

Question 1

The basket of goods measured in computing the CPI includes goods produced in prior years and imported goods.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736789>

Question 2

A regulatory policy under which the government picks the point on the demand curve at which price equals average cost is known as

- A) marginal-cost pricing.
- B) average-revenue pricing.
- C) average-cost pricing.
- D) competitive pricing.

Answer: <https://biology-forums.com/index.php?topic=737498>

Question 3

Price discrimination is when a firm charges

- A) different prices for different goods to different consumers.
- B) different prices for the same goods to different consumers.
- C) the same price to all consumers.
- D) None of the above is correct.

Answer: <https://biology-forums.com/index.php?topic=736202>

Question 4

The government sometimes creates an excess demand for a product by setting a maximum price at which the product may be sold to consumers. This is sometimes called a

- A) tax.
- B) price ceiling.
- C) price floor.
- D) subsidy.

Answer: <https://biology-forums.com/index.php?topic=735265>

Question 5

Suppose initially the federal budget is balanced. The economy then enters a period of expansion. What is likely to happen to the federal budget?

- A) It will remain balanced.
- B) It will show a deficit.
- C) It will show a surplus.
- D) It will automatically stabilize.

Answer: <https://biology-forums.com/index.php?topic=738088>

Question 6

In the short run, the firm should shut down when

- A) price is equal to the minimum of the marginal cost of production.
- B) price is less than the minimum of the average variable cost of production.
- C) price is equal to the average total cost of production.
- D) price is equal to the minimum of the average total cost of production.

Answer: <https://biology-forums.com/index.php?topic=735976>

Question 7

Suppose that Gigantic Company is increasing in size. As Gigantic Company grows, demand for inputs causes input prices to rise. It is likely that continued growth will result in

- A) diseconomies of scale.
- B) increasing marginal returns.
- C) economies of scale.
- D) reduced fixed costs.

Answer: <https://biology-forums.com/index.php?topic=735837>

Question 8

If the price elasticity of demand is 2, this means that a _____ increase in price causes a _____ decrease in quantity demanded.

- A) 15%; 100%
- B) 15%; 10%
- C) 30%; 20%
- D) 20%; 40%

Answer: <https://biology-forums.com/index.php?topic=735395>

Question 9

If the quantity demanded is infinitely responsive to any change in price, the demand curve is

- A) upward sloping.
- B) vertical.
- C) downward sloping.
- D) horizontal.

Answer: <https://biology-forums.com/index.php?topic=735425>

Question 10

The increase in spending that occurs because domestic goods become cheaper relative to foreign goods when the price level falls is known as the

- A) price effect.
- B) wealth effect.
- C) international trade effect.
- D) interest rate effect.

Answer: <https://biology-forums.com/index.php?topic=737014>

Question 11

The stored value of money over time should not change significantly as long as the level of inflation is

- A) less than your pay increases.
- B) low.
- C) adjusted by the government.
- D) high.

Answer: <https://biology-forums.com/index.php?topic=738160>

Question 12

To decrease the money supply using the reserve requirements, what would the Fed typically do?

- A) reduce the reserve requirement for banks
- B) let each bank get less currency from the Treasury
- C) make each bank voluntarily set its own reserve levels
- D) raise the reserve requirement for banks

Answer: <https://biology-forums.com/index.php?topic=738337>

Question 13

Which of the following is a characteristic of a monopolistically competitive market?

- I. There are many sellers.
 - II. Firms sell slightly differentiated products.
 - III. The demand curve facing each individual firm is horizontal.
- A) I and II only
 - B) I and III only
 - C) II and III only
 - D) I, II, and III

Answer: <https://biology-forums.com/index.php?topic=737175>

Question 14

Suppose that your local government provides drinking water and charges a 10 cent per gallon. Explain whether or not the drinking water is a public good.

Answer: <https://biology-forums.com/index.php?topic=737849>

Question 15

What is the total revenue of a shoe company equal to?

- A) income minus explicit and implicit costs
- B) elasticity of demand divided by percentage change in quantity
- C) the change in quantity sold divided by the change in price
- D) price of shoes times quantity sold

Answer: <https://biology-forums.com/index.php?topic=735494>

Question 16

Why does wind power have economies of scale?

Answer: <https://biology-forums.com/index.php?topic=735868>

Question 17

Basically, the marginal principle helps us to evaluate the factors involved in taking an action or if doing something is worth the effort.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735145>

Question 18

A trust is

- A) an arrangement between firms whereby decision making is controlled by a board of trustees.
- B) a compact between industry and government.
- C) a creation of the Sherman Act.
- D) an agreement among firms to charge the perfectly competitive price.

Answer: <https://biology-forums.com/index.php?topic=737535>

Question 19

Which of the following is an example of something that economists would consider a cost but accountants would not?

- A) the wages that the owner of a firm could have earned in some alternative job
- B) rent paid to a business' landlord
- C) the wages paid to employees of a firm
- D) the cost of leather used in the production of footballs

Answer: <https://biology-forums.com/index.php?topic=735676>

Question 20

A good is said to be "normal" if

- A) it has a positive income elasticity of demand.
- B) it is of high quality.
- C) consumers buy more of it at a high price.
- D) it has few substitutes.

Answer: <https://biology-forums.com/index.php?topic=735553>

Question 21

The demand curve that a monopolist faces is

- A) the same as the demand curve that faces a perfectly competitive firm.
- B) the market demand curve.
- C) generally flatter than the demand curve that faces a perfectly competitive firm.
- D) not affected by changes in the prices of other goods.

Answer: <https://biology-forums.com/index.php?topic=736103>

Question 22

The percentage change in the quantity of bread demanded divided by the percentage change in price of jelly measures

- A) the price elasticity of demand for jelly.
- B) the cross-price elasticity of demand for jelly with respect to bread.
- C) the price elasticity of demand for bread.
- D) the cross-price elasticity of demand for bread with respect to jelly.

Answer: <https://biology-forums.com/index.php?topic=735565>

Question 23

Suppose George withdraws \$60,000 from his bank. If the reserve ratio is 25%, then this transaction will lead to a decrease of _____ in checking account balances.

- A) \$15,000
- B) \$45,000
- C) \$90,000
- D) \$180,000

Answer: <https://biology-forums.com/index.php?topic=738248>

Question 24

What is "monopolistic" about monopolistic competition?

Answer: <https://biology-forums.com/index.php?topic=737260>

Question 25

What are the effects on a market when there is entry?

Answer: <https://biology-forums.com/index.php?topic=737163>

Question 26

A decrease in the discount rate will

- A) not affect the money supply.
- B) have an unclear effect on the money supply.
- C) decrease the money supply.
- D) increase the money supply.

Answer: <https://biology-forums.com/index.php?topic=738346>

Question 27

The Act that extended antitrust legislation to proprietorships and partnerships was the

- A) Sherman Act.
- B) Hart-Scott-Rodino Act.
- C) Robinson-Patman Act.
- D) Celler-Kefauver Act.

Answer: <https://biology-forums.com/index.php?topic=737571>

Question 28

If a fast food restaurant gives senior citizens a 10% discount on food every day, that is an example of price discrimination. If they only give the discount on Tuesdays it is not price discrimination.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736257>

Question 29

The Obama stimulus package included fiscal policy actions designed to assist the economy in its recovery from recession. These fiscal policy actions would include _____ government spending and _____ taxes.

- A) increasing; Increasing
- B) increasing; decreasing
- C) decreasing; decreasing
- D) decreasing; increasing

Answer: <https://biology-forums.com/index.php?topic=738141>

Question 30

Protecting endangered species is NOT an example of a public good because there are no external benefits associated with it.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737843>

Question 31

If price is less than average cost in a monopolistically competitive market

- A) there is an incentive for firms to exit the market.
- B) there is no incentive for the number of firms in the market to change.
- C) the market must be in long-run equilibrium.
- D) there is profit incentive for firms to enter the market.

Answer: <https://biology-forums.com/index.php?topic=737211>

Question 32

What is an increasing cost industry?

Answer: <https://biology-forums.com/index.php?topic=736031>

Question 33

The Act which outlawed price discrimination for the purpose of reducing competition was the

- A) Sherman Act.
- B) Clayton Act.
- C) Robinson-Patman Act.
- D) Celler-Kefauver Act.

Answer: <https://biology-forums.com/index.php?topic=737567>

Question 34

Excess supply in an unregulated market will cause the price of a product to fall.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735275>

Question 35

Which of the following is NOT a component of value added of a firm?

- A) profits
- B) interest
- C) expenditures on intermediate goods
- D) wages

Answer: <https://biology-forums.com/index.php?topic=736602>

Question 36

When the price level is low and the demand for domestic goods increases, how does it affect international trade?

- A) Net exports will increase.
- B) Prices of all international goods will decrease.
- C) Net exports will decrease.
- D) Prices of all international goods will increase.

Answer: <https://biology-forums.com/index.php?topic=737020>

Question 37

Describe the field of economics known as microeconomics.

Answer: <https://biology-forums.com/index.php?topic=735042>

Question 38

What is a marginal cost?

Answer: <https://biology-forums.com/index.php?topic=735149>

Question 39

The duopoly price strategy provides _____ incentive to maintain cartel pricing as compared to the grim trigger strategy.

- A) the same
- B) a greater
- C) less of an

D) The answer depends on the firms' average cost curves.
Answer: <https://biology-forums.com/index.php?topic=737406>

Question 40

Table 6.1 shows the cost structure of a firm in a perfectly competitive market. If the market price is \$3,
A) the firm suffers a loss and is better off shutting down.
B) the market price is greater than the minimum average variable cost.
C) the firm suffers a loss but is better off producing the output level where $MR = MC$.
D) none of the above
Answer: <https://biology-forums.com/index.php?topic=735974>

Question 41

What are the two basic reasons inside lags occur?
Answer: <https://biology-forums.com/index.php?topic=738047>

Question 42

An increase in demand will cause a relatively small increase in price when
A) demand is highly elastic.
B) supply is highly inelastic.
C) the increase in demand is large.
D) all of the above
Answer: <https://biology-forums.com/index.php?topic=735647>

Question 43

If prices are sticky
A) economic activity will be coordinated efficiently.
B) prices will quickly adjust to changes in demand.
C) economic activity will not be coordinated efficiently.
D) quantity supplied will always equal quantity demand.
Answer: <https://biology-forums.com/index.php?topic=736983>

Question 44

In general, the quantity of output in an oligopoly market is
A) higher than in perfect competition.
B) lower than in perfect competition.
C) the same as in perfect competition.
D) The answer depends on the shape of the average cost curve.
Answer: <https://biology-forums.com/index.php?topic=737337>

Question 45

Logan finds \$10 in his jacket pocket and deposits it into a bank. As a result of this single transaction, M1 has
A) increased by less than \$10.
B) increased by more than \$10.
C) increased by \$10.
D) not changed.
Answer: <https://biology-forums.com/index.php?topic=738224>

Question 46

Recall the application. One factor which was responsible for roughly one-fifth of hybrid vehicles purchased in 2007 was a federal subsidy of up to \$3,400 per hybrid vehicle. The increase in sales due to this subsidy is an example of which element of the economic way of thinking?
A) thinking at the margin
B) using assumptions to simplify
C) responding to incentives
D) isolating variables
Answer: <https://biology-forums.com/index.php?topic=735010>

Question 47

At a price of \$18, the marginal revenue of a movie seller is \$12. If the marginal cost of a movie is \$9, the firm should increase its price.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736140>

Question 48

The Clayton Act of 1914

- A) prohibited selling products at "unreasonably low prices" with the intent of reducing competition.
- B) made it illegal to monopolize a market.
- C) outlawed tying contracts.
- D) outlawed asset-purchase contracts that would substantially reduce competition.

Answer: <https://biology-forums.com/index.php?topic=737572>

Question 49

Which action could the Fed use to decrease the money supply?

- A) an increase in the required reserve ratio
- B) a tax increase
- C) an open market purchase
- D) a decrease in the discount rate

Answer: <https://biology-forums.com/index.php?topic=738347>

Question 50

In which of the following market structures can you find differentiated products?

- A) perfect competition
- B) monopoly
- C) monopolistic competition and oligopoly
- D) oligopoly

Answer: <https://biology-forums.com/index.php?topic=735890>

Question 51

The price of an hour of leisure time for a successful lawyer is _____ the price of an hour of leisure for an unemployed high school drop-out.

- A) the same as
- B) less than
- C) greater than
- D) impossible to compare to

Answer: <https://biology-forums.com/index.php?topic=736346>

Question 52

What are the characteristics of monopolies?

Answer: <https://biology-forums.com/index.php?topic=735905>

Question 53

A charity that used to offer contributors private goods such as coffee mugs, books, or magazine subscriptions, but no longer does, is likely to _____ the free-rider problem and lead to a _____ level of contribution to the public good.

- A) reduce; smaller
- B) reduce; larger
- C) increase; larger
- D) increase; smaller

Answer: <https://biology-forums.com/index.php?topic=737826>

Question 54

Saving time by driving faster is an example of a _____ of driving faster. Increasing the severity of injuries from a potential accident due to driving faster is a(n) _____ of driving faster.

- A) marginal cost; nominal cost
- B) normative benefit; opportunity cost
- C) marginal benefit; marginal cost
- D) nominal cost; real cost

Answer: <https://biology-forums.com/index.php?topic=735142>

Question 55

In the event of excess supply in the coffee market

- A) the price of coffee will decrease.
- B) the price of coffee will increase.
- C) the supply of coffee will decrease (supply will shift to the left) to meet the demand.
- D) the demand for coffee will increase (demand will shift to the right) to meet the supply.

Answer: <https://biology-forums.com/index.php?topic=735261>

Question 56

If Tom's demand for leisure decreases as the wage increases,

- A) the substitution effect outweighs the income effect.
- B) the income effect is completely offset by the substitution effect.
- C) the income effect outweighs the substitution effect.
- D) There is insufficient information.

Answer: <https://biology-forums.com/index.php?topic=736352>

Question 57

List four things considered to be shortcomings in the determination of GDP in relation to the use of GDP as a measure of welfare.

Answer: <https://biology-forums.com/index.php?topic=736670>

Question 58

The Consumer Price Index (CPI) relies on the calculation of

- A) the components of GDP that do not change frequently.
- B) prices of a fixed basket of goods that does not change often.
- C) the components of GDP that change annually.
- D) prices of a variable basket of goods that changes frequently.

Answer: <https://biology-forums.com/index.php?topic=736767>

Question 59

Explain what will happen to the demand for labor, the equilibrium wage, and the equilibrium quantity of labor if a technological innovation makes workers more productive.

Answer: <https://biology-forums.com/index.php?topic=736469>

Question 60

Aggregate demand refers to the relationship between

- A) prices and the quantity of a good supplied.
- B) the price level and the quantity of real GDP demanded.
- C) the price level and the quantity of real GDP supplied.
- D) prices and the quantity of a good demanded.

Answer: <https://biology-forums.com/index.php?topic=737007>

Question 61

Antitrust laws are enforced by

- A) the Department of Commerce.
- B) the Department of Labor.
- C) the Federal Trade Commission.
- D) the Federal Reserve.

Answer: <https://biology-forums.com/index.php?topic=737559>

Question 62

Suppose Jones' company and Smith's company both pollute. Under a system of marketable pollution permits, which of the following must be true in order for Smith and Jones to benefit from trading the right to pollute?

- A) Smith and Jones must have a social conscience and must be devoted to pollution abatement.
- B) The government must direct Smith and Jones toward beneficial trades.
- C) Smith and Jones must have different abatement costs.

D) Smith and Jones must be able to reduce pollution at exactly the same cost.

Answer: <https://biology-forums.com/index.php?topic=737966>

Question 63

If there are 100 identical firms in a perfectly competitive industry, and the typical firm supplies 50 units of output at a price of \$30, the industry output is 5,000 units at a price of \$30.

A) True

B) False

Answer: <https://biology-forums.com/index.php?topic=736018>

Question 64

On a straight line demand curve, total revenue is maximized where demand is unitary elastic.

A) True

B) False

Answer: <https://biology-forums.com/index.php?topic=735548>

Question 65

The reason that movie videotapes cost more money immediately after they are released than they do six months later is due to price discrimination.

A) True

B) False

Answer: <https://biology-forums.com/index.php?topic=736253>

Question 66

Define the term "export."

Answer: <https://biology-forums.com/index.php?topic=738499>

Question 67

Governments sometime create an excess supply of a product by setting a minimum price that is greater than the equilibrium price, resulting in a permanent excess supply of the product. This is known as a price ceiling.

A) True

B) False

Answer: <https://biology-forums.com/index.php?topic=735276>

Question 68

A natural monopoly arises when

A) a firm acquires a patent.

B) economies of scale are so great that only one firm can exist in a market.

C) two firms merge to become the only firm serving an entire market.

D) a single firm controls all of a natural resource.

Answer: <https://biology-forums.com/index.php?topic=737476>

Question 69

Corporate profits are taxed by state and local governments, but not by the federal government.

A) True

B) False

Answer: <https://biology-forums.com/index.php?topic=738107>

Question 70

Medical doctors earn higher incomes than Ph.D.s in economics. This is partly because

A) a relatively small number of students are admitted to medical schools.

B) the costs of receiving necessary medical education are higher.

C) medical doctors are more likely to face malpractice lawsuits.

D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736418>

Question 71

When a pharmaceutical firm spends millions of dollars to lobby and convince Congress to extend the number of years a firm is awarded patent protection, then the pharmaceutical firm is engaging in

- A) price discrimination.
- B) rent seeking.
- C) marginal cost pricing.
- D) fraud.

Answer: <https://biology-forums.com/index.php?topic=736169>

Question 72

The law of demand states that there is a negative relationship between price and quantity demanded, *ceteris paribus*.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735235>

Question 73

If a seller of a high-quality good cannot prove the quality of that good

- A) the good will never be offered for sale.
- B) the good will trade at its equilibrium price.
- C) buyers will not be willing to pay the amount for which they value a high-quality good.
- D) buyers will only be willing to pay the amount for which they value a low-quality good.

Answer: <https://biology-forums.com/index.php?topic=737725>

Question 74

Microeconomics is best described as the study of

- A) inflation, unemployment, gross national product, and the nation's economy as a whole.
- B) the choices made by individual households, firms, and governments.
- C) marginal changes in the economy.
- D) how markets interact in the aggregate economy.

Answer: <https://biology-forums.com/index.php?topic=735035>

Question 75

In making accurate comparisons of GDP across countries, it is important to take differences in _____ into account.

- A) the average age of the population
- B) family size
- C) population size
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736848>

Question 76

Given the data in Table 12.1, the labor force participation rate of Metropolis is approximately

- A) 96%.
- B) 91%.
- C) 83%.
- D) 78%.

Answer: <https://biology-forums.com/index.php?topic=736686>

Question 77

Advertising is a waste of money and just drives up costs and thus price to consumers.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737302>

Question 78

What is meant by strategic behavior?

Answer: <https://biology-forums.com/index.php?topic=737387>

Question 79

The opportunity cost of something is
A) the cost of the labor used to produce it.
B) the price charged for it.
C) the search cost required to find it.
D) what you sacrifice to get it.

Answer: <https://biology-forums.com/index.php?topic=735071>

Question 80

If a firm has already paid or has agreed to pay for something we call it
A) a lost cost.
B) a sunk cost.
C) a fixed cost.
D) a spent cost.

Answer: <https://biology-forums.com/index.php?topic=735987>

Question 81

Suppose that the elasticity of demand for a product is 0.5 and quantity demanded increases by 20%. What must the percentage decrease in price have been?
A) 0.5%
B) 5%
C) 10%
D) 40%

Answer: <https://biology-forums.com/index.php?topic=735487>

Question 82

Heterogeneous inputs in a perfectly competitive market will cause the industry to face _____ costs because as the firm produces a larger quantity, it is forced to use _____ productive inputs.
A) increasing; more
B) decreasing; more
C) decreasing; less
D) increasing; less

Answer: <https://biology-forums.com/index.php?topic=736024>

Question 83

Problems associated with thin markets provide incentives for
A) buyers to seek information about identifying high-quality items.
B) sellers to prove that the items they are selling are of high quality.
C) buyers and sellers to agree upon a higher price than would hold in equilibrium.
D) Both A and B.

Answer: <https://biology-forums.com/index.php?topic=737724>

Question 84

Facebook is a social networking Web site that is used by a growing number of individuals. Because of its popularity, it is now more difficult for new networking Web sites to enter and compete with Facebook. Facebook enjoys _____ as a barrier for others to enter the market.
A) price discrimination
B) a negative externality
C) economies of scale
D) a network externality

Answer: <https://biology-forums.com/index.php?topic=736102>

Question 85

The idea that a \$1 increase in infrastructure spending will generate more than \$1 in economic growth is a representation of
A) an outside lag.
B) an inside lag.
C) the multiplier effect.
D) an automatic stabilizer.

Answer: <https://biology-forums.com/index.php?topic=738025>

Question 86

If buyers believe that the percentage of high quality goods on the market is greater than the actual percentage of high quality goods on the market

- A) buyers will be willing to pay a price that is higher than the price they would pay with perfect information.
- B) sellers of low quality goods will be driven from the market.
- C) the market will be in a short run equilibrium.
- D) the most that buyers will be willing to pay is less than the price they would pay with perfect information.

Answer: <https://biology-forums.com/index.php?topic=737628>

Question 87

A key consideration in the government's decision in the Staples/Office Depot case was that

- A) Staples charged higher prices in locations that were close to an Office Depot store.
- B) Staples and Office Depot had engaged in explicit price fixing.
- C) Staples and Office Depot would be a natural monopoly if they were allowed to merge.
- D) Staples charged lower prices in locations that were close to an Office Depot store.

Answer: <https://biology-forums.com/index.php?topic=737546>

Question 88

According to the principle of diminishing returns, if the number of workers is increased beyond the point of diminishing returns, then the additional worker

- A) increases total output by more than the amount of previous workers.
- B) decreases total output.
- C) increases total output by the same amount as previous workers.
- D) increases total output by less than the amount of previous workers.

Answer: <https://biology-forums.com/index.php?topic=735167>

Question 89

As compared to a perfectly competitive firm, a monopolistically competitive firm will

- A) face more barriers to entry.
- B) sell a more differentiated product.
- C) have less control over price.
- D) face more competitors.

Answer: <https://biology-forums.com/index.php?topic=737272>

Question 90

If a typical consumer is willing to pay \$3,000 for a plum and \$1,000 for a lemon, and there is a 50% chance of getting a lemon, the typical consumer is willing to pay \$2,000 for a used car.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737708>

Question 91

You sell your good in a perfectly competitive market where the market price is \$7.00. When you sell 100 units your total revenue is \$700. When you sell 101 units

- A) total revenue increases by more than \$7.
- B) total revenue increases by less than \$7.
- C) total revenue increases by exactly \$7.
- D) total revenue may increase or decrease.

Answer: <https://biology-forums.com/index.php?topic=735911>

Question 92

Monopolistically competitive markets are like perfectly competitive markets because in both markets firms

- A) have some control over price.
- B) face a large number of competitors.
- C) face substantial barriers to entry.
- D) have no control over price.

Answer: <https://biology-forums.com/index.php?topic=737273>

Question 93

In order to practice price discrimination a firm must

- A) have a homogeneous product.
- B) advertise their product.
- C) be able to divide consumers into groups with different demands for their product.
- D) avoid detection by the government.

Answer: <https://biology-forums.com/index.php?topic=736206>

Question 94

A comparative advantage is the ability of one person or nation to produce a good at an opportunity cost that is lower than that of another person or nation.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738479>

Question 95

If the percentage change in price is 2 and the percentage change in quantity supplied is 10, supply is

- A) unaffected by price changes.
- B) inelastic.
- C) unitary elastic.
- D) elastic.

Answer: <https://biology-forums.com/index.php?topic=735601>

Question 96

Huge increases in government spending and record low levels of unemployment during the Vietnam War era in the late 1960s led policy makers to fear that

- A) the economy was slipping into a recession, which would increase inflation.
- B) the economy was slipping into a recession, which would increase unemployment.
- C) the economy was growing too fast, which would increase unemployment.
- D) the economy was growing too fast, which would increase inflation.

Answer: <https://biology-forums.com/index.php?topic=738128>

Question 97

The supply of workers in a particular occupation could be relatively large if

- A) there are artificial barriers to enter that profession.
- B) job features are undesirable.
- C) there are few people with the required skills.
- D) training costs are low.

Answer: <https://biology-forums.com/index.php?topic=736416>

Question 98

Entry leads to higher prices and profits in an industry.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737158>

Question 99

If the market for used computers has only lemons (low-quality computers) then the market

- A) is an example of a thick market.
- B) is a type of monopoly.
- C) suffers from an adverse selection problem.
- D) must be monopolistically competitive.

Answer: <https://biology-forums.com/index.php?topic=737688>

Question 100

What characterizes a constant cost industry and what causes it to be a constant cost industry?

Answer: <https://biology-forums.com/index.php?topic=736086>

Question 101

It is less likely for oligopolists to maintain high prices in a repeated game than when the firms must choose one strategy to follow for the entire lifetime of the firm.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737430>

Question 102

The government can break up monopolies under federal antitrust legislation.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737599>

Question 103

Spending money on a new car instead of a used car when you are on a fixed budget is an example of

- A) the incursion of an opportunity cost.
- B) isolating variables.
- C) living on the edge.
- D) a bad thing to do because you run out of money.

Answer: <https://biology-forums.com/index.php?topic=735081>

Question 104

Which conditions must hold if a firm is to engage in price discrimination?

- A) Consumers must have very similar preferences for the product.
- B) It must be extremely difficult, if not impossible, for one consumer to resell a product to another.
- C) Firms must have a sufficiently low amount of market power.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736205>

Question 105

_____ is a monopoly that exists in an industry where the large economies of scale acts as its barrier to entry.

- A) A regulated monopoly
- B) A natural monopoly
- C) A monopolistic competitor
- D) A price discriminator

Answer: <https://biology-forums.com/index.php?topic=736100>

Question 106

Loans are examples of a bank's

- A) liabilities.
- B) balance sheet.
- C) net worth.
- D) assets.

Answer: <https://biology-forums.com/index.php?topic=738213>

Question 107

Sellers of high-quality used goods are _____ likely to offer money-back guarantees because _____.

- A) more; buyers will not ask for their money back
- B) less; buyers will be willing to purchase high-quality goods even without a guarantee
- C) less; buyers consider guarantees to be a sign of an inferior good
- D) more; they are wealthier and so can afford to give money back

Answer: <https://biology-forums.com/index.php?topic=737738>

Question 108

The midpoint formula for elasticity of demand solves the problem of

- A) whether elasticity of demand is really positive or negative.
B) which price or quantity to use as the initial value of the variable.
C) whether to use quantity demanded or supplied.
D) whether to use quantity or price in the numerator.

Answer: <https://biology-forums.com/index.php?topic=735408>

Question 109

Name a supply shock that has affected the U.S. economy on more than one occasion.

Answer: <https://biology-forums.com/index.php?topic=737121>

Question 110

If the demand curve is a vertical line, it means that

- A) regardless of price, the quantity demanded is a constant amount.
B) regardless of quantity, the price is a constant amount.
C) the good has many substitutes.
D) the good is inferior.

Answer: <https://biology-forums.com/index.php?topic=735423>

Question 111

Kaitlyn and Larissa have formed a dog bathing and grooming business. The number of dogs they can bathe or groom in any given day is depicted in Table 2.1. As they groom more dogs, the opportunity cost of grooming additional dogs

- A) rises.
B) falls.
C) remains constant.
D) depends on the prices being charged.

Answer: <https://biology-forums.com/index.php?topic=735092>

Question 112

Suppose that in a month the price of a dozen of eggs increases from \$1.50 to \$2. At the same time, the quantity of dozens of eggs demanded decreases from 200 to 150. The price elasticity of demand for dozens of eggs is

- A) unitary elastic.
B) elastic.
C) inelastic.
D) perfectly inelastic.

Answer: <https://biology-forums.com/index.php?topic=735398>

Question 113

A firm announces that it will refund the difference between its price and any price of a competitor that is lower. This is an example of

- A) tying contracting.
B) predatory pricing.
C) guaranteed price matching.
D) marginal cost pricing.

Answer: <https://biology-forums.com/index.php?topic=737393>

Question 114

An increase in the demand for musicians _____ the number of musicians employed, and _____ the wages paid to musicians.

- A) increases; increases
B) increases; decreases
C) decreases; increases
D) decreases; decreases

Answer: <https://biology-forums.com/index.php?topic=736383>

Question 115

In equilibrium in a mixed market

- A) the% of low quality goods on the market equals the sellers' estimate of the% of low quality goods on the market.
B) all low quality goods have been driven out of the market.
C) 50% of the goods on the market are low quality and 50% are high quality.

D) the% of low quality goods on the market equals the buyers' estimate of the% of low quality goods on the market.

Answer: <https://biology-forums.com/index.php?topic=737627>

Question 116

If the price elasticity of demand for water is inelastic, which of the following could be a possible value of the elasticity?

- A) 2
- B) 1
- C) 0.5
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=735421>

Question 117

A constant cost industry is one in which

- A) long-run supply is horizontal.
- B) demand is horizontal.
- C) short-run supply is horizontal.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736075>

Question 118

This Application addresses the idea that

- A) cutting tax rates will decrease tax revenue.
- B) there is ultimately no relationship between tax rates and tax revenues.
- C) cutting tax rates may actually increase tax revenues.
- D) increasing tax rates is necessary to increase tax revenues.

Answer: <https://biology-forums.com/index.php?topic=738084>

Question 119

Consider a labor market in equilibrium. If both demand curve and supply curve of labor shift to the right, then the number of workers hired in the market will _____.

- A) increase
- B) decrease
- C) remain unchanged
- D) either increase or decrease or remain unchanged

Answer: <https://biology-forums.com/index.php?topic=736401>

Question 120

Why should a system of marketable pollution permits lead to less costly pollution abatement than a command-and-control system?

Answer: <https://biology-forums.com/index.php?topic=738007>

Question 121

One of the key economic questions is "where should products be produced?"

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=734981>

Question 122

List and explain the three subgroups of the Federal Reserve System.

Answer: <https://biology-forums.com/index.php?topic=738288>

Question 123

If the marginal cost of producing the next unit of output is less than the average total cost, then

- A) the average total cost curve is at its minimum.
- B) the average total cost curve is increasing.
- C) the average total cost curve is decreasing.
- D) the marginal cost curve is at its minimum.

Answer: <https://biology-forums.com/index.php?topic=735771>

Question 124

If the marginal costs of water pollution abatement is increased, then the optimal amount of water pollution increases.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737873>

Question 125

Recall the Application. If the decrease in price of illegal drugs is primarily due to a change in demand, the equilibrium quantity of drugs

- A) will increase.
- B) will decrease.
- C) will not change.
- D) may or may not change.

Answer: <https://biology-forums.com/index.php?topic=735384>

Question 126

What makes a grim trigger strategy "grim" is

- A) if one player overprices, then the other overprices to the point of zero quantity demanded.
- B) if one player underprices, then the other player is driven out of the market.
- C) if one player underprices, then the other player drops the price so far that profits for both firms are zero.
- D) if one player underprices, then the other player notifies the Federal Trade Commission.

Answer: <https://biology-forums.com/index.php?topic=737402>

Question 127

Explicit price fixing

- A) is illegal only if the firms engage in punishment strategies.
- B) has not occurred in recent years.
- C) is illegal in the U.S. and in the European Union.
- D) is illegal only in the United States.

Answer: <https://biology-forums.com/index.php?topic=737414>

Question 128

Which of the following is most accurate?

- A) In some cases, competitive markets can yield less consumer surplus than would be enjoyed in a monopoly market with the same cost structure.
- B) In all cases, competitive markets yield more consumer surplus than would be enjoyed in a monopoly market with the same cost structure.
- C) In all cases, competitive markets yield the same consumer surplus that would be enjoyed in a monopoly market with the same cost structure.
- D) In all cases, competitive markets yield less consumer surplus than would be enjoyed in a monopoly market with the same cost structure.

Answer: <https://biology-forums.com/index.php?topic=736149>

Question 129

A minimum wage above the equilibrium wage leads to an excess quantity supplied of labor.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736458>

Question 130

When one firm uses the same strategy as the other firm used in the previous time period, this is known as a

- A) dominant strategy.
- B) tit-for-tat strategy.
- C) grim trigger strategy.
- D) predatory strategy.

Answer: <https://biology-forums.com/index.php?topic=737409>

Question 131

Which of the following best characterizes the tradeoff faced by a monopolist when deciding what quantity to produce?

- A) The firm can increase its output, but to do so it must charge a higher price to all customers.
- B) The firm gets less revenue from new customers by increasing output, but gets more revenue from existing customers given that it lowered its price.

- C) The firm gets more revenue from new customers by increasing output, but gets less revenue from existing customers given that it lowered its price.
D) The firm can increase its output, but needs to lower its price for only the marginal unit of output.

Answer: <https://biology-forums.com/index.php?topic=736109>

Question 132

If marginal revenue is \$10 and marginal costs is \$8, the firm should increase its output.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=735958>

Question 133

If the market demand decreases for a good sold in a perfectly competitive market, firms in the market

- A) will not be able to change their price.
B) will be able to charge a higher price for their product.
C) will receive a lower price for their product.
D) will not be affected by the change in demand.

Answer: <https://biology-forums.com/index.php?topic=736034>

Question 134

The money multiplier is equal to

- A) $1/(\text{reserve ratio})$.
B) the government spending multiplier.
C) the reserve ratio.
D) the marginal propensity to consume.

Answer: <https://biology-forums.com/index.php?topic=738239>

Question 135

The Federal Reserve is _____ the U.S. Treasury.

- A) independent of
B) a part of
C) under the control of
D) a creation of

Answer: <https://biology-forums.com/index.php?topic=738279>

Question 136

When the government develops policies to stabilize the economy

- A) these policies are unaffected by the multiplier effect.
B) only expansionary fiscal policy is impacted by the multiplier effect.
C) only contractionary fiscal policy is impacted by the multiplier effect.
D) it needs to consider the multiplier effect for all fiscal policies.

Answer: <https://biology-forums.com/index.php?topic=738023>

Question 137

Market power is the power to

- A) reduce price below cost to deter entry.
B) gain another firm's customers.
C) control output.
D) control prices.

Answer: <https://biology-forums.com/index.php?topic=737318>

Question 138

Headquartered in Washington, D.C., the Board of Governors of the Federal Reserve determines monetary policies and strategies based on the state of the economy.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=738285>

Question 139

Suppose we observe that a firm's total revenue doesn't change when price and quantity change by the same percentage. Which of the following is a possible value of its price elasticity of demand?

- A) 0
- B) 0.5
- C) 1
- D) 2

Answer: <https://biology-forums.com/index.php?topic=735506>

Question 140

List four examples of oligopolies in the United States.

Answer: <https://biology-forums.com/index.php?topic=737385>

Question 141

One result of adverse selection in the used car market is that few plums (high-quality) are sold.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737712>

Question 142

The Clinton administration inherited a budget deficit from its predecessor. President Clinton instituted major tax increases that

- A) reduced the size of the deficit but could not eliminate it.
- B) reduced the budget deficit but increased the federal debt.
- C) brought the budget into balance and eventually into a surplus.
- D) increased the budget deficit during his entire term.

Answer: <https://biology-forums.com/index.php?topic=738133>

Question 143

According to human capital theory, all of the following help make workers more productive EXCEPT

- A) skills.
- B) increased unemployment benefits.
- C) health and fitness.
- D) education.

Answer: <https://biology-forums.com/index.php?topic=736938>

Question 144

An increase in the money supply will increase aggregate demand.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737058>

Question 145

Money market mutual funds are included in

- A) M1.
- B) M2.
- C) both M1 and M2.
- D) neither M1 nor M2.

Answer: <https://biology-forums.com/index.php?topic=738177>

Question 146

What is the threshold age for individuals to be considered as being in the "labor force" for statistical purposes?

- A) 16
- B) 18
- C) 21
- D) Over 21

Answer: <https://biology-forums.com/index.php?topic=736681>

Question 147

To determine the change in the capital stock, the level of new investment must be adjusted for depreciation because some new investment

- A) merely replaces existing, but worn out, capital.
- B) is more efficient than existing capital.
- C) replaces existing workers.
- D) is not used immediately.

Answer: <https://biology-forums.com/index.php?topic=736879>

Question 148

Temporary tax cuts tend to stimulate consumer spending at the same rate as permanent tax cuts.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738145>

Question 149

In which of the following ways is a monopolistically competitive firm like a perfectly competitive firm?

- A) Long-run economic profits are negative.
- B) Short-run economic profits may be positive, negative, or zero.
- C) Short-run economic profits are always positive.
- D) Long-run economic profits are positive.

Answer: <https://biology-forums.com/index.php?topic=737275>

Question 150

What is the motivation for individuals to hold money?

- A) to have liquidity
- B) to reduce risk
- C) to facilitate transactions
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=738313>

Question 151

What is the nominal value of money?

- A) its actual face value
- B) discounts taken by multiple purchases
- C) what can be purchased with the money
- D) savings by shopping on specific days of the week

Answer: <https://biology-forums.com/index.php?topic=735195>

Question 152

If you can consume a good without having to pay for it, the good must be a public good.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737841>

Question 153

Toby sells wheat in a perfectly competitive market. The demand curve for Toby's wheat is

- A) horizontal.
- B) downward sloping.
- C) vertical.
- D) U-shaped.

Answer: <https://biology-forums.com/index.php?topic=735894>

Question 154

In considering the relationships between price and quantity demanded, ceteris paribus directs the economist to assume that

- A) quantity increases affect prices.
- B) price increases affect quantity.

- C) either price nor quantity affect demand.
D) all other variables remain unchanged.

Answer: <https://biology-forums.com/index.php?topic=735221>

Question 155

Average variable cost is defined as

- A) the change in quantity divided by the change in total variable cost.
B) quantity divided by total variable cost.
C) the change in total variable cost divided by the change in quantity.
D) total variable cost divided by quantity.

Answer: <https://biology-forums.com/index.php?topic=735714>

Question 156

According to the method of growth accounting, which of the following contribute to economic growth?

- A) technological progress
B) capital growth
C) labor growth
D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736913>

Question 157

In order for money to be an effective medium of exchange, it is important to have it serve as a unit of account.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=738196>

Question 158

In a perfectly competitive market, if price is less than average total cost, but greater than average variable cost at the level of output where marginal cost equals marginal revenue

- A) the firm is earning positive economic profit.
B) the firm should shut down.
C) the firm is earning negative economic profit.
D) We cannot determine whether the firm is earning positive or negative profits.

Answer: <https://biology-forums.com/index.php?topic=735943>

Question 159

Trade deficits always lead to future decreases in consumption if the trade deficits

- A) support current investment.
B) support current consumption.
C) support either current investment or current consumption.
D) require borrowing from abroad.

Answer: <https://biology-forums.com/index.php?topic=736895>

Question 160

Why do you think that the demand for coffee is less elastic than the demand for restaurant meals?

