

Question 1

The fact that the firms in an oligopoly are mutually interdependent means that each firm:

- A) must consider the reactions of its competitors when it sets the price for its output.
- B) produces a product that is similar, but not identical, to the products of its competitors.
- C) produces a product that is identical to the products of its competitors.
- D) faces a perfectly elastic demand curve for its product.

Answer: <https://biology-forums.com/index.php?topic=543698>

Question 2

Which of the following is characteristics is common to both monopoly and monopolistic competition?

- A) Ease of entry into the industry.
- B) Firms are price setters.
- C) A relatively large number of sellers.
- D) Long-run economic profit equals 0.

Answer: <https://biology-forums.com/index.php?topic=543640>

Question 3

If a firm experiences constant returns to the variable input in the short run:

- A) marginal product will be greater than average variable product, but the two will become more equal as output increases.
- B) marginal product will be less than average variable product, but the two will become more equal as output increases.
- C) marginal product will be greater than average variable product, and the difference between the two will become larger as output increases.
- D) marginal product and average variable product will be equal over the range of output in question.

Answer: <https://biology-forums.com/index.php?topic=543337>

Question 4

The largest expenditure component in the U.S. is investment expenditures.

Answer: <https://biology-forums.com/index.php?topic=543929>

Question 5

Studies strongly suggest that advertising strategies are generally much more effective than pricing strategies as a means to increase market share.

Answer: <https://biology-forums.com/index.php?topic=543199>

Question 6

Which of the following statements regarding the requirement that a firm be granted a license to operate in a particular market is false?

- A) Advocates of licensing maintain that the practice is necessary to maintain quality of service.
- B) One of the economic effects of a license requirement is to constrain the available supply of the affected good or service.
- C) The requirement that they be licensed ensures that the affected firms will be able to earn a positive economic profit.
- D) Relaxing certain licensing requirements should increase the supply of the affected good or service.

Answer: <https://biology-forums.com/index.php?topic=543613>

Question 7

High fuel prices and losses by smaller firms have resulted in a considerable amount of consolidation in the trucking industry, which now most closely resembles the oligopoly market structure.

Answer: <https://biology-forums.com/index.php?topic=543573>

Question 8

The manager of a perfectly competitive firm has to decide:

- A) the quantity of output the firm should produce.
- B) the price the firm should charge for its output.
- C) the quantity of output the firm should produce and the price it should charge.
- D) neither the quantity of output the firm should produce nor the price it should charge because the market makes both of these decisions.

Answer: <https://biology-forums.com/index.php?topic=543488>

Question 9

Although monopoly and perfect competition result in different market outcomes, the fact that firms in both market structures work to maximize their profits ensures that resources are allocated efficiently in both situations.

Answer: <https://biology-forums.com/index.php?topic=543660>

Question 10

An industry characterized by a small number of dominant firms that face downward-sloping demand curves is best described as:

- A) a monopoly.
- B) monopolistically competitive.
- C) an oligopoly.
- D) perfectly competitive.

Answer: <https://biology-forums.com/index.php?topic=543697>

Question 11

Assume the demand function for good X can be written as $Q_d = 80 - 3P_x + 2P_y + 10I$, where P_x = the price of X, P_y = the price of good Y, and I = Consumer income. According to this equation:

- A) a rise in the price of Y would cause the demand for X to decrease.
- B) X and Y are complements
- C) X is an inferior good.
- D) X and Y are substitutes.

Answer: <https://biology-forums.com/index.php?topic=543016>

Question 12

Using the aggregate demand-aggregate supply diagram, graphically illustrate and explain the impact of an expansionary monetary policy on the price level and real income in the very short run.

Answer: <https://biology-forums.com/index.php?topic=544267>

Question 13

Referring to the previous question, all else constant, a 5 unit increase in the wage index would cause:

- A) quantity supplied to increase by 9 units and be shown by a movement up the supply curve.
- B) quantity supplied to decrease by 9 units and be shown by a movement down the supply curve.
- C) quantity supplied to increase by 9 units and be shown by a rightward shift of the supply curve.
- D) quantity supplied to decrease by 9 units and be shown by a leftward shift of the supply curve.

Answer: <https://biology-forums.com/index.php?topic=543027>

Question 14

An open market purchase of government securities by the Fed would shift the aggregate demand curve leftward.

Answer: <https://biology-forums.com/index.php?topic=544239>

Question 15

What did the European Central Bank (ECB) do to bolster the value of the euro in September 2000?

Answer: <https://biology-forums.com/index.php?topic=544379>

Question 16

Because cooperation dominates noncooperation as a strategy for maximizing profits, cheating is rarely if ever an issue that cartels have to contend with.

Answer: <https://biology-forums.com/index.php?topic=543774>

Question 17

If GDP rises:

- A) income and production must both fall.
- B) income and production must both rise.
- C) income must rise, but production may rise or fall.
- D) none of the above.

Answer: <https://biology-forums.com/index.php?topic=543862>

Question 18

The slope of the budget constraint:

- A) changes as the marginal rate of substitution changes.
- B) is the ratio of the prices of the two goods.
- C) is the ratio of the budget to total utility.
- D) equals one, since the consumer can purchase any combination along the budget constraint.

Answer: <https://biology-forums.com/index.php?topic=543158>

Question 19

A home theater system and an HD television would be considered an example of:

- A) substitute goods.
- B) giffen goods.
- C) inferior goods.
- D) complementary goods.

Answer: <https://biology-forums.com/index.php?topic=543008>

Question 20

Assume that there is an improvement in the technology used by firms in a perfectly competitive industry that is initially in long-run equilibrium. In the short run this would cause:

- A) an increase in the firm's economic profit.
- B) a decrease in the firm's economic profit.
- C) no change in the firm's economic profit.
- D) cannot be determined with the information given.

Answer: <https://biology-forums.com/index.php?topic=543531>

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