

Section III – Ten Questions

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Rice Production in the United States

Year	Production	Price
2018	218,795,000	
2017	178,228,000	12.3
2016	224,145,000	10.5
2015	193,148,000	12.8
2014	222,215,000	13.6
2013	189,953,000	16.5
Average	201,537,800	13.0

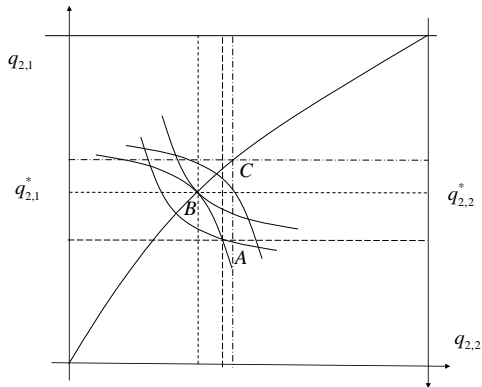
Questions 1 and 2

1. Assuming an elasticity of demand of -0.25 , the slope of the linear demand equation based on the average rice quantity and price is
 - a. -0.000000258
 - b. $-3,834,433$
 - c. -1.00
 - d. None of the above
2. The constant for the demand equation based on the average rice quantity and price is
 - a. $2,561,385,429$
 - b. $3,224,553.152$
 - c. 0.395
 - d. None of the above

Questions 3, 4, 5, and 6

3. Assuming that the market price falls to \$ 12.30 / cwt the quantity of rice demanded will be
 - a. 188,117,284 cwt
 - b. 202,304,687 cwt
 - c. 204,221,903 cwt
 - d. None of the above
4. Assume that the supply elasticity is 0.35, and that there is a price floor of \$ 13.25 / cwt. How much rice will be produced?
5. What price will be required for consumers to take the production in Question 4 off the market?
6. What is the treasury cost of this program?

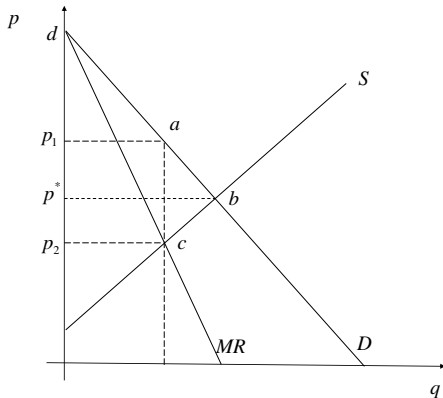
Edgeworth Box



Questions 7 and 8

7. Moving from point A to point B represents
- a. A movement from an economically inefficient solution to an efficient solution.
 - b. A reallocation of income from individual 2 to individual 1.
 - c. A Pareto efficient re-allocation.
 - d. Both a and c.
8. Moving from point B to point C represents
- a. A movement from an economically inefficient solution to an efficient solution.
 - b. A reallocation of income from individual 1 to individual 2.
 - c. A Pareto efficient re-allocation.
 - d. Both a and c.

Monopoly Solution



Questions 9 and 10

9. Given that the demand curve is linear, the marginal revenue curve is
- a. Half as steep as the demand curve
 - b. Twice as steep as the demand curve
 - c. The same slope as the demand curve
 - d. It is impossible to tell *a priori*
10. The monopolistic profit is the area
- a. abc
 - b. dap_1
 - c. p_1acp_2
 - d. Impossible to determine.