Answer: <https://biology-forums.com/index.php?topic=735476>

Question 161

For most goods and services, income elasticity of demand tends to be smaller in the short run than in the long run. However, a recent study shows that the demand for a durable good such as automobiles tends to be more income-elastic in the short run than in the long run. Explain why.

Answer: <https://biology-forums.com/index.php?topic=735585>

Question 162

When applying the marginal principle, you should pick the level at which the activity's marginal benefit is less than its marginal cost.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=735144>

Question 163

If the worker's costs of the training necessary to perform a job increase, labor _____ shifts _____.

- A) demand; left
- B) demand; right
- C) supply; left
- D) supply; right

Answer: <https://biology-forums.com/index.php?topic=736427>

Question 164

When people expect inflation, they assume that prices are going to increase at a certain rate and factor this into their decision making.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738432>

Question 165

Slope is calculated as a change in the variable on the horizontal axis divided by a change in the variable on the vertical axis.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735070>

Question 166

Recall the Application. The rise in commodity prices corresponded with _____ in interest rates, and this change in interest rates would result in bond prices _____.

- A) a decrease; rising
- B) an increase; rising
- C) a decrease; falling
- D) an increase; falling

Answer: <https://biology-forums.com/index.php?topic=738402>

Question 167

Income taxes are taxes paid on wages and investment income.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738102>

Question 168

The GDP deflator measures how prices change over time.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736633>

Question 169

Give some examples of transactions in markets which are not regulated or controlled.

Answer: <https://biology-forums.com/index.php?topic=736669>

Question 170

Individual income tax is the _____ single component of federal revenue.

- A) least important
- B) smallest
- C) second largest
- D) largest

Answer: <https://biology-forums.com/index.php?topic=738069>

Question 171

A switch to marketable pollution permits will decrease abatement costs because high-cost firms do most of the abating.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738003>

Question 172

If the multiplier = 2.5, the MPC would be

- A) 0.25.
- B) 0.4.
- C) 0.6.
- D) 0.75.

Answer: <https://biology-forums.com/index.php?topic=737050>

Question 173

Some firms in monopolistically competitive markets differentiate their products by their physical characteristics.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737248>

Question 174

What are the main features of the Celler-Kefauver Act?

Answer: <https://biology-forums.com/index.php?topic=737607>

Question 175

Marketable pollution permits increase the amount of pollution generated because firms that don't want to reduce pollution can buy the right to pollute.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738004>

Question 176

If peanut butter and jelly are complements, then an increase in the price of peanut butter will reduce the demand for jelly.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735583>

Question 177

If the quantity supplied is infinitely responsive to any change in price, the supply curve has a price elasticity of supply equal to infinity.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735631>

Question 178

If demand is inelastic, then price and total revenue are directly related.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735519>

Question 179

A chain-weighted index

- A) is a useful tool for determining which fence to purchase.
- B) calculates changes in prices by using an average of base years from neighboring years to obtain a more accurate measure of real GDP growth.
- C) uses neighboring years' data to calculate changes in nominal GDP.
- D) is used to understate the rate of inflation.

Answer: <https://biology-forums.com/index.php?topic=736628>

Question 180

Which of the following is a characteristic of a monopolistically competitive market?

- I. Firms sell differentiated products.
- II. Each firm is earning a zero economic profit in the long-run.
- III. Potential entrants face artificial barriers to entry.

- A) I only
- B) I and II only
- C) II and III only
- D) I, II, and III

Answer: <https://biology-forums.com/index.php?topic=737194>

Question 181

Suppose that 100 firms operate in a perfectly competitive industry and each firm has the same technology and cost structure. If each firm maximizes profits by selling 20 units of output at \$5.00, then the quantity supplied in the market at \$5.00 is

- A) greater than 2,000.
- B) 2,000.
- C) zero.
- D) less than 2,000.

Answer: <https://biology-forums.com/index.php?topic=736007>

Question 182

Recall the Application. Suppose a low demander is willing to pay \$8 for a movie, while a high demander is willing to pay \$12 for a movie and popcorn. If the theater charged \$2 for admission and \$10 for popcorn, _____ would be willing to go to the movie.

- A) only the high demander
- B) only the low demander
- C) both the low demander and the high demander
- D) neither the low demander nor the high demander

Answer: <https://biology-forums.com/index.php?topic=736248>

Question 183

If the market demand increases for a good sold in a perfectly competitive market, individual firms in the market

- A) will begin earning economic losses.
- B) will not be able to change their price.
- C) will need to lower price in order to remain competitive.
- D) will be able to charge a higher price for their product.

Answer: <https://biology-forums.com/index.php?topic=735948>

Question 184

If two firms use a tit-for-tat scheme to maintain cartel pricing and one firm chooses a high price in the current time period then

- A) that firm will also choose a high price in the next time period.
- B) that firm will also choose a low price in the next time period.
- C) the other firm will choose a low price in the next time period.
- D) the other firm will choose a high price in the next time period.

Answer: <https://biology-forums.com/index.php?topic=737408>

Question 185

If a natural monopoly is forced to follow a policy of average-cost pricing, the monopolist will

- A) charge a higher price than if the monopolist were not regulated.
- B) decrease output below that in an unregulated pricing policy.
- C) earn economic profits greater than zero.
- D) charge a lower price than if the monopolist were not regulated.

Answer: <https://biology-forums.com/index.php?topic=737503>

Question 186

An example of a monopolistically competitive industry is grocery stores.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737252>

Question 187

If a profit-maximizing firm in a perfectly competitive market is currently producing the output where $(\text{price} - \text{average variable cost}) > \text{average fixed cost}$, the firm is

- A) suffering an economic loss.
- B) making a positive economic profit.
- C) making a zero economic profit.
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=735935>

Question 188

Recall the Application. Suppose a low demander is willing to pay \$8 for a movie, while a high demander is willing to pay \$12 for a movie and popcorn. The theater could charge _____ for admission and _____ for popcorn for each consumer to receive a consumer surplus of \$2.

- A) \$8; \$2
- B) \$9; \$3
- C) \$10; \$0
- D) \$6; \$4

Answer: <https://biology-forums.com/index.php?topic=736245>

Question 189

Government agencies often regulate the price natural monopolies charge because, if left unregulated, natural monopolies will

- A) charge a price less than average cost.
- B) face too many competitors.
- C) charge a price greater than average cost.
- D) charge a price equal to average cost.

Answer: <https://biology-forums.com/index.php?topic=737496>

Question 190

Price leadership is when one firm sets price for the industry and the others follow.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737434>

Question 191

An example of a good that is rival in consumption is

- A) a scientific discovery that allows florists to grow flowers to which no one is allergic.
- B) a floral display at a large university's graduation ceremony.
- C) flowers planted on the side of the highway.
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=737804>

Question 192

Suppose that a price index in Paraguay was 131 in 2011 and 152 in 2012. The inflation rate between those two years was approximately

- A) 10.5%.
- B) 11.6%.
- C) 16%.
- D) 21%.

Answer: <https://biology-forums.com/index.php?topic=736796>

Question 193

In addition to lowering the discount rate to increase the money supply, the Fed could also

- A) sell bonds on the open market and raise reserve requirements.
- B) sell bonds on the open market and lower reserve requirements.
- C) purchase bonds on the open market and raise reserve requirements.
- D) purchase bonds on the open market and lower reserve requirements.

Answer: <https://biology-forums.com/index.php?topic=738348>

Question 194

Price fixing is an arrangement whereby firms agree to

- A) set price equal to marginal revenue.
- B) set price equal to average total cost.
- C) coordinate their pricing decisions.
- D) set price equal to marginal cost.

Answer: <https://biology-forums.com/index.php?topic=737335>

Question 195

During an economic boom, output exceeds potential output.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737127>

Question 196

A distinguishing feature of a public good is that it

- A) may have external costs.
- B) is provided by the government.
- C) is not possible to exclude people who don't pay for the public good.
- D) is possible to exclude people who pay for the public good.

Answer: <https://biology-forums.com/index.php?topic=737811>

Question 197

As depicted in the circular flow diagram, firms

- A) supply the resources that households demand in factor markets.
- B) supply the goods and services that households demand in product markets.
- C) demand the goods and services that households supply in product markets.
- D) demand the resources that households supply in product markets.

Answer: <https://biology-forums.com/index.php?topic=736524>

Question 198

According to the principle of diminishing returns, an additional worker decreases total output.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735180>

Question 199

If the demand for illegal drugs is inelastic, then a government policy that causes illegal drug price to rise would cause those who support their drug habit by property theft to

- A) end their drug dependency.
- B) reduce their theft to pay for their drugs.
- C) increase their drug dependency.
- D) increase their theft to pay for their drugs.

Answer: <https://biology-forums.com/index.php?topic=735513>

Question 200

The relationship between the market price of a good and the quantity supplied of that good by a firm in the short run is the firm's

- A) optimal production level.
- B) average cost schedule.
- C) short-run supply curve.
- D) total revenue minus total cost schedule.

Answer: <https://biology-forums.com/index.php?topic=736003>

Question 201

If we are on the upper portion of the market demand curve and the price increases by 10%, the quantity demanded will decrease by more than 10%.

- A) True

B) False

Answer: <https://biology-forums.com/index.php?topic=735464>

Question 202

Suppose that the percentage change in demand is 20%, the price elasticity of demand is 3, and the percentage change in the equilibrium price is 4%. What is the price elasticity of supply?

- A) 0
- B) 2
- C) 4
- D) 5

Answer: <https://biology-forums.com/index.php?topic=735641>

Question 203

An open market purchase by the Fed

- A) increases investment and decreases output.
- B) decreases investment and increases output.
- C) increases investment and increases output.
- D) decreases investment and decreases output.

Answer: <https://biology-forums.com/index.php?topic=738379>

Question 204

Suppose a firm experiences lower average costs whenever output increases in the long run. Then we would expect the firm to have

- A) an L-shaped long-run average cost curve.
- B) a long-run average cost curve that always decreases.
- C) a U-shaped long-run average cost curve.
- D) a minimum efficient scale relatively close to the origin.

Answer: <https://biology-forums.com/index.php?topic=735811>

Question 205

The depreciation of the dollar will make U.S. goods _____ to foreigners and make imports _____ for U.S. residents.

- A) cheaper; more expensive
- B) more expensive; cheaper
- C) more expensive; more expensive
- D) cheaper; cheaper

Answer: <https://biology-forums.com/index.php?topic=738397>

Question 206

Financial monetary assets which often cannot be readily used in commercial exchanges are included in

- A) credit cards.
- B) M1.
- C) prepaid accounts.
- D) M2.

Answer: <https://biology-forums.com/index.php?topic=738187>

Question 207

Command-and-control policies are desirable because their tough pollution reduction targets force firms to develop new technologies to survive.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737954>

Question 208

Suppose that income increases and the quantity demanded of guitars stays the same. This means that the income elasticity of guitars is unitary.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735579>

Question 209

When the Federal Reserve buys bonds on the open market, it decreases the money supply.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738353>

Question 210

Suppose that the wage for musicians increases relative to other occupations. We know that _____ people will work in music, and the total number of hours worked will _____.

- A) more; increase
- B) more; decrease
- C) fewer; increase
- D) fewer; decrease

Answer: <https://biology-forums.com/index.php?topic=736360>

Question 211

If the MPS = 0.2, the multiplier would be

- A) 0.5.
- B) 1.
- C) 2.
- D) 5.

Answer: <https://biology-forums.com/index.php?topic=737049>

Question 212

Talking about alternatives is the first step in a process that helps us make better choices about how we use our resources.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=734974>

Question 213

Firms that expend resources for lobbying that could have been used for productive services are engaging in rent-seeking behavior.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736181>

Question 214

Decreased investment spending in the economy would be a possible result of

- A) an open market sale of bonds by the Fed.
- B) an increase in the money supply.
- C) an open market purchase of bonds by the Fed.
- D) a decrease in interest rates.

Answer: <https://biology-forums.com/index.php?topic=738327>

Question 215

Suppose that your tuition to attend college is \$14,000 per year and you spend \$5,000 per year on room and board. If you were working full time, you could earn \$26,000 per year. What is your opportunity cost of attending college?

- A) \$19,000
- B) \$31,000
- C) \$40,000
- D) \$45,000

Answer: <https://biology-forums.com/index.php?topic=735083>

Question 216

Which of the following is partially responsible for the male-female wage gap in the United States?

- A) Women have been denied access to many occupations, leading to increased supply in a few occupations.
- B) Women have, on average, less work experience than their male counterparts.
- C) Women have, on average, less education than their male counterparts.
- D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=736429>

Question 217

Suppose that the chain-weighted index for GDP in Gambia was 275 in 2011 and 350 in 2012. The inflation rate between those two years was approximately

- A) 20.2%.
- B) 27.3%.
- C) 37.5%.
- D) 75%.

Answer: <https://biology-forums.com/index.php?topic=736800>

Question 218

What does the Consumer Price Index (CPI) measure?

- A) the cost of replacing lost items
- B) the cost of living over time
- C) prices of non durable goods
- D) prices of durable goods

Answer: <https://biology-forums.com/index.php?topic=736775>

Question 219

Economists assume that individuals make informed decisions and act in their own self-interest.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735021>

Question 220

The face value of money or income is called its _____ value.

- A) nominal
- B) marginal
- C) external
- D) real

Answer: <https://biology-forums.com/index.php?topic=735185>

Question 221

If marginal cost is below average cost, marginal cost must be rising.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735797>

Question 222

The poverty rate in the United States is lowest for

- A) blacks.
- B) Hispanics.
- C) Asians.
- D) whites.

Answer: <https://biology-forums.com/index.php?topic=736494>

Question 223

If the Fed wished to decrease GDP, it could

- A) increase the reserve requirement or conduct an open market sale.
- B) increase the reserve requirement or conduct an open market purchase.
- C) decrease the reserve requirement or conduct an open market sale.
- D) decrease the reserve requirement or conduct an open market purchase.

Answer: <https://biology-forums.com/index.php?topic=738386>

Question 224

Given their skills and knowledge, mine workers earn higher incomes than they would in another occupation. This is partly because

- A) the skills required of mine workers can be acquired through costly training.
B) few people have skills and knowledge required for mining works.
C) mine workers take the higher risk of injury or death.
D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736420>

Question 225

- An unemployed individual decides to spend the day fishing. The opportunity cost of fishing is
A) the cost of bait, any other monetary expenses, and the value of the best alternative use of the individual's time.
B) zero, because the person doesn't have a job.
C) the cost of bait and any other monetary expenses.
D) the cost of bait, any other monetary expenses, and the value of the individual's wages while he was working.

Answer: <https://biology-forums.com/index.php?topic=735076>

Question 226

- One reason the aggregate demand curve is downward sloping is because of the
A) interest rate effect.
B) price effect.
C) welfare effect.
D) tariff effect.

Answer: <https://biology-forums.com/index.php?topic=737012>

Question 227

Firms in the long-run do not experience diminishing marginal returns. Then why do some industries have upward-sloping long-run supply curves?

Answer: <https://biology-forums.com/index.php?topic=736033>

Question 228

- A contestable market is one where
A) firms can maintain the monopoly price.
B) there is the legitimate threat of entry.
C) there are infinitely many firms.
D) entry necessarily occurs.

Answer: <https://biology-forums.com/index.php?topic=737462>

Question 229

Suppose that A Cleaner World invents a new type of laundry detergent that has an ingredient that stops stains from setting into clothes. If the laundry detergent market is monopolistically competitive, explain what will happen to the price of its product in the short run. What will happen in the long run?

Answer: <https://biology-forums.com/index.php?topic=737264>

Question 230

- Technological advances in pollution reduction
A) reduce the demand for pollution permits.
B) increase the supply of pollution permits.
C) reduce the supply of pollution permits.
D) increase the demand for pollution permits.

Answer: <https://biology-forums.com/index.php?topic=737999>

Question 231

Recall the application. China's and India's GNP per capita are _____ U.S. GNP per capita.

- A) within 5 percentage points of
B) still significantly less than
C) now greater than
D) now equal to

Answer: <https://biology-forums.com/index.php?topic=736918>

Question 232

Suppose Tim's Cowboy boot factory produces in a perfectly competitive market. Suppose the average total cost of cowboy boots is \$65, the average

variable cost of cowboy boots is \$60, and the price of cowboy boots is \$62. If the firm is producing the level of output where marginal cost equals price, then in the short run the firm

- A) can increase profit by increasing output.
- B) should continue to produce since total revenue exceeds total variable cost.
- C) should shut down.
- D) is earning a positive economic profit.

Answer: <https://biology-forums.com/index.php?topic=735978>

Question 233

The government strives to operate at neither a deficit nor surplus budget in order to keep the federal budget

- A) equal to inflation.
- B) balanced.
- C) equal to that of other countries.
- D) in line with the stock market.

Answer: <https://biology-forums.com/index.php?topic=738086>

Question 234

If the price elasticity of demand is 0.5, this means that a _____ increase in price causes a _____ decrease in quantity demanded.

- A) 30%; 15%
- B) 20%; 1%
- C) 5%; 1%
- D) 20%; 100%

Answer: <https://biology-forums.com/index.php?topic=735394>

Question 235

The majority of spending in the government purchases category comes from the federal government.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736586>

Question 236

Because resources are limited

- A) people must make choices.
- B) firms will be forced out of business.
- C) the availability of goods will be limited but the availability of services will not.
- D) only the very wealthy can get everything they want.

Answer: <https://biology-forums.com/index.php?topic=734957>

Question 237

The Consumer Price Index (CPI) differs from a chain-weighted price index in that the CPI

- A) allows for the goods consumed in an economy to change over time, while the chain-weighted index does not.
- B) measures the costs of a typical fixed basket of goods over time, while the chain-weighted index does not.
- C) requires calculation of GDP, while the chain-weighted index does not.
- D) compares the prices of all goods in one year to the prices of all goods in other years.

Answer: <https://biology-forums.com/index.php?topic=736776>

Question 238

Recall the application. The supply of wine in the short run is _____, so an increase in demand causes the price to _____.

- A) flexible; rise
- B) inflexible; fall
- C) flexible; fall
- D) inflexible; rise

Answer: <https://biology-forums.com/index.php?topic=736062>

Question 239

Exports _____ GDP and imports _____ GDP.

- A) increase; increase

- B) decrease; increase
- C) increase; decrease
- D) decrease; decrease

Answer: <https://biology-forums.com/index.php?topic=736572>

Question 240

Not including transactions from the underground economy will tend to _____ GDP, and not including environmental changes caused by pollution will tend to _____ GDP.

- A) undervalue; overvalue
- B) overvalue; overvalue
- C) overvalue; undervalue
- D) undervalue; undervalue

Answer: <https://biology-forums.com/index.php?topic=736664>

Question 241

Which of the following is a problem with the price system that can lead to a breakdown in the coordination of economic activity?

- A) Prices can be slow to adjust.
- B) Prices may be flexible.
- C) The price system works silently in the background.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736977>

Question 242

The quantity supplied of hot dogs is 200 at the unit price of \$3.50. Suppose the price elasticity of supply by the initial value method is 2, and you would like to induce sellers to increase the quantity of hot dogs supplied to 220. Then new price must be

- A) \$1.5.
- B) \$2.
- C) \$2.5.
- D) \$3.

Answer: <https://biology-forums.com/index.php?topic=735608>

Question 243

The problems of markets can be addressed by

- A) guaranteed price matching.
- B) increasing the number of sellers in the market.
- C) money back guarantees.
- D) imposing price ceilings.

Answer: <https://biology-forums.com/index.php?topic=737731>

Question 244

Macroeconomics differs from microeconomics in that

- A) macroeconomics is the study of individual markets, while microeconomics deals with the nation's economy as a whole.
- B) macroeconomics focuses principally on social and political issues, while microeconomics involves the study of a nation's monetary system.
- C) microeconomics is the study of individual markets, while macroeconomics deals with the nation's economy as a whole.
- D) microeconomics focuses principally on social and political issues, while macroeconomics involves the study of a nation's monetary system.

Answer: <https://biology-forums.com/index.php?topic=736516>

Question 245

In order to _____, a government must increase spending and decrease taxation.

- A) increase aggregate supply
- B) decrease aggregate demand
- C) increase aggregate demand
- D) decrease aggregate supply

Answer: <https://biology-forums.com/index.php?topic=738016>

Question 246

The 3 key economic questions include all of the following EXCEPT

- A) "how do we produce these products?"
- B) "what products do we produce?"
- C) "where should these products be produced?"
- D) "who consumes the products?"

Answer: <https://biology-forums.com/index.php?topic=734968>

Question 247

Economic models are used to

- A) explore decision making by individuals, firms and other organizations.
- B) explain every detail of an economic theory.
- C) build physical renditions of government construction projects.
- D) represent the complexities of economic environments.

Answer: <https://biology-forums.com/index.php?topic=734973>

Question 248

Economic cost is always less than accounting cost.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735683>

Question 249

Macroeconomics is the study of individual economic markets.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736525>

Question 250

In the United States today, the government will exchange gold or silver for paper money.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738200>

Question 251

Bars often offer specials on appetizers during "happy hour." What does the concept of price discrimination suggest about why this might be profit-maximizing behavior?

Answer: <https://biology-forums.com/index.php?topic=736265>

Question 252

If home prices are falling, consumers purchasing a home will find their purchasing power of money has increased. This benefit to consumers is called the

- A) multiplier effect.
- B) home equity effect.
- C) inflation effect.
- D) wealth effect.

Answer: <https://biology-forums.com/index.php?topic=737021>

Question 253

If the marginal cost of producing the next unit of output exceeds the average total cost, then

- A) the average total cost curve is decreasing.
- B) the average total cost curve is increasing.
- C) the average total cost curve is at its minimum.
- D) the marginal cost curve is at its minimum.

Answer: <https://biology-forums.com/index.php?topic=735770>

Question 254

When the price of pens went from \$1 to \$1.50, the quantity demanded of pencils changed from 50 to 75 a day. The cross-price elasticity of demand for pens (using the initial value formula) is

- A) 0.8.
- B) 0.4.
- C) 0.2.
- D) Cannot be determined from the information provided.

Answer: <https://biology-forums.com/index.php?topic=735572>

Question 255

Recall the Application. If the minimum of average variable cost for switchgrass farmers is \$40 per ton and the current price is \$35 per ton, in the long-run the switchgrass farmer will

- A) make a zero economic profit.
- B) make a positive economic profit.
- C) exit the industry.
- D) operate losing money.

Answer: <https://biology-forums.com/index.php?topic=735952>

Question 256

Blu-ray disc players, iPhones, and hybrid cars are generally considered to be _____ goods.

- A) intermediate
- B) nondurable
- C) durable
- D) service

Answer: <https://biology-forums.com/index.php?topic=736550>

Question 257

When gross domestic product (GDP) is adjusted by adding any income earned abroad by U.S. firms or residents which is sent back to the United States and by subtracting any income earned in the United States by non-U.S. corporations or foreign nationals which is sent back to their home countries, it is called

- A) gross national product (GNP).
- B) international GDP.
- C) depreciation.
- D) subsidized income.

Answer: <https://biology-forums.com/index.php?topic=736598>

Question 258

The effect of higher wages on the individual supply of labor is _____ and the effect of higher wages on the market supply of labor is _____.

- A) ambiguous; to decrease the quantity supplied
- B) ambiguous; to increase the quantity supplied
- C) to decrease the quantity supplied; ambiguous
- D) to increase the quantity supplied; ambiguous

Answer: <https://biology-forums.com/index.php?topic=736367>

Question 259

During periods of poor economic performance, real GDP

- A) declines but unemployment typically does not change.
- B) declines and unemployment rises.
- C) declines and unemployment declines.
- D) is unchanged but unemployment rises sharply.

Answer: <https://biology-forums.com/index.php?topic=736671>

Question 260

Changes in government purchases affect aggregate demand only indirectly through consumption spending.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738038>

Question 261

If a firm currently sells a product at a point where the price elasticity of demand is 0.5, the firm needs to raise the price to maximize its total revenue.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735547>

Question 262

If the demand for jelly decreases, and the price of grapes (used to make jelly) rises

- A) the equilibrium price of jelly rises and the equilibrium quantity of jelly might rise or fall.
- B) the equilibrium price of jelly falls and the equilibrium quantity of jelly might rise or fall.
- C) the equilibrium price of jelly might rise or fall, and the equilibrium quantity of jelly rises.
- D) the equilibrium price of jelly might rise or fall, and the equilibrium quantity of jelly falls.

Answer: <https://biology-forums.com/index.php?topic=735355>

Question 263

Consider a firm that is trying to determine how many hours to remain open in a day. How would the firm make this decision?

Answer: <https://biology-forums.com/index.php?topic=735152>

Question 264

Discretionary funds are typically used by the Executive Branch and Congress for activist fiscal policies.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738098>

Question 265

When consumers realize additional income in a household and spend the additional monies, the portion of the additional income that is spent is measured by the

- A) measure of individual wealth.
- B) credit increase theory.
- C) marginal propensity to consume.
- D) aggregate demand factor.

Answer: <https://biology-forums.com/index.php?topic=737041>

Question 266

When firms discuss pricing strategies with each other

- A) it is a violation of antitrust laws only if the discussion includes punishment strategies.
- B) it is not a violation of antitrust laws because laws cannot restrict free speech.
- C) it is a violation of antitrust laws.
- D) it is a violation of antitrust laws only if some firms in the industry are excluded from the discussion.

Answer: <https://biology-forums.com/index.php?topic=737415>

Question 267

Suppose in the city of Smugsburg, DVD rental stores operate in a monopolistically competitive market. If the price of DVD rentals in Smugsburg is currently equal to \$5 per tape and the average cost of renting videos is \$1 per DVD, in the long run we expect the price of renting DVDs to

- A) increase.
- B) stay the same.
- C) decrease, and the average cost of producing DVD rentals to increase.
- D) decrease, and the average cost of producing DVD rentals to decrease.

Answer: <https://biology-forums.com/index.php?topic=737200>

Question 268

What are the benefits and costs associated with monopolistic competition?

Answer: <https://biology-forums.com/index.php?topic=737286>

Question 269

If you watch a pay-per-view movie on a cable TV, the movie is

- A) a public good but nonexcludable.
- B) a public good and excludable.
- C) a private good and rival in consumption.

D) a private good but nonrival in consumption.

Answer: <https://biology-forums.com/index.php?topic=737798>

Question 270

An increase in the money supply will appreciate a country's currency.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738408>

Question 271

What is the largest component of the federal budget?

- A) entitlements and mandatory spending
- B) defense spending
- C) discretionary spending
- D) net interest

Answer: <https://biology-forums.com/index.php?topic=738057>

Question 272

What are the characteristics of perfect competition?

Answer: <https://biology-forums.com/index.php?topic=735903>

Question 273

Positive relationships are also referred to as inverse relationships.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735067>

Question 274

To increase the money supply using the reserve requirements, what would the Fed typically do?

- A) increase the reserve requirement for banks
- B) make each bank set its own reserve levels
- C) reduce the reserve requirement for banks
- D) let each bank get more currency from the Treasury

Answer: <https://biology-forums.com/index.php?topic=738336>

Question 275

Automatic stabilizers

- A) must be authorized by the President.
- B) minimize fluctuations in the economy.
- C) decrease taxes during expansions.
- D) increase welfare payments during expansions.

Answer: <https://biology-forums.com/index.php?topic=738090>

Question 276

The free-rider problem is larger for private goods than it is for public goods.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737847>

Question 277

As the price of a product rises, the quantity supplied decreases.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735252>

Question 278

What type of spending is the largest component of the GDP?

- A) investment
- B) net exports
- C) consumption
- D) government purchases

Answer: <https://biology-forums.com/index.php?topic=736549>

Question 279

Which of the following are included in calculating economic costs?

- A) implicit costs
- B) accounting costs
- C) explicit costs
- D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=735669>

Question 280

The fact that it takes time for government to take action, even after a problem has been diagnosed, is one reason for the occurrence of

- A) outside lags.
- B) inside lags.
- C) crowding out.
- D) the multiplier effect.

Answer: <https://biology-forums.com/index.php?topic=738033>

Question 281

In the short run when prices don't have enough time to change, the Federal Reserve

- A) can only affect the amount of money in the economy.
- B) cannot influence the level of interest rates in the economy.
- C) can influence the level of interest rates in the economy but generally will not because it would be destabilizing.
- D) can influence the level of interest rates in the economy.

Answer: <https://biology-forums.com/index.php?topic=738296>

Question 282

A depression is

- A) the period of time following a peak in the business cycle.
- B) a severe recession.
- C) a sustained economic upturn.
- D) another word for a bull market.

Answer: <https://biology-forums.com/index.php?topic=736645>

Question 283

Special taxes levied on earnings for Social Security and Medicare are called

- A) unfair tax on low-income families.
- B) withholding tax on wages.
- C) social insurance tax.
- D) an exception tax for corporations.

Answer: <https://biology-forums.com/index.php?topic=738071>

Question 284

GDP ignores all of the following EXCEPT

- A) products produced in other countries that are sold in the United States.
- B) household production.
- C) changes in the environment that occur in the production of output.
- D) the value of leisure time.

Answer: <https://biology-forums.com/index.php?topic=736662>

Question 285

The "good news" for consumers from monopolistic competition is _____ but the "bad news" for producers is that _____.

- A) lower prices than monopoly; there are higher production costs
- B) lower prices than monopoly; there is less product variety
- C) greater product variety; product prices are higher
- D) lower prices than monopoly; there are higher travel costs

Answer: <https://biology-forums.com/index.php?topic=737270>

Question 286

Table 9.7 shows the production cost for two utilities at different levels of sulfur dioxide emissions. Assume that the government issued 8 marketable pollution permits to each firm and that Firm A has sold one permit to Firm B. If Firm B wants to purchase a second permit to be able to discharge 10 tons of sulfur dioxide, what is Firm B's willingness to pay?

- A) \$2,000
- B) \$3,000
- C) \$5,000
- D) \$9,000

Answer: <https://biology-forums.com/index.php?topic=737980>

Question 287

If a firm can maximize its profit by producing the output where price is equal to its marginal cost, the firm is operating in

- A) a monopolistic market.
- B) a perfectly competitive market.
- C) an oligopolistic market.
- D) a monopolistically competitive market.

Answer: <https://biology-forums.com/index.php?topic=735917>

Question 288

Suppose in the city of Blacksburg, music stores operate in a monopolistically competitive market. If the price of CDs in Blacksburg is currently equal to \$20 per CD and the average cost of CDs is \$15, in the long run we expect the price of CDs to

- A) stay the same.
- B) increase.
- C) decrease, and the average cost of selling CDs to increase.
- D) decrease, and the average cost of selling CDs to decrease.

Answer: <https://biology-forums.com/index.php?topic=737201>

Question 289

Which of the following is the most important reason for growing inequality in the income distribution in the United States.?

- A) discrimination
- B) inheritances
- C) an increase in demand for highly educated workers
- D) a steady increase in tuition and fees for a college education

Answer: <https://biology-forums.com/index.php?topic=736481>

Question 290

Suppose Ariana deposits \$75,000 in her bank. If the reserve ratio is 20%, this will lead to a maximum increase of _____ in checking account balances throughout all banks.

- A) \$15,000
- B) \$375,000
- C) \$750,000
- D) \$1,500,000

Answer: <https://biology-forums.com/index.php?topic=738234>

Question 291

Suppose that the quantity of cars demanded exceeds the quantity of cars supplied. We would expect that

- A) the price of cars will increase.
- B) the price of cars will decrease.
- C) the supply will increase (supply will shift to the right) to meet the demand.
- D) the demand will decrease (demand will shift to the left) to meet the supply.

Answer: <https://biology-forums.com/index.php?topic=735263>

Question 292

People who want to work but have stopped looking for work because they could not find jobs after actively searching are called

- A) unemployed.
- B) discouraged workers.
- C) employed.
- D) empowered.

Answer: <https://biology-forums.com/index.php?topic=736693>

Question 293

An appeal to peoples' sense of civic or moral responsibility will _____ the free-rider problem and lead to a _____ level of contribution to the public good.

- A) increase; smaller
- B) increase; larger
- C) reduce; larger
- D) reduce; smaller

Answer: <https://biology-forums.com/index.php?topic=737822>

Question 294

As compared to the estimates of the natural rate of unemployment for the United States, those for Europe are

- A) lower.
- B) higher.
- C) the same.
- D) higher and more variable.

Answer: <https://biology-forums.com/index.php?topic=736733>

Question 295

In a constant cost industry, an increase in price causes

- A) quantity supplied to remain constant.
- B) some firms to exit the industry.
- C) price controls.
- D) some firms to enter the industry.

Answer: <https://biology-forums.com/index.php?topic=736076>

Question 296

Suppose that the elasticity of demand for a product is 0.5 and price decreases by 20%. By what percentage will quantity demanded increase?

- A) 0.5%
- B) 5%
- C) 10%
- D) 40%

Answer: <https://biology-forums.com/index.php?topic=735486>

Question 297

If principles of economics sections is three credit hours and an instructor teaches two sections with 100 students in each and tuition and fees at your school are \$100 per credit hour, then the marginal revenue product for your school from hiring that instructor that semester is

- A) \$100.
- B) \$300.
- C) \$30,000.
- D) \$60,000.

Answer: <https://biology-forums.com/index.php?topic=736320>

Question 298

Bananas and apples are substitutes. When the price of bananas rises, and a technological advance in apple production occurs at the same time

- A) the equilibrium price of apples rises and the equilibrium quantity of apples rises.
- B) the equilibrium quantity of apples rises and the equilibrium price of apples might rise or fall.
- C) the equilibrium price of apples rises and the equilibrium quantity of apples might rise or fall.
- D) the equilibrium price of apples rises and the equilibrium quantity of apples falls.

Answer: <https://biology-forums.com/index.php?topic=735354>

Question 299

In the long run, monopolistically competitive firms become perfectly competitive firms.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737246>

Question 300

If you see a movie at a theater, the movie is

- A) a public good but nonexcludable.
- B) a private good and rival in consumption.
- C) a public good and nonrival.
- D) a private good but nonrival in consumption.

Answer: <https://biology-forums.com/index.php?topic=737796>

Question 301

In An Inquiry into the Nature and Causes of the Wealth of Nations, Adam Smith listed three reasons for productivity to increase with specialization. What are these three reasons?

Answer: <https://biology-forums.com/index.php?topic=738497>

Question 302

Suppose that the wage for teachers increases relative to other occupations. We know that _____ people will work as teachers, and the total number of hours worked will _____.

- A) more; increase
- B) more; decrease
- C) fewer; increase
- D) fewer; decrease

Answer: <https://biology-forums.com/index.php?topic=736362>

Question 303

Gross domestic product calculations count only final goods and services because

- A) one cannot calculate the quantities of intermediate goods produced.
- B) counting all goods and services would lead to double-counting of many activities.
- C) it is difficult to measure the prices of intermediate goods produced.
- D) these are the only goods and services that are purchased in an economy.

Answer: <https://biology-forums.com/index.php?topic=736535>

Question 304

If the marginal benefit of reducing water pollution is constant at \$10 per ton, then it is efficient to reduce water pollution

- A) to zero.
- B) as long as the marginal cost of reducing water pollution is greater than \$10 per ton.
- C) until marginal cost of reducing water pollution equals \$10 per ton.
- D) to whatever level the market determines.

Answer: <https://biology-forums.com/index.php?topic=737863>

Question 305

The notion of opportunity cost allows the measurement of tradeoffs.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735112>

Question 306

Suppose that the income elasticity of demand for new clothes is positive. Other things being equal, which of the following statements is correct?

- A) The quantity demanded of new clothes decreases as a consumer's income declines.
- B) There exists a positive relationship between income and the demand for new clothes.
- C) New clothes are a normal good.

D) all of the above

Answer: <https://biology-forums.com/index.php?topic=735559>

Question 307

Monopolistically competitive firms use advertising exclusively to inform customers about the real differences between their products and their competitors' products.

A) True

B) False

Answer: <https://biology-forums.com/index.php?topic=737297>

Question 308

Explain possible benefits of labor unions.

Answer: <https://biology-forums.com/index.php?topic=736478>

Question 309

Price discrimination can be profitable if consumers can resell the product.

A) True

B) False

Answer: <https://biology-forums.com/index.php?topic=736249>

Question 310

Compare two markets. In one market, the HHI is 500, in the other market the HHI is 1,500. What must be true of these two markets?

A) The market in which the HHI is 500 is, by definition, an oligopoly but the market in which the HHI is 1,500 is not an oligopoly.

B) The firms in the market in which the HHI is 1,500 have less market power than do the firms in the market in which the HHI is 500.

C) The firms in the market in which the HHI is 1,500 have greater market power than do the firms in the market in which the HHI is 500.

D) There are more firms in the market in which the HHI is 1,500 than in the market in which the HHI is 500.

Answer: <https://biology-forums.com/index.php?topic=737316>

Question 311

Table 9.8 shows the production cost for two utilities at different levels of sulfur dioxide emissions. Assume that the government issued 8 marketable pollution permits to each firm. If Firm B wants to purchase a second permit to be able to discharge 10 tons of sulfur dioxide, what is Firm B's willingness to pay?

A) \$2,000

B) \$3,000

C) \$4,000

D) \$5,000

Answer: <https://biology-forums.com/index.php?topic=737985>

Question 312

Recall the Application. Between 2000 and 2009, total U.S. consumption of margarine _____ and the price, in real terms, _____.

A) doubled; doubled

B) decreased by roughly half; decreased by roughly half

C) doubled; stayed roughly the same

D) decreased by roughly half; stayed roughly the same

Answer: <https://biology-forums.com/index.php?topic=736079>

Question 313

Recall the application. The number of women who accepted a particular loan offer from the mass mailings _____ when the offer letter included the picture of a _____.

A) increased; woman rather than the picture of a man

B) decreased; either a man or a woman

C) increased; man rather than the picture of a woman

D) was unaffected; either a man or a woman

Answer: <https://biology-forums.com/index.php?topic=737296>

Question 314

Will increased imports of supercomputers for industry promote economic growth?

Answer: <https://biology-forums.com/index.php?topic=736905>

Question 315

Which of the following would NOT be considered price discrimination?

- A) charging more money for long distance calls during business hours than on weekends
- B) charging less money to wash a large luxury car than a small economy car
- C) giving students a discount on ski lift tickets
- D) charging higher rates for oil delivery to people who live farther from your business

Answer: <https://biology-forums.com/index.php?topic=736213>

Question 316

Economists consider the economy to be at "full employment" when there is no cyclical unemployment.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736748>

Question 317

To think at the margin means to consider

- A) how a small change in one variable affects another variable.
- B) how people behave in their own self-interest.
- C) how nothing remains constant over time.
- D) how people will decide what to purchase.

Answer: <https://biology-forums.com/index.php?topic=735002>

Question 318

Spending on consumer durables decreases as the interest rate increases.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738405>

Question 319

Suppose that in a month the price of pizza increases from \$4 to \$5. At the same time, the quantity of pizzas demanded decreases from 200 to 190. The price elasticity of demand for pizza (calculated using the midpoint formula) is

- A) inelastic.
- B) unitary elastic.
- C) elastic.
- D) zero.

