1. A consumer's willingness to pay reflects
   A) the maximum price at which he or she would buy the good or service.
   B) the minimum price at which he or she would buy the good or service.
   C) the cost of producing the good or service.
   D) the equilibrium price of the good or service.

Use the following to answer question 2.

Table: Willingness to Pay for Basketball Sneakers

<table>
<thead>
<tr>
<th>Consumer</th>
<th>Willingness to Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jamichael</td>
<td>$150</td>
</tr>
<tr>
<td>Corey</td>
<td>140</td>
</tr>
<tr>
<td>Rudy</td>
<td>120</td>
</tr>
<tr>
<td>Ray</td>
<td>100</td>
</tr>
<tr>
<td>Javen</td>
<td>80</td>
</tr>
</tbody>
</table>

2. (Table: Willingness to Pay for Basketball Sneakers) If the price of basketball sneakers is $60, how many pairs will be purchased?
   A) 5
   B) 4
   C) 3
   D) 2

3. The consumers' willingness to pay for a good is used to derive the __________ for that good.
   A) producer surplus
   B) cost of production
   C) supply curve
   D) demand curve

4. We can measure total consumer surplus for good X as:
   A) the sum of the individual consumer surpluses for all buyers of X.
   B) the area above the demand curve for X and below the price of X.
   C) the area bounded by the demand curve for X and the two axes.
   D) the area above the supply curve for X.
5. Consumer surplus can be found by computing the area:
   A) above the supply curve and below the price.
   B) under the supply curve and above the price.
   C) under the demand curve and above the price.
   D) under the demand curve and below the price.

6. Ashley bought a new pair of jeans. When she walked out of the store, she thought, “I got such a great deal; I would have paid $40 more for these jeans!” This best represents the concept of:
   A) consumer surplus.
   B) producer surplus.
   C) total surplus.
   D) equilibrium.

7. Mark and Rasheed are at the bookstore buying new calculators for the semester. Mark is willing to pay $75 and Rasheed is willing to pay $100 for a graphing calculator. The price for a calculator at the bookstore is $65. How much is Mark's individual consumer surplus?
   A) $10
   B) $25
   C) $35
   D) $75
Use the following to answer question 8.

**Figure: Market Demand**

8. (Figure: Market Demand) Look at the figure Market Demand. The amount by which the total benefits to consumers exceed their total expenditure is called ________, and if the price is B, is depicted by the area ________.
   A) producer surplus; $BCD$
   B) consumer surplus; $0CDE$
   C) consumer surplus; $BCD$
   D) net benefit; $0BDE$

9. Anna is willing to sell her 20-year-old boat, but not for less than $2,300. For Anna, the cost of selling this boat is ________ $2,300.
   A) more than
   B) less than
   C) equal to
   D) There is not enough information to answer the question.

10. The total producer surplus in the Wisconsin milk market is represented by:
    A) the sum of the individual producer surpluses in this market.
    B) the sum of all prices paid multiplied by the number of gallons of milk sold.
    C) the total revenue of the milk producers in Wisconsin.
    D) the total cost of selling milk in Wisconsin.
Use the following to answer question 11.

**Figure: Monthly Supply of Bread**

11. (Figure: Monthly Supply of Bread) Look at the figure Monthly Supply of Bread. The graph represents the monthly supply of bread at a local bakery. At the current price of $3 per loaf of bread, the bakery produces 120 loaves of bread per month. The producer surplus received by this bakery is equal to:
   A) $120.
   B) $60.
   C) $360.
   D) $180.

12. Maria wants to get rid of her bookshelf. She is willing to give it away for free but her neighbor offers to pay $30 for it. Maria experiences a:
   A) consumer surplus gain.
   B) consumer surplus loss.
   C) producer surplus gain.
   D) producer surplus loss.

13. Mountain River Adventures offers whitewater rafting trips down the Colorado River. It costs the firm $100 for the first raft trip per day, $120 for the second, $140 for the third, and $160 for the fourth. If the market price for a raft trip is $150, Mountain River Adventures will offer ________ trips per day and will have producer surplus equal to ________.
   A) 3; $90
   B) 3; $10
   C) 2; $220
   D) 4; $80
Use the following to answer question 14.

**Figure: Gain in Producer Surplus**

14. (Figure: Gain in Producer Surplus) Look at the figure Gain in Producer Surplus. Which of the following area or areas represent producer surplus when the price is equal to \( P_2 \)?

