

EC1104 E

OCTOBER 2010

MID #1

V/T	F	C	D	E
1 A	B	C	D	E
2 A	B	C	D	E
3 A	B	C	D	E
4 A	B	C	D	E
5 A	B	C	D	E
6 A	B	C	D	E
7 A	B	C	D	E
8 A	B	C	D	E
9 A	B	C	D	E
10 A	B	C	D	E
11 A	B	C	D	E
12 A	B	C	D	E
13 A	B	C	D	E
14 A	B	C	D	E
15 A	B	C	D	E
16 A	B	C	D	E
17 A	B	C	D	E
18 A	B	C	D	E
19 A	B	C	D	E
20 A	B	C	D	E
21 A	B	C	D	E
22 A	B	C	D	E
23 A	B	C	D	E
24 A	B	C	D	E
25 A	B	C	D	E
26 A	B	C	D	E
27 A	B	C	D	E
28 A	B	C	D	E
29 A	B	C	D	E
30 A	B	C	D	E
31 A	B	C	D	E
32 A	B	C	D	E
33 A	B	C	D	E
34 A	B	C	D	E
35 A	B	C	D	E
36 A	B	C	D	E
37 A	B	C	D	E
38 A	B	C	D	E
39 A	B	C	D	E
40 A	B	C	D	E
41 A	B	C	D	E
42 A	B	C	D	E
43 A	B	C	D	E
44 A	B	C	D	E
45 A	B	C	D	E
46 A	B	C	D	E
47 A	B	C	D	E
48 A	B	C	D	E
49 A	B	C	D	E
50 A	B	C	D	E
51 A	B	C	D	E
52 A	B	C	D	E
53 A	B	C	D	E
54 A	B	C	D	E
55 A	B	C	D	E
56 A	B	C	D	E
57 A	B	C	D	E
58 A	B	C	D	E
59 A	B	C	D	E
60 A	B	C	D	E

V/T	F	C	D	E
61 A	B	C	D	E
62 A	B	C	D	E
63 A	B	C	D	E
64 A	B	C	D	E
65 A	B	C	D	E
66 A	B	C	D	E
67 A	B	C	D	E
68 A	B	C	D	E
69 A	B	C	D	E
70 A	B	C	D	E
71 A	B	C	D	E
72 A	B	C	D	E
73 A	B	C	D	E
74 A	B	C	D	E
75 A	B	C	D	E
76 A	B	C	D	E
77 A	B	C	D	E
78 A	B	C	D	E
79 A	B	C	D	E
80 A	B	C	D	E
81 A	B	C	D	E
82 A	B	C	D	E
83 A	B	C	D	E
84 A	B	C	D	E
85 A	B	C	D	E
86 A	B	C	D	E
87 A	B	C	D	E
88 A	B	C	D	E
89 A	B	C	D	E
90 A	B	C	D	E
91 A	B	C	D	E
92 A	B	C	D	E
93 A	B	C	D	E
94 A	B	C	D	E
95 A	B	C	D	E
96 A	B	C	D	E
97 A	B	C	D	E
98 A	B	C	D	E
99 A	B	C	D	E
100 A	B	C	D	E
101 A	B	C	D	E
102 A	B	C	D	E
103 A	B	C	D	E
104 A	B	C	D	E
105 A	B	C	D	E
106 A	B	C	D	E
107 A	B	C	D	E
108 A	B	C	D	E
109 A	B	C	D	E
110 A	B	C	D	E
111 A	B	C	D	E
112 A	B	C	D	E
113 A	B	C	D	E
114 A	B	C	D	E
115 A	B	C	D	E
116 A	B	C	D	E
117 A	B	C	D	E
118 A	B	C	D	E
119 A	B	C	D	E
120 A	B	C	D	E