Answer: <https://biology-forums.com/index.php?topic=735412>

Question 320

When people try to benefit from a public good without paying for it we call it the

- A) public goods problem.
- B) taxation problem.
- C) duopolists' dilemma.
- D) free-rider problem.

Answer: <https://biology-forums.com/index.php?topic=737814>

Question 321

The _____ determines the supply of money.

- A) President
- B) Federal Reserve
- C) Congress
- D) banking system

Answer: <https://biology-forums.com/index.php?topic=738364>

Question 322

In general, the market price in an oligopoly market is

- A) higher than in perfect competition.
- B) lower than in perfect competition.
- C) the same as in perfect competition.
- D) The answer depends on the shape of the average cost curve.

Answer: <https://biology-forums.com/index.php?topic=737336>

Question 323

According to the U.S. Secret Service, approximately \$2.6 billion of U.S. paper currency in circulation is counterfeit. Undetected counterfeit currency which is spent and circulated in the marketplace is an example of the counterfeit currency being used as a

- A) medium of exchange.
- B) bank reserve.
- C) store of value.
- D) commodity money.

Answer: <https://biology-forums.com/index.php?topic=738161>

Question 324

If people never withdrew money, how much money could the banking system create given a new amount of deposits, assuming that excess reserves were zero?

- A) the amount of new deposits multiplied by the money multiplier
- B) as much as the new deposits
- C) the amount of new deposits multiplied by the reserve ratio
- D) zero

Answer: <https://biology-forums.com/index.php?topic=738243>

Question 325

Recessions occur because of

- A) difficulties in coordinating economic affairs.
- B) real adverse shocks to the economy.
- C) shocks to technology.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736972>

Question 326

Economists say that the economy is at "full employment" when the

- A) structural unemployment rate is zero.
- B) cyclical unemployment rate is zero.
- C) frictional unemployment rate is zero.
- D) total unemployment rate is zero.

Answer: <https://biology-forums.com/index.php?topic=736728>

Question 327

In Table 9.3, Market 1 would be in equilibrium if buyers believed lemons account for

- A) about 83.33% of the market.
- B) about 71.43% of the market.
- C) about 66.67% of the market.
- D) about 42.86% of the market.

Answer: <https://biology-forums.com/index.php?topic=737674>

Question 328

A change in the price of a product will change the supply of that product.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735363>

Question 329

Recall the application. Farmers in the city of Pu'er, China currently earn more growing _____ than they do growing _____.

- A) coffee; tea

- B) rice; coffee
- C) tea; coffee
- D) rice; tea

Answer: <https://biology-forums.com/index.php?topic=736026>

Question 330

The cost of a bachelor's degree in philosophy equals the tuition plus the cost of room and board.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735115>

Question 331

Suppose Kaylee withdraws \$4,000 from her bank. If the reserve ratio is 25%, then this will lead to a decrease in M1 of

- A) \$1,000.
- B) \$4,000.
- C) \$8,000.
- D) \$12,000.

Answer: <https://biology-forums.com/index.php?topic=738247>

Question 332

In a perfectly competitive industry, in the long run

- A) firms earn a negative economic profit.
- B) firms earn zero economic profit.
- C) firms earn a positive economic profit.
- D) firms might earn a positive, zero, or negative economic profit.

Answer: <https://biology-forums.com/index.php?topic=736050>

Question 333

The price elasticity of demand for a good is relatively elastic if

- A) there are a large number of substitutes.
- B) the good is less of a necessity.
- C) the consumer has more time to make decisions about purchasing the good.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=735454>

Question 334

Mr. Garrison has recently obtained a bank card from South Park National Bank. Excited about the concept of using a little plastic card to get money from a machine, he quickly runs down to the nearest Automatic Teller Machine and withdraws \$500. This action has

- A) not changed the money supply.
- B) reduced the bank's required reserves by \$25 assuming the reserve ratio is 5%.
- C) reduced the money supply by \$500.
- D) increased the money supply by \$500.

Answer: <https://biology-forums.com/index.php?topic=738250>

Question 335

In the circular flow model, firms sell the services of factors of production to households.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736528>

Question 336

Explain why featherbedding may or may not increase the demand for labor.

Answer: <https://biology-forums.com/index.php?topic=736477>

Question 337

The real interest rate is the nominal interest rate plus the expected inflation rate.

- A) True

B) False

Answer: <https://biology-forums.com/index.php?topic=738431>

Question 338

A firm that faces the duopolists' dilemma can avoid the dilemma by

- A) undercutting its competitor's price.
- B) telling customers that it will match any competitor's price.
- C) always choosing its dominant strategy regardless of the other firm's action.
- D) agreeing to join a cartel.

Answer: <https://biology-forums.com/index.php?topic=737394>

Question 339

Consider the data in Table 9.6. If each firm is currently generating 100 gallons of wastewater per day, Firm A would need to be paid at least _____ from Firm B to reduce wastewater production to 0 gallons per day.

- A) \$12
- B) \$10
- C) \$7
- D) \$5

Answer: <https://biology-forums.com/index.php?topic=737975>

Question 340

Firms who engage in price discrimination usually make the same amount of money as they would if they charged one price.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736255>

Question 341

Proponents of the estate and gift tax argue that the tax is necessary because

- A) it generates a large portion of total federal revenue.
- B) it is only applied to items that have not previously been taxed.
- C) it is the primary source of funding for Medicare and Medicaid.
- D) it prevents "unfair" accumulation of wealth across generations.

Answer: <https://biology-forums.com/index.php?topic=738072>

Question 342

A carbon tax placed on coal

- A) would decrease the price of coal.
- B) would cause some producers to switch to other forms of energy.
- C) would increase the quantity of coal demanded at every price.
- D) is unlikely to affect the demand for alternative forms of energy.

Answer: <https://biology-forums.com/index.php?topic=737917>

Question 343

An increase in the capital stock will

- A) steepen the production function.
- B) flatten the production function.
- C) shift the production function upward.
- D) shift the production function downward.

Answer: <https://biology-forums.com/index.php?topic=736867>

Question 344

A change in the reserve requirement is used infrequently by the Fed because it

- A) is disruptive to the banking system.
- B) does not affect bank reserves.
- C) does not influence the money supply.
- D) does not affect the money multiplier.

Answer: <https://biology-forums.com/index.php?topic=738340>

Question 345

Recall the Application. The decrease in price of illegal drugs could be caused by either a(n) _____ in demand or a(n) _____ in supply of the drugs.

- A) decrease; decrease
- B) increase; increase
- C) increase; decrease
- D) decrease; increase

Answer: <https://biology-forums.com/index.php?topic=735383>

Question 346

Recall the Application. Prior to enactment of the federal government's order,

- A) California and New Zealand kiwifruit sold for the same price.
- B) grocers were willing to pay more for California kiwifruit that had been harvested at maturity than for any New Zealand kiwifruit.
- C) grocers were willing to pay less for any California kiwifruit than for any New Zealand kiwifruit.
- D) grocers were willing to pay more for any California kiwifruit than for any New Zealand kiwifruit.

Answer: <https://biology-forums.com/index.php?topic=737742>

Question 347

Describe the changes in the variables that will cause supply for a product to increase, shifting the supply curve down and to the right.

Answer: <https://biology-forums.com/index.php?topic=735369>

Question 348

Which one of the following would lead to an eventual change in the total money supply?

- A) using a credit card to purchase a new television
- B) a customer moves funds from her checking account to her savings account
- C) depositing a paycheck in a bank
- D) a customer's cash withdrawal from an ATM

Answer: <https://biology-forums.com/index.php?topic=738251>

Question 349

In the case of a natural monopoly, two firms can produce at lower average cost than one firm can.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737522>

Question 350

Because a monopolist has no incentive to control costs under a policy of average-cost pricing, we can expect

- A) profits to decrease over time as costs rise.
- B) price to fall over time as costs rise.
- C) price to increase over time as costs rise.
- D) profits to increase over time as costs rise.

Answer: <https://biology-forums.com/index.php?topic=737508>

Question 351

Explain what will happen to the equilibrium price and quantity of satellite TV service if the wages of the workers who provide the satellite TV service increase while at the same time the price of cable television service (a substitute for satellite TV service) also increases.

Answer: <https://biology-forums.com/index.php?topic=735378>

Question 352

Suppose you operate in a monopolistically competitive market. If you sell your good at a price of \$20 and your average cost of production is \$15

- A) you cannot be in short-run equilibrium.
- B) your market may be in long-run equilibrium.
- C) you should expect competing firms to enter your market and shift the demand curve for your good to the right.
- D) you should expect competing firms to enter your market and shift the demand curve for your good to the left.

Answer: <https://biology-forums.com/index.php?topic=737196>

Question 353

Money that has no intrinsic value and is created by a government decree is called

- A) commodity money.
- B) barter money.
- C) fiat money.
- D) asset money.

Answer: <https://biology-forums.com/index.php?topic=738164>

Question 354

The marginal principle implies that an individual should produce or consume where

- A) marginal benefit is less than marginal cost.
- B) marginal benefit exceeds marginal cost.
- C) marginal benefit equals marginal cost.
- D) total benefit equals total cost.

Answer: <https://biology-forums.com/index.php?topic=735124>

Question 355

As the price level _____, the purchasing power of money _____.

- A) increases; increases
- B) decreases; decreases
- C) increases; decreases
- D) decreases; stays the same

Answer: <https://biology-forums.com/index.php?topic=737010>

Question 356

Table 9.8 shows the production cost for two utilities at different levels of sulfur dioxide emissions. Assume that the government issued 8 marketable pollution permits to each firm. If the two firms were to voluntarily trade pollution permits, how many permits would be swapped?

- A) 0
- B) 1
- C) 2
- D) 3

Answer: <https://biology-forums.com/index.php?topic=737987>

Question 357

Deciding how a society's products are distributed among its citizens answers the economic question of

- A) where will the products be consumed.
- B) how will the products be produced.
- C) who consumes the products produced.
- D) what products will be produced.

Answer: <https://biology-forums.com/index.php?topic=734969>

Question 358

The "expansion" of an economy occurs after

- A) an inflationary period.
- B) firms produce more goods.
- C) a trough.
- D) people spend more money.

Answer: <https://biology-forums.com/index.php?topic=736647>

Question 359

The voting members of the Federal Open Market Committee are

- A) all of the members of the Board of Governors and five of the presidents of the 12 Federal Reserve banks.
- B) all of the members of the Board of Governors and all of the presidents of the 12 Federal Reserve banks.
- C) the presidents of the 12 Federal Reserve banks and three members of the Board of Governors.
- D) only the members of the Board of Governors.

Answer: <https://biology-forums.com/index.php?topic=738275>

Question 360

If each firm depicted in Table 9.5 is currently generating 1,000 gallons of wastewater per day, Firm B would be willing to pay up to _____ to Firm A to be able to generate 2,000 gallons of wastewater per day.

- A) \$15
- B) \$20
- C) \$35
- D) \$120

Answer: <https://biology-forums.com/index.php?topic=737970>

Question 361

For a perfectly competitive firm, price always equals marginal cost.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735956>

Question 362

As a result of an increase in the personal income tax rate, consumers are likely to

- A) save more.
- B) earn more money.
- C) spend more.
- D) spend less.

Answer: <https://biology-forums.com/index.php?topic=738018>

Question 363

Recall the application. In Peru, producing palm oil is very profitable but is a time consuming process. Producing coca paste, an ingredient in cocaine, is not as costly or as time consuming as the production of palm oil. To switch Peruvian farmers from producing an ingredient used for cocaine to producing the profitable and safe palm oil would require

- A) informal ownership of property.
- B) cocaine being declared illegal in Peru.
- C) governmental approval.
- D) improvements in finance and the ability to borrow funds.

Answer: <https://biology-forums.com/index.php?topic=736968>

Question 364

Recall the application. One factor which was responsible for roughly one-third of hybrid vehicles purchased in 2007 was an increase in the price of gasoline. The increase in sales due to higher gasoline prices describe the economic concept of

- A) marginal thinking.
- B) using assumptions to simplify.
- C) rational self interest.
- D) ceteris paribus.

Answer: <https://biology-forums.com/index.php?topic=735011>

Question 365

Technological progress means that we produce more output with the same amount of inputs.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736923>

Question 366

Increased investment spending in the economy would be a possible result of

- A) a decrease in the money supply.
- B) an open market sale of bonds by the Fed.
- C) an increase in interest rates.
- D) an open market purchase of bonds by the Fed.

Answer: <https://biology-forums.com/index.php?topic=738326>

Question 367

What are the main differences between adverse selection and moral hazard in the insurance market?

Answer: <https://biology-forums.com/index.php?topic=737780>

Question 368

The tax cuts of 2008 were valued at approximately 1% of GDP.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738146>

Question 369

The process by which monopoly profits leads to technological progress is known as

- A) imperfect competition.
- B) destructive creation.
- C) economies of scale.
- D) creative destruction.

Answer: <https://biology-forums.com/index.php?topic=736932>

Question 370

An external benefit is the benefit experienced by people who

- A) consume the good.
- B) decide how much of the good to produce or consume.
- C) did not know why they are experiencing the benefit.
- D) do not decide how much of the good to produce or consume.

Answer: <https://biology-forums.com/index.php?topic=737812>

Question 371

Auto workers laid off from Hot-Rod Autoworks as the result of a recession are considered

- A) cyclically unemployed.
- B) seasonally unemployed.
- C) frictionally unemployed.
- D) structurally unemployed.

Answer: <https://biology-forums.com/index.php?topic=736717>

Question 372

Suppose that studies show that a 10% increase in the minimum wage decreases the number of minimum wage jobs by 1%. That would be the case if

- A) supply of labor is inelastic.
- B) demand for labor is elastic.
- C) supply of labor is elastic.
- D) demand for labor is inelastic.

Answer: <https://biology-forums.com/index.php?topic=736412>

Question 373

Why might a system of marketable pollution permits lead to a higher concentration of polluted areas than would a command-and-control system?

Answer: <https://biology-forums.com/index.php?topic=738008>

Question 374

Why do both the chain-weighted index for GDP and the CPI overstate actual price increases?

Answer: <https://biology-forums.com/index.php?topic=736793>

Question 375

Suppose that last year the Tulane University men's basketball team, the Green Wave, won the NCAA tournament. As a result, attendance at Green Wave basketball games has increased dramatically. Explain the difference between the supply of seats for Green Wave games in the short term and in the long term. How would you describe the elasticity of supply of seats in the long term?

Answer: <https://biology-forums.com/index.php?topic=735634>

Question 376

In the case of Interstate Bakeries and Continental Bakery, the Justice Department concluded that

- A) Continental attempted to drive out Interstate Bakeries by using predatory pricing.
- B) a merger between the two companies would save money in production costs, and so would be good for consumers.
- C) Interstate Bakeries attempted to drive out Continental by using predatory pricing.
- D) the merger of two firms selling close substitutes may lead to higher prices.

Answer: <https://biology-forums.com/index.php?topic=737549>

Question 377

Consider a perfectly competitive market. What do you expect to happen to the number of firms and firm profitability in the short run and long run if demand for the product falls?

Answer: <https://biology-forums.com/index.php?topic=736070>

Question 378

The signaling effect leads to college graduates earning more because a college degree signals that a person has learned the required job skills.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736464>

Question 379

You are running a small yard maintenance business for the summer. What do you expect to happen to the number of yards you can maintain in a day as you add workers if you don't purchase more capital equipment (like mowers and leaf blowers)?

Answer: <https://biology-forums.com/index.php?topic=735182>

Question 380

When Lonnie produces 1 pair of cowboy boots his costs total \$300. When he produces 2 pairs of cowboy boots his total costs are \$500. This means that Lonnie's marginal cost of producing the second pair of cowboy boots is \$200.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735146>

Question 381

An increase in price causes exit from a constant cost industry.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736085>

Question 382

Examples of monopolistically competitive industries in which firms differentiate their products by offering them at more locations include all of the following EXCEPT

- A) retail clothing stores.
- B) wheat farms.
- C) video rental stores.
- D) restaurants.

Answer: <https://biology-forums.com/index.php?topic=737237>

Question 383

When a second firm enters a monopolist's market

- A) market price will rise.
- B) the first firm's profits will decrease.
- C) the quantity produced by the first firm will increase.
- D) All of the above will occur.

Answer: <https://biology-forums.com/index.php?topic=737133>

Question 384

Personal disposable income is pre-tax income that flows directly to households.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736615>

Question 385

Monetary policy refers to the actions taken by the Treasury Department to set the level of the money supply.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738282>

Question 386

Economic profit is total revenue less economic costs.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735681>

Question 387

A competitive firm's short-run supply curve is perfectly elastic.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736016>

Question 388

Suppose Johnson's Rubber Factory belches black smoke into the air over the city of Bellowsville. If the city of Bellowsville attempts to internalize the external costs associated with the production of rubber with a pollution tax, then we expect

- A) at each price, a smaller quantity of rubber will be supplied by Johnson's Rubber Factory.
- B) Johnson's Rubber Factory will not change the amount of rubber supplied at each price.
- C) at each price, a larger quantity of rubber will be supplied Johnson's Rubber Factory.
- D) Johnson's production costs not to change.

Answer: <https://biology-forums.com/index.php?topic=737895>

Question 389

Recall the application. The demand for gasoline is

- A) more elastic in the long run because consumers have time to respond to changes in price.
- B) inelastic in the long run and in the short run.
- C) less elastic in the long run because consumers have less opportunity to change their behavior.
- D) elastic in the short run.

Answer: <https://biology-forums.com/index.php?topic=735460>

Question 390

Actions by the Federal Reserve to influence the level of GDP are known as

- A) fiscal policy.
- B) monetary policy.
- C) procyclical policy.
- D) cyclical policy.

Answer: <https://biology-forums.com/index.php?topic=738383>

Question 391

The market demand curve for labor is the relationship between the wage and the quantity of labor that

- A) all workers are willing to provide.
- B) any given firm is willing to employ.
- C) any given worker is willing to provide.
- D) all firms are willing to employ.

Answer: <https://biology-forums.com/index.php?topic=736322>

Question 392

The Obama stimulus package was implemented to assist the economy in its recovery from recession. This package was designed to shift

- A) aggregate supply to the left.
- B) aggregate demand and aggregate supply to the left.
- C) aggregate demand to the left.
- D) aggregate demand to the right.

Answer: <https://biology-forums.com/index.php?topic=738140>

Question 393

Monopolistically competitive firms sell differentiated products.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737245>

Question 394

When real GDP falls for two consecutive quarters the economy is in a

- A) recession.
- B) trough.
- C) depression.
- D) peak.

Answer: <https://biology-forums.com/index.php?topic=736641>

Question 395

What will make a change in demand cause a large change in price?

Answer: <https://biology-forums.com/index.php?topic=735656>

Question 396

Long-run equilibrium for a perfectly competitive industry occurs when

- A) $P = MC = AFC$.
- B) $P = MC = AVC$.
- C) $P = MC = ATC$.
- D) $P > MC = ATC$.

Answer: <https://biology-forums.com/index.php?topic=736043>

Question 397

Suppose that a new study is released stating that consumption of orange juice (a substitute for apple juice) reduces the risk of cancer, and a major freeze destroys half of the country's apple crop. What happens to the price and quantity of apple juice?

- A) The price of apple juice falls and the quantity of apple juice falls.
- B) The price of apple juice might rise or fall and the quantity of apple juice rises.
- C) The price of apple juice might rise or fall and the quantity of apple juice falls.
- D) The quantity of apple juice might rise or fall, and the price of apple juice rises.

Answer: <https://biology-forums.com/index.php?topic=735358>

Question 398

Which of the following is NOT a characteristic of a monopoly?

- A) A monopolist is a price-taker.
- B) There are no close substitutes for a monopolist's product.
- C) A monopolist faces a downward-sloping demand curve.
- D) After the first unit, the monopolist's marginal revenue is always less than its price.

Answer: <https://biology-forums.com/index.php?topic=736108>

Question 399

Suppose an economy has a balanced federal budget, and a large increase in oil prices plunges the economy into a recession. Tax revenues will _____ and expenditures on transfer payments will _____, resulting in a budget _____.

- A) increase; fall; surplus
- B) fall; increase; deficit
- C) fall; fall; deficit
- D) increase; increase; surplus

Answer: <https://biology-forums.com/index.php?topic=738092>

Question 400

Suppose a monopolist has costs such that when output is 500 units per hour, average costs are \$3. If the monopolist is regulated by a policy of average-cost pricing, the monopolist will charge a price of

- A) \$3 only if the quantity demanded is greater than 500 units at a price of \$3.
- B) \$3.
- C) \$3 only if the quantity demanded is 500 units per hour at a price of \$3.
- D) \$3 only if the quantity demanded is less than 500 units per hour at a price of \$3.

Answer: <https://biology-forums.com/index.php?topic=737513>

Question 401

In the used pick-up truck market,

- A) the lemons model accurately describes the market.
- B) there is no asymmetric information, and so the lemons model does not apply.
- C) some of the predictions of the lemons model are observed some of the time.
- D) none of the predictions of the lemons model are observed.

Answer: <https://biology-forums.com/index.php?topic=737702>

Question 402

The earned income tax credit has been a successful anti-poverty policy by encouraging participation in the workforce.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736512>

Question 403

Currency is included in

- A) M1 only.
- B) M2 only.
- C) neither M1 nor M2.
- D) both M1 and M2.

Answer: <https://biology-forums.com/index.php?topic=738168>

Question 404

When a second firm enters a monopolist's market,

- A) the demand curve the former monopolist faces shifts to the left.
- B) the former monopolist's average cost decreases as its output level decreases.
- C) the market price rises as the average cost increases.
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=737137>

Question 405

Which of the following factors would indicate less elastic demand?

- A) Demand is measured over a longer period of time.
- B) The good represents a large fraction of the budget.
- C) The price of the good is high.
- D) There are few substitutes.

Answer: <https://biology-forums.com/index.php?topic=735458>

Question 406

Table 5.4 presents the cost schedule for David's Figs. If David produces zero figs, David's total costs are

- A) \$0.
- B) \$90.
- C) \$100.
- D) \$130.

Answer: <https://biology-forums.com/index.php?topic=735737>

Question 407

If consumers have a long time to respond to an increase in electricity prices their demand is likely to be _____ than if they are only given a short time.

- A) more elastic
- B) higher
- C) less elastic
- D) no different

Answer: <https://biology-forums.com/index.php?topic=735448>

Question 408

Suppose consumers save 8% of their incomes. If the government collects 4 dollar in taxes from each taxpayer and invested it in infrastructure, total social investment will _____ per taxpayer.

- A) increase by \$ 4.32
- B) decrease by 64 cents.
- C) increase by 32 cents
- D) increase by \$3.68

Answer: <https://biology-forums.com/index.php?topic=736892>

Question 409

A firm with total revenue of \$500, total cost of \$700, and variable cost of \$400 should continue to operate its production facility.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735993>

Question 410

From time to time, the Federal Reserve buys back government bonds from the private sector through a process called

- A) open market purchases.
- B) backflip bond investments.
- C) voluntary redemption procedures.
- D) bond recall procedures.

Answer: <https://biology-forums.com/index.php?topic=738328>

Question 411

Demand is elastic along the upper half of a linear demand curve, which means that a decrease in price will increase the quantity sold by a larger percentage amount.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735545>

Question 412

When a monopolist sells two units of output its total revenues are \$100. When the monopolist sells three units of output, its price per unit is \$35. The monopolist's marginal revenue from selling the third unit of output is

- A) \$5.
- B) \$33.33.
- C) \$35.
- D) \$105.

Answer: <https://biology-forums.com/index.php?topic=736114>

Question 413

A dominant strategy is one that always produces the maximum profits for both firms.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737379>

Question 414

If the population increases, the market demand for most products will

- A) depend on supply.
- B) not change.
- C) increase.
- D) decrease.

Answer: <https://biology-forums.com/index.php?topic=735296>

Question 415

- A decrease in the price level in the economy leads to
- A) a leftward movement along the demand for money curve.
 - B) a leftward shift in the demand for money curve.
 - C) a rightward shift in the demand for money curve.
 - D) a rightward movement along the demand for money curve.

Answer: <https://biology-forums.com/index.php?topic=738306>

Question 416

In which of the following situations should a firm reduce its efforts to abate pollution?

- A) The marginal benefit of abatement is equal to its marginal cost.
- B) The marginal benefit of abatement is less than its marginal cost.
- C) The marginal benefit of abatement is greater than its marginal cost.
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=737861>

Question 417

Which of the following is the reason why pharmaceutical firms monopolistically competitive?

- A) There are many buyers in the market.
- B) There are many sellers in the market.
- C) Pharmaceutical firms sell differentiated products
- D) There are barriers to entry in the market, like patents.

Answer: <https://biology-forums.com/index.php?topic=737171>

Question 418

The principle that individuals and firms pick the activity level where the incremental benefit of that activity equals the incremental cost of that activity is known as the

- A) principle of opportunity cost.
- B) marginal principle.
- C) principle of diminishing returns.
- D) spillover principle.

Answer: <https://biology-forums.com/index.php?topic=735123>

Question 419

Recall the application. _____ has a Web site that provides estimates of demand elasticities for hundreds of food products for dozens of countries.

- A) The United Nations
- B) The U.S. Department of Agriculture
- C) The U.S. State Department
- D) The World Bank

Answer: <https://biology-forums.com/index.php?topic=735577>

Question 420

Suppose that while vacationing in Switzerland, you won 9,375 Swiss francs, which is the equivalent of \$8,000. When you return to the United States, you deposit the \$8,000 into your checking account. If the required reserve ratio is 15%, this would increase your bank's

- A) assets by \$1,200.
- B) excess reserves by \$8,000.
- C) required reserves by \$8,000.
- D) liabilities by \$8,000.

Answer: <https://biology-forums.com/index.php?topic=738223>

Question 421

It is possible for an economy to become more productive and per-capita output to increase if

- A) new ideas are generated.
- B) technology is improved.
- C) inventions are developed.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736931>

Question 422

When a second firm enters a monopolist's market

- A) the first firm's profits increase.
- B) market price will rise.
- C) the quantity produced by the first firm will decrease.
- D) All of the above will occur.

Answer: <https://biology-forums.com/index.php?topic=737132>

Question 423

When there are sustained increases in real GDP over time, we say that the economy is undergoing

- A) massive changes in productive capacity.
- B) a recession.
- C) economic growth.
- D) economic stagnation.

Answer: <https://biology-forums.com/index.php?topic=736539>

Question 424

GDP measures underestimate the value of output produced by an economy because they include services not transferred through markets.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736667>

Question 425

A firm scaled up its operation by increasing all inputs by 100%. If the firm experienced 150% increase in the output, the firm's long-run average cost exhibits

- A) diminishing marginal returns at the current output level.
- B) economies of scale at the current output level.
- C) a constant long-run average cost at the current output level.
- D) diseconomies of scale at the current output level.

Answer: <https://biology-forums.com/index.php?topic=735826>

Question 426

Decreases in taxes shift the aggregate demand curve to the right.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737057>

Question 427

You sell your good in a perfectly competitive market where the market price is \$33.00. When you sell 100 units your total revenue is \$3,300. When you sell 101 units

- A) total revenue increases by exactly \$33.
- B) total revenue increases by less than \$33.
- C) total revenue increases by more than \$33.
- D) total revenue may increase or decrease.

Answer: <https://biology-forums.com/index.php?topic=735912>

Question 428

Outside lags occur because

- A) it takes time to identify a problem.
- B) once changes are finally diagnosed and implemented, policies are immediately effective.

- C) once a problem is diagnosed, it still takes time to implement policy changes.
D) firms must change investment plans before monetary policy can be effective.

Answer: <https://biology-forums.com/index.php?topic=738420>

Question 429

- A pollution tax will
- A) be shared between buyers and sellers.
B) always be paid entirely by producers.
C) not change the price buyers pay for a good.
D) always be paid entirely by buyers in the form of a price increase equal to the amount of the tax.

Answer: <https://biology-forums.com/index.php?topic=737885>

Question 430

- According to the substitution effect of labor supply, when the wage rate goes up
- A) the opportunity cost of enjoying leisure goes down.
B) it becomes more costly to consume leisure, so people will work more.
C) firms will hire more workers since people are more willing to work.
D) it becomes less costly to consume leisure, so people will work more.

Answer: <https://biology-forums.com/index.php?topic=736349>

Question 431

- Suppose the demand for hot dogs decreases. In the short run, firms that produce hot dogs will experience a fall in prices, which will induce them to
- A) increase production and reduce the number of workers.
B) decrease production and increase the number of workers.
C) decrease production and reduce the number of workers.
D) increase production and increase the number of workers.

Answer: <https://biology-forums.com/index.php?topic=736990>

Question 432

Market power is the power to produce at the lowest cost.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=737374>

Question 433

- Which of the following is an example of limit pricing?
- A) Bus rides are cheaper for senior citizens than for other people.
B) Prices are set low enough to drive other firms out of a market.
C) Prices are set low enough to prevent other firms from entering the market.
D) In order to buy Microsoft Windows, you must also purchase Internet Explorer.

Answer: <https://biology-forums.com/index.php?topic=737457>

Question 434

- Which of the following statements about the gender gap in income is incorrect?
- A) Women have been denied access to high-paying male-dominated occupations.
B) Women in many occupations have less experience, compared to men.
C) Women are underrepresented in more lucrative majors such as computer science and engineering.
D) none of the above

Answer: <https://biology-forums.com/index.php?topic=736430>

Question 435

What is means testing?

Answer: <https://biology-forums.com/index.php?topic=736513>

Question 436

Monopolists earn excessive profits by increasing their quantity produced above the competitive market outcome.

- A) True

B) False

Answer: <https://biology-forums.com/index.php?topic=736176>

Question 437

A pollution tax

- A) increases the price of the good taxed.
- B) does not affect the quantity demanded of the good taxed.
- C) does not affect the price of the good taxed.
- D) decreases the price of the good taxed.

Answer: <https://biology-forums.com/index.php?topic=737880>

Question 438

Explain how the interest rate effect can increase aggregate demand.

Answer: <https://biology-forums.com/index.php?topic=737065>

Question 439

Capital deepening is the only mechanism by which economies can grow.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736855>

Question 440

In a market for a homogeneous good, if sellers and buyers can enter or exit a market freely, the market is most likely

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

Answer: <https://biology-forums.com/index.php?topic=735881>

Question 441

Which of the following is a possible benefit of labor unions?

- A) It may help firms to retain a more experienced workforce.
- B) It may facilitate communications between workers and managers.
- C) It may help firms reduce training costs of new employees.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736454>

Question 442

Money market mutual funds are hard to classify because they are used both for making transactions and savings.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738204>

Question 443

In the short run, the price level is determined primarily by the supply of goods.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737115>

Question 444

If the price elasticity of demand is 1, demand is

- A) elastic.
- B) unitary elastic.
- C) upward sloping.
- D) inelastic.

Answer: <https://biology-forums.com/index.php?topic=735418>

Question 445

When money is accepted as payment for a good or service, it is being used as a

- A) a mechanism for transforming current purchases into future purchases.
- B) medium of exchange.
- C) store of value.
- D) unit of account.

Answer: <https://biology-forums.com/index.php?topic=738151>

Question 446

Labor productivity is defined as

- A) total output per worker.
- B) output per hour of work.
- C) price of output divided by cost of output.
- D) output divided by the average hourly wage.

Answer: <https://biology-forums.com/index.php?topic=736922>

Question 447

An economic _____ refers to either an upturn or a downturn in the economy.

- A) stagnation
- B) fluctuation
- C) chain index
- D) model

Answer: <https://biology-forums.com/index.php?topic=736672>

Question 448

Recall the Application. If a firm is able to use idle capital when increasing production, the firm will experience _____ returns.

- A) negative
- B) constant
- C) diminishing
- D) increasing

Answer: <https://biology-forums.com/index.php?topic=735784>

Question 449

A monopolist maximizes profits by setting the quantity where

- A) marginal revenue less than marginal cost.
- B) marginal revenue equal to marginal cost.
- C) marginal revenue greater than marginal cost.
- D) total revenue as high as possible.

Answer: <https://biology-forums.com/index.php?topic=736123>

Question 450

Explain the real-nominal principle.

Answer: <https://biology-forums.com/index.php?topic=735212>

Question 451

In Sioux Falls, South Dakota, there are many pizza restaurants, each offering similar types of pizza but each restaurant located in a different place around the city. It is likely a pizza restaurant in Sioux Falls, South Dakota, operates in a

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

Answer: <https://biology-forums.com/index.php?topic=737182>

Question 452

An open market sale by the Fed causes the value of the dollar to

- A) fall, increasing net exports.

- B) rise, reducing net exports.
- C) rise, increasing net exports.
- D) fall, reducing net exports.

Answer: <https://biology-forums.com/index.php?topic=738393>

Question 453

Which of the following is true in the long run for both monopoly and perfectly competitive industries?

- A) Firms produce at levels that are economically efficient.
- B) There are low barriers to entry.
- C) Firms will go out of business if they cannot charge a price that is at least equal to average total cost.
- D) Firms can earn positive economic profits in the long run.

Answer: <https://biology-forums.com/index.php?topic=736152>

Question 454

If a market switches from being a perfectly competitive market to being a monopoly market, the decrease in consumer surplus is more than offset by an increase in producer profits.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736177>

Question 455

The most commonly used tool in monetary policy is

- A) express lending transactions.
- B) open market operations.
- C) changes in the discount rate.
- D) changes in required reserve ratios.

Answer: <https://biology-forums.com/index.php?topic=738335>

Question 456

What is a contestable market?

Answer: <https://biology-forums.com/index.php?topic=737473>

Question 457

Pepsi uses advertising to create the impression that Pepsi is superior to any other soft drink. Pepsi is attempting to

- A) sell less Pepsi so they can raise the price of Pepsi.
- B) differentiate Pepsi from other types of soft drinks.
- C) lower the marginal cost of producing for Pepsi.
- D) convince consumers that Pepsi is identical to other soft drinks.

Answer: <https://biology-forums.com/index.php?topic=737184>

Question 458

The smallest single component of M1 is

- A) other checkable deposits.
- B) traveler's checks.
- C) demand deposits.
- D) savings account balances.

Answer: <https://biology-forums.com/index.php?topic=738172>

Question 459

Insurance leads to taking less risk.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737769>

Question 460

Explain what would happen to the equilibrium price and quantity of pineapples if the supply of pineapples decreased while the demand for pineapples increased.

Answer: <https://biology-forums.com/index.php?topic=735374>

Question 461

Technological progress can be another mechanism which affects economic growth.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736925>

Question 462

Since all costs positive, then economic profits would always be smaller than accounting profits.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735682>

Question 463

What impact does the Fed's raising the interest rate have on the money supply and on the price level?

- A) An increase in interest rates raises the money supply and eventually reduces prices.
- B) An increase in interest rates will increase investment spending and GDP, which will lower prices.
- C) An increase in interest rates lowers the money supply and raises the money demand, which will neutralize price increases.
- D) An increase in interest rates reduces the money demand which will slow the growth in prices.

Answer: <https://biology-forums.com/index.php?topic=738350>

Question 464

Monopolies are characterized by a firm demand curve that is more elastic than the market demand curve.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735901>

Question 465

The largest single component of M2 is

- A) money market mutual funds.
- B) demand deposits.
- C) currency held by the public.
- D) savings deposits.

Answer: <https://biology-forums.com/index.php?topic=738173>

Question 466

In a perfectly competitive labor market, the firm _____ the price of its product and _____ the wage it pays its workers.

- A) can freely set; takes from the market
- B) takes from the market; can freely set
- C) can freely set; can freely set
- D) takes from the market; takes from the market

Answer: <https://biology-forums.com/index.php?topic=736282>

Question 467

Suppose that your tuition to attend college is \$24,000 per year and you spend \$8,000 per year on room and board. If you were working full time, you could earn \$30,000 per year. What is your opportunity cost of attending college for one year?

- A) \$32,000
- B) \$38,000
- C) \$54,000
- D) \$62,000

Answer: <https://biology-forums.com/index.php?topic=735082>

Question 468

Recall the Application. What makes the wireless telephone market in Pakistan perfectly competitive?

- A) There are many buyers and many sellers.
- B) Wireless phone calls are standardized product.

C) Any entrepreneur who invests \$310 can enter the market.
D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=735895>

Question 469

In the study of macroeconomics, production leads to income, and income leads to production in a continuing cycle.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736527>

Question 470

When the firm increases output and the costs rise disproportionately slower, then the long-run average cost curve is _____ and the firm is experiencing _____.

- A) horizontal; constant returns to scale
- B) downward sloping; economies of scale
- C) downward sloping; constant returns to scale
- D) upward sloping; diseconomies of scale

Answer: <https://biology-forums.com/index.php?topic=735819>

Question 471

What are the four types of market structure?

Answer: <https://biology-forums.com/index.php?topic=735904>

Question 472

Given the following information about Metropolis Bank:

Bank Deposits \$50,000

Loans 17,500

Required Reserves 30,000

Excess Reserves 2,500

The required reserve ratio must be

- A) 75%.
- B) 60%.
- C) 30%.
- D) 15%.

Answer: <https://biology-forums.com/index.php?topic=738226>

Question 473

If a severe natural disaster reduced the population of a city, one would expect a natural monopoly to

- A) merge with a competitor.
- B) lower prices.
- C) split into two firms.
- D) experience an increase in average costs.

Answer: <https://biology-forums.com/index.php?topic=737487>

Question 474

Recall the Application. Assume 5,000 unemployed workers left the workforce to participate in the federal Disability Insurance program, leaving the size of the labor force at 195,000. If 13,000 workers remain unemployed and in the labor force, what was the unemployment rate before and after the 5,000 unemployed workers left the workforce?

- A) 6.5%; 2.3%
- B) 38.5%; 27.8%
- C) 9.0%; 6.7%
- D) 12.8%; 4.3%

Answer: <https://biology-forums.com/index.php?topic=736701>

Question 475

What are the benefits of using a pollution tax rather than a command-and-control system to internalize an externality?

Answer: <https://biology-forums.com/index.php?topic=737957>

Question 476

An example of an implicit cost is

- A) the interest on business loans.
- B) the imputed rent on a store owned by the firm.
- C) the materials used to produce the product.
- D) the wages paid to workers.

Answer: <https://biology-forums.com/index.php?topic=735677>

Question 477

In Eugene, Oregon, there are several Italian restaurants, each offering slightly different items prepared in slightly different ways. It is likely that an Italian restaurant in Eugene, Oregon, operates in a

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

Answer: <https://biology-forums.com/index.php?topic=737180>

Question 478

Suppose that if poor households have a price elasticity of demand for medical care of 0.70 and wealthy households have a price elasticity of demand for medical care of 0.10, then a 10% increase in the price of medical care would lead to poor households reducing their quantity demanded for medical care by

- A) seven times the amount that wealthy household reduce their quantity demanded for medical care.
- B) one-tenth the amount that wealthy households reduce their quantity demanded for medical care.
- C) one-seventh the amount that wealthy households reduce their quantity demanded for medical care.
- D) ten times the amount that wealthy household reduce their quantity demanded for medical care.

