) price floor. B) market-making price.
C) voucher system. D) price ceiling.

9) _____

10) Ceiling prices are set by
A) consumers.
B) government.
C) firms.
D) a partnership between consumers and business firms.

10) _____

Answer Key

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- 1) B
- 2) C
- 3) B
- 4) A
- 5) D
- 6) C
- 7) B
- 8) C
- 9) D
- 10) B