V/T	F	C	D	E
121 A	B	C	D	E
122 A	B	C	D	E
123 A	B	C	D	E
124 A	B	C	D	E
125 A	B	C	D	E
126 A	B	C	D	E
127 A	B	C	D	E
128 A	B	C	D	E
129 A	B	C	D	E
130 A	B	C	D	E
131 A	B	C	D	E
132 A	B	C	D	E
133 A	B	C	D	E
134 A	B	C	D	E
135 A	B	C	D	E
136 A	B	C	D	E
137 A	B	C	D	E
138 A	B	C	D	E
139 A	B	C	D	E
140 A	B	C	D	E
141 A	B	C	D	E
142 A	B	C	D	E
143 A	B	C	D	E
144 A	B	C	D	E
145 A	B	C	D	E
146 A	B	C	D	E
147 A	B	C	D	E
148 A	B	C	D	E
149 A	B	C	D	E
150 A	B	C	D	E
151 A	B	C	D	E
152 A	B	C	D	E
153 A	B	C	D	E
154 A	B	C	D	E
155 A	B	C	D	E
156 A	B	C	D	E
157 A	B	C	D	E
158 A	B	C	D	E
159 A	B	C	D	E
160 A	B	C	D	E
161 A	B	C	D	E
162 A	B	C	D	E
163 A	B	C	D	E
164 A	B	C	D	E
165 A	B	C	D	E
166 A	B	C	D	E
167 A	B	C	D	E
168 A	B	C	D	E
169 A	B	C	D	E
170 A	B	C	D	E
171 A	B	C	D	E
172 A	B	C	D	E
173 A	B	C	D	E
174 A	B	C	D	E
175 A	B	C	D	E
176 A	B	C	D	E
177 A	B	C	D	E
178 A	B	C	D	E
179 A	B	C	D	E
180 A	B	C	D	E

38. Refer to Figure 11. The amount of the tax per unit that sellers would pay would be
- \$10.00.
 - \$8.00.
 - \$6.00.
 - \$4.00.
 - \$2.00.
39. Which is the most correct statement about the burden of a tax imposed on buyers of sugar?
- Buyers bear the entire burden of the tax.
 - Sellers bear the entire burden of the tax.
 - Buyers and sellers share the burden of the tax.
 - The government bears the entire burden of the tax.
40. If a tax is imposed on a market with elastic demand and inelastic supply,
- Buyers will bear most of the burden of the tax.
 - Sellers will bear most of the burden of the tax.
 - The burden of the tax will be shared equally between buyers and sellers.
 - It is impossible to determine how the burden of the tax will be shared.
 - The burden of the tax will depend on whether it is imposed on the buyers or the sellers.

Short-Answer Questions (24 points)

Answer in the space provided.

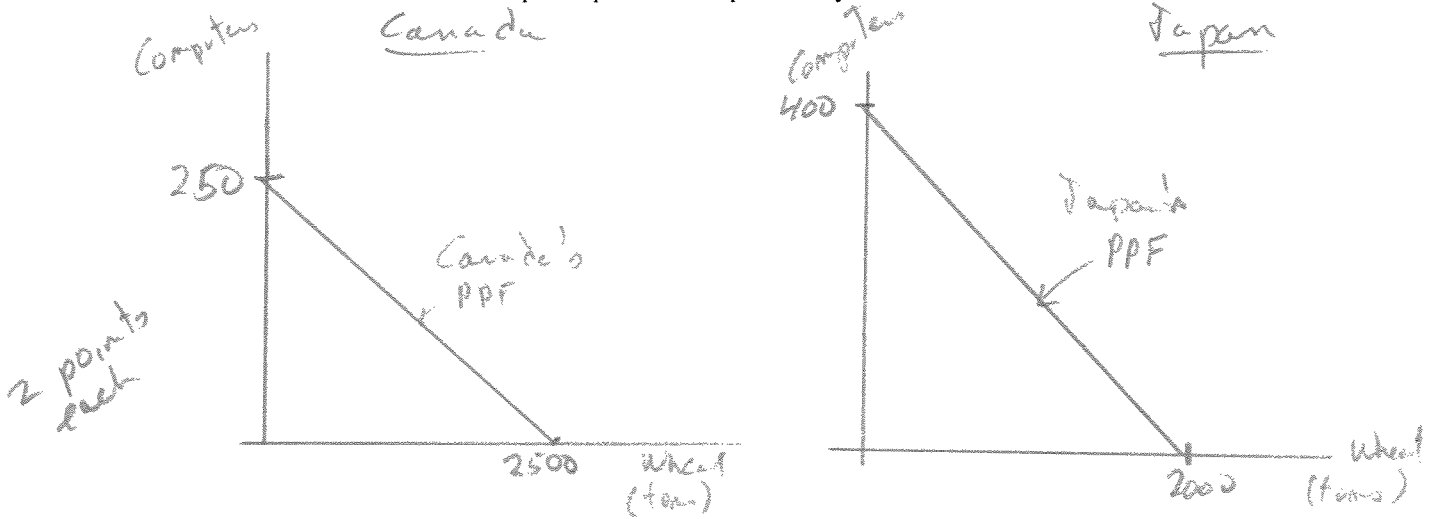
41. (9 points) Fill in the accompanying table, showing whether equilibrium price and equilibrium quantity go up, down or stay the same.