Answer: <https://biology-forums.com/index.php?topic=735493>

Question 479

The key feature of _____ is that firms act strategically.

- A) perfectly competition
- B) a monopoly
- C) a natural monopoly
- D) an oligopoly

Answer: <https://biology-forums.com/index.php?topic=737312>

Question 480

If a nation with a low level of GDP per capita converges to a richer nation, the poor nation

- A) enters into a free trade agreement with the richer nation.
- B) experiences a rate of low growth such that its GDP per capita increases to that of the richer nation.
- C) experiences low growth rates.
- D) experiences a rate of high growth such that its GDP per capita increases to that of the richer nation.

Answer: <https://biology-forums.com/index.php?topic=736852>

Question 481

The individual labor supply curve is positively sloped in the short-run.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736370>

Question 482

Intermediate goods are not counted as part of gross domestic product.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736577>

Question 483

The appreciation of the dollar will make U.S. goods _____ to foreigners and make imports _____ for U.S. residents.

- A) cheaper; cheaper
- B) cheaper; more expensive
- C) more expensive; more expensive
- D) more expensive; cheaper

Answer: <https://biology-forums.com/index.php?topic=738396>

Question 484

Firms in a trust

- A) act as a single firm.
- B) trust each other.
- C) act in their own self interests.
- D) do not allow a small number of trustees to make decisions for participating firms.

Answer: <https://biology-forums.com/index.php?topic=737536>

Question 485

Recall the application. In listing both the amount and cost of Wal-Mart's 2008 sales, this Application is addressing the economic concept of

- A) GDP as a measure of welfare.
- B) real versus nominal GDP.
- C) value added.
- D) chain-weighted indexes.

Answer: <https://biology-forums.com/index.php?topic=736608>

Question 486

Describe a tit-for-tat strategy.

Answer: <https://biology-forums.com/index.php?topic=737438>

Question 487

Suppose two firms operate under a system of marketable pollution permits. If it costs Firm A \$25 to reduce pollution by 1,000 units per day, and Firm B can reduce costs by \$35 by increasing pollution by 1,000 units per day

- A) both firms can benefit if Firm A trades the right to pollute 1,000 units to Firm B for \$30.
- B) both firms can benefit if Firm B trades the right to pollute 1,000 units to Firm A for \$30.
- C) the firms cannot gain by trading the right to pollute.
- D) both firms can benefit if Firm A trades the right to pollute 1,000 units to Firm B for \$40.

Answer: <https://biology-forums.com/index.php?topic=737988>

Question 488

An open market _____ by the Fed decreases interest rates and _____ investment.

- A) purchase; decreases
- B) sale; increases
- C) purchase; increases
- D) sale; decreases

Answer: <https://biology-forums.com/index.php?topic=738378>

Question 489

If Sam does not have a job and is not looking for work, he is considered

- A) unemployed.
- B) unemployed and in the labor force.
- C) unemployed and not in the labor force.
- D) not in the labor force.

Answer: <https://biology-forums.com/index.php?topic=736676>

Question 490

Consider two individuals, Ozzy and Sharon, who produce toy boats and yoyos. Ozzy's and Sharon's hourly productivity are as follows:

Yoyos /hour Toy boats /hour

Ozzy 12 4

Sharon 10 5

Who has the absolute advantage or comparative advantage in the production of yoyos or boats?

Answer: <https://biology-forums.com/index.php?topic=738494>

Question 491

Workers often have _____ contracts and so their wages are _____.

- A) long-term; flexible
- B) short-term; sticky
- C) long-term; sticky
- D) short-term; flexible

Answer: <https://biology-forums.com/index.php?topic=736984>

Question 492

Consider a labor market in equilibrium. If the demand curve shifts to the right while the supply curve shifts to the left, then the wage rate in the market will _____.

- A) increase
- B) decrease
- C) remain unchanged
- D) either increase or decrease or remain unchanged

Answer: <https://biology-forums.com/index.php?topic=736398>

Question 493

Recall the application. When the government converted the highway from 4 lanes into 6 lanes, they claimed the capacity had increased by 50%. When the government switched the highway back from 6 lanes to 4 lanes, they claimed the capacity had been decreased by 33%. Had the government used the midpoint method, the percentage increase would have been _____% and the percentage decrease would have been _____%.

- A) 40; 40
- B) 33; 50
- C) 50; 50
- D) 33; 33

Answer: <https://biology-forums.com/index.php?topic=735062>

Question 494

Studies have shown that the tit-for-tat strategy is ineffective at maintaining a price fixing agreement.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737428>

Question 495

Money is

- A) anything the government declares to have value.
- B) anything that is regularly used and generally accepted in economic transactions or exchanges.
- C) necessary to conduct economic transactions.
- D) facilitates specialization in production.

Answer: <https://biology-forums.com/index.php?topic=738149>

Question 496

If the variable on the vertical axis increases by 24 and the variable on the horizontal axis decreases by 3, the slope of the line is

- A) -24.
- B) -8.
- C) 3.
- D) 72.

Answer: <https://biology-forums.com/index.php?topic=735050>

Question 497

If a large number of people are classified as being out of the labor force when they are really looking for work, this will lead to an official unemployment rate that is lower than the true unemployment rate.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736709>

Question 498

In the extreme case of a perfectly contestable market

- A) profits will be the same as monopoly profits.
- B) profits will be the same as cartel profits.
- C) profits will be zero.
- D) profits will be the same as duopoly profits.

Answer: <https://biology-forums.com/index.php?topic=737459>

Question 499

Why would a firm choose a lesser known celebrity in its advertising when more famous celebrities are available?

Answer: <https://biology-forums.com/index.php?topic=737306>

Question 500

How would the Fed's changing the discount rate affect the money supply?

Answer: <https://biology-forums.com/index.php?topic=738362>

Question 501

Developing countries send their best students for education in developed countries to help develop

- A) a skilled work force.
- B) better political skills.
- C) a channel of communications.
- D) more education people.

Answer: <https://biology-forums.com/index.php?topic=736940>

Question 502

The total revenue of Grandma's Fudge Factory is equal to

- A) price of fudge times quantity sold.
- B) average cost times quantity sold.
- C) elasticity of demand divided by percentage change in quantity.
- D) income minus explicit and implicit costs.

Answer: <https://biology-forums.com/index.php?topic=735495>

Question 503

A good for which demand decreases when income decreases is known as a(n) _____ good.

- A) inferior
- B) complementary
- C) substitute
- D) normal

Answer: <https://biology-forums.com/index.php?topic=735301>

Question 504

Suppose a monopolist has costs such that when output is 1,000 units per hour, average cost is \$5. If the monopolist is regulated by a policy of average-cost pricing, the monopolist will charge a price of

- A) \$5 only if the quantity demanded is 1,000 units per hour at a price of \$5.
- B) \$5 only if the quantity demanded is greater than 1,000 units at a price of \$5.
- C) \$5 only if the quantity demanded is less than 1,000 units per hour at a price of \$5.
- D) \$5.

Answer: <https://biology-forums.com/index.php?topic=737512>

Question 505

Lawyers are required to pass a comprehensive bar exam to be licensed to practice law. What effect should this have on the number of lawyers, the wages they receive, and the price people have to pay to receive legal services?

Answer: <https://biology-forums.com/index.php?topic=736473>

Question 506

In the long run

- A) price and output levels are mutually dependent.
- B) the price level depends on the level of output.
- C) the level of output is independent of the price level.
- D) the level of output depends on the price level.

Answer: <https://biology-forums.com/index.php?topic=737081>

Question 507

If supply is perfectly elastic, the price elasticity of supply is equal to

- A) 1.
- B) infinity.
- C) 0.
- D) a positive number between 0 and infinity.

Answer: <https://biology-forums.com/index.php?topic=735616>

Question 508

Which of the following products has the most elastic demand?

- A) Ben and Jerry's Chunky Monkey ice cream in the pint container
- B) all premium ice cream
- C) all Ben and Jerry's ice cream
- D) all ice cream

Answer: <https://biology-forums.com/index.php?topic=735447>

Question 509

The Federal Trade Commission Act

- A) made it illegal to monopolize a market.
- B) prohibited selling products at "unreasonably low prices" with the intent of reducing competition.
- C) outlawed stock purchases that would substantially reduce competition.
- D) was passed to establish a body to enforce antitrust laws.

Answer: <https://biology-forums.com/index.php?topic=737574>

Question 510

A duopoly is an industry with

- A) many firms that sell identical products.
- B) two firms.
- C) one firm.
- D) many firms that sell slightly differentiated products.

Answer: <https://biology-forums.com/index.php?topic=737327>

Question 511

Diminishing marginal returns imply that marginal cost is falling.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735798>

Question 512

Give an example of something that is scarce in your life and explain the choices you've made because of scarcity.

Answer: <https://biology-forums.com/index.php?topic=734987>

Question 513

Which of the following should be included in U.S. GDP?

- A) a used 3D television manufactured in the United States and sold in Thailand
- B) a 3D television manufactured in Thailand and sold in the United States
- C) a 3D television manufactured in the United States and sold in Thailand
- D) a 3D television manufactured in Thailand by a U.S. firm and sold in the United States

Answer: <https://biology-forums.com/index.php?topic=736569>

Question 514

Compared to the typical high-school graduate, the typical college graduate has greater human capital and thus more options for both low-skill and high-skill jobs. This is called

- A) the signaling effect of a college education.
- B) the discriminatory effect of a college education
- C) the learning effect of a college education.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736441>

Question 515

The Act which outlawed stock-purchase mergers that would substantially reduce competition was the

- A) Sherman Act.
- B) Clayton Act.
- C) Robinson-Patman Act.
- D) Celler-Kefauver Act.

Answer: <https://biology-forums.com/index.php?topic=737568>

Question 516

The problems of thin markets can be addressed by

- A) imposing price ceilings.
- B) warranties and repair guarantees.
- C) guaranteed price matching.
- D) increasing the number of sellers in the market.

Answer: <https://biology-forums.com/index.php?topic=737730>

Question 517

If the price elasticity of supply is inelastic, which of the following could be a possible value of the elasticity?

- A) 3
- B) 1
- C) 0.3
- D) -0.3

Answer: <https://biology-forums.com/index.php?topic=735600>

Question 518

Recall the application. After the government decreased cigarette taxes in several Canadian provinces in 1994, the price of cigarettes in these provinces decreased by roughly _____%.

- A) 8
- B) 17
- C) 50
- D) 88

Answer: <https://biology-forums.com/index.php?topic=735231>

Question 519

When two firms in an industry become one firm, they are engaged in

- A) a merger.
- B) predatory pricing.
- C) a trust agreement.
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=737542>

Question 520

Suppose that the steelworkers' association introduces a new steel worker licensing requirement. What do you expect will happen?

- A) Fewer steelworkers will be employed, at a lower wage.
- B) More steelworkers will be employed, at a lower wage.
- C) Fewer steelworkers will be employed, at a higher wage.

D) More steelworkers will be employed, at a higher wage.

Answer: <https://biology-forums.com/index.php?topic=736428>

Question 521

An increase in demand will lead to a decrease in supply in the long run.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736066>

Question 522

Recall the Application. A recent study concluded that following the merger between Penzoil and Quaker State, the market share of Penzoil products _____ and the market share of Quaker State products _____.

- A) increased; decreased
- B) did not change; increased
- C) increased; did not change
- D) increased; increased

Answer: <https://biology-forums.com/index.php?topic=737581>

Question 523

Brodie sells fish in a perfectly competitive market. Suppose the current market price of fish is \$4.50 per pound.

- A) Brodie can sell as many fish as he can catch at \$4.50 per pound.
- B) Brodie should charge more than \$4.50.
- C) Brodie can charge more than \$4.50 and still sell some fish.
- D) Brodie can charge any price he likes for his fish, but will maximize profit if he sells for less than \$4.50.

Answer: <https://biology-forums.com/index.php?topic=735910>

Question 524

What is meant by a dominant strategy?

Answer: <https://biology-forums.com/index.php?topic=737392>

Question 525

If the percentage change in price is 10 and the percentage change in quantity supplied is 10, supply is

- A) unaffected by price changes.
- B) inelastic.
- C) unitary elastic.
- D) elastic.

Answer: <https://biology-forums.com/index.php?topic=735603>

Question 526

The social cost of production is

- A) the private cost of production that is greater than the benefit of production.
- B) the external cost of production that is greater than the benefit of production.
- C) the external cost generated by production.
- D) the private cost of production plus the external cost generated by production.

Answer: <https://biology-forums.com/index.php?topic=737879>

Question 527

Labor unions tend to drive wages higher than they would be otherwise.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736466>

Question 528

According to the U.S. Secret Service, approximately \$2.6 billion of U.S. paper currency in circulation is counterfeit. As long as counterfeit U.S. currency remains undetected and in circulation, an increase in the U.S. inflation rate would essentially

- A) increase the nominal value of the counterfeit currency.
- B) decrease the nominal value of the counterfeit currency.

- C) decrease the real value of the counterfeit currency.
D) increase the real value of the counterfeit currency.

Answer: <https://biology-forums.com/index.php?topic=738162>

Question 529

Suppose Jennifer has \$42,000 in currency which she deposits in her bank. If the reserve ratio is 50%, this will lead to a maximum increase of _____ in M1 throughout all banks.

- A) \$0
B) \$21,000
C) \$42,000
D) \$84,000

Answer: <https://biology-forums.com/index.php?topic=738236>

Question 530

An example of a good that is nonrival in consumption is

- A) a radio broadcast of a song.
B) a music CD.
C) a guitar.
D) a ticket to a concert.

Answer: <https://biology-forums.com/index.php?topic=737802>

Question 531

Which of the following would NOT be considered price discrimination?

- A) charging houses in expensive neighborhoods more money for mowing the same size lawn than in a less expensive neighborhood
B) charging more money for a large luxury car than a small economy car
C) charging a lower price for dry cleaning men's shirts than women's shirts
D) charging business travelers more money than leisure travelers for plane tickets

Answer: <https://biology-forums.com/index.php?topic=736212>

Question 532

Suppose that there are five firms in a market, each controlling 20% of the market. The HHI would equal

- A) 10.
B) 100.
C) 1,000.
D) 2,000.

Answer: <https://biology-forums.com/index.php?topic=737315>

Question 533

The slope of a straight line

- A) changes along the curve.
B) is negative.
C) is constant.
D) is zero.

Answer: <https://biology-forums.com/index.php?topic=735048>

Question 534

Prior to the financial crisis and recession which began in 2007, credit for mortgages was _____, creating a _____.

- A) only available to borrowers with high credit scores; shortage of affordable housing
B) virtually unavailable; housing bubble
C) unavailable to low-income borrowers; large demand for rental properties
D) easily obtained; housing boom

Answer: <https://biology-forums.com/index.php?topic=734994>

Question 535

Suppose Darrell has \$4,000 in currency which he deposits in his bank. If the reserve ratio is 25%, this will lead to a maximum increase of _____ in M1 throughout all banks.

- A) \$0

- B) \$4,000
- C) \$6,000
- D) \$12,000

Answer: <https://biology-forums.com/index.php?topic=738235>

Question 536

The minimum efficient scale is

- A) the output level beyond which the firm will not experience scale economies.
- B) the quantity after which it makes no sense for a firm to produce.
- C) the output level beyond which the firm will experience scale economies.
- D) the minimum quantity where a firm would be able to produce profitably.

Answer: <https://biology-forums.com/index.php?topic=735820>

Question 537

When one company is the sole seller of certain products in a market, it is called a

- A) conglomerate.
- B) manipulation of the market.
- C) monopoly.
- D) government exclusive.

Answer: <https://biology-forums.com/index.php?topic=736934>

Question 538

Net exports are total imports minus total exports.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736590>

Question 539

The average-cost pricing policy provides a greater incentive for a regulated monopolist to reduce its production cost.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737527>

Question 540

Suppose your firm is operating in a perfectly competitive market, and that the minimum average variable cost of producing your good is \$30. If the price of the good is \$32, your firm should

- A) not produce anything since the price is above the minimum of average variable cost.
- B) supply the amount of the good where the marginal cost of production is equal to \$32.
- C) not consider price when determining the amount to sell.
- D) supply the amount of the good where the marginal cost of production is \$30.

Answer: <https://biology-forums.com/index.php?topic=735986>

Question 541

If your firm is producing a good at a level where marginal revenue equals marginal cost, and price is between average variable cost and average total cost, then in the short run your firm should

- A) continue to produce, but increase output.
- B) continue to produce at the same level of output.
- C) shut down and suffer a loss equal to your fixed costs.
- D) continue to produce, but decrease output.

Answer: <https://biology-forums.com/index.php?topic=735981>

Question 542

A firm experiences diminishing marginal returns because

- A) people "learn by doing."
- B) all factors of production are fixed.
- C) all factors of production are variable.
- D) at least one factor of production is fixed.

Answer: <https://biology-forums.com/index.php?topic=735695>

Question 543

Predatory pricing occurs when a monopolist charges a

- A) price above average variable cost.
- B) high price to drive out competition, then charges a low price.
- C) price above average total cost.
- D) low price to drive out competition, then charges a high price.

Answer: <https://biology-forums.com/index.php?topic=737558>

Question 544

If your salary increases at a lower rate than prices are increasing, what would happen to your buying power?

Answer: <https://biology-forums.com/index.php?topic=735214>

Question 545

An open market _____ by the Fed increases the money supply, which leads to _____ interest rates and increased GDP.

- A) purchase; increased
- B) sale; decreased
- C) sale; increased
- D) purchase; decreased

Answer: <https://biology-forums.com/index.php?topic=738377>

Question 546

Suppose that in 2012 ABC Corp. produced 500 million units of a good at an average cost of \$2, and in 2013 ABC Corp. expanded its plant capacity and produced 600 million units at an average cost of also \$2. In this range, one can conclude that ABC Corp. is experiencing

- A) diminishing marginal product.
- B) diseconomies of scale.
- C) neither economies of scale or diseconomies of scale.
- D) economies of scale.

Answer: <https://biology-forums.com/index.php?topic=735813>

Question 547

Buyers in the market for used guitars are getting more pessimistic about the possibility of getting a good guitar. This will cause the price of used guitars to _____ and the percentage of good used guitars to _____.

- A) decrease; decrease
- B) increase; decrease
- C) increase; increase
- D) decrease; increase

Answer: <https://biology-forums.com/index.php?topic=737694>

Question 548

What are the main features of the Sherman Act?

Answer: <https://biology-forums.com/index.php?topic=737604>

Question 549

Explain what will happen to the equilibrium price and quantity of hybrid automobiles if there are technological advancements in the production of hybrid automobiles while at the same time consumer preference for hybrid automobiles increases.

Answer: <https://biology-forums.com/index.php?topic=735377>

Question 550

If quantity demanded of a good falls by 2% when income falls by 10%, the good's demand is

- A) income-inelastic.
- B) income-elastic.
- C) price insensitive.
- D) price sensitive.

Answer: <https://biology-forums.com/index.php?topic=735557>

Question 551

A bumper crop of wheat could be bad news to farmers if the price elasticity of demand for wheat is greater than one.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735521>

Question 552

How would an increase in prices in retail stores change the real value of the money you earn as wages?

Answer: <https://biology-forums.com/index.php?topic=735213>

Question 553

Table 9.7 shows the production cost for two utilities at different levels of sulfur dioxide emissions. Assume that the government issued 8 marketable pollution permits to each firm. If Firm B would like to purchase one permit to be able to discharge nine tons of sulfur dioxide, what is Firm B's willingness to pay?

- A) \$2,000
- B) \$5,000
- C) \$6,000
- D) \$9,000

Answer: <https://biology-forums.com/index.php?topic=737977>

Question 554

If an economy is represented by a point inside its production possibilities curve,

- A) it cannot produce more of one product unless it stops producing the other product entirely.
- B) it cannot possibly produce more of one product, even if it produces less of another product.
- C) it can produce more of one product only if it produces less of another product.
- D) it can produce more of one product even if it does not produce less of another product.

Answer: <https://biology-forums.com/index.php?topic=735101>

Question 555

If the multiplier = 2.5, the MPS would be

- A) 0.25.
- B) 0.4.
- C) 0.6.
- D) 0.75.

Answer: <https://biology-forums.com/index.php?topic=737051>

Question 556

Decreases in the stock of capital will lead to

- A) decreases in wages and GDP.
- B) increases in wages and decreases in GDP.
- C) decreases in wages and increases in GDP.
- D) increases in wages and total GDP.

Answer: <https://biology-forums.com/index.php?topic=736866>

Question 557

Studies by economists have tended to show that countries with more independent central banks have

- A) more inflation.
- B) less inflation.
- C) lower unemployment.
- D) higher unemployment.

Answer: <https://biology-forums.com/index.php?topic=738280>

Question 558

The principal reason why the chain-weighted index for GDP and the CPI both overstate actual changes in prices is that

- A) the basket of goods purchased by consumers never changes.
- B) price data is often inaccurate.

- C) it is hard to measure quality changes.
D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736780>

Question 559

If the seller knows more about the good than the buyer knows there exists

- A) a public goods problem.
B) asymmetric information.
C) moral hazard.
D) an externality.

Answer: <https://biology-forums.com/index.php?topic=737612>

Question 560

Table 9.7 shows the production cost for two utilities at different levels of sulfur dioxide emissions. Assume that the government issued 8 marketable pollution permits to each firm. If the two firms agree to swap one permit and split the difference between the willingness to pay and willingness to accept, what is the price of a permit?

- A) \$4,500
B) \$5,500
C) \$7,250
D) \$9,750

Answer: <https://biology-forums.com/index.php?topic=737979>

Question 561

In the short run, the marginal cost of the first unit of output is \$20, the average variable cost of producing three units of output is \$16, and the marginal cost of producing the second unit of output is \$16. What is the marginal cost of producing the third unit of output?

- A) \$12
B) \$16
C) \$20
D) \$48

Answer: <https://biology-forums.com/index.php?topic=735730>

Question 562

A defining feature of new growth theory is that it involves economic models of growth which account for

- A) capital flight.
B) technological progress.
C) political changes.
D) population increases.

Answer: <https://biology-forums.com/index.php?topic=736952>

Question 563

The natural rate of unemployment

- A) can vary over time but tends to be the same across countries.
B) tends to remain constant over time but at different levels for different countries.
C) can vary over time and will differ across countries.
D) tends to remain constant over time and is the same across countries.

Answer: <https://biology-forums.com/index.php?topic=736732>

Question 564

In general the entry-deterrence game will generate a market price

- A) the same as the monopoly price.
B) lower than the monopoly price but higher than the duopoly price.
C) the same as the duopoly price.
D) higher than the monopoly price.

Answer: <https://biology-forums.com/index.php?topic=737455>

Question 565

The principle of opportunity cost

- A) is more relevant for firms than for individuals.
- B) is only relevant in economics.
- C) is applicable to all decision-making.
- D) only refers to monetary payments.

Answer: <https://biology-forums.com/index.php?topic=735072>

Question 566

What are the two types of prices in an economy?

Answer: <https://biology-forums.com/index.php?topic=737004>

Question 567

When checks are exchanged between banks, the Fed oversees the banks to ensure the appropriate funds have been transferred. This is known as

- A) check floating.
- B) check kiting.
- C) check clearing.
- D) check balancing.

Answer: <https://biology-forums.com/index.php?topic=738269>

Question 568

What is the income effect for leisure demand?

Answer: <https://biology-forums.com/index.php?topic=736378>

Question 569

Which of the following factors influence the position of the long-run aggregate supply curve?

- A) government spending
- B) taxes
- C) the level of full-employment output
- D) the supply of money

Answer: <https://biology-forums.com/index.php?topic=737080>

Question 570

Is it possible for nominal wages to decrease while real wages increase?

Answer: <https://biology-forums.com/index.php?topic=735211>

Question 571

When supply decreases and the supply curve shifts to the left, equilibrium price _____ and equilibrium quantity _____.

- A) increases; increases
- B) increases; decreases
- C) decreases; increases
- D) decreases; decreases

Answer: <https://biology-forums.com/index.php?topic=735382>

Question 572

Recall the application. The small city of Silva Jardim in Brazil has issued its own currency called the capivari. When people use this currency to execute transactions, this currency is being used as a

- A) store of value.
- B) commodity money.
- C) medium of exchange.
- D) unit of account.

Answer: <https://biology-forums.com/index.php?topic=738192>

Question 573

An increase in the discount rate will

- A) decrease the money supply.
- B) have an unclear effect on the money supply.
- C) increase the money supply.
- D) not affect the money supply.

Answer: <https://biology-forums.com/index.php?topic=738345>

Question 574

List and describe the four components of GDP.

Answer: <https://biology-forums.com/index.php?topic=736595>

Question 575

Which of the following sources of revenue is used to fund government spending?

- A) corporate contributions
- B) taxation
- C) interest
- D) political party contributions

Answer: <https://biology-forums.com/index.php?topic=738067>

Question 576

Which of the following characteristics are of a linear demand curve?

- A) The upper half of the linear demand curve is inelastic.
- B) It has a constant elasticity of demand.
- C) It has a constant slope.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=735528>

Question 577

Which of the following goods is likely to have the most elastic demand?

- A) cigarettes
- B) movie
- C) gasoline
- D) electricity

Answer: <https://biology-forums.com/index.php?topic=735451>

Question 578

Recall the application. The cultural changes in England allowed individuals to take advantage of

- A) the decrease in population caused by the number of citizens who were leaving for the New World.
- B) the increase in agrarian lifestyles.
- C) the elimination of trade barriers resulting from the formation of the European Union.
- D) new developments in science and technology.

Answer: <https://biology-forums.com/index.php?topic=736948>

Question 579

Why does the government grant patents to companies that research new drugs?

Answer: <https://biology-forums.com/index.php?topic=736200>

Question 580

Policies taken to move the economy closer to potential output

- A) are lagging policies or automatic policies.
- B) must necessarily be contractionary policies.
- C) are called stabilization policies.
- D) must necessarily be expansionary policies.

Answer: <https://biology-forums.com/index.php?topic=738027>

Question 581

If Jerry's demand for leisure increases as the wage increases,

- A) the income effect dominates the substitution effect.
- B) the income effect is completely offset by the substitution effect.
- C) the substitution effect dominates the income effect.
- D) There is insufficient information.

Answer: <https://biology-forums.com/index.php?topic=736351>

Question 582

Under a system of marketable pollution permits

- A) environmentalists can decrease pollution by purchasing permits.
- B) the government can decrease the amount of pollution to the desired level.
- C) firms with lower costs of reducing emissions are likely to sell permits to those with higher costs of reducing emissions.
- D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=737961>

Question 583

European nations are currently deregulating many markets. They are expecting

- A) the quality of goods sold in these markets to decrease.
- B) the profits of firms selling in these markets to increase.
- C) the price of goods sold in these markets to decrease.
- D) the price of goods sold in these markets to increase.

Answer: <https://biology-forums.com/index.php?topic=737146>

Question 584

An action that is the best choice under all conditions is known as a

- A) dilemma.
- B) trigger strategy.
- C) profit-maximizing strategy.
- D) dominant strategy.

Answer: <https://biology-forums.com/index.php?topic=737364>

Question 585

Points outside the production possibilities curve represent combinations of products that are

- A) attainable if the economy's resources are either fully employed or not fully employed.
- B) unattainable.
- C) attainable only if the economy's resources are not fully employed.
- D) attainable only if the economy's resources are fully employed.

Answer: <https://biology-forums.com/index.php?topic=735103>

Question 586

If you negotiated a salary based on an anticipated inflation rate of 4%, and the actual inflation rate turned out to be 6%

- A) your employer would have gained at your expense.
- B) your real wage will increase, but your nominal wage will decrease.
- C) the purchasing power of your wages will not change, since purchasing power is based on your nominal wage.
- D) the purchasing power of your real wages would be more than you anticipated.

Answer: <https://biology-forums.com/index.php?topic=736814>

Question 587

Recall the application. One explanation for the decline in the U.S. labor force participation rate since 1999 is

- A) the increase in immigration to the United States.
- B) the increasing number of retiring baby boomers.
- C) the decline in the overall population.
- D) the increase in outsourcing by U.S. companies.

Answer: <https://biology-forums.com/index.php?topic=736690>

Question 588

What is a marginal benefit?

Answer: <https://biology-forums.com/index.php?topic=735150>

Question 589

Banks will never hold any additional reserves beyond what is required.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738258>

Question 590

One cost of unanticipated inflation is

- A) nominal income falls below real income.
- B) people cannot repay their debts.
- C) both lenders and borrowers lose.
- D) arbitrary redistributions of income.

Answer: <https://biology-forums.com/index.php?topic=736816>

Question 591

Explain three ways we can use microeconomic analysis.

Answer: <https://biology-forums.com/index.php?topic=735043>

Question 592

Which of the following factors would indicate less elastic demand?

- A) The price of the good is low.
- B) New substitutes are created.
- C) Demand is measured over a shorter period of time.
- D) The good represents a large fraction of the budget.

Answer: <https://biology-forums.com/index.php?topic=735459>

Question 593

Models of growth that account for technological progress are part of

- A) growth accounting.
- B) creative destruction theory.
- C) new growth theory.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736953>

Question 594

Recall the application. GDP did not return to its pre-recession peak until

- A) the third quarter of 2009.
- B) the first quarter of 2010.
- C) the second quarter of 2011.
- D) the fourth quarter of 2012.

Answer: <https://biology-forums.com/index.php?topic=736649>

Question 595

A network externality acts as a barrier to entry.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736132>

Question 596

Capital deepening causes _____ in the demand for labor.

- A) an increase
- B) a decrease
- C) no change
- D) either an increase or decrease

Answer: <https://biology-forums.com/index.php?topic=736868>

Question 597

A constant cost industry has an infinitely elastic long-run supply curve.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736084>

Question 598

Recall the application. The time and invested funds involved in starting a lawn-cutting business address the economic concept of

- A) opportunity cost.
- B) the marginal principle.
- C) the real-nominal principle.
- D) the principle of diminishing returns.

Answer: <https://biology-forums.com/index.php?topic=735104>

Question 599

If the supply of money increases, the long-run aggregate supply curve suggests that output will not change but price level will.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737111>

Question 600

When interest rates are lower, consumers and companies are able to borrow money cheaply in order to make major purchases. As a result, the demand for goods in an economy will generally

- A) remain the same.
- B) be minimally affected.
- C) increase.
- D) decrease.

Answer: <https://biology-forums.com/index.php?topic=737018>

Question 601

Recall the Application. Suppose a firm that produces trampolines has a linear demand curve for its product, with a vertical intercept of \$1,500. If the firm initially charged a price of \$500 and then raised its price to \$750, the firm's total revenue would _____ and total cost would _____

- A) decrease; increase
- B) decrease; decrease
- C) increase; increase
- D) increase; decrease

Answer: <https://biology-forums.com/index.php?topic=735544>

Question 602

Suppose your firm is operating in a perfectly competitive market, and that the minimum average variable cost of producing your good is \$13. If the price of the good is \$15, your firm should

- A) not consider price when determining the amount to sell.
- B) not produce anything since the price is above the minimum of average variable cost.
- C) supply the amount of the good where the marginal cost of production is equal to \$15.
- D) not do any of the above.

Answer: <https://biology-forums.com/index.php?topic=735985>

Question 603

Which of the following products has elastic demand?

- A) cars
- B) water
- C) coffee
- D) all ice cream

Answer: <https://biology-forums.com/index.php?topic=735453>

Question 604

You have an hour between your economics and math classes. What is the opportunity cost of that time if you use it to complete your math homework instead of your economics homework?

- A) the cost of your calculator and math textbook
- B) the economics homework you could have completed
- C) the math homework you chose to complete
- D) zero, because it doesn't cost any money to do your math homework

Answer: <https://biology-forums.com/index.php?topic=735085>

Question 605

The common term for a severe recession is a

- A) economic adjustment.
- B) downturn.
- C) bottoming out.
- D) depression.

Answer: <https://biology-forums.com/index.php?topic=736648>

Question 606

A decrease in the reserve requirement

- A) decreases the money supply, which leads to decreased interest rates and a rise in investment spending.
- B) increases the money supply, which leads to decreased interest rates and a rise in investment spending.
- C) increases the money supply, which leads to increased interest rates and a fall in investment spending.
- D) decreases the money supply, which leads to increased interest rates and a fall in investment spending.

Answer: <https://biology-forums.com/index.php?topic=738385>

Question 607

Assuming full employment, if the private sector saves 8% of its income and the government raises taxes by \$500 to finance public investments, total investment will increase by \$460.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736898>

Question 608

Convergence refers to closing the gap in _____ between poorer countries and richer countries.

- A) the growth rate in real GDP per capita
- B) real GDP
- C) real GDP per capita
- D) the growth rate in real GDP

Answer: <https://biology-forums.com/index.php?topic=736849>

Question 609

Frictional unemployment is unemployment reflecting a mismatch of skills and jobs.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736746>

Question 610

Suppose that it would cost a firm \$9 million to develop a new drug. In the absence of a patent, other firms will be able to copy and bring to market a generic equivalent of the drug in three years. In each of these three years, the firm would earn monopoly profits of \$4 million. A patent will generate monopoly status for the firm for twenty years. If the government knew this information ahead of time, which of the following is most correct?

- A) The government should grant a patent to the firm, because it does not have the resources to determine on a case-by-case basis exactly which inventions merit award of the patent.
- B) The government should grant a patent to the firm, because even with a patent the firm will not earn a monopoly profits.
- C) The government should grant a patent to the firm, because the firm would not produce the drug at all without a patent.
- D) The government should not grant a patent to the firm, because the firm would earn sufficient profits to develop the drug without the patent.

Answer: <https://biology-forums.com/index.php?topic=736190>

Question 611

If the Federal Reserve raises the discount rate, banks will be inclined to borrow additional reserves and the money supply will increase.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738357>

Question 612

A trade surplus occurs when

- A) a country sells more abroad than it purchases from abroad.
- B) a country purchases more from abroad than other countries purchase from it.
- C) a country's firms open more stores abroad than foreign firms open in the country.
- D) foreign firms open more stores in a country than the country opens in foreign countries.

Answer: <https://biology-forums.com/index.php?topic=736571>

Question 613

The Act which outlawed asset-purchase mergers that would substantially reduce competition was the

- A) Sherman Act.
- B) Clayton Act.
- C) Robinson-Patman Act.
- D) Celler-Kefauver Act.

Answer: <https://biology-forums.com/index.php?topic=737570>

Question 614

When a second firm enters a market, the original firm's profits decline because

- A) the original firm's ATC increases.
- B) the original firm's price decreases.
- C) the original firm's quantity decreases.
- D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=737134>

Question 615

If a firm in a perfectly competitive market is currently producing the output where price = marginal cost = average total cost, the firm is

- A) earning a positive economic profit.
- B) suffering an economic loss.
- C) earning a zero economic profit.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=735924>

Question 616

The price of pens increases from \$2 to \$2.20. At the same time, the quantity of pens demanded decreases from 100 to 90. Demand for pens is

- A) elastic.
- B) perfectly inelastic.
- C) unitary elastic.
- D) inelastic.

Answer: <https://biology-forums.com/index.php?topic=735416>

Question 617

If individual firms face a horizontal demand curve at a given market price,

- A) price is equal to marginal cost.
- B) price is equal to marginal revenue.
- C) price is equal to average total cost.
- D) price is equal to average variable cost.

Answer: <https://biology-forums.com/index.php?topic=735914>

Question 618

Why might a firm pay a celebrity to endorse its product?

Answer: <https://biology-forums.com/index.php?topic=737303>

Question 619

A dominant strategy is one that is best no matter what the other player(s) do.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737378>

Question 620

The principle of diminishing returns implies that as one input increases while the other inputs are held fixed, output

- A) increases at an increasing rate.
- B) decreases at an increasing rate.
- C) increases at a decreasing rate.
- D) decreases at a decreasing rate.

Answer: <https://biology-forums.com/index.php?topic=735163>

Question 621

Suppose that the wage for musicians decreases relative to other occupations. We know that _____ people will work in music, and the total number of hours worked will _____.

- A) more; increase
- B) more; decrease
- C) fewer; increase
- D) fewer; decrease

Answer: <https://biology-forums.com/index.php?topic=736361>

Question 622

Some states have laws that require that used car dealers give buyers a 30-day period during which they can return cars that are discovered to be lemons (low-quality). Whom do laws like this help? Whom do they hurt?

Answer: <https://biology-forums.com/index.php?topic=737750>

Question 623

Growth accounting refers to the method used to

- A) identify the costs of promises made by the government today but paid for by future generations.
- B) measure the growth in the labor force.
- C) measure growth in the capital stock.
- D) identify the contribution of economic growth from increased capital, labor, and technological progress.

Answer: <https://biology-forums.com/index.php?topic=736912>

Question 624

One example of a microeconomic question is, "Should unemployment benefits be increased?"

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735041>

Question 625

When the price of tacos went from \$2 to \$3 dollars each, the quantity demanded of burritos changed from 100 to 120 a day. The cross-price elasticity of demand for burritos calculated using the initial value method is

- A) 1.33.
- B) 0.75.
- C) 0.4.
- D) -0.75.

Answer: <https://biology-forums.com/index.php?topic=735573>

Question 626

Explain what happens to the money supply, interest rates, investment spending and GDP when the Fed makes open market bond purchases.

Answer: <https://biology-forums.com/index.php?topic=738410>

Question 627

In markets with imperfect information

- A) neither buyers nor sellers will be able to acquire information in order to make decisions.
- B) sellers will use resources to acquire information before making a decision, but buyers do not need to acquire additional information before making a decision.
- C) buyers will use resources to acquire information before making a decision, but sellers do not need to acquire additional information before making a decision.

D) buyers and sellers will use resources to acquire information before making decisions.

Answer: <https://biology-forums.com/index.php?topic=737615>

Question 628

Chain-weighted price indices are constructed such that

- A) prices of one good can be directly compared with prices of other goods.
- B) prices in different economies can be directly compared with one another.
- C) prices in different years can be directly compared with one another.
- D) all years' levels of GDP are directly related to a base year level of GDP.

Answer: <https://biology-forums.com/index.php?topic=736778>

Question 629

One method firms can use to solve the duopolists' dilemma is to engage in

- A) tying contracting.
- B) marginal cost pricing.
- C) predatory pricing.
- D) guaranteed price matching.

Answer: <https://biology-forums.com/index.php?topic=737397>

Question 630

An employer can find himself in an adverse selection problem if there are too

- A) many underqualified applicants for each job.
- B) many applicants for each job.
- C) few applicants for each job.
- D) many qualified applicants for each job.

Answer: <https://biology-forums.com/index.php?topic=737696>

Question 631

When considering imports and exports, economists include the _____ as a component of the GDP.

- A) total exports
- B) total imports
- C) gross exports
- D) net exports

Answer: <https://biology-forums.com/index.php?topic=736574>

Question 632

Knowledge and skills are part of _____ in an economy.

