ECON 110: Introductory Economics

Exam 1, Section 11, FALL 2026

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This exam covers Chapters 1, 2, 3, 4, 5, 6, 7, and 8. It is worth 70 points.

Instructions

- This exam consists of 10 true or false questions, 15 multiple choice questions, 1 graphing question, and 1 short essay question.
- You will have a maximum of 60 minutes to complete this exam. No additional time may be taken without prior accommodation.
- Show all work to receive full credit.
- Calculators are permitted.
- For questions requiring computation, express your final answer with 2 decimal places.
- Every graph you draw must have both axes labeled and every curve labeled.
- Scratch paper is provided at the end of this exam. If you plan to use this extra page for your final answers, please write your name and student ID at the top so it is not lost.

Name:

Student ID:

Part I: True or False [2 points each, 20 points total]

Circle **T** if the statement is true and **F** if the statement is false. You do not need to explain your answer.

TF 1

T / F With careful planning, we can usually get something that we like without having to give up something else that we like.

TF 2

T / F Equality refers to how the pie is divided, and efficiency refers to the size of the economic pie.

TF 3

T / F Normative statements describe how the world is, while positive statements prescribe how the world should be.

TF 4

T / F Points outside the production possibilities frontier represent unattainable levels of production.

TF 5

T / F Two countries can achieve gains from trade even if one country has an absolute advantage in the production of both goods.

TF 6

T / F A movement upward and to the left along a given demand curve is called a decrease in demand.

TF 7

T / F The demand for gasoline will respond more to a change in price over a period of five weeks than over a period of five years.

TF 8

T / F A price floor set above the equilibrium price causes quantity supplied to exceed quantity demanded.

TF 9

T / F If Sakura is willing to pay $800 for concert tickets and has consumer surplus of $300, the price of the tickets is $500.

TF 10

T / F The more inelastic are demand and supply, the greater is the deadweight loss of a tax.

Part II: Multiple Choice [2 points each, 30 points total]

Circle the single best answer for each question. You do not need to explain your answer.

MC 1

While pollution regulations yield the benefit of a cleaner environment and the improved health that comes with it, the regulations come at the cost of reducing the incomes of the regulated firms' owners, workers, and customers. This statement illustrates the principle that

a) trade can make everyone better off.

b) rational people think at the margin.

c) people face tradeoffs.

d) people respond to incentives.

MC 2

A rational decision maker takes an action if and only if the

a) total benefit of the action exceeds its total cost.

b) marginal benefit of the action exceeds its marginal cost.

c) average benefit of the action exceeds its average cost.

d) marginal cost of the action exceeds its marginal benefit.

MC 3

Which of the following is a **positive** statement?

a) The government ought to provide health insurance to every citizen.

b) A rise in the tax on cigarettes reduces the number of cigarettes smoked.

c) Income inequality in the United States is too large.

d) Congress should reduce the federal budget deficit.

MC 4

In the circular-flow diagram, which of the following items flows from households to firms through the markets for goods and services?

a) Goods and services

b) Dollars paid to land, labor, and capital

c) Wages, rent, and profit

d) Dollars spent on goods and services

MC 5

Suppose the United States can produce 5 smart TVs per hour of labor and China can produce 3 smart TVs per hour of labor. Does it necessarily follow that the United States should specialize in producing smart TVs?

a) Yes, because the United States has an absolute advantage in producing smart TVs.

b) Yes, because the United States can produce smart TVs at a lower opportunity cost.

c) No, because absolute advantage alone does not determine which good a country should produce.

d) No, because a country should always produce every good that it consumes.

MC 6

Trade between two countries can benefit both countries if each country

a) has an absolute advantage in the production of some good.

b) exports the goods for which it has a comparative advantage.

c) produces every good that it consumes.

d) has a lower opportunity cost in the production of every good.

MC 7

You currently purchase seven instant noodle cups per week. You will graduate from college in December and begin a full-time job in January, and you have no plans to purchase instant noodles in January. For you, instant noodles are

a) a substitute good.

b) a normal good.

c) an inferior good.

d) a complementary good.

MC 8

If bus rides and ride-share services are substitutes, a higher price for ride-share services would result in

a) an increase in the demand for ride-share services.

b) a decrease in the demand for ride-share services.

c) an increase in the demand for bus rides.

d) a decrease in the demand for bus rides.

MC 9

Workers at a plant that assembles electric scooters currently earn the mandatory minimum wage. If the federal government increases the minimum wage by $2.00 per hour, then it is likely that the

a) demand for electric scooter assembly workers will increase.

b) supply of electric scooters will shift to the right.

c) supply of electric scooters will shift to the left.

d) firm must increase output to maintain profit levels.