	No Change in Supply	An Increase in Supply	A Decrease in Supply
No Change in Demand	P same Q same	P ↓ Q ↑	P ↑ Q ↓
An Increase in Demand	P ↑ Q ↑	ΔP is ambiguous Q ↑	P ↑ ΔQ is ambiguous
A Decrease in Demand	P ↓ Q ↓	P ↓ ΔQ is ambiguous	ΔP is ambiguous Q ↓

1 point each

42. (10 points) Consider two countries: Canada and Japan; and two goods: computers and wheat. Suppose that Canada and Japan have respectively 20,000 hours and 40,000 hours available for production per month. Producing one computer requires 80 hours of labour in Canada; 100 in Japan. Producing one ton of wheat requires 8 hours of labour in Canada; 20 in Japan.

a Draw Canada's and Japan's production possibility frontiers.



b If Canada and Japan trade with each others, which good will each export? Explain.

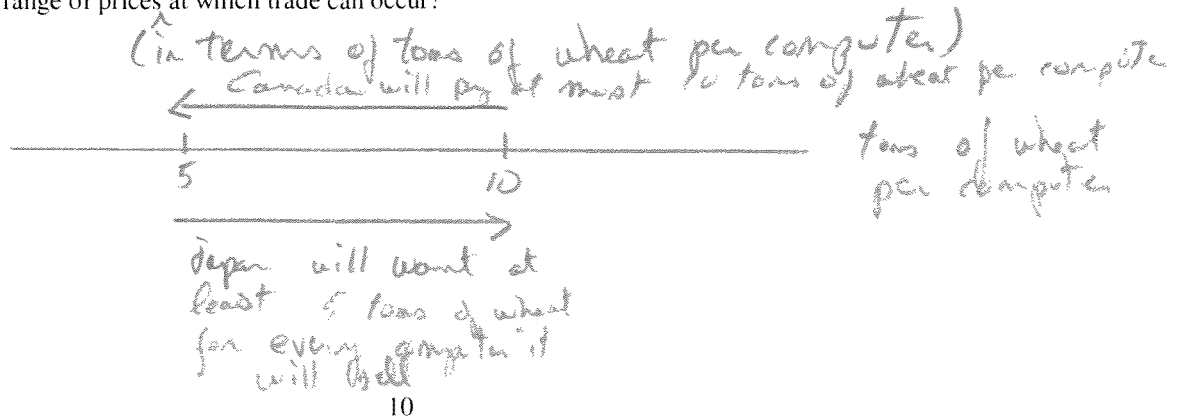
3 points

	Opportunity Cost	
	Computer	Wheat
Canada	10 tons wheat	0.1 computer
Japan	5 tons wheat	0.2 computer

1 } Japan has comparative advantage in computers \Rightarrow will export computers
 } Canada wheat \Rightarrow will export wheat

c What is the range of prices at which trade can occur?

3 points



price range: (5 - 10) tons of wheat per computer

43. (5 points) In the province of Alberta, the tax on the hotel rooms is 5 percent. Supporters of this tax argue that the tax benefits the province because it mostly falls on out-of-province tourists and business persons. What are your views? Explain

the burden of the tax

- ③ - Burden of the tax has nothing to do with the legal responsibility of the tax
- In the short run, supply of hotel rooms is inelastic which means that most of the burden will fall on the hotel owners (who may or may not be living in the province)
- ① - In the long run supply and demand are quite elastic which means a large \downarrow in # of rooms rented \Rightarrow workers in the hotel industry (who typically are residents of the province) would bear a larger burden.