- A) market growth
- B) innovation
- C) human capital
- D) educational functions

Answer: <https://biology-forums.com/index.php?topic=736941>

Question 633

What is the federal government's largest source of revenue?

Answer: <https://biology-forums.com/index.php?topic=738116>

Question 634

Recall the application. The decline in honeybee colonies has caused _____ of fruits and nuts used in ice cream production.

- A) a decrease in the supply
- B) an increase in the demand
- C) an increase in the supply
- D) a decrease in the demand

Answer: <https://biology-forums.com/index.php?topic=735359>

Question 635

Economists call the physical cost of changing prices

- A) increasing profits.
- B) the cost of doing business.
- C) menu costs.
- D) inflationary sufferage.

Answer: <https://biology-forums.com/index.php?topic=736809>

Question 636

The Sherman Act outlawed practices that result in the restraint of trade.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737596>

Question 637

Which of the following is necessary for a system of marketable pollution permits to lead to beneficial trades between polluting companies?

- A) Companies must have common abatement costs.
- B) The government must direct companies toward beneficial trades.
- C) There must be differences in abatement costs between companies.
- D) Company owners must have a social conscience and must be devoted to pollution abatement.

Answer: <https://biology-forums.com/index.php?topic=737963>

Question 638

Jobs lost to outsourcing can be partially offset by jobs gained from

- A) greater trade imbalances.
- B) increased output from another industry.
- C) higher production costs.
- D) higher opportunity costs.

Answer: <https://biology-forums.com/index.php?topic=738471>

Question 639

If firms in a monopolistically competitive market are earning economic profits greater than zero in the short run, then in the long run

- A) profits will decrease.
- B) firms will exit this market.
- C) demand will not change.
- D) profits will increase.

Answer: <https://biology-forums.com/index.php?topic=737202>

Question 640

Explain why the price elasticity varies even when a firm faces a linear demand curve.

Answer: <https://biology-forums.com/index.php?topic=735549>

Question 641

You notice that the price of butter rises and then falls. The best explanation for this is that

- A) demand for butter decreased causing price to rise, which attracted other firms to enter the market causing supply to increase, which caused the price to go back down.
- B) demand for butter increased causing price to rise, which attracted other firms to enter the market causing supply to decrease, which caused the price to go back down.
- C) demand for butter increased causing price to rise, which induced other firms to exit the market causing supply to decrease, which caused the price to go back down.
- D) demand for butter increased causing price to rise, which attracted other firms to enter the market causing supply to increase, which caused the price to go back down.

Answer: <https://biology-forums.com/index.php?topic=736044>

Question 642

Recall the Application. A town tried to prevent free riding by

- A) making it illegal for those who did not contribute to the clock tower to use it.
- B) setting the time wrong on the face of the tower in the direction of those who refused to contribute to building the clock tower.
- C) not putting a clock face on the tower in the direction of those the one who refused to contribute to building the clock tower.

D) taxing those who would not contribute to the clock tower project.

Answer: <https://biology-forums.com/index.php?topic=737834>

Question 643

Based on the model of the money market, when real GDP increases, the equilibrium interest rate should

- A) stay the same.
- B) increase.
- C) decrease.
- D) increase to the same extent that the supply of money increases.

Answer: <https://biology-forums.com/index.php?topic=738371>

Question 644

One way that insurance companies can reduce the moral hazard problem is to

- A) eliminate copayments on insurance claims.
- B) insure only customers with good morals.
- C) make insurance customers pay a deductible before the company pays on a claim.
- D) engage in genetic testing to determine who is more likely to be high risk.

Answer: <https://biology-forums.com/index.php?topic=737759>

Question 645

What happens to your purchasing power if inflation is less than you anticipated?

- A) It decreases.
- B) It won't change much.
- C) It devalues your net worth.
- D) It increases.

Answer: <https://biology-forums.com/index.php?topic=736813>

Question 646

Which of the following is the best example of a person NOT having clear property rights?

- A) a dairy farmer who pays off the mortgage on his farm
- B) a city parks worker who inherits his uncle's town house
- C) a medical student who lives on campus for his first year of studies
- D) a retired college professor who builds a bungalow on her oceanfront property

Answer: <https://biology-forums.com/index.php?topic=736965>

Question 647

When a firm is experiencing diminishing returns

- A) marginal costs are always less than average costs.
- B) average cost is always decreasing.
- C) average cost is always increasing.
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=735742>

Question 648

If the firm has already reached the minimum efficient scale, then

- A) the firm is profit maximizing in the long run.
- B) any additional output will not result in a lower long run average cost.
- C) additional output will result in a lower long run marginal cost.
- D) any additional output will result in a lower long run average cost.

Answer: <https://biology-forums.com/index.php?topic=735821>

Question 649

If the current level of GDP exceeds full employment, the level of GDP can be reduced by

- A) reducing taxes.
- B) lowering interest rates.
- C) increasing spending.
- D) reducing the money supply.

Answer: <https://biology-forums.com/index.php?topic=738416>

Question 650

Suppose Johnson's Rubber Factory belches black smoke into the air over the city of Bellowsville. If the city of Bellowsville attempts to internalize the external costs associated with the production of rubber with a pollution tax, then we expect

- A) a leftward shift in the demand curve for Johnson's rubber.
- B) no change in Johnson's supply curve.
- C) a rightward shift of Johnson's supply curve.
- D) a leftward shift of Johnson's supply curve.

Answer: <https://biology-forums.com/index.php?topic=737896>

Question 651

A firm charges a price so low that it prevents other firms from entering the market. This is an example of

- A) limit pricing.
- B) predatory pricing.
- C) a tying contract.
- D) price discrimination.

Answer: <https://biology-forums.com/index.php?topic=737456>

Question 652

A likely consequence over time of an average-cost pricing policy for a natural monopoly is

- A) an increase in the average cost curve.
- B) a decrease in the average cost curve.
- C) an increase in profits.
- D) no change in price.

Answer: <https://biology-forums.com/index.php?topic=737506>

Question 653

Since 1997, the labor force participation rate for women in the United States has

- A) equaled the participation rate for men.
- B) decreased more than 20%.
- C) remained virtually constant.
- D) increased more than 10%.

Answer: <https://biology-forums.com/index.php?topic=736692>

Question 654

The prospect of future deficits

- A) encourages government to conduct expansionary fiscal policy.
- B) requires a government to eliminate all entitlement spending.
- C) would prompt government to vastly expand discretionary spending.
- D) limits the ability of government to conduct fiscal policy in the near future.

Answer: <https://biology-forums.com/index.php?topic=738136>

Question 655

If the costs of the training necessary to perform a job decrease, labor _____ shifts _____.

- A) demand; left
- B) demand; right
- C) supply; left
- D) supply; right

Answer: <https://biology-forums.com/index.php?topic=736426>

Question 656

How do you calculate a percentage change in quantity if given an elasticity of demand and a percentage change in price?

Answer: <https://biology-forums.com/index.php?topic=735523>

Question 657

If a pollution tax imposed on a firm is greater than its external cost,

- A) the pollution tax will be efficient.
- B) the social production cost will increase by the amount of the pollution tax.
- C) the externality will be fully internalized.
- D) the firm will be producing too little from a society's point of view.

Answer: <https://biology-forums.com/index.php?topic=737882>

Question 658

In the Staples/Office Depot Case, the government

- A) allowed a merger and did not regulate the resulting firm.
- B) blocked a merger.
- C) prosecuted the two firms for collusion.
- D) allowed a merger but regulated the resulting firm.

Answer: <https://biology-forums.com/index.php?topic=737544>

Question 659

Does the term "mandatory spending" mean that spending must go on forever?

- A) Yes, once appropriated, spending is indefinite.
- B) Yes, Congress has no right to change these spending programs.
- C) Yes, the laws which authorized this spending cannot be changed.
- D) No, once appropriated, spending is for the life of the program only or until it changes.

Answer: <https://biology-forums.com/index.php?topic=738055>

Question 660

Explain what would happen to the equilibrium price and quantity of gasoline if the supply of gasoline decreased while the demand for gasoline also decreased.

Answer: <https://biology-forums.com/index.php?topic=735376>

Question 661

Which of the following is the least likely example of asymmetric information?

- A) a job applicant and a prospective employer
- B) a retailer of used books and prospective customers
- C) an auto mechanic and a transient customer
- D) King Solomon and two women who claim to be the mother of a baby

Answer: <https://biology-forums.com/index.php?topic=737620>

Question 662

Suppose consumers save 5% of their incomes. If the government collects 100 dollars in taxes from each taxpayer, private saving will _____ per taxpayer.

- A) decrease by 95 cents
- B) decrease by \$95
- C) increase by \$105
- D) decrease by \$5

Answer: <https://biology-forums.com/index.php?topic=736890>

Question 663

Explain how automatic stabilizers work.

Answer: <https://biology-forums.com/index.php?topic=738122>

Question 664

A firm charges a price below its average total cost so that it drives out its competition. This is an example of

- A) predatory pricing.
- B) duopoly pricing.
- C) price discrimination.
- D) a tie-in sale.

Answer: <https://biology-forums.com/index.php?topic=737556>

Question 665

Which of the following statements about the gender gap in income is correct?

- A) The gender discrimination against women resulted in the excess supply of female workers in the female-dominated occupations.
- B) The typical woman in the U.S. earns about 75% as much as the typical man.
- C) In higher education, women are under-represented in more lucrative majors such as physics and chemistry.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736431>

Question 666

A merger may cause movement upward along the demand curve.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737585>

Question 667

An inside lag is the time period it takes for the stabilization policies to take effect after they have been implemented.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738041>

Question 668

How can the Federal Reserve actually increase the money supply?

- A) by raising the discount rate
- B) by purchasing more government bonds in the open market
- C) by doubling the reserve requirement
- D) by delaying transfer of money among banks

Answer: <https://biology-forums.com/index.php?topic=738331>

Question 669

What is the relationship between price elasticity of demand and total revenue for the firm?

Answer: <https://biology-forums.com/index.php?topic=735527>

Question 670

Consider the data in Table 9.6. If each firm is currently generating 100 gallons of wastewater per day, Firm B would be willing to pay up to _____ to Firm A to be able to generate 200 gallons of wastewater per day.

- A) \$10
- B) \$12
- C) \$28
- D) \$200

Answer: <https://biology-forums.com/index.php?topic=737974>

Question 671

Explain what is meant by the terms "labor force," "unemployment rate," and "labor force participation rate."

Answer: <https://biology-forums.com/index.php?topic=736712>

Question 672

Given their skills and education, steelworkers earn higher incomes than they would in other occupations. This is partly because

- A) few people have skills and knowledge required for jobs at steel mills.
- B) steel workers face the higher risk of getting injured or killed.
- C) it is costly to acquire skills necessary for jobs at steel mills.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736419>

Question 673

When comparing the measure of goods and services of one country to that of another, economists generally compare

- A) the real GDP and net exports.
- B) the real GDP.
- C) the real GDP per capita.

D) the real GDP and the labor force.

Answer: <https://biology-forums.com/index.php?topic=736841>

Question 674

If the government attempts to control pollution with a command-and-control policy

- A) the government will force the firm to use particular pollution-control technologies.
- B) the government will command each firm to produce no more than a certain level of pollution.
- C) the government will control the firm's entire production process.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=737938>

Question 675

Producers of close substitutes have little or no incentive to merge.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737583>

Question 676

To be an example of a public good a good must be both rival in consumption and nonexcludable.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737838>

Question 677

What are the similarities between perfect competition and monopolistic competition?

Answer: <https://biology-forums.com/index.php?topic=735908>

Question 678

Fiscal actions to eliminate a recession are likely to decrease the federal budget deficit.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738112>

Question 679

Reading Consumer Reports before buying a used car

- A) makes warranties on used cars unnecessary.
- B) helps buyers increase their chances of avoiding a lemon, or low-quality car.
- C) is irrational because the cost of the magazine is greater than the benefit of the information.
- D) does not help buyers because magazines only cover new car sales, not used car sales.

Answer: <https://biology-forums.com/index.php?topic=737726>

Question 680

Economists who have studied economic growth find strong evidence of convergence.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736858>

Question 681

The purpose of antitrust policy is to encourage competition in an industry.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737582>

Question 682

If the number of automobile manufacturers decreases,

- A) the supply of automobiles increases.

- B) the demand for automobiles increases.
C) the supply of automobiles decreases.
D) the demand for automobiles decreases.

Answer: <https://biology-forums.com/index.php?topic=735335>

Question 683

If the price of output decreases the labor _____ curve shifts to the _____.

- A) demand; left
B) supply; right
C) supply; left
D) demand; right

Answer: <https://biology-forums.com/index.php?topic=736389>

Question 684

Table 7.2 contains price, demand, and cost data for the Capri Theater, the only first-run movie theater in a small town. What is its total profit under the student discount policy?

- A) \$450
B) \$550
C) \$600
D) \$650

Answer: <https://biology-forums.com/index.php?topic=736241>

Question 685

If a product has several good substitutes, demand for the product is most likely to be

- A) very inelastic.
B) elastic.
C) unitary elastic.
D) inelastic.

Answer: <https://biology-forums.com/index.php?topic=735442>

Question 686

Given their skills and education, American workers in hostile regions such as Iraq earn higher incomes than American workers in the homeland. This is partly because

- A) American workers in Iraq face the higher risk of getting kidnapped and killed.
B) the U.S. government restricts the number of American workers to work in Iraq.
C) only few people have skills necessary for jobs in Iraq.
D) jobs in Iraq in general require more education.

Answer: <https://biology-forums.com/index.php?topic=736422>

Question 687

An open market purchase by the Fed

- A) does not change the total amount of reserves in the banking system.
B) decreases the total amount of reserves in the banking system.
C) causes the reserve requirement to fall.
D) increases the total amount of reserves in the banking system.

Answer: <https://biology-forums.com/index.php?topic=738334>

Question 688

Transfer payments are excluded from GDP.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=738097>

Question 689

The manner in which a nation's economy reacts when the measured factors are changed affects almost every individual.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=736526>

Question 690

If Eddie can produce 40 milk shakes or 20 banana splits in an hour, and Tina can produce 30 milk shakes or 16 banana splits in an hour, then Tina has a comparative advantage in producing banana splits.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738483>

Question 691

Which of the following serves as the central bank for the United States?

- A) the Congress
- B) the Federal Reserve System
- C) the Treasury Department
- D) the Federal Deposit Insurance Corporation

Answer: <https://biology-forums.com/index.php?topic=738267>

Question 692

If real salaries increase but nominal salaries do not, this means that

- A) prices have not changed.
- B) prices have risen.
- C) prices have fallen.
- D) the purchasing power of money has decreased.

Answer: <https://biology-forums.com/index.php?topic=735188>

Question 693

Why is the line between frictional and structural unemployment sometimes hard to draw?

Answer: <https://biology-forums.com/index.php?topic=736755>

Question 694

Which of the following is a category of national income?

- A) rental income
- B) net interest
- C) corporate profits
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736600>

Question 695

Which one of the following statements is NOT true?

- A) The duopoly-pricing strategy leads to negative economic profits.
- B) A firm that chooses to cheat on a price-fixing scheme should consider the short-term gain in profits from cheating versus the long-term loss in profits from being punished.
- C) Cartels may break down because of the incentive to cheat.
- D) Price leadership arrangements are an implicit price-fixing scheme.

Answer: <https://biology-forums.com/index.php?topic=737405>

Question 696

What is an opportunity cost?

Answer: <https://biology-forums.com/index.php?topic=735116>

Question 697

If the variable on the vertical axis increases by 20 and the variable on the horizontal axis increases by 5, the slope of the line is

- A) 0.25.
- B) 4.
- C) 15.
- D) 100.

Answer: <https://biology-forums.com/index.php?topic=735049>

Question 698

Two goods are substitutes if an increase in the price of one good leads to a decrease in demand for the other.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735314>

Question 699

You rent a DVD of The Dark Knight Rises. The rental is for seven days and you watch the movie on the first day. You tell a friend about the film and your friend asks to come over and watch the movie with you before it is due back. What is your opportunity cost if you decide to watch the movie a second time instead of going to a football game?

- A) the entire cost of the movie rental, since you have already watched the movie
- B) one half the rental cost, because you have already watched the movie one time
- C) the answer depends on how much you liked the movie in the first place
- D) the football game you forego by watching the movie again

Answer: <https://biology-forums.com/index.php?topic=735079>

Question 700

If Eddie can produce 40 milk shakes or 20 banana splits in an hour, and Tina can produce 30 milk shakes or 16 banana splits in an hour, then Eddie has a comparative advantage in producing milk shakes.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738480>

Question 701

If the price of output increases, the equilibrium wage of workers who produce that output will _____ and _____ workers will be hired.

- A) increase; more
- B) increase; fewer
- C) decrease; fewer
- D) decrease; more

Answer: <https://biology-forums.com/index.php?topic=736388>

Question 702

Net investment is

- A) the total amount of new private investment purchases.
- B) gross investment plus depreciation.
- C) what is left over from total new private investment after depreciation.
- D) the total amount of private investment purchases, whether new or previously existing.

Answer: <https://biology-forums.com/index.php?topic=736557>

Question 703

A carbon tax placed on coal would

- A) raise the costs of goods produced using coal, raising their price, and thus decreasing the quantity demanded of these goods.
- B) make coal a more attractive form of energy.
- C) not affect emissions of greenhouse gases.
- D) shift the demand curve for coal to the right.

Answer: <https://biology-forums.com/index.php?topic=737916>

Question 704

Suppose that you're the manager of a firm. You notice that when you raised your price from \$10 to \$11, sales fell from 500 to 400. Should you raise your price more?

Answer: <https://biology-forums.com/index.php?topic=735526>

Question 705

A firm reaches the minimum efficient scale in the short run.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735847>

Question 706

If Eddie can produce 40 milk shakes or 20 banana splits in an hour, and Tina can produce 30 milk shakes or 16 banana splits in an hour, then Tina has a comparative advantage in producing milk shakes.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738482>

Question 707

The government weighs the potential cost savings resulting from a merger against the potential anticompetitive problems to determine whether or not to allow a merger to take place.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737588>

Question 708

The typical relationship between inflation and unemployment is

- A) as unemployment falls, nothing happens to inflation.
- B) as unemployment falls, inflation falls.
- C) unemployment changes do not directly lead to changes in inflation, but inflation changes may cause changes in unemployment.
- D) as unemployment falls, inflation increases.

Answer: <https://biology-forums.com/index.php?topic=736739>

Question 709

If a firm perceived that the other firm in an implicit pricing agreement dropped its price in response to a change in market conditions, then its most likely response would be to

- A) engage in a price war.
- B) match the other firm's price.
- C) raise price to punish the other firm.
- D) keep its price the same.

Answer: <https://biology-forums.com/index.php?topic=737420>

Question 710

When considering the aggregate demand curve, the wealth effect, interest rate effect and effects from international trade reinforce each other.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737056>

Question 711

Which one of the following is NOT a retaliation strategy that firms would apply to one that cheated on a price-fixing scheme by selling at a price below the agreed-upon fixed price?

- A) All other firms sell at a price that ensures zero economic profit for all firms.
- B) Each period, all other firms sell at the price picked by the cheater in the previous period.
- C) All other firms would reduce their output.
- D) All other firms sell at the same low price as the cheating firm.

Answer: <https://biology-forums.com/index.php?topic=737404>

Question 712

Suppose the economy is operating below potential output. If policy makers try to avoid a budget deficit by raising taxes or reducing government spending, these actions would

- A) negate the multiplier effect.
- B) increase inflation.
- C) make a recession worse.
- D) help pull an economy out of a depression.

Answer: <https://biology-forums.com/index.php?topic=738095>

Question 713

The federal income tax on wages is the largest source of revenue for the federal government.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738101>

Question 714

Cartels are unstable and will tend to fall apart due to cheating on the agreement.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737429>

Question 715

A monopolist will never produce a level of output where $MR < 0$.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736135>

Question 716

Suppose that the interest rate available to you on a long-term bond is 4%. If you hold \$1,000 of your wealth in currency instead of in the form of a bond, the annual opportunity cost is

- A) \$0.04.
- B) \$4.
- C) \$40.
- D) \$400.

Answer: <https://biology-forums.com/index.php?topic=738302>

Question 717

The free-rider problem implies that

- A) each person will try to benefit from the public good without paying for it.
- B) nobody wants the public good.
- C) everybody will pay a portion of the cost of the public good.
- D) each person will pay the full cost of the public good.

Answer: <https://biology-forums.com/index.php?topic=737813>

Question 718

When demand changes and the demand curve shifts, equilibrium price and equilibrium quantity change in the same direction.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735388>

Question 719

A high degree of concentration in a market suggests that firms in that market

- A) cannot act strategically.
- B) are perfectly competitive.
- C) have the power to control prices.
- D) have formed an illegal cartel.

Answer: <https://biology-forums.com/index.php?topic=737317>

Question 720

Suppose that in a month the price of movie rentals increases from \$2 to \$2.20. At the same time, the quantity of movie rentals supplied increases from 100 to 110. The price elasticity of supply for movie rentals (calculated using the initial value formula) is

- A) inelastic.
- B) elastic.
- C) negative.
- D) unitary elastic.

Answer: <https://biology-forums.com/index.php?topic=735592>

Question 721

Describe and explain a perfectly competitive firm's short-run supply curve.

Answer: <https://biology-forums.com/index.php?topic=736020>

Question 722

Which of the following products is the most likely to have constant costs in the long run?

- A) ice
- B) copper
- C) housing
- D) wine grapes

Answer: <https://biology-forums.com/index.php?topic=736078>

Question 723

Gross investment minus net investment is equal to

- A) depreciation.
- B) real investment.
- C) consumption.
- D) nominal investment.

Answer: <https://biology-forums.com/index.php?topic=736876>

Question 724

Costs increase with output in an increasing-cost industry because

- A) firms may be forced to use less productive inputs.
- B) input prices increase as the industry competes for scarce resources.
- C) the firms become monopolies.
- D) Both A and B are correct.

Answer: <https://biology-forums.com/index.php?topic=736023>

Question 725

If an economy grows at 6% per year, how many years would it take for real GDP to double?

Answer: <https://biology-forums.com/index.php?topic=736862>

Question 726

A rise in the value of a currency is called a(n)

- A) consolation.
- B) integration.
- C) depreciation.
- D) appreciation.

Answer: <https://biology-forums.com/index.php?topic=738394>

Question 727

Explain why only final goods are included in GDP.

Answer: <https://biology-forums.com/index.php?topic=736594>

Question 728

The idea that investment in comprehensive education in developing countries leads to permanent increases in the rate of technological progress is an example of

- A) increasing economic inequality.
- B) new growth theory.
- C) a trade-off between human capital and technology.
- D) capital deepening.

Answer: <https://biology-forums.com/index.php?topic=736951>

Question 729

The Coase bargaining solution applies to a situation when there is a _____ number of affected parties, and the transactions costs of bargaining are relatively _____.

- A) large; high
- B) small; low
- C) small; high
- D) large; low

Answer: <https://biology-forums.com/index.php?topic=737865>

Question 730

Command-and-control policies

- A) usually result in relatively low compliance costs.
- B) allow a low-cost firm to abate more pollution.
- C) allow us to predict the total amount of pollution that will be discharged.
- D) encourage firms to develop more efficient abatement technologies.

Answer: <https://biology-forums.com/index.php?topic=737946>

Question 731

Public Broadcasting reads the names of local contributors on the air. This is likely to _____ the free-rider problem and lead to a _____ level of contribution to the public good.

- A) reduce; smaller
- B) increase; larger
- C) reduce; larger
- D) increase; smaller

Answer: <https://biology-forums.com/index.php?topic=737830>

Question 732

A perfectly competitive firm's marginal cost curve above the minimum of the average variable cost curve is its

- A) capacity output schedule.
- B) short-run supply curve.
- C) total revenue minus total cost schedule.
- D) average cost schedule.

Answer: <https://biology-forums.com/index.php?topic=736004>

Question 733

Banks prefer to make loans than keep reserves because they earn interest on loans and must pay interest on reserves.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738252>

Question 734

Table 9.8 shows the production cost for two utilities at different levels of sulfur dioxide emissions. Assume that the government issued 8 marketable pollution permits to each firm. If Firm B would like to purchase one permit to be able to discharge 9 tons of sulfur dioxide, what is Firm B's willingness to pay?

- A) \$2,000
- B) \$3,000
- C) \$4,000
- D) \$5,000

Answer: <https://biology-forums.com/index.php?topic=737983>

Question 735

Which of the following is NOT a macroeconomic question?

- A) Should Congress enact tougher immigration laws to reduce unemployment?
- B) Should we have a constitutional amendment requiring the federal government to balance the budget each year?
- C) How does a fiscal stimulus package affect gross domestic product?
- D) Should restaurants be required to list the number of calories for each product on their menus?

Answer: <https://biology-forums.com/index.php?topic=735028>

Question 736

If the equilibrium wage is below the actual wage

- A) the wage rate will rise.
- B) the wage rate will fall.
- C) the demand for labor will increase.
- D) the demand for labor will decrease.

Answer: <https://biology-forums.com/index.php?topic=736380>

Question 737

Kevin's Golf-a-Rama sells golf balls in a perfectly competitive market. At its current level of golf ball production, Kevin has marginal costs equal to \$1, and AVC is rising. If the market price of golf balls is \$2, Kevin should

- A) continue producing the current level of production.
- B) decrease the level of golf ball production.
- C) shut down and produce no golf balls.
- D) increase the production of golf balls.

Answer: <https://biology-forums.com/index.php?topic=735920>

Question 738

Automatic stabilizers

- A) increase taxes during recessions.
- B) require explicit actions by policy makers to become active.
- C) work without the need for decisions from Congress or the White House.
- D) magnify fluctuations in the economy.

Answer: <https://biology-forums.com/index.php?topic=738089>

Question 739

Under which of the following conditions will an increase in demand cause a relatively small increase in price?

- A) If there is highly elastic demand, consumers are very responsive to changes in price.
- B) If the shift of the demand curve is relatively small, the gap between the new demand and the old supply will be relatively small.
- C) If there is highly elastic supply, producers are very responsive to changes in price.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=735637>

Question 740

If money is used as a mechanism to hold purchasing power for a period of time it is functioning as a

- A) unit of account.
- B) standard of value.
- C) store of value.
- D) medium of exchange.

Answer: <https://biology-forums.com/index.php?topic=738155>

Question 741

Figure 9.4

Figure 9.4 represents a perfectly competitive firm's costs. Illustrate the firm's shut-down price on the graph. Explain.

Answer: <https://biology-forums.com/index.php?topic=1930123>

Question 742

In the determination of production of goods or services with respect to GDP, transfer payments are included.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736587>

Question 743

A supply shock is an _____ event that shifts the aggregate _____ curve.

- A) external; demand

- B) internal; supply
- C) external; supply
- D) internal; demand

Answer: <https://biology-forums.com/index.php?topic=737103>

Question 744

One result of adverse selection in the market for used cars is

- A) few lemons (low quality) are sold.
- B) more plums (high quality) may be offered for sale than lemons (low quality).
- C) more lemons (low quality) may be offered for sale than plums (high quality).
- D) no used cars are sold.

Answer: <https://biology-forums.com/index.php?topic=737693>

Question 745

Recall the application. At a relatively low freight rate, only the _____ efficient ships operate, and they save on cost by traveling at a _____ speed.

- A) most; slow
- B) least; fast
- C) most; fast
- D) least; slow

Answer: <https://biology-forums.com/index.php?topic=736011>

Question 746

Given the data in Table 12.1, the unemployment rate of Metropolis is approximately

- A) 6%.
- B) 9%.
- C) 12%.
- D) 22%.

Answer: <https://biology-forums.com/index.php?topic=736687>

Question 747

Under the Temporary Aid to Needy Families, work activities are defined to include

- A) community service.
- B) on-the-job training.
- C) vocational training.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736499>

Question 748

In the short run, the firm's total cost equals

- A) the average fixed cost + the marginal cost.
- B) the total variable costs only.
- C) the total fixed costs + the total variable costs.
- D) the average fixed costs + average variable costs.

Answer: <https://biology-forums.com/index.php?topic=735709>

Question 749

When at least one factor of production is fixed, firms require more and more workers to produce each additional unit of output. This describes

- A) short-run adjustments.
- B) learning by doing.
- C) diminishing marginal returns.
- D) increasing marginal returns.

Answer: <https://biology-forums.com/index.php?topic=735699>

Question 750

Why is it important that a firm have different groups of consumers with different demand elasticities if it wishes to engage in price discrimination?

Answer: <https://biology-forums.com/index.php?topic=736263>

Question 751

When the economy is producing its potential output, an increase in government spending must necessarily reduce some component of private spending. This phenomenon is called

- A) the multiplier effect.
- B) fiscal policy.
- C) crowding out.
- D) entitlement spending.

Answer: <https://biology-forums.com/index.php?topic=738094>

Question 752

Recall the application. The number of consumers who accepted a particular loan offer from the mass mailings

- A) was lower for offer letters with high interest rates.
- B) was lower for offer letters with low interest rates.
- C) was higher for offer letters with high interest rates.
- D) did not vary with the different interest rates.

Answer: <https://biology-forums.com/index.php?topic=737294>

Question 753

An event that allows the economy to operate more efficiently by producing more outputs without using any more inputs is referred to as

- A) technological progress.
- B) absolute progress.
- C) capital investment.
- D) efficiency progress.

Answer: <https://biology-forums.com/index.php?topic=736907>

Question 754

Recall the Application. Suppose a low demander is willing to pay \$8 for a movie, while a high demander is willing to pay \$12 for a movie and popcorn. If the theater charged \$7 for admission and \$4 for popcorn, the low demander would receive a consumer surplus of _____, and the high demander would receive a consumer surplus of _____.

- A) \$1; \$1
- B) \$15; \$21
- C) \$5; \$6
- D) \$3; \$9

Answer: <https://biology-forums.com/index.php?topic=736246>

Question 755

In a perfectly competitive market, if price is greater than average total cost at the level of output where marginal cost equals marginal revenue

- A) the firm is earning an economic profit less than zero.
- B) the firm is earning an economic profit greater than zero.
- C) the firm must be in long-run equilibrium.
- D) We cannot determine whether the firm is earning positive or negative profits.

Answer: <https://biology-forums.com/index.php?topic=735942>

Question 756

In the long run

- A) all factors of production are fixed.
- B) all factors of production are variable.
- C) some factors of production are variable, while at least one factor of production is fixed.
- D) None of the above is correct.

Answer: <https://biology-forums.com/index.php?topic=735665>

Question 757

What is a long-run supply curve?

Answer: <https://biology-forums.com/index.php?topic=736032>

Question 758

Which component of federal spending is included in GDP?

- A) net exports
- B) government purchases
- C) transfer payments
- D) capital supply

Answer: <https://biology-forums.com/index.php?topic=738049>

Question 759

Suppose that Victoria and her friends are running a fundraiser by selling donuts. They want to know what will happen to their revenue if they increase the price of each donut from \$0.80 to \$1. What concept do they need to apply to find out their expected revenue?

- A) income elasticity of demand
- B) price elasticity of supply
- C) price elasticity of demand
- D) cross elasticity of demand

Answer: <https://biology-forums.com/index.php?topic=735390>

Question 760

A U.S. company is attempting to cut costs by shifting some of its services to Thailand. This process of shifting production of products or services overseas to cut costs often results in

- A) lower consumer prices on those products or services.
- B) greater potential for market failure for those products and services.
- C) greater economic uncertainty in the market for those products and services.
- D) lower production quantities of those products or services.

Answer: <https://biology-forums.com/index.php?topic=738473>

Question 761

When the wage falls

- A) all workers will work more hours.
- B) all workers will work fewer hours.
- C) some workers will work more hours and some workers will work fewer hours, but on average, hours worked will fall.
- D) some workers will work more hours and some workers will work fewer hours, but we don't know whether average hours will increase or decrease.

Answer: <https://biology-forums.com/index.php?topic=736357>

Question 762

Aggregate demand and aggregate supply must be combined to determine the price level and the "real" GDP.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737112>

Question 763

All patent protected products would not have been developed without patent protection.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736197>

Question 764

A means tested government program is one that

- A) provides assistance to those below a certain income level.
- B) is temporary and ends after a short period of time.
- C) is pilot tested to see if it works.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736496>

Question 765

Kaitlyn and Larissa have formed a dog bathing and grooming business. The number of dogs they can bathe or groom in any given day is depicted in Table 2.1. As they groom more dogs, the opportunity cost of bathing additional dogs

- A) falls.

- B) rises.
C) remains constant.
D) depends on the prices being charged.

Answer: <https://biology-forums.com/index.php?topic=735093>

Question 766

What is the output effect?

Answer: <https://biology-forums.com/index.php?topic=736342>

Question 767

A good that is available for everyone to consume, regardless of who pays and who doesn't, is called a

- A) public good.
B) external good.
C) spillover good.
D) private good.

Answer: <https://biology-forums.com/index.php?topic=737791>

Question 768

In the long run, each firm in a perfectly competitive market earns zero economic profit.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=736019>

Question 769

Describe how if a price-fixing game is repeated over and over, the cooperative outcome might be attained.

Answer: <https://biology-forums.com/index.php?topic=737436>

Question 770

A patent is a government granted exclusive right to sell a product for a period of time.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=736194>

Question 771

Which of the following is NOT an example of moral hazard?

- A) People don't lock their doors because they have theft insurance.
B) People drive recklessly because they have medical insurance.
C) People take poor care of their health because they have health insurance.
D) All of the above are examples of moral hazard.

Answer: <https://biology-forums.com/index.php?topic=737753>

Question 772

The relationship between the level of income and investment spending is known as the consumption function.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=737061>

Question 773

Suppose that Bill and Ted use a tit-for-tat scheme to encourage cartel pricing and Bill chooses the low price for a single month. Bill and Ted will deviate from cartel pricing for two months.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=737426>

Question 774

The quantity of money demanded will increase as interest rates increase.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738320>

Question 775

When economists assume that people are rational and respond to incentives, they mean

- A) people are altruistic.
- B) people are selfish.
- C) people act in their own self-interest.
- D) people act with kindness.

Answer: <https://biology-forums.com/index.php?topic=735006>

Question 776

The cross-price elasticity of demand between telephones and ramen noodles is most likely

- A) zero.
- B) positive.
- C) negative.
- D) greater than one.

Answer: <https://biology-forums.com/index.php?topic=735568>

Question 777

For the purposes of GDP accounting, government purchases include

- A) direct transfer payments by the government to other individuals.
- B) welfare payments.
- C) social security payments.
- D) the purchases of new military equipment.

Answer: <https://biology-forums.com/index.php?topic=736562>

Question 778

A "market" is an arrangement that allows people to exchange things.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735162>

Question 779

When a U.S. company shifts some of its production to Mexico, it is engaging in

- A) insourcing.
- B) outsourcing.
- C) involuntary exchange.
- D) self-sufficiency.

Answer: <https://biology-forums.com/index.php?topic=738472>

Question 780

Asymmetric information exists in the market for used cars because

- A) buyers have better information concerning the quality of used cars than sellers.
- B) sellers have better information concerning the quality of used cars than buyers.
- C) buyers and sellers have equal information concerning the quality of used cars.
- D) it is impossible for buyers or sellers to determine the quality of used cars.

Answer: <https://biology-forums.com/index.php?topic=737617>

Question 781

An increase in the minimum wage will have a large effect on the number of workers employed in minimum wage occupations if

- A) supply of workers is inelastic.
- B) supply of workers is elastic.
- C) demand for workers is inelastic.
- D) demand for workers is elastic.

Answer: <https://biology-forums.com/index.php?topic=736413>

Question 782

Advertising can lead to more competition and lower prices for consumers.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737299>

Question 783

Suppose there are two firms maintaining a cartel agreement. If one firm suddenly drops its price, the other firm could interpret this as signaling

- A) limit pricing.
- B) cooperative pricing.
- C) cartel pricing.
- D) a change in market conditions.

Answer: <https://biology-forums.com/index.php?topic=737416>

Question 784

Warranties reduce information asymmetry.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737745>

Question 785

In which of the following cases did the government successfully block a merger?

- A) Standard Oil and Mobil
- B) Staples and Office Depot
- C) AT&T and Verizon
- D) Interstate Bakeries and Continental Bakery

Answer: <https://biology-forums.com/index.php?topic=737547>

Question 786

Table 9.7 shows the production cost for two utilities at different levels of sulfur dioxide emissions. Assume that the government issued 8 marketable pollution permits to each firm. Suppose that Firm A has already sold a permit to Firm B. If Firm A contemplates selling a second permit to Firm B, what is Firm A's willingness to accept?

- A) \$5,000
- B) \$6,000
- C) \$7,000
- D) \$8,000

Answer: <https://biology-forums.com/index.php?topic=737981>

Question 787

In practice, the Federal Reserve keeps the discount rate close to the _____ rate in order to avoid large swings in borrowed reserves by banks.

- A) inflation
- B) federal funds
- C) six-month Treasury bill
- D) prime

Answer: <https://biology-forums.com/index.php?topic=738349>

Question 788

Monopolistically competitive firms differentiate their products by

- A) selling products at different locations.
- B) creating a special aura or image for the product with advertising.
- C) selling products with slightly different physical characteristics.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=737178>

Question 789

Estate and gift taxes account for a very small portion of total tax revenues collected by the federal government because taxes are levied only on large

estates.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738106>

Question 790

An increase in the market supply of clerks leads to an increase in the market wage rate for clerks.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736457>

Question 791

In the case of rent-seeking behavior in a monopoly market

- A) the net loss to society is the same as it would have been in the absence of rent-seeking behavior.
- B) monopoly profit is higher than if the monopolist did not engage in rent-seeking behavior, but the net loss to society is lower.
- C) the net loss to society is greater than it would have been in the absence of rent-seeking behavior.
- D) the net loss to society is less than it would have been in the absence of rent-seeking behavior.

Answer: <https://biology-forums.com/index.php?topic=736172>

Question 792

A curve that shows the relationship between the wage and the quantity of labor demanded in the short-run is

- A) the marginal revenue curve.
- B) the marginal product of labor curve.
- C) the marginal revenue product of labor curve.
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=736278>

Question 793

If a profit-maximizing firm in a perfectly competitive market is currently producing the output where $(\text{price} - \text{average variable cost}) < \text{average fixed cost}$, the firm is

- A) making a zero economic profit.
- B) suffering an economic loss.
- C) making a positive economic profit.
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=735937>

Question 794

It is efficient to reduce pollution up until the marginal benefit from reducing the pollution equals the marginal cost of abatement.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737871>

Question 795

When the firm increases output and the costs rise proportionately, then the long-run average cost curve is _____ and the firm is experiencing _____.

- A) upward sloping; diseconomies of scale
- B) downward sloping; constant returns to scale
- C) downward sloping; economies of scale
- D) horizontal; constant returns to scale

Answer: <https://biology-forums.com/index.php?topic=735808>

Question 796

We measure gross domestic product by multiplying the quantities of goods by their prices because it allows us to

- A) directly compare the output of one economy to that of another.
- B) calculate the total number of units of goods produced in an economy.
- C) correct for inflation.
- D) express the values of products in a common unit of measurement.

