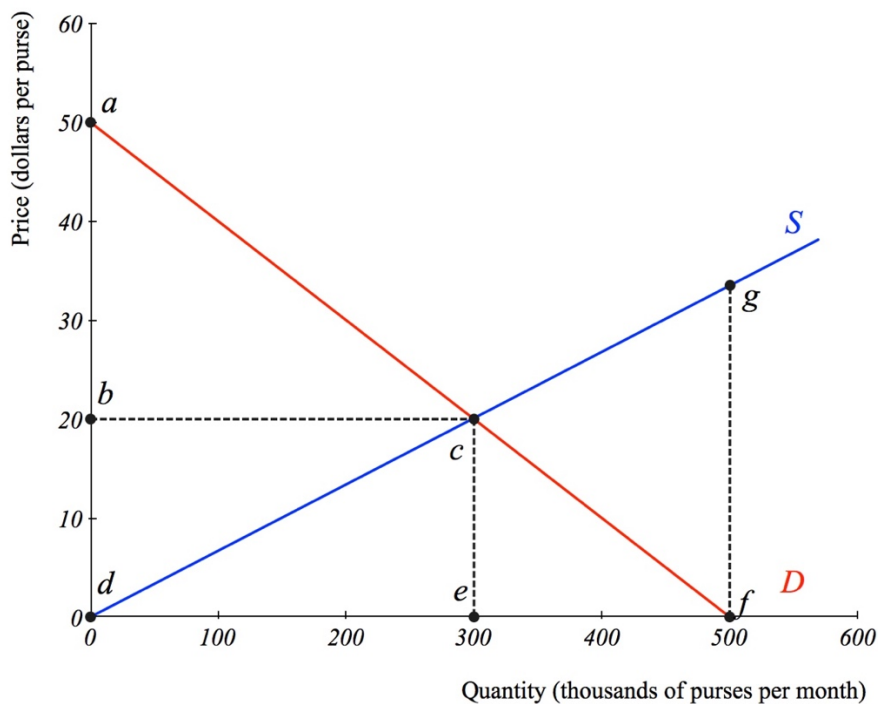


CB2400 Micro-Economics

Tick & Learn

Perfect Competition and Allocative Efficiency

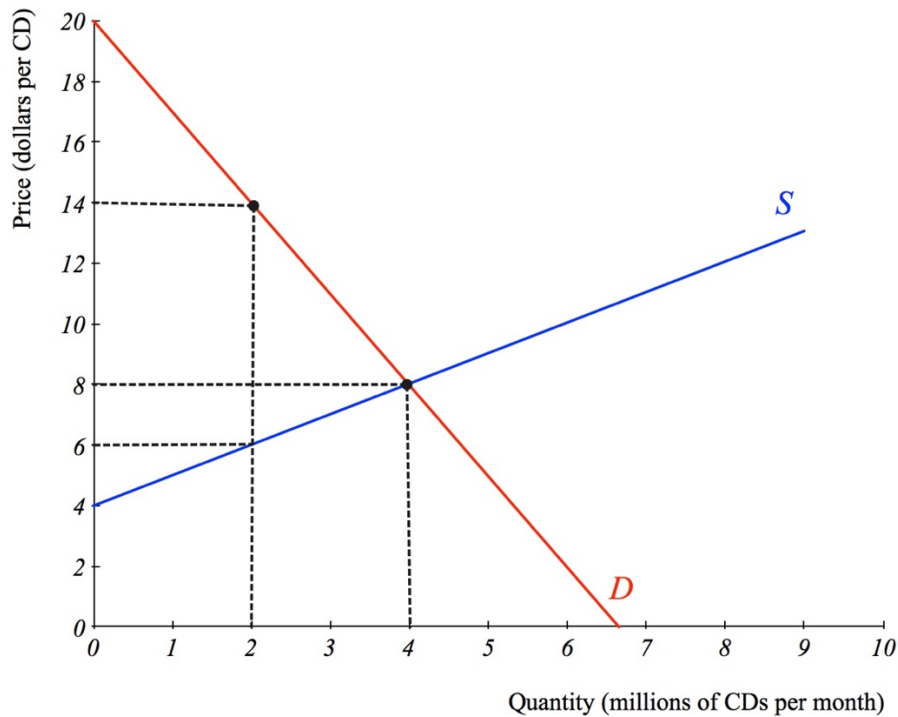


- 1) In the above figure, 300,000 purses per month is
- A) the efficient amount to produce because consumer surplus is maximized.
 - B) the efficient amount to produce because the sum of consumer surplus and producer surplus is maximized.
 - C) an inefficient amount to produce because consumer surplus is not maximized.
 - D) an inefficient amount to produce because the sum of consumer surplus and producer surplus is not maximized.

Price (dollars per umbrella)	Quantity demanded	Quantity supplied
0	90	0
10	80	0
20	40	40
30	20	80
40	0	120

2) In the above table, if there are 80 umbrellas produced, the (marginal) deadweight loss from the 80th umbrella is

- A) \$10
- B) \$20**
- C) \$30
- D) \$40



3) In the above figure, if a price ceiling of \$6.00 per CD was imposed, how would an economist express the resulting inefficiency, if any?

- A) By saying there is a deadweight loss comprised of both a loss of consumer surplus plus a loss of producer surplus.
- B) By saying there is a net increase in consumer surplus
- C) By saying there is a deadweight loss equal to 1 million CDs.
- D) By saying there is a deadweight loss equal to the difference between consumer surplus gained and producer surplus lost.