QUIZ #9

Friday, March 7th

Solutions

1. The sum of the economic surpluses accruing to buyers and sellers is:
   A. producer surplus.
   B. equal to profit.
   C. total economics surplus.
   D. consumer surplus.

   Producer surplus plus consumer surplus equals total surplus.

2. Suppose a market is in equilibrium. The area between the demand curve and the market price is:
   A. the total economic surplus.
   B. producer surplus.
   C. consumer surplus.
   D. the surplus loss.

   Consumer surplus is the area between the consumers' reservation prices and the price they must pay in the market.

3. Suppose a market is in equilibrium. The area between the market price and the supply curve is:
   A. the surplus loss.
   B. producer surplus.
   C. consumer surplus.
   D. total economic surplus.

   Producer surplus is the area between the price received and the sellers' reservation prices.
4. Total economic surplus is greatest when:
A. price controls keep prices low enough that most consumers can purchase the item.
B. consumer surplus and producer surplus are equal.
C. consumer surplus exceeds producer surplus.
D. the market is in equilibrium.

The areas of the triangles that measure consumer surplus and producer surplus are largest in equilibrium.

5.

Refer to the figure above. When the market is unregulated, consumer surplus equals:
A. \( \frac{1}{2} \times (AJ) \times (JE) \).
B. \( \frac{1}{2} \times (AB) \times (BC) \).
C. \( \frac{1}{2} \times (AG) \times (GI) \).
D. \( \frac{1}{2} \times (EH) \times (HC) \).

Consumer surplus is the triangle above price and below the demand curve.
Refer to the figure above. When the market is unregulated, producer surplus equals:

A. \((DB) \times (BC)\).
B. \(\frac{1}{2} \times (DG) \times (GF)\).
C. \(\frac{1}{2} \times (DB) \times (BC)\).
D. \(\frac{1}{2} \times (FH) \times (HC)\).

Producer surplus is the triangle below price and above the supply curve.
Refer to the figure above. After the price ceiling at price G is imposed, producer surplus __________ and is represented by the area _______.

A. increases; DBC  
B. decreases; DGF  
C. increases; 0GQ02  
D. decreases; 0DFQ2

Producer surplus is the triangle below price and above the supply curve.
8.

Refer to the figure above. After the price ceiling at price G is imposed, consumer surplus is represented by the area _______.
A. BJEH  
B. BAEH  
C. JAE  
D. GAEF

Consumer surplus is the area above price and below the demand curve.
Refer to the figure above. The surplus loss due to the price ceiling imposed at price G is represented by the area:

A. FEC.
B. DAC.
C. GJEF.
D. JAE + DGF.

Lost surplus is the area between the demand and supply curves between the quantity that is traded with the price ceiling and the quantity that would be traded in equilibrium.