Answer: <https://biology-forums.com/index.php?topic=736534>

Question 797

Outsourcing allows a company to take advantage of the _____ of other countries, and in doing so it can produce its products at a lower cost.

- A) trade imbalances
- B) diminishing returns
- C) market failures
- D) comparative advantages

Answer: <https://biology-forums.com/index.php?topic=738469>

Question 798

If Cassie's Coffee House purchases 42 cents worth of ingredients and spends 28 cents on wages per cup of coffee to produce an 89 cent cup of coffee, then Cassie's Coffee House's value added per cup of coffee is

- A) 19 cents.
- B) 28 cents.
- C) 47 cents.
- D) 61 cents.

Answer: <https://biology-forums.com/index.php?topic=736606>

Question 799

Recall the application. Due to the marginal revenue from ticket sales for a typical Major League Baseball team, the team could increase total revenue from ticket sales by _____ the price of tickets and _____ the quantity of tickets sold.

- A) decreasing; decreasing
- B) increasing; increasing
- C) decreasing; increasing
- D) increasing; decreasing

Answer: <https://biology-forums.com/index.php?topic=736131>

Question 800

An increased federal budget deficit resulting from a recession can actually help stabilize an economy, because corporate profits tend to fall in a recession which, in turn, results in _____ corporate taxes and _____.

- A) higher; more tax revenue for the government
- B) higher; larger profits for businesses
- C) lower; increases in the price level
- D) lower; fewer spending cuts for businesses

Answer: <https://biology-forums.com/index.php?topic=738078>

Question 801

The existence of the Federal Deposit Insurance Corporation (FDIC)

- A) reduces the risk of moral hazard in the savings and loan industry.
- B) increases the risk of moral hazard in the savings and loan industry.
- C) increases the risk that customers of savings and loans will engage in moral hazard, but reduces the risk that the lenders will engage in moral hazard.
- D) reduces the risk that customers of savings and loans will engage in moral hazard, but increases the risk that the lenders will engage in moral hazard.

Answer: <https://biology-forums.com/index.php?topic=737761>

Question 802

What is the fastest growing component of consumption in the United States?

- A) new home construction
- B) services
- C) durable goods
- D) nondurable goods

Answer: <https://biology-forums.com/index.php?topic=736548>

Question 803

Since people generally know that celebrities are paid to endorse products, celebrity endorsements signal to consumers that

- A) only rich people can afford the product.
- B) the product is appealing.
- C) the celebrity loves the product.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=737289>

Question 804

Positive economics answers the question, "What ought to be?" Normative economics predicts the consequences of alternative actions, answering the questions, "What is?" or "What will be?"

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=734977>

Question 805

Which of the following are examples of "mediums of exchange"?

- A) goods used to obtain other goods
- B) money used to buy goods
- C) pigs used to obtain chickens
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=738158>

Question 806

What would be a way for the Federal Reserve to slow down the economy when it is growing too quickly or is inflationary?

- A) buy back government bonds on the open market
- B) encourage the stock market
- C) sell more government bonds
- D) print more money

Answer: <https://biology-forums.com/index.php?topic=738333>

Question 807

The ratio of the total shift in aggregate demand to the initial shift in aggregate demand is known as the multiplier.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737060>

Question 808

If a person without a job is not actively looking for work, that person is classified as not being in the labor force.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736708>

Question 809

Assume that coffee and tea are substitutes. When the price of coffee increases

- A) the demand for tea increases.
- B) the demand for tea decreases.
- C) the supply of tea increases.
- D) the supply of tea decreases.

Answer: <https://biology-forums.com/index.php?topic=735292>

Question 810

Why are transfer payments not included in GDP?

- A) The amount is too low to have any effect.
- B) They do not represent payments to those who contributed resources to currently produced goods or services.
- C) Unemployment varies and can't be tracked.
- D) Money companies receive from the government isn't reported.

Answer: <https://biology-forums.com/index.php?topic=738050>

Question 811

What are supply shocks? Explain what effect adverse and favorable supply shocks have on the supply curve.

Answer: <https://biology-forums.com/index.php?topic=737120>

Question 812

Tradeoff is

- A) sacrificing one thing for another.
- B) deciding who consumes the products produced in an economy.
- C) holding other variables fixed.
- D) allowing the government and other organizations to choose for us.

Answer: <https://biology-forums.com/index.php?topic=734958>

Question 813

Human capital is equally, if not more, important than physical capital.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736958>

Question 814

Relative to a market with perfect information, in a market with imperfect information

- A) the equilibrium quantity will be sold for the equilibrium price.
- B) some goods will be sold in small quantities or not at all.
- C) more than the equilibrium quantity of goods will be sold.
- D) the equilibrium quantity will be sold, but at a price higher than the equilibrium price.

Answer: <https://biology-forums.com/index.php?topic=737614>

Question 815

The short-run average total cost curve is U-shaped because average fixed costs _____ and average variable costs _____ eventually as quantity produced increases.

- A) decrease; increase
- B) increase; increase
- C) increase; decrease
- D) decrease; decrease

Answer: <https://biology-forums.com/index.php?topic=735766>

Question 816

The prime rate is the interest rate at which banks can borrow from the Fed.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738358>

Question 817

A firm facing a linear demand curve maximizes its total revenue where demand is

- A) elastic.
- B) unitary elastic.
- C) perfectly inelastic.
- D) inelastic.

Answer: <https://biology-forums.com/index.php?topic=735541>

Question 818

An increase in the price level in the economy leads to

- A) a rightward shift in the demand for money curve.
- B) a leftward shift in the demand for money curve.
- C) a rightward movement along the demand for money curve.
- D) a leftward movement along the demand for money curve.

Answer: <https://biology-forums.com/index.php?topic=738305>

Question 819

Small time deposits of \$100,000 or less are classified as

- A) highly liquid.
- B) FDIC insured.
- C) part of M2.
- D) part of M1.

Answer: <https://biology-forums.com/index.php?topic=738188>

Question 820

The Federal Reserve System was created by the

- A) U.S. Treasury.
- B) Supreme Court.
- C) Congress.
- D) President.

Answer: <https://biology-forums.com/index.php?topic=738268>

Question 821

A contestable market is one where

- A) there are no firms that threaten to enter the market.
- B) only one firm at a time can serve the market.
- C) there is a threat of entry.
- D) firms already in the market cannot leave the market.

Answer: <https://biology-forums.com/index.php?topic=737461>

Question 822

What happens if the price of a product is below the equilibrium price?

- A) The producer will lower the price to sell more product.
- B) There will be an excess demand for the product.
- C) The buyers will stop purchasing a "cheap" product.
- D) There will be a surplus of the product.

Answer: <https://biology-forums.com/index.php?topic=735260>

Question 823

If a firm is operating in a monopolistically competitive market, then in the long-run

- A) the firm will earn a zero economic profit.
- B) the firm will maximize its profit by producing the output level at which the marginal revenue is minimized.
- C) the firm will maximize its profit by producing the output level at which the average cost is minimized.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=737203>

Question 824

Which of the following is NOT a characteristic of a monopolistically competitive market?

- A) Firms hold patents on their products.
- B) The products that firms sell are slightly different.
- C) There are no artificial barriers to entry.
- D) Firms have some control over price.

Answer: <https://biology-forums.com/index.php?topic=737166>

Question 825

An increase in government spending will shift the aggregate demand curve to the left.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737059>

Question 826

If a firm is a price taker, the demand curve faced by the firm is

- A) upward sloping.
- B) downward sloping.
- C) vertical.
- D) horizontal.

Answer: <https://biology-forums.com/index.php?topic=735891>

Question 827

If your firm is producing a good at a level where marginal revenue equals marginal cost, and price is less than average variable cost, then in the short run your firm should

- A) shut down and suffer a loss equal to your fixed costs.
- B) continue to produce, but decrease output.
- C) continue to produce, but increase output.
- D) continue to produce the same amount.

Answer: <https://biology-forums.com/index.php?topic=735980>

Question 828

CARFAX is a company that compiles and sells histories of used cars. Used car dealers offer to give their customers a copy of the CARFAX history of the cars in their inventory to

- A) cause adverse selection.
- B) give buyers additional information about used cars for sale.
- C) so they need not offer warranties.
- D) give sellers additional information about used cars for sale.

Answer: <https://biology-forums.com/index.php?topic=737727>

Question 829

Table 9.4 represents 3 markets for used motorcycles. Which of the markets in Table 14.4 are NOT in equilibrium?

- A) 1 only
- B) 2 only
- C) 3 only
- D) 1 and 3

Answer: <https://biology-forums.com/index.php?topic=737679>

Question 830

The short-run market supply curve shows the relationship between the market price and the quantity supplied in the short run.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736017>

Question 831

(100\$135\$212)(0\$142\$240)

Table 9.6

837) Given the data in Table 9.6, if Firm A were to reduce pollution from 100 gallons of wastewater per day to 0 gallons per day, production costs

- A) would not change.
- B) would decrease by \$7.
- C) would increase by \$7.
- D) cannot be calculated from the information above.

Answer: <https://biology-forums.com/index.php?topic=737973>

Question 832

What is the disadvantage of average-cost pricing?

Answer: <https://biology-forums.com/index.php?topic=737531>

Question 833

Which of the following is/was an example of a monopolistically competitive firm?

- A) Northwest Electricity, a supplier of electricity in the Northwest U.S.
- B) TCI Cablevision, a supplier of cable television services
- C) Farmer Smith's corn farm

D) Tino's Italian eatery, a local restaurant

Answer: <https://biology-forums.com/index.php?topic=737172>

Question 834

In what two ways can education contribute to economic growth?

Answer: <https://biology-forums.com/index.php?topic=736962>

Question 835

Suppose the annual growth rate of GDP in Belize is 3.5%. In 20 years, GDP in Belize will double

- A) 1 time.
- B) 1.5 times.
- C) 3.5 times.
- D) 7 times.

Answer: <https://biology-forums.com/index.php?topic=736840>

Question 836

In the mid 1990s, Coke introduced a new soda in the soft drink market. Coke then used a new advertising campaign to associate the new soda with youth and strength. Coke was trying to

- A) create a perfectly competitive market for soft drinks.
- B) lower the market price of soft drinks.
- C) maximize its per unit costs through advertising.
- D) shift the demand curve for competing soft drinks to the left.

Answer: <https://biology-forums.com/index.php?topic=737186>

Question 837

In a business cycle, the date at which a recession starts is called a trough.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736651>

Question 838

Suppose a bank has \$1 million in deposits, a reserve ratio of 25%, and reserves of \$250,000. This bank has excess reserves of

- A) \$250,000.
- B) \$125,000.
- C) \$62,500.
- D) \$0.

Answer: <https://biology-forums.com/index.php?topic=738230>

Question 839

Suppose that there are two firms, each generating three tons of SO₂. Suppose also that the government has set a target abatement level of two tons. Under a policy of uniform abatement with permits each firm would receive

- A) two non-transferable pollution permits.
- B) two pollution permits which they could sell to each other.
- C) one pollution permit with a value equal to the market price for a pollution permit.
- D) one pollution permit with a value equal to that firm's cost of abating one ton of SO₂.

Answer: <https://biology-forums.com/index.php?topic=737935>

Question 840

You have just graduated from college and are buying a brand new car. There are two on the lot: a green one and a blue one. Both have the same features for the same price. Is there a potential asymmetric information problem?

Answer: <https://biology-forums.com/index.php?topic=737719>

Question 841

Mark's Baseballs produces baseballs. Mark's Baseballs has total fixed costs of \$500. Mark's average variable cost is \$20, and his average total cost is \$25. Mark is currently producing

- A) 5 baseballs.
- B) 25 baseballs.

C) 100 baseballs.
D) a number of baseballs that cannot be determined from the information provided.
Answer: <https://biology-forums.com/index.php?topic=735719>

Question 842

Name the three types of unemployment.
Answer: <https://biology-forums.com/index.php?topic=736750>

Question 843

Scarcity is a situation in which resources are unlimited in quantity and can be used in different ways.
A) True
B) False
Answer: <https://biology-forums.com/index.php?topic=734976>

Question 844

Assume that as a firm decreases its price its total revenue decreases. Which of the following is a possible value of its price elasticity of demand?
A) 0.4
B) 1
C) 1.4
D) 4
Answer: <https://biology-forums.com/index.php?topic=735505>

Question 845

Recall the Application. If the cost of mining zinc varies from one mine to another, the shutdown price for mining zinc
A) cannot exist without uniform costs.
B) must remain uniform for all zinc mines.
C) can also vary for each mine.
D) will only vary in the long run.
Answer: <https://biology-forums.com/index.php?topic=735989>

Question 846

Technological progress occurs when the economy gets more output
A) by using more labor but not more capital.
B) without any more capital or labor.
C) by using more capital per worker.
D) by using more capital but not more workers.
Answer: <https://biology-forums.com/index.php?topic=736829>

Question 847

If the demand curve facing a firm had a price elasticity of demand equal to zero and the firm raised its price, its total revenue would
A) decrease slightly.
B) fall to zero.
C) not change.
D) increase.
Answer: <https://biology-forums.com/index.php?topic=735431>

Question 848

Consider a labor market in equilibrium. If the demand curve shifts to the left while the supply curve shifts to the left, then the number of workers hired in the market will _____.
A) increase
B) decrease
C) remain unchanged
D) either increase or decrease or remain unchanged
Answer: <https://biology-forums.com/index.php?topic=736399>

Question 849

When a firm hires a worker for one hour, the marginal cost to that firm equals the

- A) average total cost of production at the quantity produced.
- B) hourly wage of that worker.
- C) diminishing marginal productivity of that worker.
- D) price of each item that the worker produces in that hour.

Answer: <https://biology-forums.com/index.php?topic=736280>

Question 850

Name two factors that will increase the demand for labor, and two factors that will increase the supply of labor.

Answer: <https://biology-forums.com/index.php?topic=736470>

Question 851

Which of the following statements about featherbedding is correct?

- A) It could lead to a lower wage and smaller employment in the long-run.
- B) The quantity of labor demanded by firms could actually decrease.
- C) It could increase production costs, resulting in higher prices for products.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736451>

Question 852

If a private good generates external benefits

- A) the social benefit will equal the private benefit minus the external benefit.
- B) the social benefit will equal the private benefit.
- C) the social benefit will be greater than the private benefit.
- D) the external benefit will equal the private benefit plus the social benefit.

Answer: <https://biology-forums.com/index.php?topic=737833>

Question 853

Recall the application. When computing percentage changes, using the simple approach results in increases and decreases which are

- A) more accurate than using the midpoint method.
- B) not symmetric.
- C) identical.
- D) symmetric.

Answer: <https://biology-forums.com/index.php?topic=735063>

Question 854

If marginal revenue is \$8 and marginal costs is \$10, the firm should increase its output.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735959>

Question 855

Prices for fresh fruit, vegetables and other food products are examples of

- A) auction prices.
- B) sticky prices.
- C) temporary prices.
- D) custom prices.

Answer: <https://biology-forums.com/index.php?topic=736981>

Question 856

Firms in a cartel usually charge

- A) the same price.
- B) different prices to reflect their different costs.
- C) higher prices than a monopoly would.
- D) lower prices than a monopoly would.

Answer: <https://biology-forums.com/index.php?topic=737334>

Question 857

The Act which made it illegal to monopolize a market was the

- A) Sherman Act.
- B) Clayton Act.
- C) Robinson-Patman Act.
- D) Celler-Kefauver Act.

Answer: <https://biology-forums.com/index.php?topic=737564>

Question 858

How would the Fed's sale of government bonds on the open market affect the money supply?

Answer: <https://biology-forums.com/index.php?topic=738360>

Question 859

Economic advisers who fear that the economy is growing too rapidly would recommend that the government decrease spending and/or increase taxes.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738037>

Question 860

In which market would the price be least likely to be "sticky?"

- A) fresh fruit
- B) steel rods
- C) trucks
- D) refrigerators

Answer: <https://biology-forums.com/index.php?topic=736989>

Question 861

If marginal cost is above average cost, average cost must be rising.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735795>

Question 862

When the price level is low, resulting in domestic goods being cheaper than imported foreign goods,

- A) consumers spend less.
- B) there will be a reduction in import tariffs.
- C) the demand for domestic goods will increase.
- D) consumers hold more money.

Answer: <https://biology-forums.com/index.php?topic=737019>

Question 863

A carbon tax will raise the price of an energy-intensive good such as steel.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737926>

Question 864

If the price of monthly satellite TV service increases from \$40 to \$50, the percentage change is

- A) 5%.
- B) 20%.
- C) 25%.
- D) 45%.

Answer: <https://biology-forums.com/index.php?topic=735060>

Question 865

If the demand for a product decreases, we would expect that price will initially _____, and eventually _____.

- A) fall; continue to fall
- B) rise; fall

- C) rise; continue to rise
D) fall; rise

Answer: <https://biology-forums.com/index.php?topic=736047>

Question 866

The cross-price elasticity of demand measures

- A) the relationship between the demand and supply of one good at the intersection of the curves.
B) the elasticity of demand at the intersection of the supply and demand curves.
C) the relationship between the demand for one good and the price of another.
D) the relationship between the demand for one good and the supply of another.

Answer: <https://biology-forums.com/index.php?topic=735563>

Question 867

Which of the following is NOT a characteristic of a perfectly competitive market?

- A) substantial barriers to entry
B) selling a standardized product
C) a large number of firms in a market
D) an individual firm having no control over price

Answer: <https://biology-forums.com/index.php?topic=735871>

Question 868

Gasoline stations carrying the same fuel brand (e.g., Chevron) are able to charge different prices in San Francisco because

- A) fuel quality varies across stores.
B) gasoline station operators form a cartel to act as a monopoly.
C) gasoline stations are perfect price discriminators.
D) location is a source for product differentiation.

Answer: <https://biology-forums.com/index.php?topic=737239>

Question 869

In the past few centuries, choices have led to a substantial decline in the standards of living around the globe.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=734975>

Question 870

In a constant cost industry, input prices do not change with changes in output.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=736082>

Question 871

Perfectly competitive firms always produce the quantity that minimizes average total cost in the short run.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=735994>

Question 872

To determine an appropriate congestion tax, an economist has to assume that people respond to incentives.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=735023>

Question 873

For a perfectly competitive firm, the marginal-revenue product curve is the same as the firm's short run demand for labor curve.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=736335>

Question 874

Deposit insurance creates a moral hazard that depositors have less incentive to monitor their bank.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737774>

Question 875

Suppose your bank pays you 5% interest per year on your savings account. If prices increase by 5% per year over that time, approximately how much real value do you gain by keeping \$100 in the bank for a year?

- A) \$0
- B) \$1
- C) \$3
- D) \$6

Answer: <https://biology-forums.com/index.php?topic=735192>

Question 876

The relationship between the wage and the quantity of labor that a given worker is willing to provide is called

- A) individual labor demand.
- B) market labor demand.
- C) market labor supply.
- D) individual labor supply.

Answer: <https://biology-forums.com/index.php?topic=736344>

Question 877

If Juan purchases the same number of gallons of gasoline per week regardless of changes in gasoline price, Juan's demand for gasoline is

- A) inelastic.
- B) perfectly elastic.
- C) elastic.
- D) perfectly inelastic.

Answer: <https://biology-forums.com/index.php?topic=735422>

Question 878

Why is GDP only an imperfect valid measure of the value of output produced by an economy?

Answer: <https://biology-forums.com/index.php?topic=736668>

Question 879

Which of the following is NOT a characteristic of a monopolistically competitive market?

- A) There are many firms that have some control over price.
- B) There are many firms selling products that are similar but not identical.
- C) There is only one firm selling a product.
- D) There are no artificial barriers to entry.

Answer: <https://biology-forums.com/index.php?topic=737168>

Question 880

If the quantity supplied is perfectly inelastic then quantity does not respond to price changes.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735632>

Question 881

To determine the equilibrium price level and equilibrium level of real GDP, the aggregate demand and aggregate supply must

- A) be disregarded.
- B) be considered as a multiplier.
- C) be considered separately.
- D) intersect.

Answer: <https://biology-forums.com/index.php?topic=737072>

Question 882

If the quantity supplied is infinitely responsive to any change in price, the supply curve is

- A) upward sloping.
- B) vertical.
- C) downward sloping.
- D) horizontal.

Answer: <https://biology-forums.com/index.php?topic=735613>

Question 883

In the long run, monopolistically competitive firms earn zero economic profits.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737256>

Question 884

Aggregate demand is the total demand for intermediate goods and services in an entire economy.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737052>

Question 885

When a firm increases output and accepts a lower price to keep new firms from entering, it is engaging in

- A) limit pricing.
- B) cartel behavior.
- C) price fixing.
- D) collusion.

Answer: <https://biology-forums.com/index.php?topic=737442>

Question 886

If the demand curve faced by a firm is horizontal, then the firm is _____ and a _____.

- A) a monopoly; price taker
- B) perfectly competitive; price taker
- C) perfectly competitive; price maker
- D) monopoly; price maker

Answer: <https://biology-forums.com/index.php?topic=735892>

Question 887

If you remove resources from factory production, the quantity of factory goods will

- A) be diverted to other production.
- B) remain the same but their price will decrease.
- C) increase.
- D) decrease.

Answer: <https://biology-forums.com/index.php?topic=735100>

Question 888

Applied to perfectly competitive labor markets, the marginal principle tells firms to hire workers until

- A) marginal productivity begins to diminish.
- B) the price of the product equals the wage of the worker.
- C) marginal revenue product of the last worker hired equals the wage.
- D) average total costs are minimized.

Answer: <https://biology-forums.com/index.php?topic=736281>

Question 889

The fraction of deposits that banks are required by law to hold and not lend out are called its

- A) net worth.
- B) excess reserves.

- C) reserves.
- D) required reserves.

Answer: <https://biology-forums.com/index.php?topic=738218>

Question 890

Explain how the wealth effect can affect aggregate demand.

Answer: <https://biology-forums.com/index.php?topic=737064>

Question 891

The change in the quantity of labor demanded resulting from a change in the quantity produced of the product is known as the _____ effect.

- A) output
- B) input-substitution
- C) derived demand
- D) price elasticity

Answer: <https://biology-forums.com/index.php?topic=736323>

Question 892

A change in quantity supplied of a product is the result of a change in

- A) the state of production technology.
- B) the price of the product.
- C) consumer income.
- D) the cost of producing the product.

Answer: <https://biology-forums.com/index.php?topic=735238>

Question 893

People who buy used homes often insist on having a "home inspection" before they finalize the purchase. If the house fails the inspection the buyer has the right to refuse to buy the house unless the seller fixes whatever problems are found. Does this help or hurt the seller?

Answer: <https://biology-forums.com/index.php?topic=737748>

Question 894

If the price in an oligopoly market is the same as that of a monopoly with identical cost and demand conditions then

- A) there may be collusion between firms.
- B) market demand must be unit elastic.
- C) the average cost curve must be downward sloping.
- D) This could never happen.

Answer: <https://biology-forums.com/index.php?topic=737338>

Question 895

Prices for industrial commodities such as steel rods or machine tools are

- A) custom prices.
- B) heavy prices.
- C) sticky prices.
- D) auction prices.

Answer: <https://biology-forums.com/index.php?topic=736982>

Question 896

What do economists mean when they say that there is no such thing as a free lunch?

Answer: <https://biology-forums.com/index.php?topic=735119>

Question 897

When economists say that a good is nonexcludable, they mean that

- A) everybody is willing to pay for it.
- B) more than one person can consume the good.
- C) there is no practical way to stop a person from enjoying the good.
- D) everybody wants it.

Answer: <https://biology-forums.com/index.php?topic=737805>

Question 898

Marginal revenue is equal to

- A) the number of units sold times the price of the good.
- B) the change in total revenue from selling one more unit of a good.
- C) the change in average revenue from selling one more unit of a good.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=735916>

Question 899

Which of the following is a short-run adjustment?

- A) The number of farms in Kansas increases by 10%.
- B) A firm opens two new plants.
- C) A firm hires six new workers.
- D) Three new firms enter the computer chip industry.

Answer: <https://biology-forums.com/index.php?topic=735660>

Question 900

The Motor Carrier Act of 1980 removed the government's restriction on

- A) entry into the trucking industry.
- B) the size of trucks used to transport goods and services.
- C) entry into parcel delivery.
- D) entry into the industry that produces delivery trucks.

Answer: <https://biology-forums.com/index.php?topic=737147>

Question 901

Economics is best defined as the study of

- A) the choices made by people faced with scarcity.
- B) financial decision-making.
- C) inflation, unemployment, and economic growth.
- D) how consumers make purchasing decisions.

Answer: <https://biology-forums.com/index.php?topic=734953>

Question 902

This Application addresses the economic concept of

- A) the marginal principle.
- B) real versus nominal costs.
- C) specialization and exchange.
- D) diminishing returns.

Answer: <https://biology-forums.com/index.php?topic=735157>

Question 903

When federal government spending exceeds tax revenues, the federal government runs a budget surplus.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738109>

Question 904

The Herfindahl-Hirschman Index measures

- A) the percentage of market share held by the largest firm in a market.
- B) the degree of concentration in a market.
- C) the market share held by the largest firm in a market divided by the market share held by all other firms in the market.
- D) the percentage of market share held by the four largest firms in a market.

Answer: <https://biology-forums.com/index.php?topic=737313>

Question 905

Suppose that ABC Beer Brewer faces a linear demand curve and that the current price for its beer is set at a point where the price elasticity is 1.6. If

ABC Beer Brewer increases the product price,
A) the demand becomes less elastic and total revenue increases.
B) the demand becomes more elastic and total revenue decreases.
C) the demand becomes more elastic and total revenue increases.
D) the demand becomes less elastic and total revenue decreases.

Answer: <https://biology-forums.com/index.php?topic=735538>

Question 906

Suppose that it would cost a firm \$10 million to develop a new drug. In the absence of a patent, other firms will be able to copy and bring to market a generic equivalent of the drug in three years. In each of these three years, the firm would earn monopoly profits of \$3 million. A patent will generate monopoly status for the firm for twenty years. If the government knew this information ahead of time, which of the following is most correct?

- A) The government should not grant a patent to the firm, because monopoly leads to efficiency losses relative to the competitive market.
- B) The government should not grant a patent to the firm, because the firm would earn monopoly profits for three years even without the patent.
- C) The government should grant a patent to the firm, because the firm would not produce the drug at all without a patent.
- D) The government should grant a patent to the firm, because even with a patent the firm will not earn a monopoly profits.

Answer: <https://biology-forums.com/index.php?topic=736189>

Question 907

What are the main features of the Robinson-Patman Act?

Answer: <https://biology-forums.com/index.php?topic=737606>

Question 908

Because unregulated natural monopolies earn economic profits greater than zero in the long run, but cannot attract new entrants into the industry

- A) natural monopolies often go out of business.
- B) government agencies often regulate the price natural monopolies can charge.
- C) natural monopolies are outlawed.
- D) government agencies often regulate the number of firms that compete against natural monopolies.

Answer: <https://biology-forums.com/index.php?topic=737495>

Question 909

What is structural unemployment?

Answer: <https://biology-forums.com/index.php?topic=736753>

Question 910

A firm's short-run supply curve is the firm's

- A) marginal revenue curve.
- B) average cost curve, below the minimum point of the marginal cost curve.
- C) marginal cost curve above the minimum point of the average total cost curve.
- D) marginal cost curve above the minimum point of the average variable cost curve.

Answer: <https://biology-forums.com/index.php?topic=736002>

Question 911

If a perfectly competitive firm charges a price that is equal to its average total cost

- A) the firm is earning an economic profit greater than zero.
- B) the firm is earning an economic profit less than zero.
- C) the firm is earning an economic profit equal to zero.
- D) It is not possible to determine anything about the firm's profits.

Answer: <https://biology-forums.com/index.php?topic=735947>

Question 912

Health insurance leads to what types of moral hazards?

Answer: <https://biology-forums.com/index.php?topic=737778>

Question 913

How might other firms in an oligopoly interpret your drop in price?

Answer: <https://biology-forums.com/index.php?topic=737439>

Question 914

Between 2009 and 2012, a country's nominal GDP grew by 18% and its inflation rate (based on the chain-weighted price index for GDP) was 11%. How fast did real GDP grow over this period?

Answer: <https://biology-forums.com/index.php?topic=736637>

Question 915

Table 9.1 represents 3 markets for used computers. Which of the markets in Table 14.1 are in equilibrium?

- A) 1 only
- B) 2 only
- C) 3 only
- D) 2 and 3

Answer: <https://biology-forums.com/index.php?topic=737629>

Question 916

If a person has an absolute advantage in some activity, she must have a comparative advantage in that activity as well.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738484>

Question 917

In long-run equilibrium for a competitive firm economic profits

- A) may be positive, negative, or zero.
- B) will be zero.
- C) will be negative
- D) will be positive.

Answer: <https://biology-forums.com/index.php?topic=735949>

Question 918

In which of the following market structures do you no barriers to entry?

- A) monopolistic competition and perfect competition
- B) monopoly
- C) perfect competition
- D) monopolistic competition

Answer: <https://biology-forums.com/index.php?topic=735889>

Question 919

Richard runs a pizza delivery restaurant. List the three basic types of decisions studied in economics and give an example from Richard's restaurant.

Answer: <https://biology-forums.com/index.php?topic=734990>

Question 920

In the final two decades of the twentieth century, average per capita global income

- A) increased by more than 75%.
- B) remained relatively unchanged.
- C) increased by approximately 35%.
- D) decreased by approximately 6%.

Answer: <https://biology-forums.com/index.php?topic=734992>

Question 921

If GDP included the value of leisure time, the value of U.S. GDP would most likely increase.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736666>

Question 922

The money multiplier tends to be greater when

- A) the reserve ratio increases.
- B) banks hold more excess reserves.
- C) individuals hold more cash.
- D) individuals hold less cash.

Answer: <https://biology-forums.com/index.php?topic=738241>

Question 923

The rational outcome of a guaranteed price matching or "meet-the-competition" policy is that

- A) one firm will sell at a low price and the competitor will sell at a high price.
- B) consumers will be better off.
- C) both firms will sell at the high price.
- D) both firms will sell at the low price.

Answer: <https://biology-forums.com/index.php?topic=737399>

Question 924

A carbon tax placed on coal will

- A) not affect the supply curve for coal.
- B) shift the supply curve for coal to the right.
- C) shift the supply curve for coal to the left.
- D) decrease the demand for coal.

Answer: <https://biology-forums.com/index.php?topic=737915>

Question 925

Prices that adjust slowly are

- A) custom prices.
- B) auction prices.
- C) heavy prices.
- D) flexible prices.

Answer: <https://biology-forums.com/index.php?topic=736980>

Question 926

According to supply-side economics, a(n) _____ in the tax rate tends to increase the labor supply and _____ aggregate output.

- A) decrease; decrease
- B) increase; decrease
- C) decrease; increase
- D) increase; increase

Answer: <https://biology-forums.com/index.php?topic=738074>

Question 927

Consider two people involved in a marriage or relationship. If, when one person is caught cheating on their agreement, the other cheats once or goes on a one time spending spree, then they are using a

- A) predatory strategy.
- B) dominant strategy.
- C) tit-for-tat strategy.
- D) grim trigger strategy.

Answer: <https://biology-forums.com/index.php?topic=737410>

Question 928

The purchasing power of money decreases as the price level increases.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737055>

Question 929

Table 9.8 shows the production cost for two utilities at different levels of sulfur dioxide emissions. Assume that the government issued 8 marketable pollution permits to each firm. If Firm A contemplates selling one permit to Firm B, what is Firm A's willingness to accept?

- A) \$2,000

- B) \$3,000
- C) \$4,000
- D) \$5,000

Answer: <https://biology-forums.com/index.php?topic=737984>

Question 930

- A firm is more likely to have a natural monopoly when
- A) the firms face no or low fixed costs.
 - B) the government grants the firm an exclusive license to operate.
 - C) the size of the market is large relative to the efficient scale of the firm.
 - D) the size of the market is small relative to the efficient scale of the firm.

Answer: <https://biology-forums.com/index.php?topic=737477>

Question 931

- The tendency for people who have good health insurance to take more risks with their health is called adverse selection.
- A) True
 - B) False

Answer: <https://biology-forums.com/index.php?topic=737767>

Question 932

Explain the difference between U.S. GDP and U.S. GNP.

Answer: <https://biology-forums.com/index.php?topic=736617>

Question 933

- Firms in a perfectly competitive market
- A) sell homogeneous products.
 - B) usually have large advertising budgets.
 - C) try to attract customers away from their competitors.
 - D) sell a differentiated product.

Answer: <https://biology-forums.com/index.php?topic=735879>

Question 934

Opportunity cost is the difference between the nominal and real cost of some action.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735108>

Question 935

The principle that states that what matters to people is the real value or purchasing power of money is the

- A) spillover principle.
- B) real-nominal principle.
- C) marginal principle.
- D) principle of diminishing returns.

Answer: <https://biology-forums.com/index.php?topic=735184>

Question 936

You notice that the price of butter falls and then rises. The best explanation for this is that

- A) demand for butter increased causing price to fall, which attracted other firms to enter the market causing supply to increase, which caused the price to go back up.
- B) demand for butter decreased causing price to fall, which attracted other firms to enter the market causing supply to increase, which caused the price to go back up.
- C) demand for butter decreased causing price to fall, which attracted other firms to enter the market causing supply to decrease, which caused the price to go back up.
- D) demand for butter decreased causing price to fall, which induced other firms to exit the market causing supply to decrease, which caused the price to go back up.

Answer: <https://biology-forums.com/index.php?topic=736045>

Question 937

The index most widely used by the government and the private sector to measure changes in the cost of living is the

- A) the chain-weighted price index.
- B) Consumer Price Index.
- C) Producer Price Index.
- D) the GDP deflator.

Answer: <https://biology-forums.com/index.php?topic=736766>

Question 938

The substantial increase in clear property rights has severely impeded growth in many developing countries.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736970>

Question 939

If a firm perceived that the other firm in an implicit pricing agreement dropped its price in an attempt to gain market share then its most likely response would be to

- A) engage in a price war.
- B) raise price to punish the other firm.
- C) keep its price the same.
- D) merge with the other firm.

Answer: <https://biology-forums.com/index.php?topic=737421>

Question 940

Adjustments in _____ take the economy from the short-run equilibrium to the long-run equilibrium.

- A) wages and prices
- B) interest rates
- C) imports and exports
- D) the multiplier

Answer: <https://biology-forums.com/index.php?topic=737124>

Question 941

Which one of the following is the best example of an oligopolistic industry?

- A) public utilities
- B) wheat growers
- C) long-distance telephone service
- D) apple growers

Answer: <https://biology-forums.com/index.php?topic=737321>

Question 942

If each firm depicted in Table 9.5 is currently generating 1,000 gallons of wastewater per day, Firm A would need to be paid at least _____ from Firm B to reduce wastewater production to 0 gallons per day.

- A) \$20
- B) \$15
- C) \$12
- D) \$3

Answer: <https://biology-forums.com/index.php?topic=737971>

Question 943

If only a small percentage of used computers on the market are plums (high-quality), then the asymmetric information concerning the quality of used computers has generated a _____ market.

- A) weak
- B) competitive
- C) tight
- D) thin

Answer: <https://biology-forums.com/index.php?topic=737700>

Question 944

If eight lemons (low quality) and two plums (high quality) are supplied and buyers assume that there is a 40% chance of getting a lemon, there is an equilibrium.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737709>

Question 945

In a grim trigger strategy, a firm responds to underpricing by choosing a price forever so low that each firm makes zero profit forever.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737424>

Question 946

In the short run

- A) all factors of production are variable.
- B) all factors of production are fixed.
- C) some factors of production are variable, while at least one factor of production is fixed.
- D) None of the above is correct.

Answer: <https://biology-forums.com/index.php?topic=735666>

Question 947

After the implementation of the congestion tax in London, traffic volume was reduced and travel time for cars and buses was cut in half. This is an example of

- A) caveat emptor.
- B) the role of pricing in allocating resources.
- C) comparative advantage.
- D) responding to incentives.

Answer: <https://biology-forums.com/index.php?topic=735008>

Question 948

When the price of apples goes up

- A) the quantity of apples demanded will increase, ceteris paribus.
- B) the quantity of apples demanded will decrease, ceteris paribus.
- C) the demand for apples will decrease, ceteris paribus.
- D) the demand for apples will increase, ceteris paribus.

Answer: <https://biology-forums.com/index.php?topic=735289>

Question 949

Recall the Application. If the price of milk increases by 100% and stays there for a year, the quantity of milk supplied will rise by about

- A) 1%.
- B) 10%.
- C) 100%.
- D) 1,000%.

Answer: <https://biology-forums.com/index.php?topic=735627>

Question 950

Unemployment and recessions are sometimes necessary to curb high inflation.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736824>

Question 951

Depreciation is subtracted from GNP to determine

- A) net income.
- B) net GDP.

- C) net national product (NNP).
- D) net imbalance on exports.

Answer: <https://biology-forums.com/index.php?topic=736599>

Question 952

If the prices of goods and services were expressed in terms of carved wooden beads, then the carved wooden beads would be serving as a

- A) store of value.
- B) unit of account.
- C) medium of exchange.
- D) mechanism for transforming present purchases into future purchases.

Answer: <https://biology-forums.com/index.php?topic=738154>

Question 953

An example of a good that is nonexcludable is

- A) a published scientific discovery.
- B) a computer.
- C) cable TV.
- D) a concert.

Answer: <https://biology-forums.com/index.php?topic=737809>

Question 954

When the wage increases

- A) all workers will work more hours.
- B) all workers will work fewer hours.
- C) some workers will work more hours and some workers will work fewer hours, but we don't know whether average hours will increase or decrease.
- D) some workers will work more hours and some workers will work fewer hours, but on average, hours worked will increase.

Answer: <https://biology-forums.com/index.php?topic=736356>

Question 955

Recall the application. Economist John B. Taylor found that the temporary tax cuts which were a part of the 2009 stimulus package

- A) did very little to stimulate consumption spending.
- B) were split very evenly between consumption spending and household saving.
- C) were primarily used to pay off home mortgage balances.
- D) were very successful in stimulating consumption spending.

Answer: <https://biology-forums.com/index.php?topic=738138>

Question 956

During pledge week your local public television station asks viewers to contribute to the station. People who watch public television but do NOT contribute are

- A) engaged in moral hazard.
- B) free-riding.
- C) causing adverse selection.
- D) those who do not value public television.

Answer: <https://biology-forums.com/index.php?topic=737819>

Question 957

The demand for labor is

- A) derived from the demand for the products it is used to produce.
- B) determined by the price of consumer products.
- C) determined by the demand for consumer products.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736269>

Question 958

The purchasing power of money decreases as the

- A) employment increases.
- B) demand increases.

- C) price level increases.
- D) production decreases.

Answer: <https://biology-forums.com/index.php?topic=737016>

Question 959

Jerome has a "C" average in his philosophy course and a "B" average in his economics course. He decides to study an extra hour for his philosophy exam. This is an example of

- A) ceteris paribus.
- B) caveat emptor.
- C) using assumptions to simplify.
- D) thinking at the margin.