MC 10

When the price of candy bars is $1.00, the quantity demanded is 500 per day. When the price falls to $0.80, the quantity demanded increases to 600 per day. Given this information and using the midpoint method, $\%\Delta X = (X_2 - X_1)/((X_1 + X_2)/2)$, we know that the demand for candy bars is

a) inelastic.

b) elastic.

c) unit elastic.

d) perfectly inelastic.

MC 11

Which of the following is likely to have the most price **inelastic** demand?

a) Over-the-counter pain relievers

b) Pain relievers

c) A well-known brand of ibuprofen

d) A generic brand of ibuprofen

MC 12

Suppose the equilibrium price of a tube of toothpaste is $2, and the government imposes a price floor of $3 per tube. As a result of the price floor, the

a) demand curve for toothpaste shifts to the left.

b) supply curve for toothpaste shifts to the right.

c) quantity supplied of toothpaste stays the same.

d) quantity demanded of toothpaste decreases, and the quantity of toothpaste that firms want to supply increases.

MC 13

A per-unit tax is imposed on a market in which supply is more price elastic than demand. The larger share of the tax burden will fall on

a) buyers, because they are less responsive to price changes.

b) sellers, because they are more responsive to price changes.

c) sellers, because the tax is collected from them.

d) buyers and sellers equally, regardless of elasticity.

MC 14

Emma Claire values a smart thermostat for her new house at $350, but she succeeds in buying one for $275. Emma Claire's consumer surplus from this purchase is

a) $75.

b) $275.

c) $350.

d) $625.

MC 15

A tax of $15 per unit is imposed on a good, causing the equilibrium quantity in the market to decrease by 300 units. The supply curve is the typical upward-sloping straight line and the demand curve is the typical downward-sloping straight line. The deadweight loss from the tax is

a) $1,750.

b) $2,250.

c) $3,000.

d) $4,500.

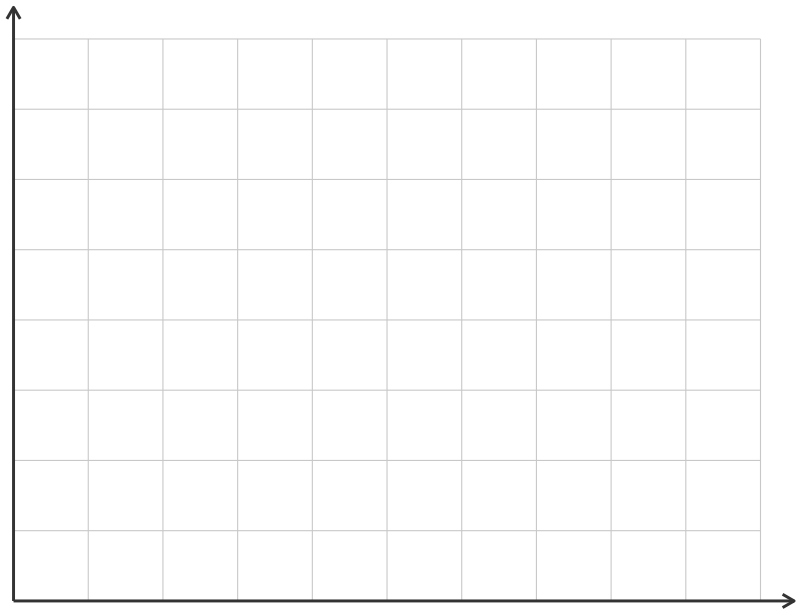
Part III: Graphing [12 points total]

Question 1: A Market with a Price Floor [12 points]

The table below gives the monthly demand and supply schedules for dorm-room mini-fridges at a large university.

Price (dollars per fridge)	Quantity demanded (fridges)	Quantity supplied (fridges)
40	900	300
50	800	500
60	700	700
70	600	900
80	500	1,100

a) On the axes below, draw and label the demand curve and the supply curve for mini-fridges. Label the equilibrium price and the equilibrium quantity. [4 points]



b) The city imposes a price floor of $70 per mini-fridge. Is this price floor binding? Draw it on your graph and compute the size of the resulting shortage or surplus. [3 points]

c) On your graph, shade and label the producer surplus after the price floor is imposed and the deadweight loss. [3 points]

d) Name one group of sellers who is made better off by the price floor and one group who is made worse off. [2 points]

Part IV: Short Essay [8 points total]

Question 2: Elasticity and Tax Policy [8 points]

After class, a friend suggests that raising the gasoline tax would be a good way for the government to raise revenue, because the demand for gasoline is quite inelastic in the short run. In what sense is taxing gasoline a good way to raise revenue? In what sense is it not a good way to raise revenue? In your answer, discuss the efficiency consequences of the tax, who bears its burden, and how your answer changes as the time horizon lengthens.

END OF EXAM

Scratch Paper

You may remove this sheet and discard it after the exam. If you use it for any of your final answers, write your name and student ID at the top of the page so that it is not lost.

Scratch Paper