

ECON 101

TA Worksheet, Module 10 (Inequality) & Exam Review

Name: _____

TA: _____

1. How has income inequality changed in the US since 1980?
2. What are some reasons for this change?
3. What's the difference between “means tested” social programs and “social insurance” programs?
4. Consider the data below. Is each tax progressive, regressive, or proportional? Why?

Income	Tax A	Tax B	Tax C
\$50,000	\$5,000	\$5,000	\$5,000
\$100,000	\$10,000	\$8,000	\$15,000
\$200,000	\$20,000	\$12,000	\$40,000

5. Consider the data below. If my income is \$80,000, what is my marginal tax rate? What is my average tax rate?

Income band	Tax rate
\$0-\$30,000	10%
\$30,001-\$60,000	15%
\$60,001-\$90,000	20%

Exam Review

Hardest Questions from Midterm Exam F23

Question 1 (54%)

Levi's Landscaping and Lawnmower Repair is a family business with a fixed number of employees, all family members. During the summer, when the lawnmower repair business gets busy, and the rate for lawnmower repair rises from \$60 to \$90 per hour, Levi diverts some of his staff from landscaping to lawnmower repair. Thus, Levi's _____ rises, and his _____ decreases.

- (a) supply of lawnmower repair services; supply of landscaping services
- (b) supply of lawnmower repair services; price of landscaping services
- (c) quantity of lawnmower repair services supplied; price of landscaping services
- (d) quantity of lawnmower repair services supplied; supply of landscaping services

Question 12 (54%)

Suppose we observe the price of brats stay the same while the quantity falls. Which of these is consistent with that info?

- (a) The demand and supply for brats both fell.
- (b) Demand for brats fell but supply rose.
- (c) Demand for brat rose but supply fell.
- (d) Demand for brats stayed the same but supply fell.
- (e) Demand for brats fell and supply stayed the same.

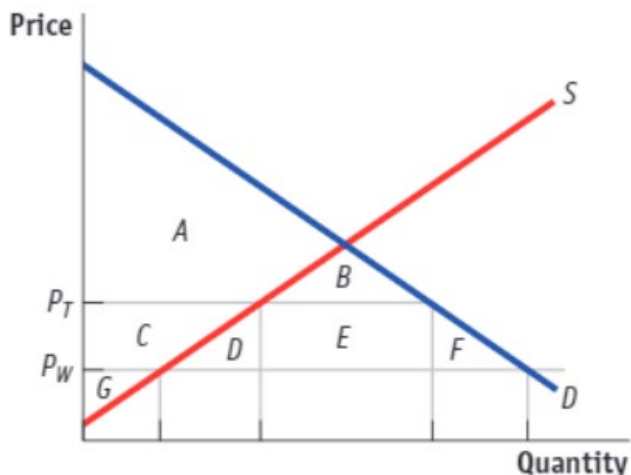
Question 17 (23%)

Import protections are often imposed because:

- (a) they increase total surplus, even though some groups are harmed.
- (b) groups representing import-competing industries have more political power than consumer groups.
- (c) their benefits to producers outweigh the costs to consumers.
- (d) the loss in consumer surplus is usually quite small.

Question 27 (42%)

(Figure: The Market for Grapes in California) Use Figure: The Market for Grapes in California. When the government imposes a tariff on imported grapes, the price of grapes in California rises from P_W to P_T , and there's a net _____ in total surplus of _____.



- (a) addition; $D + E + F$
- (b) addition; $D + F$
- (c) reduction; $D + F$
- (d) reduction; $D + E + F$

Question 28 (58%)

Compared to 1960, we now have...

- (a) higher poverty rates and more income inequality
- (b) lower poverty rates but more income inequality
- (c) higher poverty rates but less income inequality
- (d) lower poverty rates and less income inequality

Question 30 (35%)

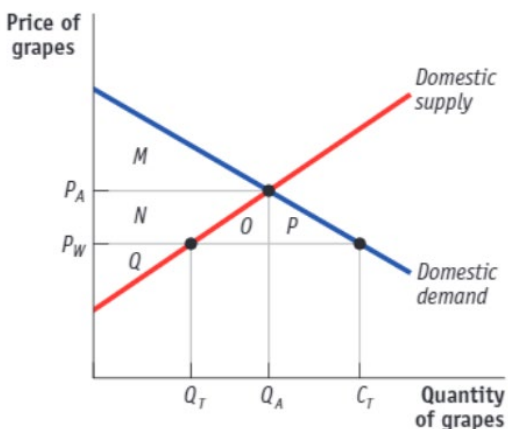
All else equal, a shift out in demand will increase consumer surplus more if supply is

- (a) slightly elastic
- (b) slightly inelastic
- (c) perfectly elastic
- (d) perfectly inelastic
- (e) unit elastic

Hardest Questions from Midterm Exam S24

Question 8 (56%)

(Figure: The Market for Grapes in California) In autarky (without trade), the price of grapes in California is P_A . When the economy is opened to trade, the price falls to P_W , and the **change** in consumer surplus is area:



- (a) N .
- (b) $O + P$.
- (c) $M + N + O + P$.
- (d) $N + O + P$.
- (e) P .

Question 19 (60%)

An industry that generates external benefits produces a quantity of output that is:

- (a) socially optimal.
- (b) less than the socially optimal quantity.
- (c) greater than the socially optimal quantity.
- (d) socially optimal if a subsidy is given to buyers.

Question 21 (32%)

Of the following groups, for whom has the poverty rate NOT fallen significantly since the 1960s?

- (a) children under 18
- (b) adults over 65
- (c) African Americans
- (d) White Americans

Question 27 (44%)

Which of these would NOT cause a rightward shift (out) of the supply curve for a good?

- (a) a fall in an input price
- (b) an increase in the number of sellers
- (c) an expectation that the product will go out of style in the near future
- (d) an increase in price caused by a shift in demand

Question 29 (60%)

Suppose we have this system:

D: $P=28-2Q$

S: $P=8+3Q$

Now suppose the government imposes a \$5 per-unit tax on producers. What is the new equilibrium price paid by consumers?

- (a) 22
- (b) 17
- (c) 5
- (d) 3
- (e) 25