Answer: <https://biology-forums.com/index.php?topic=735003>

Question 960

An arrangement that allows buyers and sellers to exchange things is called

- A) a market.
- B) a contract.
- C) money.
- D) efficient.

Answer: <https://biology-forums.com/index.php?topic=734956>

Question 961

Why do used goods of different qualities often sell for the same price, while used goods of different sizes sell for different prices?

Answer: <https://biology-forums.com/index.php?topic=737718>

Question 962

A pollution tax allows a firm to externalize some of its internal costs.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737922>

Question 963

Explain why the marginal revenue product of labor curve is the firm's short-run demand curve for labor.

Answer: <https://biology-forums.com/index.php?topic=736340>

Question 964

The long-run supply curve is upward sloping in an increasing cost industry.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736030>

Question 965

Government means tested programs _____ the overall poverty rate.

- A) drop to zero
- B) have not changed
- C) substantially decrease
- D) lead to an increase in

Answer: <https://biology-forums.com/index.php?topic=736497>

Question 966

In the expanded circular flow diagram, the rest of the world interacts directly with

- A) product markets.
- B) factor markets.
- C) firms.
- D) households.

Answer: <https://biology-forums.com/index.php?topic=736613>

Question 967

Economists consider an economy to be at "full employment" when

- A) there is no frictional unemployment.
- B) there is only a small amount of cyclical unemployment.
- C) there is no structural unemployment.
- D) the unemployment rate equals the natural rate of unemployment.

Answer: <https://biology-forums.com/index.php?topic=736742>

Question 968

Explain the impact of capital deepening on workers.

Answer: <https://biology-forums.com/index.php?topic=736902>

Question 969

Airline pilots make more than bus drivers in part because the training costs of being an airline pilot are higher.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736462>

Question 970

Explain why depositing cash into a checking account does not change the money supply.

Answer: <https://biology-forums.com/index.php?topic=738262>

Question 971

Income that flows to the private sector for services and production, is called

- A) net income.
- B) deficit income.
- C) national income.
- D) derived income.

Answer: <https://biology-forums.com/index.php?topic=736597>

Question 972

From 1979-2007, the share of market income for the bottom 99% of U.S. households has decreased.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736488>

Question 973

People who are only working part-time, but want to be working full-time, are classified officially as

- A) employed and in the labor force.
- B) employed and out of the labor force.
- C) unemployed and in the labor force.
- D) unemployed and out of the labor force.

Answer: <https://biology-forums.com/index.php?topic=736679>

Question 974

A larger labor force will allow the economy to produce more total output.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736900>

Question 975

From time to time, the Federal Reserve sells various quantities of government bonds to the private sector through a process called

- A) bond recall procedures.
- B) open market sales.
- C) voluntary redemption procedures.

D) backflip bond investments.

Answer: <https://biology-forums.com/index.php?topic=738329>

Question 976

The government is likely to block a merger if

- A) it can be established that the merger would substantially reduce competition.
- B) the firms remaining would be able to charge a price above marginal cost.
- C) the firms remaining would all earn economic profit.
- D) the firms that are merging are producing different products.

Answer: <https://biology-forums.com/index.php?topic=737543>

Question 977

The relationship between the level of prices and the total demand for all goods and services is known as

- A) aggregate supply.
- B) market supply.
- C) market demand.
- D) aggregate demand.

Answer: <https://biology-forums.com/index.php?topic=737006>

Question 978

The price at which marketable pollution permits are sold is set by the government.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738005>

Question 979

In order to identify their used cars as plums (high-quality), many used car dealers

- A) offer money-back guarantees.
- B) raise the minimum price of lemons (low-quality).
- C) raise the minimum price of plums (high-quality).
- D) advertise their prices.

Answer: <https://biology-forums.com/index.php?topic=737733>

Question 980

Based on the Application, Jasper Johns' daily earnings are 33.33 times more than the house painter's daily earnings. If Jasper Johns' earnings per day were only twice as much as the house painter's earnings, what should he do?

- A) He should hire a less productive house painter.
- B) He should still hire the house painter to paint his house.
- C) He should remain indifferent as to who paints the house, for the difference in daily earnings would now be much less significant.
- D) He should paint his house himself.

Answer: <https://biology-forums.com/index.php?topic=735159>

Question 981

The federal budget has three components. Name them.

Answer: <https://biology-forums.com/index.php?topic=738114>

Question 982

A perfectly competitive firm maximizes profit where marginal revenue or price equals marginal cost.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735957>

Question 983

The Hart-Scott-Rodino Act of 1980

- A) extended antitrust legislation to proprietorships and partnerships.
- B) outlawed price discrimination for the purpose of reducing competition.
- C) made it legal to monopolize a market.

D) outlawed asset-purchase mergers that would substantially reduce competition.

Answer: <https://biology-forums.com/index.php?topic=737577>

Question 984

Explain the economic concept of convergence.

Answer: <https://biology-forums.com/index.php?topic=736864>

Question 985

Average variable costs are minimized when

- A) marginal costs begin to decrease.
- B) marginal cost is greater than average total cost.
- C) marginal costs begin to increase.
- D) marginal cost equals average variable cost.

Answer: <https://biology-forums.com/index.php?topic=735769>

Question 986

Which of the following is NOT an example of a monopolistically competitive firm?

- A) the Post Cereal Company
- B) T.J.'s Clothes, a local retail clothing store
- C) Procter and Gamble, a large consumer products corporation
- D) Farmer Jones's wheat farm

Answer: <https://biology-forums.com/index.php?topic=737176>

Question 987

Suppose you operate in a monopolistically competitive market. If you sell your good at a price of \$10 and your average cost of production is \$8

- A) you cannot be in short-run equilibrium.
- B) your market is in long-run equilibrium.
- C) we can expect firms to enter your market and sell a similar good in the long run.
- D) there will be no incentive for competing firms to enter your market in the long-run.

Answer: <https://biology-forums.com/index.php?topic=737195>

Question 988

An example of a good that is rival in consumption is

- A) a copy of an economics textbook.
- B) a radio program.
- C) an economics web page.
- D) a poster of famous economists.

Answer: <https://biology-forums.com/index.php?topic=737803>

Question 989

Which of the following factors would indicate an inelastic demand?

- A) Demand is measured over a shorter period of time.
- B) The good is a necessity, rather than a luxury.
- C) The good represents a small fraction of the budget.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=735457>

Question 990

Average total cost equals

- A) average fixed cost minus average variable cost.
- B) total cost minus average cost.
- C) total fixed cost plus total variable cost.
- D) average fixed cost plus average variable cost.

Answer: <https://biology-forums.com/index.php?topic=735717>

Question 991

For the purpose of GDP accounting, consumption expenditures include

- A) only nondurable goods.
- B) only durable goods.
- C) both nondurable goods and services.
- D) durable goods, nondurable goods, and services.

Answer: <https://biology-forums.com/index.php?topic=736547>

Question 992

Suppose that the elasticity of demand for a product is 4.0 and quantity demanded increases by 20%. What must the percentage decrease in price have been?

- A) 5%
- B) 20%
- C) 80%
- D) 200%

Answer: <https://biology-forums.com/index.php?topic=735485>

Question 993

The entry of an additional firm into a market shifts the demand curve for the original firm to the left.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737157>

Question 994

The market supply curve for labor is the relationship between the wage and the quantity of labor that

- A) any given firm is willing to employ.
- B) all workers are willing to provide.
- C) any given worker is willing to provide.
- D) all firms are willing to employ.

Answer: <https://biology-forums.com/index.php?topic=736359>

Question 995

What is the purpose of advertisements that focus on beer drinkers frolicking on the beach?

Answer: <https://biology-forums.com/index.php?topic=737305>

Question 996

Hector voluntarily left his job to search for a job in accounting, the field in which he has his bachelor's degree. Hector is considered

- A) not to be unemployed.
- B) frictionally unemployed.
- C) cyclically unemployed.
- D) structurally unemployed.

Answer: <https://biology-forums.com/index.php?topic=736715>

Question 997

If the equilibrium price of a good increases and the equilibrium quantity of the good decreases, we can conclude that

- A) supply decreased.
- B) demand decreased.
- C) supply increased.
- D) demand increased.

Answer: <https://biology-forums.com/index.php?topic=735344>

Question 998

If a country runs a trade deficit to finance increased current consumption, it will have to increase consumption in the future to pay back its borrowings.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736899>

Question 999

A federal budget _____ occurs when the federal government spends more than it collects in taxes.

- A) equilibrium
- B) surplus
- C) ceiling
- D) deficit

Answer: <https://biology-forums.com/index.php?topic=738079>

Question 1000

Based on the model of the money market, if prices in the economy decrease, the equilibrium interest rate should

- A) stay the same.
- B) increase.
- C) decrease.
- D) increase to the same extent that the supply of money increases.

Answer: <https://biology-forums.com/index.php?topic=738370>

Question 1001

Suppose Diego deposits \$4,000 in his bank. If the reserve ratio is 10%, this will lead to a maximum increase of _____ in checking account balances throughout all banks.

- A) \$0
- B) \$4,000
- C) \$10,000
- D) \$40,000

Answer: <https://biology-forums.com/index.php?topic=738233>

Question 1002

The Robinson-Patman Act of 1936

- A) repealed the Sherman Act.
- B) made it illegal to monopolize a market.
- C) outlawed price discrimination for the purpose of reducing competition.
- D) prohibited selling products at "unreasonably low prices" with the intent of reducing competition.

Answer: <https://biology-forums.com/index.php?topic=737575>

Question 1003

When there is a recession (a fall in output) and prices are increasing, and this situation is caused by adverse supply shocks, the term economists use to describe it is

- A) stagflation.
- B) stagnation.
- C) aggregate shifts.
- D) inflation.

Answer: <https://biology-forums.com/index.php?topic=737104>

Question 1004

A carbon tax could reduce greenhouse emissions by

- A) cause electricity producers to switch to lower carbon fuels.
- B) raising the price of gasoline and reducing driving.
- C) raising the price reducing of electricity, the quantity of electricity demanded and reducing the fossil fuels burned.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=737918>

Question 1005

The price of an hour of leisure time is

- A) determined by the value of the activity the person engages in during that hour of leisure.
- B) the minimum wage rate.
- C) the income that could have been earned in that hour.
- D) zero.

Answer: <https://biology-forums.com/index.php?topic=736345>

Question 1006

M1 is larger than M2.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738203>

Question 1007

The effect of spreading out the fixed costs outweighing the effect of diminishing returns is illustrated by the _____ average cost curve _____.

- A) long-run; decreasing
- B) short-run; decreasing
- C) short-run; increasing
- D) long-run; increasing

Answer: <https://biology-forums.com/index.php?topic=735774>

Question 1008

Explain what would happen to the equilibrium price and quantity of iPhones if the supply of iPhones increased while the demand for iPhones also increased.

Answer: <https://biology-forums.com/index.php?topic=735375>

Question 1009

If John drives more recklessly because he has good automobile insurance it is an example of moral hazard.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737768>

Question 1010

An example of money is

- A) a traveler's check.
- B) a dollar bill.
- C) a checking account balance.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=738190>

Question 1011

_____ unemployment is most closely associated with periods of falling GDP.

- A) Voluntary
- B) Cyclical
- C) Frictional
- D) Structural

Answer: <https://biology-forums.com/index.php?topic=736720>

Question 1012

Olives are used to produce olive oil. If the price of olives increases

- A) the supply of olive oil increases.
- B) the supply of olive oil decreases.
- C) the demand for olive oil decreases.
- D) the demand for olive oil increases.

Answer: <https://biology-forums.com/index.php?topic=735333>

Question 1013

Recall the application. The average cost of abating one ton of CO₂ emissions through the hybrid subsidy is \$177, but a switch from coal to natural gas in power plants would reduce CO₂ emissions at less than one-third the cost of the hybrid subsidy. The increase in cost associated with the reduction of one ton of CO₂ emissions (assuming that each unit of CO₂ emissions is measured in tons) describes the economic concept of

- A) marginal thinking.
- B) using assumptions to simplify.
- C) rational self interest.
- D) ceteris paribus.

Answer: <https://biology-forums.com/index.php?topic=735012>

Question 1014

Compensation of employees is the largest component of national income.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736616>

Question 1015

A price maker is a buyer or a seller who

- A) buys or sells only at a price where profits can be made.
- B) accepts whatever price that the government legislates as the price of the good or service.
- C) has the ability to influence the equilibrium price in the market.
- D) takes the market price as given.

Answer: <https://biology-forums.com/index.php?topic=735878>

Question 1016

Recall the Application. The change in demand for cigarettes resulting from the decrease in taxes would normally create, ceteris paribus,

- A) a decrease in their quantity supplied.
- B) an increase in their supply.
- C) a decrease in their supply.
- D) an increase in their quantity supplied.

Answer: <https://biology-forums.com/index.php?topic=735230>

Question 1017

In the United States during the Vietnam War era, as military spending increased

- A) unemployment dropped to very low levels.
- B) frictional unemployment dropped, but cyclical unemployment increased.
- C) both frictional and cyclical unemployment increased.
- D) overall unemployment rates did not change.

Answer: <https://biology-forums.com/index.php?topic=738127>

Question 1018

Which of the following is NOT a macroeconomic statement?

- A) The U.S. inflation rate was 2% in 2012.
- B) Gross domestic product in Peru increased 4% from 2011 to 2012.
- C) The price of cell phones decreased by 18% last year.
- D) Aggregate worker productivity decreased by 3% in 2012.

Answer: <https://biology-forums.com/index.php?topic=736519>

Question 1019

Which of the following products has the most elastic demand?

- A) Coca Cola in 12 oz cans
- B) all carbonated beverages
- C) all cola drinks
- D) all beverages

Answer: <https://biology-forums.com/index.php?topic=735445>

Question 1020

Using assumptions to make things simpler and focus attention on what really matters is like using a road map to plan a trip.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735015>

Question 1021

Demand for items people do not really need for their survival, such as cars, is generally _____ than demand for items such as water.

- A) more elastic
- B) less elastic

- C) higher
- D) lower

Answer: <https://biology-forums.com/index.php?topic=735450>

Question 1022

There are _____ members of the FOMC.

- A) 5
- B) 7
- C) 12
- D) 19

Answer: <https://biology-forums.com/index.php?topic=738277>

Question 1023

An increase in the discount rate

- A) increases the cost of reserves borrowed from the Fed.
- B) signals the Fed's desire to increase the money supply.
- C) reduces the cost of reserves borrowed from the Fed.
- D) signals the Fed's desire to lend increased reserves to banks.

Answer: <https://biology-forums.com/index.php?topic=738343>

Question 1024

Which of the following explains the impact of the expansion of international trade on the demand for less skilled workers in the United States?

- A) An increase in international trade has decreased the demand for less skilled workers.
- B) The impact of the expansion of international trade on the demand for less skilled workers in the United States varies from year to year.
- C) An increase in international trade has increased the demand for less skilled workers.
- D) An increase in international trade has had little impact on the demand for less skilled workers.

Answer: <https://biology-forums.com/index.php?topic=736483>

Question 1025

What does it mean for a person or nation to have a comparative advantage in producing a product?

Answer: <https://biology-forums.com/index.php?topic=738492>

Question 1026

Because demand for air travel from people who are traveling on vacation is more _____, the airlines offer leisure travelers lower prices than business travelers.

- A) small
- B) elastic
- C) inelastic
- D) large

Answer: <https://biology-forums.com/index.php?topic=736229>

Question 1027

What is economic profit?

Answer: <https://biology-forums.com/index.php?topic=735687>

Question 1028

A good is nonrival in consumption if it is not practical to exclude people who don't pay for it from enjoying its benefits.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737839>

Question 1029

The Act which made it illegal to engage in practices that resulted in the restraint of trade was the

- A) Sherman Act.
- B) Clayton Act.
- C) Robinson-Patman Act.
- D) Celler-Kefauver Act.

Answer: <https://biology-forums.com/index.php?topic=737565>

Question 1030

When the "real" GDP falls, the rate of unemployment generally

- A) stays constant.
- B) decreases.
- C) equals the natural rate.
- D) increases.

Answer: <https://biology-forums.com/index.php?topic=736725>

Question 1031

Gloria works for a museum in a large city with many other museums. Her boss proposes that the museum should raise the price of admission to increase revenues. Gloria was a good student in her economics principles course. How should she advise her boss?

Answer: <https://biology-forums.com/index.php?topic=735473>

Question 1032

The wage for a particular occupation will be relatively low if supply is small relative to demand.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736456>

Question 1033

Recall the Application. If a fake killer whale to be used to scare sea lions away from steelhead and other threatened and commercially valuable species cost \$11,000 for the mold and \$5,000 for materials for each fake killer whale made, then the average or unit cost of producing five fake killer whales would be

- A) \$5,000.
- B) \$7,200.
- C) \$11,000.
- D) \$16,000.

Answer: <https://biology-forums.com/index.php?topic=735841>

Question 1034

If a severe natural disaster reduced the population of a city, one would expect a natural monopoly to

- A) merge with a competitor.
- B) increase sales.
- C) split into two firms.
- D) raise prices.

Answer: <https://biology-forums.com/index.php?topic=737486>

Question 1035

In Table 9.4, Market 3 would be in equilibrium if buyers believed plums accounted for

- A) 11.11% of the market.
- B) 22.22% of the market.
- C) 33.33% of the market.
- D) 66.67% of the market.

Answer: <https://biology-forums.com/index.php?topic=737681>

Question 1036

Suppose that the percentage change in demand is 20%, the price elasticity of supply is 2, and the percentage change in the equilibrium price is 4%. What is the price elasticity of demand?

- A) 0
- B) 1
- C) 2
- D) 3

Answer: <https://biology-forums.com/index.php?topic=735642>

Question 1037

An increase in demand will cause a relatively small increase in price when

- A) supply is highly elastic.
- B) the increase in demand is small.
- C) demand is highly elastic.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=735645>

Question 1038

The Act which prohibited selling products at unreasonably low prices was the

- A) Sherman Act.
- B) Clayton Act.
- C) Robinson-Patman Act.
- D) Celler-Kefauver Act.

Answer: <https://biology-forums.com/index.php?topic=737569>

Question 1039

An increasing-cost industry is one in which the average cost of production _____ as the total output of the industry _____.

- A) increases; increases
- B) decreases; increases
- C) increases; decreases
- D) None of the above; there are no increasing-cost industries.

Answer: <https://biology-forums.com/index.php?topic=736022>

Question 1040

The knowledge and skills acquired by a worker through education and experience is a description of which factor of production?

- A) physical capital
- B) entrepreneurship
- C) labor
- D) human capital

Answer: <https://biology-forums.com/index.php?topic=734960>

Question 1041

Consumers do not have a strong preference for the output of one seller over that of another in a perfectly competitive market because

- A) the firms sell a standardized product.
- B) an individual firm has control over price.
- C) there a large number of firms in the market.
- D) there are no barriers to entry.

Answer: <https://biology-forums.com/index.php?topic=735874>

Question 1042

The free-rider problem occurs for

- A) private goods but not public goods.
- B) public goods but not private goods.
- C) private goods and public goods.
- D) neither public nor private goods.

Answer: <https://biology-forums.com/index.php?topic=737815>

Question 1043

Explain why a firm's shut-down decision does not incorporate the fixed costs of the production facility.

Answer: <https://biology-forums.com/index.php?topic=735998>

Question 1044

A mixed market is one in which

- A) there are different qualities of a good being sold in the market and there is imperfect information about the quality of each good.
- B) a seller of a good requires that the purchase of one good be tied to the purchase of another.
- C) consumers can be buyers and sellers and producers can be sellers and buyers.
- D) demand is positively sloped and supply is negatively sloped.

Answer: <https://biology-forums.com/index.php?topic=737622>

Question 1045

The long-run average cost of production is defined as

- A) the quantity produced by a firm when at least one factor is fixed.
- B) total cost divided by the quantity of output the firm chooses when at least one factor is fixed.
- C) the quantity produced by a firm that can choose any size production facility.
- D) total cost divided by the quantity of output the firm chooses when it can choose a production facility of any size.

Answer: <https://biology-forums.com/index.php?topic=735806>

Question 1046

Since patents lead to lower quantities and higher prices for new products, society is necessarily worse off when patents are awarded.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736196>

Question 1047

The firm's short-run supply curve shows the relationship between the price of a good and the

- A) firm's capacity output.
- B) willingness of consumers to purchase the good.
- C) quantity supplied of that good.
- D) quantity demanded of that good.

Answer: <https://biology-forums.com/index.php?topic=736001>

Question 1048

Suppose that your firm's marginal cost of producing a pencil is 5 cents and the average cost of producing a pencil is 3 cents. If your firm is interested in minimizing average total costs, what should your firm do?

- A) Decrease production.
- B) Maintain production at the current level.
- C) Look for ways to increase fixed costs.
- D) Increase production.

Answer: <https://biology-forums.com/index.php?topic=735777>

Question 1049

Explain what is meant by the economic principle of voluntary exchange.

Answer: <https://biology-forums.com/index.php?topic=738493>

Question 1050

Trade results from

- A) comparative advantage.
- B) self-sufficiency.
- C) absolute advantage.
- D) diminishing returns.

Answer: <https://biology-forums.com/index.php?topic=738463>

Question 1051

Suppose that one country has a GDP that is 10% of its richer neighbor, but the poorer country is growing at a rate of 8% per year while the richer country is growing at a rate of 2% per year. Which country will be richer in 60 years?

Answer: <https://biology-forums.com/index.php?topic=736860>

Question 1052

The costs associated with recalculating prices and printing new price lists when there is inflation are known as

- A) chain-index costs.
- B) diminishing costs.
- C) menu costs.
- D) shoe leather costs.

Answer: <https://biology-forums.com/index.php?topic=736811>

Question 1053

Movie theaters often offer reduced rates for children under 10. This suggests that demand for adult admission is _____ than demand for children's admission.

- A) more elastic
- B) lower
- C) more variable
- D) less elastic

Answer: <https://biology-forums.com/index.php?topic=736243>

Question 1054

Which of the following statements about a market for used cars is INCORRECT?

- A) The presence of low-quality cars decreases consumers' willingness to pay.
- B) An increase in price increases the quantity of high-quality cars supplied.
- C) The decrease in the quantity of high-quality cars lowers consumers' willingness to pay.
- D) An increase in price decreases the quantity of low-quality cars supplied.

Answer: <https://biology-forums.com/index.php?topic=737692>

Question 1055

If Tom drives a car more recklessly after he purchases a comprehensive plan, the change in his behavior is an adverse selection problem.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737773>

Question 1056

Do inventions have to be major technological breakthroughs to affect the efficiency of producing goods? Explain.

Answer: <https://biology-forums.com/index.php?topic=736928>

Question 1057

Corn is used to produce tortillas. If the price of corn increases,

- A) the supply of tortillas decreases.
- B) the demand for tortillas increases.
- C) the demand for tortillas decreases.
- D) the supply of tortillas increases.

Answer: <https://biology-forums.com/index.php?topic=735341>

Question 1058

When there are just a few firms in the industry, the industry structure is most likely to be

- A) an oligopoly market.
- B) a natural monopoly market.
- C) a monopoly market.
- D) a perfectly competitive industry.

Answer: <https://biology-forums.com/index.php?topic=737307>

Question 1059

Describe the changes in the variables that will cause demand for a product to decrease, shifting the demand curve to the left.

Answer: <https://biology-forums.com/index.php?topic=735322>

Question 1060

Which of the following is a microeconomic question?

- A) Should Congress and the president take action to reduce the unemployment rate?
- B) Should the Fed attempt to influence the interest rate to control potential inflation?
- C) Why do some countries have higher economic growth rates than other countries?
- D) Should companies pay for employees' health insurance?

Answer: <https://biology-forums.com/index.php?topic=735036>

Question 1061

The cross-price elasticity of demand between spaghetti and spaghetti sauce is most likely

- A) positive.
- B) zero.
- C) negative.
- D) More information is needed to determine.

Answer: <https://biology-forums.com/index.php?topic=735566>

Question 1062

Spending on programs that Congress authorizes _____ is known as discretionary spending.

- A) on an off-budget emergency basis
- B) after approval from the Federal Reserve
- C) by prior law
- D) on an annual basis

Answer: <https://biology-forums.com/index.php?topic=738051>

Question 1063

Toby sells wheat in a perfectly competitive market. This month Toby receives a lower price for a bushel of wheat than he did last month. Which of the following might explain this?

- A) The market demand for wheat decreased.
- B) Toby's costs have increased.
- C) Firms exited the market.
- D) The market demand for wheat increased.

Answer: <https://biology-forums.com/index.php?topic=736035>

Question 1064

In the short run, the marginal cost of producing the first unit of output is \$50, the marginal cost of the second unit of output is \$20, and the marginal cost of producing the third unit of output is \$16. The firm's total cost of producing three units of output is

- A) \$16.
- B) \$48.
- C) \$86.
- D) Cannot be determined from the information provided

Answer: <https://biology-forums.com/index.php?topic=735729>

Question 1065

Suppose an economy consists of 500,000 individuals 16 years and older, 260,000 are employed, and 21,000 are unemployed but actively seeking work. In this example the labor force is

- A) 239,000.
- B) 260,000.
- C) 281,000.
- D) 500,000.

Answer: <https://biology-forums.com/index.php?topic=736682>

Question 1066

Given the following information about AAA bank:

Bank Deposits \$50,000
Loans 25,000
Required Reserves 15,000
Excess Reserves 10,000

What is the reserve ratio?

- A) 50%
- B) 30%
- C) 20%
- D) 15%

Answer: <https://biology-forums.com/index.php?topic=738221>

Question 1067

In the short run, the marginal-revenue product curve is _____ because of _____.

- A) upward sloping; diminishing returns
- B) upward sloping; increasing returns
- C) downward sloping; increasing returns
- D) downward sloping; diminishing returns

Answer: <https://biology-forums.com/index.php?topic=736283>

Question 1068

Suppose that the percentage change in supply is 20%, the price elasticity of demand is 3, and the percentage change in the equilibrium price is 4%. What is the price elasticity of supply?

- A) 0
- B) 2
- C) 4
- D) 5

Answer: <https://biology-forums.com/index.php?topic=735649>

Question 1069

Recall the Application. Because the average earnings of the "wireless women" in Pakistan is three times the average wage rate, then we would expect that in the long-run

- A) the earnings of wireless women would increase.
- B) more entrepreneurs would enter the market.
- C) more entrepreneurs would exit the market.
- D) the cost of making a wireless call in Pakistan would increase.

Answer: <https://biology-forums.com/index.php?topic=735897>

Question 1070

Suppose that you lend \$1,000 to a friend and he or she pays you back one year later. What is the opportunity cost of lending the money?

- A) There is no cost.
- B) The nominal interest rate that would have been earned on the money.
- C) The implicit cost of the money.
- D) The real interest rate that would have been earned on the money.

Answer: <https://biology-forums.com/index.php?topic=735193>

Question 1071

Recall the application. The current income you would sacrifice to start your own lawn-cutting business is part of the

- A) cost of doing business.
- B) present value of your initial investment.
- C) opportunity cost of invested funds.
- D) opportunity cost of starting a business.

Answer: <https://biology-forums.com/index.php?topic=735105>

Question 1072

An example of a private good is

- A) a bottle of perfume.
- B) clean air.
- C) city streets and highways.
- D) national defense.

Answer: <https://biology-forums.com/index.php?topic=737795>

Question 1073

Suppose that a firm maximizes its profits by producing a quantity of 20 units. The market price is \$5. The firm's variable costs are \$70 and its fixed costs are \$40. What should the firm do in the short run? In the long run?

Answer: <https://biology-forums.com/index.php?topic=735997>

Question 1074

What is the opportunity cost of investing \$10,000 of your own money in a business you wish to start?

Answer: <https://biology-forums.com/index.php?topic=735118>

Question 1075

Given percentage change in supply and the price elasticity of supply, percentage change in equilibrium price is zero if demand curve is perfectly inelastic

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735655>

Question 1076

Due to the _____ effect, the final shift in aggregate demand is larger than the initial shift in aggregate demand.

- A) substitution
- B) crowding-out
- C) multiplier
- D) income

Answer: <https://biology-forums.com/index.php?topic=738024>

Question 1077

If the reserve ratio is 0.3 and a deposit of \$1,000 is made to the bank, the bank can lend out \$700.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738257>

Question 1078

If real GDP is 100 in year 1, and grows at a rate of 3% per year for 9 years, what will the GDP be in 9 years?

Answer: <https://biology-forums.com/index.php?topic=736861>

Question 1079

In the 1980s, a new category entitled _____ was added to M1.

- A) money market mutual fund deposits
- B) other checkable deposits
- C) demand deposits
- D) traveler's checks

Answer: <https://biology-forums.com/index.php?topic=738174>

Question 1080

A relatively high base income in a cash assistance program

- A) does not affect the incentive to work.
- B) increases the incentive to work.
- C) will reduce the incentive to work through the substitution effect but will increase the incentive to work through the income effect.
- D) reduces the incentive to work.

Answer: <https://biology-forums.com/index.php?topic=736500>

Question 1081

The price elasticity of demand measures the responsiveness of changes in price to the quantity demanded.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735461>

Question 1082

Recall the application. The federal Disability Insurance Program has had _____ on the measured unemployment rate.

- A) a very large effect
- B) no effect
- C) an inconsequential effect
- D) a negligible

Answer: <https://biology-forums.com/index.php?topic=736700>

Question 1083

What is featherbedding and why do unions engage in the practice?

Answer: <https://biology-forums.com/index.php?topic=736476>

Question 1084

The price of iPhones has fallen dramatically. Which of the following is likely to happen?

- A) The quantity of iPhones supplied will increase.
- B) The quantity of iPhones supplied will decrease.
- C) The supply of iPhones will decrease.
- D) The supply of iPhones will increase.

Answer: <https://biology-forums.com/index.php?topic=735332>

Question 1085

If a firm has reached the minimum efficient scale, any additional output produced by the firm will result in a lower average cost in the long run.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735846>

Question 1086

Table 9.3 represents 3 markets for used stereos. Which of the markets in Table 14.3 are NOT in equilibrium?

- A) 1 only
- B) 2 only
- C) 3 only
- D) 1, 2, and 3

Answer: <https://biology-forums.com/index.php?topic=737673>

Question 1087

Suppose that the income elasticity of demand for good X is positive but less than 1. Other things being equal, which of the following statements is INCORRECT?

- A) Good X is a normal good.
- B) A consumer buys more X as income rises, but the share of income spent on good X falls.
- C) The quantity demanded of good X decreases as a consumer's income declines.
- D) A consumer buys more X as income rises and the share of income spent on good X also rises.

Answer: <https://biology-forums.com/index.php?topic=735561>

Question 1088

What is rent seeking?

Answer: <https://biology-forums.com/index.php?topic=736185>

Question 1089

Which one of the following statements is true?

- A) In the long run, the aggregate supply curve is horizontal.
- B) In the short run, the level of output is determined by demand.
- C) In the long run, the level of output is determined by demand.
- D) Where aggregate demand and aggregate supply intersect is always the full-employment level of output.

Answer: <https://biology-forums.com/index.php?topic=737101>

Question 1090

If the government decreased its purchases of goods and services by \$4,000, and this resulted in an eventual decrease in GDP and income of \$10,000, the MPC would be equal to

- A) 2.5.
- B) 1.5.
- C) 0.6.
- D) 0.4.

Answer: <https://biology-forums.com/index.php?topic=737047>

Question 1091

Checking accounts that pay interest are included in the

- A) "demand deposits" part of M1.
- B) "money market mutual funds deposits" part of M2.
- C) "savings deposits" part of M2.
- D) "other checkable deposits" part of M1.

Answer: <https://biology-forums.com/index.php?topic=738175>

Question 1092

We can use macroeconomic analysis to

- A) learn how to balance a checkbook.
- B) understand why economies grow.
- C) study the choices made by households.
- D) understand marginal changes in the macroeconomy.

Answer: <https://biology-forums.com/index.php?topic=735029>

Question 1093

Can you think of an example of a good whose demand could be perfectly inelastic?

Answer: <https://biology-forums.com/index.php?topic=735470>

Question 1094

A dominant strategy is one that

- A) is optimal under some conditions.
- B) never yields a negative payoff.
- C) maximizes profits.
- D) is the best choice under all conditions.

Answer: <https://biology-forums.com/index.php?topic=737363>

Question 1095

If the price elasticity of demand is very elastic, which of the following could be a possible value of the elasticity?

- A) 2
- B) 1
- C) 1/3
- D) 0

Answer: <https://biology-forums.com/index.php?topic=735420>

Question 1096

A constant cost industry is more likely to arise in a market where

- A) the industry takes only a large portion of the resources available.
- B) firms have large fixed costs and small marginal costs.
- C) inputs have very different levels of quality.
- D) the industry takes only a small portion of the resources available.

Answer: <https://biology-forums.com/index.php?topic=736074>

Question 1097

Which of the following is a problem with the price system that can lead to fluctuations in output?

- A) Prices may be flexible.
- B) Prices can be slow to adjust.
- C) The price system works silently in the background.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736978>

Question 1098

Assuming a long-run aggregate supply curve, an increase in the money supply results in _____ in output and _____ in price level.

- A) an increase; no change
- B) a decrease; no change

- C) a decrease; a decrease
- D) no change; an increase

Answer: <https://biology-forums.com/index.php?topic=737074>

Question 1099

If a technological advance makes it possible to produce computers at a lower cost

- A) the demand for computers decreases.
- B) the demand for computers increases.
- C) the supply of computers increases.
- D) the supply of computers decreases.

Answer: <https://biology-forums.com/index.php?topic=735334>

Question 1100

On what kind of income is our tax system based?

- A) real
- B) inflationary
- C) adjusted
- D) nominal

Answer: <https://biology-forums.com/index.php?topic=736810>

Question 1101

In larger markets, the quest for profit by firms motivates them to be innovative and produce new and more appealing products.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736955>

Question 1102

A seller who is offering a low-quality used good for sale

- A) is more likely to offer a money-back guarantee than is a seller who is selling a high-quality good.
- B) is just as likely to offer a money-back guarantee than is a seller who is selling a high-quality good.
- C) is less likely to offer a money-back guarantee than is a seller who is selling a high-quality good.
- D) is the only kind of seller who would ever offer a money-back guarantee because sellers of high-quality goods do not have to offer guarantees.

Answer: <https://biology-forums.com/index.php?topic=737737>

Question 1103

What are some of the ways a private group can overcome a free rider problem?

Answer: <https://biology-forums.com/index.php?topic=737853>

Question 1104

If the demand curve facing a firm had a price elasticity of demand equal to infinity and the firm raised its price, its total revenue would

- A) decrease slightly.
- B) fall to zero.
- C) not change.
- D) increase.

Answer: <https://biology-forums.com/index.php?topic=735432>

Question 1105

When you have a job and your employer compensates you for your time with money, resulting in both of you being better off, it is an example of a voluntary exchange.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735160>

Question 1106

Which of the following is included in M2?

- A) savings accounts
- B) U.S. Treasury bonds

- C) stocks
- D) commercial paper

Answer: <https://biology-forums.com/index.php?topic=738179>

Question 1107

The fraction of the working-age population that is in the labor force is called the

- A) unemployment rate.
- B) nonresponse rate.
- C) labor force participation rate.
- D) employment rate.

Answer: <https://biology-forums.com/index.php?topic=736680>

Question 1108

Consider a labor market in equilibrium. If both demand curve and supply curve of labor shift to the right, then the wage rate in the market will _____.

- A) increase
- B) decrease
- C) remain unchanged
- D) either increase or decrease or remain unchanged

Answer: <https://biology-forums.com/index.php?topic=736400>

Question 1109

"Recession" refers to a period when real GDP in the economy

- A) suffers due to political instability.
- B) grows rapidly.
- C) experiences a rise in living standards.
- D) declines for at least six months.

Answer: <https://biology-forums.com/index.php?topic=736638>

Question 1110

If you take out a bank loan prior to unanticipated inflation

- A) you will gain at the expense of your bank.
- B) your bank will gain at your expense.
- C) it will be harder for you to repay the loan because of the inflated dollar.
- D) neither you nor your bank will be affected, because the loan was made prior to the inflation.

Answer: <https://biology-forums.com/index.php?topic=736815>

Question 1111

Suppose coffee is sold in a monopolistically competitive market, where coffee is differentiated by coffee shop location. As firms enter in the long run and the price of coffee falls

- A) the profits of individual coffee shops increase.
- B) the market quantity of coffee demanded will decrease as does the quantity supplied from any individual coffee shop.
- C) the market quantity of coffee demanded will increase, but the quantity of coffee supplied by any individual coffee shop declines.
- D) the average costs of production decline.

Answer: <https://biology-forums.com/index.php?topic=737208>

Question 1112

If product prices decrease more than nominal wages decrease, the real value of wages will increase.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735206>

Question 1113

Can a firm's accounting profit be smaller than the economic profit? Assume that all costs are positive.

Answer: <https://biology-forums.com/index.php?topic=735689>

Question 1114

In some markets for used goods

- A) low-quality used goods will be underpriced.
- B) the seller has more information than the buyer about the quality of the good.
- C) the buyer has more information than the seller about the quality of the good.
- D) the quality of used goods sold in the market will typically rise over time.

Answer: <https://biology-forums.com/index.php?topic=737618>

Question 1115

One of the essential functions that a bank performs is

- A) transferring money from savers to lenders.
- B) purchasing government bonds.
- C) creating deposits by lending required reserves.
- D) owning assets like real estate.

Answer: <https://biology-forums.com/index.php?topic=738212>

Question 1116

If your assets are highly liquid, this means you can make transactions on short notice.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738322>

Question 1117

When a local casino spends millions in TV ads convincing town residents to reject another casino's bid to operate in the area, the most that the casino would be willing to spend is

- A) the consumer surplus gained by being a monopoly.
- B) the producer surplus gained by being a monopoly.
- C) total economic surplus.
- D) deadweight loss.

Answer: <https://biology-forums.com/index.php?topic=736171>

Question 1118

The merits of a patent system is

- A) the patent system may precipitate the development of new products.
- B) granting monopoly power through a patent may be beneficial from society's perspective.
- C) the patent system gives firms strong incentives to take the risk of substantial research and development costs.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736191>

Question 1119

A monopolist maximizes profit by producing the output at which marginal revenue equals marginal cost.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736139>

Question 1120

Suppose that the price elasticity of supply of cheese is 0.80. If the price of cheese rises by 20%, the quantity supplied will increase by 16%.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735630>

Question 1121

If the elasticity of demand for sugar cookies is 2.5, then a 10% change in price will lead to a 5% change in quantity demanded.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735515>

Question 1122

When a monopolist charges a low price to drive out competition, then charges a high price, the monopolist is engaging in

- A) duopoly pricing.
- B) a merger.
- C) predatory pricing.
- D) a trust agreement.

