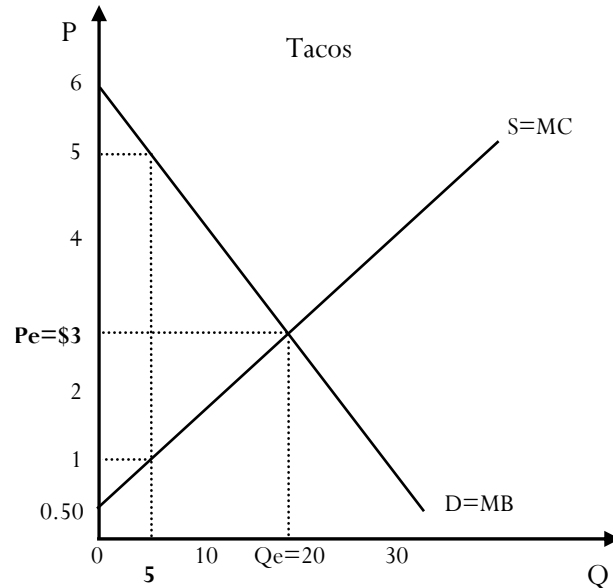


**QUIZ 5**

The graph below illustrates the current market for tacos in downtown Charleston. Use the information provided in the graph to answer questions 1-5.

- What is the marginal cost of producing the 5<sup>th</sup> taco?  
 a. \$0    b. \$0.50    c. \$1    d. \$3    e. \$5
- What is the marginal benefit received by eating the 5<sup>th</sup> taco?  
 a. \$0    b. \$0.50    c. \$1    d. \$3    e. \$5
- How much producer surplus does the seller receive on the 5<sup>th</sup> taco?  
 a. \$0    b. \$1    c. \$2    d. \$2.50    e. \$3
- How much (total) consumer surplus is received from eating 20 tacos (at  $Q_e$ )?  
 a. \$0    b. \$3    c. \$30    d. \$50    e. \$60
- When the market is at  $P_e$ , which area is smaller?  
 a. CS    b. PS    c. [neither; they're the same size]



The table to the right illustrates the marginal costs for two breweries in Charleston. Use this information for questions 6-10.

**For questions 6 & 7 only, suppose you have been appointed the “beer czar” of Charleston, and your goal is to minimize the TC of producing beer.**

| Kegs of Beer | Munkle MC | Revelry MC |
|--------------|-----------|------------|
| 1            | \$50      | \$55       |
| 2            | 60        | 60         |
| 3            | 70        | 65         |
| 4            | 80        | 70         |
| 5            | 90        | 75         |
| 6            | 100       | 80         |
| 7            | 110       | 85         |
| 8            | 120       | 90         |

- If you want a total of 7 kegs produced per week, how much production should you assign to each brewery?  
 a. Munkle (7)    Revelry (0)  
 b. Munkle (4)    Revelry (2)  
 c. Munkle (3)    Revelry (4)  
 d. Munkle (2)    Revelry (2)
- How much should Revelry produce if you want a total of 10 kegs produced per week?    a. 8    b. 6    c. 5    d. 4    e. 2

**For questions 8-10 only, assume we’re in a market economy, and breweries try to maximize their profit. Suppose the  $P_e$  of beer kegs is \$90.**

- How much beer will Munkle produce?    a. 4    b. 5    c. 6    d. 7    e. 8
- How much beer will Revelry produce?    a. 4    b. 5    c. 6    d. 7    e. 8
- If, instead of the “market,” a government czar had been appointed to allocate production among breweries, could the czar have assigned a production combination resulting in a lower total cost for the same number of total kegs produced?  
 a. No    b. Yes, as long as the czar has full MC information from producers