   A) D, E, and F  
   B) B and C  
   C) D and E  
   D) A, B, and C

15. Total surplus is:

   A) the difference between price and the cost to the seller.  
   B) the sum of consumer and producer surplus.  
   C) equal to the area below the demand curve.  
   D) determined by the costs for each producer and the benefits for each consumer.
16. (Figure: The Market for Hamburgers) Look at the figure The Market for Hamburgers. The maximum total surplus for the market is _______, and it occurs at a price equal to ________.
   A) $550; $1.50
   B) $640; $1.50
   C) $1,050; $2
   D) Not enough information is provided to answer this question, since the maximum total surplus could occur anywhere.

17. If total surplus rises, which of the following must have occurred?
   A) There was an increase in demand and a decrease in supply.
   B) There was an increase in demand or an increase in supply.
   C) There was a decrease in demand and a decrease in supply.
   D) There was a decrease in demand or an increase in supply.

18. If a frost destroys much of the grapefruit crop, total surplus:
   A) will increase.
   B) will decrease.
   C) will not change.
   D) may change, but we cannot determine the change without more information.
19. A price control is:
   A) when a firm controls the price of the good it produces.
   B) a legal restriction on how high or low a price in a market may go.
   C) an upper limit on the quantity of some good that can be bought or sold.
   D) a tax placed on the sale of a good which controls the market price.

20. A binding price ceiling is designed to:
   A) keep prices low.
   B) increase the quality of the good.
   C) prevent shortages.
   D) increase efficiency.

21. The government imposes a price ceiling below the equilibrium price. The price ceiling will cause:
   A) demand to decrease.
   B) supply to increase.
   C) a shortage of the good.
   D) an increase in the quality of the good.

Use the following to answer question 22.

<table>
<thead>
<tr>
<th>Price ($/unit)</th>
<th>Quantity Demanded (cans)</th>
<th>Quantity Supplied (cans)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.50</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>0.75</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>1.00</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>1.25</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>1.50</td>
<td>2</td>
<td>11</td>
</tr>
</tbody>
</table>

22. (Table: The Market for Soda) Look at the table The Market for Soda. If the government imposes a price ceiling of $0.50 per can of soda, the quantity of soda demanded will be:
   A) 10 cans.
   B) 8 cans.
   C) 6 cans.
   D) 4 cans.
23. Suppose the Jamaican government sets coffee prices at $1 per pound, when the market price is $10. The government's actions will:
   A) improve efficiency, since the low prices will force producers to find cheaper production methods.
   B) result in coffee surpluses even in a coffee-rich country.
   C) cause coffee shortages even in a coffee-rich country.
   D) improve equality between rich and poor, since the poor can now afford coffee.

Use the following to answer question 24.

**Figure: Price Control**

24. (Figure: Price Control) Look at the figure Price Control. In the graph, one effective price ceiling would be the price indicated at point _______ and a _______ would exist equal to the difference between points ________.
   A) b; surplus; f and e
   B) b; shortage; f and e
   C) d; shortage; i and h
   D) d; surplus; e and h

25. A price ceiling is not effective if:
   A) it is set above the equilibrium price.
   B) the equilibrium price is above the price ceiling.
   C) it is set below the equilibrium price.
   D) it creates a shortage.
26. Black markets may develop with price controls because:
   A) price controls increase efficiency.
   B) quantity demanded equals quantity supplied at the mandated price.
   C) individuals cannot profit by illegal exchanges.
   D) individuals can profit by illegal exchanges.

27. To be binding, a price floor must be set at a price:
   A) lower than the equilibrium price.
   B) higher than the equilibrium price.
   C) at which quantity demanded exceeds quantity supplied.
   D) lower than the equilibrium price and at which quantity demanded exceeds quantity supplied.
28. (Figure: The Shrimp Market) Look at the figure The Shrimp Market. If the government wants to limit shrimp sales to 500 pounds, it could impose a:
A) price floor of $15.
B) price floor of $10.
C) price ceiling of $10.
D) price floor of $15 or a price ceiling of $10.
Use the following to answer question 29.

**Figure: Price Controls**

29. (Figure: Price Controls) Look at the figure Price Controls. In this graph, a price floor has been imposed at the price shown as point b. The area of deadweight loss that results from this price floor is:
   A) egh.
   B) ghi.
   C) fgi.
   D) efg.

30. A price floor is likely to cause deadweight loss because:
   A) buyers incur additional search costs looking for the scarce good.
   B) the quantity of the good being bought and sold is less than the equilibrium quantity.
   C) a black market emerges and sellers sell the good at prices above the price floor.
   D) some buyers who want to buy at the controlled price are unable to find a seller willing to sell at that price.
Answer Key - unit3review2

1. A
2. A
3. D
4. A
5. C
6. A
7. A
8. C
9. C
10. A
11. D
12. C
13. A
14. A
15. B
16. B
17. B
18. B
19. B
20. A
21. C
22. A
23. C
24. C
25. A
26. D
27. B
28. D
29. A
30. B