Answer: <https://biology-forums.com/index.php?topic=737557>

Question 1123

A nation's net exports consist of

- A) its exports plus its imports.
- B) its exports plus all other nation's imports.
- C) its imports plus all other nation's exports.
- D) its exports minus its imports.

Answer: <https://biology-forums.com/index.php?topic=736566>

Question 1124

The additional cost resulting from a small increase in some activity is called the

- A) marginal benefit.
- B) opportunity cost.
- C) marginal cost.
- D) diminishing returns of the activity.

Answer: <https://biology-forums.com/index.php?topic=735122>

Question 1125

Under the average-cost pricing policy, a regulated monopolist is guaranteed a normal economic profit even if there is a change in its cost of production.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737526>

Question 1126

When the government provides a public good by taxing citizens and using tax money to provide the good

- A) the result is efficient if the total value of the public good is greater than the cost of providing it.
- B) the result is efficient only if voters specifically agreed to provision of that good.
- C) the result is inefficient because if it were efficient the good would have been provided in a free market.
- D) the result is inefficient because the government is an inefficient provider of goods and services.

Answer: <https://biology-forums.com/index.php?topic=737818>

Question 1127

Explain the three different types of money demand.

Answer: <https://biology-forums.com/index.php?topic=738324>

Question 1128

Large industries that employ most of the available resources tend to have constant costs in the long run.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736083>

Question 1129

Which of the following is NOT an example of natural monopoly?

- A) local telephone services
- B) farm products
- C) electricity transmission
- D) water systems

Answer: <https://biology-forums.com/index.php?topic=737474>

Question 1130

In a monopolistically competitive market, if price is greater than average cost

- A) firms will enter.
- B) the market is in long-run equilibrium.
- C) firms will exit.
- D) there will be no change in the number of firms.

Answer: <https://biology-forums.com/index.php?topic=737210>

Question 1131

Suppose that the elasticity of demand for newspapers is 2.0 and quantity demanded decreases by 40%. What must the percentage increase in price have been?

- A) 2%
- B) 20%
- C) 80%
- D) 200%

Answer: <https://biology-forums.com/index.php?topic=735483>

Question 1132

Suppose you own a plum (high-quality) used car that you are thinking about selling. Further, suppose you know that buyers assume that there is a 30% chance of getting a plum, and that 8 of 10 cars currently in the used car market are lemons (low-quality). Would you likely sell your car?

Answer: <https://biology-forums.com/index.php?topic=737721>

Question 1133

A monopoly may arise due to

- A) network externalities.
- B) a patent.
- C) large economies of scale.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736099>

Question 1134

The effect of diminishing marginal returns outweighing the effect of spreading out the fixed costs is illustrated by the _____ average cost curve _____.

- A) long-run; increasing
- B) long-run; decreasing
- C) short-run; increasing
- D) short-run; decreasing

Answer: <https://biology-forums.com/index.php?topic=735773>

Question 1135

Which of the following is a characteristic of a monopolistically competitive market?

- I. Firms sell differentiated products.
- II. Each firm earns a positive economic profit in the long-run.
- III. Firms freely enter and exit the market.

- A) II only
- B) I and II only
- C) I and III only
- D) I, II, and III

Answer: <https://biology-forums.com/index.php?topic=737193>

Question 1136

During a recession, tax revenues _____ while government transfer payments _____, thereby mitigating part of the adverse effects of a recession and stabilizing the economy.

- A) rise; increase
- B) fall; decrease
- C) rise; decrease
- D) fall; increase

Answer: <https://biology-forums.com/index.php?topic=738087>

Question 1137

When applying the marginal principle, you should pick the level at which the activity's marginal benefit equals its marginal cost.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735143>

Question 1138

Draw a graph to illustrate the effect on the market of an import restriction. Show how price and quantity in the market are affected. What happens to consumer and producer surplus?

Answer: <https://biology-forums.com/index.php?topic=1930089>

Question 1139

The price system works in an economy on a day-to-day basis to match the desires of consumers with the output from producers.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737001>

Question 1140

Suppose that there is only one seller in the computer industry. If the demand curve that the only seller in the industry faces is a straight-line, downward sloping curve, at which point would the seller's total revenue be maximized?

- A) at a point high on the demand curve, where elasticity is elastic
- B) at a point low on the demand curve, but not at the very bottom
- C) at the highest point on the demand curve, where price is the highest
- D) at the midpoint of the demand curve, where elasticity is unitary

Answer: <https://biology-forums.com/index.php?topic=735498>

Question 1141

Because in oligopoly the actions of one firm has a perceptible affect on the other firms, oligopoly firms act strategically.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737376>

Question 1142

For a perfectly competitive firm, price always equals marginal revenue.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735955>

Question 1143

If an economy is fully utilizing its resources, it can produce more of one product only if it

- A) doubles manufacturing of the product.
- B) reduces the prices of the most expensive products.
- C) produces less of another product.
- D) adds more people to the labor force.

Answer: <https://biology-forums.com/index.php?topic=735099>

Question 1144

Explain intuitively why the market for a nonexcludable good fails to provide efficient quantity.

Answer: <https://biology-forums.com/index.php?topic=737851>

Question 1145

When product prices increase slower than nominal wages increase, the real value of wages decreases.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735205>

Question 1146

The quantity produced by a natural monopolist facing an average-cost pricing policy will be

- A) that quantity at which average costs are at their minimum.
- B) that quantity at which marginal costs are at their minimum.
- C) the same as the quantity that would be produced in perfect competition.
- D) less than the quantity produced by a marginal cost pricing policy.

Answer: <https://biology-forums.com/index.php?topic=737507>

Question 1147

Suppose that the income elasticity of demand for frozen dinners is negative. Other things being equal, which of the following statements is INCORRECT?

- A) There exists a negative relationship between income and the demand for frozen dinners.
- B) Frozen dinners are an inferior good.
- C) The quantity demanded of frozen dinners increases as a consumer's income declines.
- D) The share of income spent on good X must decrease as a consumer's income decreases.

Answer: <https://biology-forums.com/index.php?topic=735560>

Question 1148

The value of money or income in terms of the quantity of goods the money can buy is called its

- A) marginal value.
- B) nominal value.
- C) real value.
- D) implicit value.

Answer: <https://biology-forums.com/index.php?topic=735186>

Question 1149

What are the trade-offs involved in shortening the length of a patent for pharmaceuticals?

Answer: <https://biology-forums.com/index.php?topic=736961>

Question 1150

If a good is available only to those who pay for it, the good is

- A) excludable and rival.
- B) rival but not necessarily excludable.
- C) excludable but not necessarily rival.
- D) nonrival and nonexcludable.

Answer: <https://biology-forums.com/index.php?topic=737788>

Question 1151

If the number of wine producers decreases,

- A) the demand for wine increases.
- B) the supply of wine increases.
- C) the demand for wine decreases.
- D) the supply of wine decreases.

Answer: <https://biology-forums.com/index.php?topic=735340>

Question 1152

Production costs are likely to rise after an average-cost pricing policy is mandated because the monopolist will

- A) have no incentive to control costs.
- B) increase output.
- C) decrease output.
- D) engage in new and inventive production methods.

Answer: <https://biology-forums.com/index.php?topic=737509>

Question 1153

Table 9.2 represents 3 markets for used guitars. Which of the markets in Table 14.2 are NOT in equilibrium?

- A) 1 only

- B) 2 only
- C) 3 only
- D) 2 and 3

Answer: <https://biology-forums.com/index.php?topic=737668>

Question 1154

Wages paid to teachers, police personnel, and postal workers are not transfer payments because they are payments for services and not simply "transfers" of money.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736588>

Question 1155

Which of the following is a macroeconomic statement?

- A) Real domestic output of seafood increased 12% from 2011 to 2012.
- B) The U.S. inflation rate was 2% in 2012.
- C) Motorcycle manufacturer productivity decreased by 3% in 2012.
- D) The price of cell phones decreased by 18% last year.

Answer: <https://biology-forums.com/index.php?topic=736518>

Question 1156

The level of output determined by the intersection of the short-run aggregate supply curve and the aggregate demand curve

- A) is always above full-employment output.
- B) may be above, below, or equal to full-employment output.
- C) is always below full-employment output.
- D) always corresponds to full-employment output.

Answer: <https://biology-forums.com/index.php?topic=737083>

Question 1157

Taxes are the only mechanism by which the federal government earns money.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738100>

Question 1158

As firms enter a monopolistically competitive market in the long run

- A) price increases, the market quantity demanded increases, and the quantity supplied by an individual firm increases.
- B) price increases and firm profits increase.
- C) price decreases, the market quantity demanded increases, and the quantity supplied by an individual firm decreases.
- D) price decreases, but firm profits increase as average costs decrease.

Answer: <https://biology-forums.com/index.php?topic=737209>

Question 1159

Suppose that the only input used in the generation of solar energy is sunlight and has a zero cost. The average total cost of producing electricity is

- A) zero.
- B) equal to the average fixed cost.
- C) equal to the marginal cost.
- D) immeasurably high.

Answer: <https://biology-forums.com/index.php?topic=735865>

Question 1160

If the growth rate for GDP was 9% and GDP in year 1 was 100, then GDP in year 2 would be

- A) 90.
- B) 109.
- C) 190.
- D) 199.

Answer: <https://biology-forums.com/index.php?topic=736833>

Question 1161

A firm's short-run supply curve is its marginal cost curve above the its average total cost curve.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736013>

Question 1162

Which of the following factors would indicate more elastic demand?

- A) There are few substitutes for the good.
- B) Demand is measured over a longer period of time.
- C) The good is a necessity, rather than a luxury.
- D) The good represents a small fraction of the budget.

Answer: <https://biology-forums.com/index.php?topic=735456>

Question 1163

Economists define the unemployed as individuals who are

- A) working less than their desired amount of time.
- B) not currently working but are actively looking for work.
- C) working but looking for a different job.
- D) not currently working.

Answer: <https://biology-forums.com/index.php?topic=736673>

Question 1164

An open market purchase by the Fed causes the value of the dollar to

- A) fall, increasing net exports.
- B) rise, increasing net exports.
- C) rise, reducing net exports.
- D) fall, reducing net exports.

Answer: <https://biology-forums.com/index.php?topic=738392>

Question 1165

Contractionary policies are government policies that

- A) decrease aggregate supply.
- B) increase aggregate demand.
- C) decrease aggregate demand.
- D) increase aggregate supply.

Answer: <https://biology-forums.com/index.php?topic=738022>

Question 1166

At a 3.5% annual growth rate it would take 20 years for GDP per capita to double.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736857>

Question 1167

If two firms expect to be in the market together for a long time, the benefit of underpricing will be large relative to the cost.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737427>

Question 1168

Table 9.2 represents 3 markets for used guitars. Which of the markets in Table 14.2 are in equilibrium?

- A) 1 only
- B) 2 only
- C) 3 only
- D) 2 and 3

Answer: <https://biology-forums.com/index.php?topic=737667>

Question 1169

The real-nominal principle can be stated as

- A) only the manufacture of real goods is production.
- B) what matters to people is the purchasing power of money or income.
- C) only final goods and services should be counted in GDP.
- D) production generates income.

Answer: <https://biology-forums.com/index.php?topic=736765>

Question 1170

The GDP equation is

- A) $C + I = G + NX$.
- B) $Y = C + I + G + NX$.
- C) $Y = C - I - G - NX$.
- D) $C + I = Y + G + NX$.

Answer: <https://biology-forums.com/index.php?topic=736576>

Question 1171

Recall the Application. The idea regarding the relationship between tax rates and tax revenues proposed by Yu Juo is very similar to the idea proposed by economist

- A) Ben Bernanke.
- B) David Ricardo.
- C) Arthur Laffer.
- D) Adam Smith.

Answer: <https://biology-forums.com/index.php?topic=738082>

Question 1172

Entry deterrence is always the best strategy for a monopolist.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737467>

Question 1173

Patents encourage firms to engage in innovation.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736195>

Question 1174

A pollution tax

- A) is a method used to externalize internal costs.
- B) will not affect the price of the good being produced.
- C) does not affect the quantity of a good demanded.
- D) is a method used to internalize external costs.

Answer: <https://biology-forums.com/index.php?topic=737877>

Question 1175

Recall the Application. Among the winners when there is an increase in labor migration to the United States are

- A) U.S. workers with the same skill level of the immigrants.
- B) U.S. consumers.
- C) firms in the country the workers left.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736487>

Question 1176

Labor costs account for approximately _____ of total production costs.

- A) one-third
- B) half
- C) one-fourth
- D) three-fourths

Answer: <https://biology-forums.com/index.php?topic=736178>

Question 1177

Explain why women, on average, earn less than men in the United States.

Answer: <https://biology-forums.com/index.php?topic=736474>

Question 1178

A monopolistically competitive market is one in which

- A) many firms sell similar yet slightly different products.
- B) only one firm sells a product.
- C) firms have no control over the price they charge for their product.
- D) all firms sell an identical product.

Answer: <https://biology-forums.com/index.php?topic=737187>

Question 1179

Suppose you notice that the market for used bikes is dominated by lemons (low-quality bikes). In such a situation, if you are a buyer of used bikes, you are faced with

- A) symmetric information.
- B) an adverse selection problem.
- C) a positive externality.
- D) perfect information.

Answer: <https://biology-forums.com/index.php?topic=737687>

Question 1180

Other things being equal, if the average fixed cost curve shifts upward at all output levels,

- A) the average total cost curve remains unchanged at all output levels.
- B) the vertical distance between the average total cost curve and the average variable cost curve increases at all output levels.
- C) the average variable cost curve shifts upward at all output levels.
- D) the marginal cost curve shifts upward at all output levels.

Answer: <https://biology-forums.com/index.php?topic=735782>

Question 1181

A White House proposal to lower business taxes by increasing tax deductions is an example of

- A) contractionary fiscal policy.
- B) expansionary fiscal policy.
- C) automatic stabilization.
- D) progressive taxation.

Answer: <https://biology-forums.com/index.php?topic=738066>

Question 1182

Which of the following is the largest component of national income?

- A) compensation of employees by firms
- B) rental income
- C) corporate profits
- D) net interest

Answer: <https://biology-forums.com/index.php?topic=736601>

Question 1183

Fluctuations in economic performance is one of the two basic issues of macroeconomics. The other is

- A) tracking unemployment.
- B) monitoring inflation rates.
- C) long-run economic growth.
- D) keeping interest rates in check.

Answer: <https://biology-forums.com/index.php?topic=736521>

Question 1184

Suppose that consumers expect the price of a product to decrease in the future. The result is that

- A) the current supply of the product increases.
- B) the current supply of the product decreases.
- C) the current demand for the product increases.
- D) the current demand for the product decreases.

Answer: <https://biology-forums.com/index.php?topic=735304>

Question 1185

If a 10% increase in price decreases the quantity demanded by 12%, the price elasticity of demand is 1.2.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735462>

Question 1186

In the short run, a firm considers its fixed cost as a(n)

- A) sunk cost.
- B) implicit cost.
- C) variable cost.
- D) marginal cost.

Answer: <https://biology-forums.com/index.php?topic=735988>

Question 1187

Waiters in countries where it's customary to tip waiters will tend to have lower wages than will waiters in countries where tipping is not customary.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736459>

Question 1188

Recall the Application. If lower wages due to immigration dominate the benefits of lower consumer prices,

- A) immigration creates winners and losers within the economy.
- B) high-skill workers gain at the expense of low-skill workers.
- C) low-skill workers will be worse off.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736485>

Question 1189

Which of the following would cause an increase in aggregate demand in the short run?

- A) a crop failure
- B) an increase in the supply of money
- C) a decrease in the price level
- D) an increase in taxes

Answer: <https://biology-forums.com/index.php?topic=737024>

Question 1190

Coase bargaining works best in a situation with a large number of affected parties and the transactions costs of bargaining are relatively low.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737874>

Question 1191

Suppose that in 2012 ABC Corp. produced 500 million units of a good at an average cost of \$2, and in 2013 ABC Corp. expanded its plant capacity and produced 600 million units at an average cost of \$1.80. In this range, one can conclude that ABC Corp. is experiencing

- A) economies of scale.
- B) neither economies of scale or diseconomies of scale.

- C) diseconomies of scale.
- D) diminishing marginal product.

Answer: <https://biology-forums.com/index.php?topic=735824>

Question 1192

Technological innovations are not necessarily major scientific breakthroughs.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736924>

Question 1193

According to the U.S. Secret Service, approximately \$2.6 billion of U.S. paper currency in circulation is counterfeit. The U.S. government is continually adding security features to its paper currency to help make counterfeit money easier to detect. If counterfeit currency remained undetected, a vast increase in the supply of counterfeit U.S. currency would

- A) reduce the amount of M1.
- B) lower the nominal income of the average U.S. worker.
- C) decrease aggregate demand in the short run.
- D) lead to inflation.

Answer: <https://biology-forums.com/index.php?topic=738163>

Question 1194

In a thin market

- A) some high-quality goods are sold but fewer than would be sold in a market with perfect information.
- B) some low-quality goods are sold but fewer than would be sold in a market with perfect information.
- C) no high-quality goods are sold.
- D) only high-quality goods are sold.

Answer: <https://biology-forums.com/index.php?topic=737698>

Question 1195

If the MPC = 0.9, the multiplier would be

- A) 0.1.
- B) 2.
- C) 9.
- D) 10.

Answer: <https://biology-forums.com/index.php?topic=737048>

Question 1196

Which of the following is NOT true when the firm experiences diminishing marginal product?

- A) The firm is operating in the short run.
- B) The firm's total cost is increasing.
- C) The total product is decreasing.
- D) The marginal product of the previous worker is higher than the current worker.

Answer: <https://biology-forums.com/index.php?topic=735697>

Question 1197

When a U.S. company shifts its call-center operations overseas to reduce costs, it is applying the economic concept of

- A) comparative advantage.
- B) diminishing returns.
- C) using assumptions to simplify.
- D) thinking at the margin.

Answer: <https://biology-forums.com/index.php?topic=738474>

Question 1198

If the quantity of money demanded exceeds the quantity of money supplied, then the

- A) equilibrium interest rate will decrease.
- B) equilibrium interest rate stays the same.
- C) equilibrium interest rate will increase.

D) effect on the equilibrium interest rate is indeterminate.

Answer: <https://biology-forums.com/index.php?topic=738366>

Question 1199

Recall the application. In 1987, the price elasticity of demand for vanity plates in Ohio was 2.60. If the state's objective was to maximize its revenue from vanity plates, it should increase its price.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735522>

Question 1200

Describe the field of economics known as macroeconomics.

Answer: <https://biology-forums.com/index.php?topic=735032>

Question 1201

Suppose that if poor households have a price elasticity of demand for medical care of 0.50 and rich households have a price elasticity of demand for medical care of 0.25, then a price increase of 10% would lead to the poor households reducing their quantity demanded for medical care by

- A) 2.5%.
- B) 5%.
- C) 25%.
- D) 50%.

Answer: <https://biology-forums.com/index.php?topic=735492>

Question 1202

Using the information in Table 12.2, the Astro Consumer Price Index for 2010 is

- A) 24.
- B) 100.
- C) 124.
- D) 189.

Answer: <https://biology-forums.com/index.php?topic=736769>

Question 1203

An example of a good that is nonexcludable is

- A) an art exhibition with admission fee.
- B) space exploration.
- C) a bottle of Tang.
- D) a piece of Velcro.

Answer: <https://biology-forums.com/index.php?topic=737810>

Question 1204

The government allows firms to engage in price discrimination unless the practice

- A) increases prices to consumers.
- B) allows the firm to earn positive economic profits.
- C) reduces consumer surplus.
- D) drives rival firms out of business.

Answer: <https://biology-forums.com/index.php?topic=736203>

Question 1205

Suppose that the CPI in Egypt was 111 in 2011 and 122 in 2012. The inflation rate between those two years was approximately

- A) 4.8%.
- B) 5.5%.
- C) 9.9%.
- D) 11%.

Answer: <https://biology-forums.com/index.php?topic=736801>

Question 1206

If the marginal benefit from water pollution abatement increases, then it is efficient to

- A) allow more water pollution.
- B) reduce water pollution to zero.
- C) let the market determine water pollution
- D) reduce water pollution further, but maybe not to zero.

Answer: <https://biology-forums.com/index.php?topic=737864>

Question 1207

What are the differences between economic cost and accounting costs?

Answer: <https://biology-forums.com/index.php?topic=735686>

Question 1208

A good is nonexcludable in consumption if it is not practical to exclude people who don't pay for it from enjoying its benefits.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737840>

Question 1209

A "trade deficit" occurs when

- A) we sell more to one country than another.
- B) we sell more to other countries than we buy from them.
- C) we sell less to one country than another.
- D) we buy more from other countries than we sell to them.

Answer: <https://biology-forums.com/index.php?topic=736575>

Question 1210

Firms are likely to prefer a pollution tax to a command-and-control policy because the command-and-control policy will

- A) result in consumers buying less of the good than under a pollution tax.
- B) result in the price of the good rising more than under a pollution tax.
- C) increase the costs of production more than a pollution tax.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=737947>

Question 1211

Hyperinflation is defined as an inflation rate

- A) that increases rapidly in one year and decreases rapidly the next year.
- B) that doubles each year.
- C) that exceeds 50% per month.
- D) that is moderately high but anticipated.

Answer: <https://biology-forums.com/index.php?topic=736819>

Question 1212

Does the threat of entry reduce the monopoly problem?

Answer: <https://biology-forums.com/index.php?topic=737472>

Question 1213

Suppose that the elasticity of demand for a product is 0.5. What will happen to total revenue as a firm increases the price?

- A) Total revenue will decrease.
- B) Total revenue will increase.
- C) Total revenue will stay the same.
- D) Cannot be determined from the information provided.

Answer: <https://biology-forums.com/index.php?topic=735503>

Question 1214

What is hyperinflation?

Answer: <https://biology-forums.com/index.php?topic=736826>

Question 1215

People who are the most willing to pay high interest rates for loans may have bad credit ratings. This is an example of

- A) a negative spillover.
- B) moral hazard.
- C) an experience rating.
- D) adverse selection.

Answer: <https://biology-forums.com/index.php?topic=737763>

Question 1216

Since a large or small wind turbine have the same installation, operating and maintenance costs, but a large turbine has four times the generating capacity but costs less than three times as much as a small turbine, the wind power industry faces decreasing returns to scale.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735866>

Question 1217

The free-rider problem arises because

- A) people disagree with how the government spends its money.
- B) enforcement of tax laws is inadequate.
- C) poor people cannot afford to contribute to public goods.
- D) once provided, a public good is available to all regardless of whether they paid for it.

Answer: <https://biology-forums.com/index.php?topic=737816>

Question 1218

Describe the channels through which an open market purchase of bonds by the Fed affects output in a closed economy.

Answer: <https://biology-forums.com/index.php?topic=738411>

Question 1219

Which of the following uses of tax revenues collected by the government leads to increased capital deepening?

- A) Medicare payments
- B) increased foreign aid
- C) building roads
- D) Social Security payments

Answer: <https://biology-forums.com/index.php?topic=736886>

Question 1220

Offering contributors private goods such as coffee mugs, books, or magazine subscriptions will _____ the free-rider problem and lead to a _____ level of contribution to the public good.

- A) reduce; larger
- B) increase; smaller
- C) reduce; smaller
- D) increase; larger

Answer: <https://biology-forums.com/index.php?topic=737823>

Question 1221

If the price a firm charges in a perfectly competitive industry is less than average total cost

- A) the firm is earning negative economic profit.
- B) the firm is earning zero economic profit.
- C) the firm is earning positive economic profit.
- D) it is not possible to determine anything about profits.

Answer: <https://biology-forums.com/index.php?topic=735941>

Question 1222

If a regulatory agency mandates that a natural monopoly charge a price equal to its average cost

- A) the firm will earn economic profits greater than zero.
- B) other firms will find it profitable to enter this industry.

- C) the firm will eventually exit the industry.
D) the firm will earn economic profits equal to zero.

Answer: <https://biology-forums.com/index.php?topic=737500>

Question 1223

Explain why the marginal cost curve intersects average total cost at the point of minimum average total cost.

Answer: <https://biology-forums.com/index.php?topic=735804>

Question 1224

Does the text suggest that the falling prices in solar power generation come from economies of scale?

Answer: <https://biology-forums.com/index.php?topic=735869>

Question 1225

A variable measures

- A) something that can take on different values.
B) factors that occur with high degrees of uncertainty.
C) the degree to which something varies over time.
D) something that always has the same value.

Answer: <https://biology-forums.com/index.php?topic=735000>

Question 1226

Briefly explain why often two firms could both be made better off by cooperating, but they fail to cooperate.

Answer: <https://biology-forums.com/index.php?topic=737390>

Question 1227

Suppose that there are only three consumers of a product. At a price of \$6 per unit, the first consumer would buy 12 units of the product, the second consumer would buy 8 units, and the third consumer would buy 3 units of the product. If you drew a market demand curve for this product, the quantity demanded at a price of \$6 would be

- A) 23 units.
B) 20 units.
C) 12 units.
D) 11 units.

Answer: <https://biology-forums.com/index.php?topic=735224>

Question 1228

Quality information for goods that are sold online

- A) is ineffective at reducing asymmetric information problems.
B) is available from ratings given by other buyers.
C) is unavailable because online sellers cannot be identified with certainty.
D) is of no value because anyone can write anything on the Internet.

Answer: <https://biology-forums.com/index.php?topic=737729>

Question 1229

The marginal product of an input is equal to the change in total product resulting from a one-unit increase in the quantity of that input.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=735788>

Question 1230

Define the marginal propensity to consume (MPC) and the marginal propensity to save (MPS), and explain why $MPC + MPS$ always equals 1.

Answer: <https://biology-forums.com/index.php?topic=737069>

Question 1231

What is the total demand for goods and services in an entire economy called?

- A) consumer demand
B) GDP demand

- C) aggregate demand
- D) supply and demand

Answer: <https://biology-forums.com/index.php?topic=737008>

Question 1232

In a monopolistically competitive market, there

- A) are many firms that have slight control over the price they charge for their product.
- B) are many firms selling an identical product.
- C) is only one firm that sells many similar yet slightly different products.
- D) are substantial barriers to entry.

Answer: <https://biology-forums.com/index.php?topic=737190>

Question 1233

Suppose that consumers expect that the price of a product will increase in the future. The result is that

- A) the current demand for the product decreases.
- B) the current supply of the product decreases.
- C) the current supply of the product increases.
- D) the current demand for the product increases.

Answer: <https://biology-forums.com/index.php?topic=735294>

Question 1234

Public goods are always provided by the government because private markets do not have an incentive to provide them.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737844>

Question 1235

Most economists believe that price indices

- A) understate inflation and understate growth in nominal GDP.
- B) overstate inflation and understate growth in nominal GDP.
- C) understate inflation and understate growth in real GDP.
- D) overstate inflation and understate growth in real GDP.

Answer: <https://biology-forums.com/index.php?topic=736779>

Question 1236

The contribution to output growth of technological progress is estimated by how much of the output growth can be explained by the growth in inputs.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736927>

Question 1237

When a firm is experiencing diminishing marginal returns

- A) average cost is decreasing.
- B) average cost is increasing.
- C) marginal costs are increasing.
- D) marginal costs are decreasing.

Answer: <https://biology-forums.com/index.php?topic=735743>

Question 1238

The opportunity cost of something is the gain you receive as a result of your sacrifice.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735109>

Question 1239

For a company to convince consumers to use their products repeatedly, they must

- A) make the customers see the benefits of the product.

- B) run the celebrity ads repeatedly.
- C) hire another celebrity endorser.
- D) hire an independent company to evaluate the product.

Answer: <https://biology-forums.com/index.php?topic=737291>

Question 1240

Suppose that a price discriminating monopolist is able to divide its market into two groups. If the firm sells its product for \$25 to the group whose customers have the least elastic demand, what price are they likely to charge to the group whose customers have the most elastic demand?

- A) less than \$25
- B) more than \$25
- C) \$25
- D) The answer depends on the marginal revenue for that group.

Answer: <https://biology-forums.com/index.php?topic=736226>

Question 1241

The ability of one person or nation to produce a good at a lower absolute cost than another is called a(n)

- A) specialization advantage.
- B) market advantage.
- C) absolute advantage.
- D) comparative advantage.

Answer: <https://biology-forums.com/index.php?topic=738445>

Question 1242

At higher interest rates the

- A) money supply is indeterminate.
- B) quantity of money demanded is lower.
- C) money supply is higher.
- D) quantity of money demanded is higher.

Answer: <https://biology-forums.com/index.php?topic=738303>

Question 1243

If a competitive firm is in short-run equilibrium, then

- A) price is equal to average variable cost.
- B) price is greater than marginal revenue.
- C) price is greater than marginal cost.
- D) marginal revenue is equal to marginal cost.

Answer: <https://biology-forums.com/index.php?topic=735944>

Question 1244

Economists use M2 to measure the amount of money that is regularly used in transactions.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738202>

Question 1245

The long-run labor demand curve is

- A) less elastic than the short-run labor demand curve.
- B) either more or less elastic than the short-run labor demand curve.
- C) perfectly elastic (horizontal).
- D) more elastic than the short-run labor demand curve.

Answer: <https://biology-forums.com/index.php?topic=736330>

Question 1246

The effort used to coordinate the factors of production is a description of

- A) human capital.
- B) entrepreneurship.
- C) labor.

D) physical capital.

Answer: <https://biology-forums.com/index.php?topic=734962>

Question 1247

In the United States today, economists estimate that the natural rate of unemployment is between _____ and _____%.

- A) 3; 4
- B) 6.5; 7.5
- C) 5; 6.5
- D) 3; 5.5

Answer: <https://biology-forums.com/index.php?topic=736731>

Question 1248

Recall the application. What was the approximate value of Wal-Mart's value added in 2008?

- A) \$88 billion
- B) \$ 286 billion
- C) \$ 374 billion
- D) \$ 661 billion

Answer: <https://biology-forums.com/index.php?topic=736611>

Question 1249

The Robinson-Patman Act outlawed predatory pricing.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737597>

Question 1250

The income effect and the substitution effect associated with a wage increase influence workers in the same direction.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736374>

Question 1251

If the minimum price of plums (high-quality) decreases, the market will become thinner.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737714>

Question 1252

Relative to a competitive market equilibrium, the profit maximizing quantity chosen by a monopolist will result in a deadweight loss because

- A) the monopolist will charge a price lower than the competitive equilibrium.
- B) the monopolist will produce at a quantity lower than the competitive equilibrium.
- C) the monopolist will produce at a quantity higher than the competitive equilibrium.
- D) the monopolist will keep producing at a quantity even though the $MR < MC$.

Answer: <https://biology-forums.com/index.php?topic=736153>

Question 1253

If the firm is incurring losses in the short run, then which of the following is true?

- A) $P > ATC$
- B) $P > MC$
- C) $MC > ATC$
- D) $P < ATC$

Answer: <https://biology-forums.com/index.php?topic=735936>

Question 1254

Resources are all of the following EXCEPT

- A) unlimited and in abundance.
- B) limited in quantity and can be used in different ways.

- C) the things we use to produce goods and services.
D) scarce and therefore require choices to be made.

Answer: <https://biology-forums.com/index.php?topic=734959>

Question 1255

Governments sometime create an excess demand for a product by setting a maximum price that is less than the equilibrium price, resulting in a permanent excess demand for the product. This is known as a price floor.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=735273>

Question 1256

Professional football players earn much higher wages than do accountants. Why?

Answer: <https://biology-forums.com/index.php?topic=736472>

Question 1257

A bank's excess reserves are the fraction of a bank's deposits held at the Federal Reserve.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=738254>

Question 1258

The value of all final goods and services produced during a given time period measures a nation's

- A) net exports.
B) gross domestic product.
C) net national product.
D) consumer price index.

Answer: <https://biology-forums.com/index.php?topic=736531>

Question 1259

Suppose that the market price of sugar is 25 cents per pound and a farmer's marginal cost of producing sugar is 28 cents per pound. The farmer should increase her sugar production.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=735954>

Question 1260

If real salaries decrease but nominal salaries do not, this means that

- A) prices have risen.
B) prices have fallen.
C) the purchasing power of money has increased.
D) prices have not changed.

Answer: <https://biology-forums.com/index.php?topic=735189>

Question 1261

Two government organizations that are responsible for initiating actions against possible antitrust cases are

- A) the Department of Justice and the Federal Trade Commission.
B) the Department of Commerce and the Federal Reserve.
C) the Department of Labor and the Department of Commerce.
D) the Department of Justice and the Department of Commerce.

Answer: <https://biology-forums.com/index.php?topic=737560>

Question 1262

Recall the application. At what point should Jasper Johns consider painting his own house?

- A) if the house painter charges \$500 per day and takes 20 days to paint the house
B) if his earnings dropped to \$1,000 per day
C) if the house painter charged more for 10 days worth of work than Johns could earn each day

D) if the house painter charged \$2,500 per day, since that is excessive for painting a house

Answer: <https://biology-forums.com/index.php?topic=735158>

Question 1263

The long-run supply curve is upward sloping in a constant cost industry.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736081>

Question 1264

Recall the Application. According to a study of Canadian workers, the _____ a worker's earnings in paid employment, the more likely the worker was to become an entrepreneur because the opportunity cost of that worker leaving a job and starting a business is _____.

- A) lower; lower
- B) lower; higher
- C) higher; higher
- D) higher; lower

Answer: <https://biology-forums.com/index.php?topic=735678>

Question 1265

Lower wages for women relative to those for men constitute wage discrimination if women earn lower wages

- A) and have lower productivity than men.
- B) in clerical and service occupations.
- C) due to career interruptions to raise children.
- D) but are equally productive.

Answer: <https://biology-forums.com/index.php?topic=736434>

Question 1266

A perfectly competitive firm is producing a good at a level where $P = \$90$ and $MC = \$90$. The firm will continue to produce as long as

- A) ATC is greater than \$90.
- B) AVC is less than \$90.
- C) AFC is less than \$90.
- D) price does not increase.

Answer: <https://biology-forums.com/index.php?topic=735983>

Question 1267

Banks can obtain funds to make loans by borrowing reserves from other banks through the federal funds market.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738356>

Question 1268

Recall the Application. If the decrease in price of illegal drugs is due to equal changes in demand and supply, the equilibrium quantity of drugs

- A) will increase.
- B) will decrease.
- C) will not change.
- D) may or may not change.

Answer: <https://biology-forums.com/index.php?topic=735386>

Question 1269

When the price of hamburger went from \$3 to \$4 a pound, the quantity demanded of buns changed from 30 to 25 packages a day. The cross-price elasticity of demand for hamburger (using the initial value formula) is

- A) 1.4.
- B) 0.6.
- C) -0.6.
- D) Not enough information to answer this question.

Answer: <https://biology-forums.com/index.php?topic=735570>

Question 1270

If you watch a football game on a cable TV, the cable TV is

- A) a private good and rival in consumption.
- B) a public good and nonexcludable.
- C) a public good but excludable.
- D) a private good but nonrival in consumption.

Answer: <https://biology-forums.com/index.php?topic=737797>

Question 1271

Recall the application. If you have \$10,000 to start a lawn-cutting business, the interest rate is 4%, your cost of equipment is \$3,000, and the earnings you sacrifice from working at another job are \$32,000, your yearly cost of doing business would be

- A) \$13,000.
- B) \$13,400.
- C) \$35,400.
- D) \$45,000.

Answer: <https://biology-forums.com/index.php?topic=735106>

Question 1272

Along with currency not in banks and deposits in checking accounts, what is another component of the M1 measure of money?

- A) credit cards
- B) debit cards
- C) prepaid accounts
- D) traveler's checks

Answer: <https://biology-forums.com/index.php?topic=738186>

Question 1273

The supply of workers in a particular occupation could be relatively small if

- A) job features are undesirable.
- B) training costs are high.
- C) there are few people with the required skills.
- D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=736415>

Question 1274

At full employment the unemployment rate equals the

- A) structural unemployment rate plus the cyclical unemployment rate.
- B) structural unemployment rate plus the frictional unemployment rate.
- C) cyclical unemployment rate.
- D) structural unemployment rate.

Answer: <https://biology-forums.com/index.php?topic=736727>

Question 1275

Which of the following is an example of natural monopoly?

- A) a market for cigarettes
- B) a market for cold medicines
- C) a market for cable TV services
- D) a market for breakfast cereals

Answer: <https://biology-forums.com/index.php?topic=737475>

Question 1276

You do not worry about how your bank is investing your money because your deposits are federally insured. This is an example of

- A) irrational behavior.
- B) adverse selection.
- C) a positive spillover.
- D) moral hazard.

Answer: <https://biology-forums.com/index.php?topic=737755>

Question 1277

If a firm suffers an economic loss, its

- A) price is less than its marginal revenue.
- B) price is less than its average total cost.
- C) price is less than its marginal cost.
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=735918>

Question 1278

If demand is perfectly inelastic, the price elasticity of demand is equal to

- A) 1.
- B) infinity.
- C) 0.
- D) a negative number between 0 and infinity.

Answer: <https://biology-forums.com/index.php?topic=735428>

Question 1279

When the firm increases output and the costs rise disproportionately faster, then the long-run average cost curve is _____ and the firm is experiencing _____.

- A) upward sloping; diseconomies of scale
- B) horizontal; constant returns to scale
- C) downward sloping; constant returns to scale
- D) downward sloping; economies of scale

Answer: <https://biology-forums.com/index.php?topic=735828>

Question 1280

How do monopoly prices and quantities produced differ from perfectly competitive outcomes, all other things equal?

- A) Monopoly prices are higher than competitive prices but monopoly quantities are lower than competitive quantities.
- B) Monopoly prices and quantities are both lower than competitive outcomes.
- C) Monopoly prices and quantities are both higher than competitive outcomes.
- D) Monopoly prices are lower than competitive prices but monopoly quantities are higher than competitive quantities.

Answer: <https://biology-forums.com/index.php?topic=736122>

Question 1281

One assumption of the basic model of supply and demand is that

- A) sellers will always have more information than buyers.
- B) buyers and sellers will benefit equally from a voluntary transaction.
- C) buyers and sellers have enough information to make informed choices.
- D) buyers will always have more information than sellers.

Answer: <https://biology-forums.com/index.php?topic=737613>

Question 1282

Under the conditions of monopolistic competition

- A) firm profits are always higher in the long run than in the short run.
- B) average costs of production are always higher in the short run than in the long run.
- C) prices are always lower in the long run than in the short run.
- D) None of the above is correct.

Answer: <https://biology-forums.com/index.php?topic=737206>

Question 1283

Suppose that a sporting goods store had \$800 of golf balls on its shelves at the beginning of 2012 and \$1,300 at the end of 2012. The amount of inventory investment included in GDP would be

- A) \$500.
- B) \$800.
- C) \$1,300.
- D) \$2,100.

Answer: <https://biology-forums.com/index.php?topic=736553>

Question 1284

An increase in demand will induce entry by firms in the long run.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736067>

Question 1285

The government may intervene when a specific business practice increases concentration in an already concentrated market.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737591>

Question 1286

Recall the Application. Because when a patent ends and generic drugs are introduced there is downward pressure on price, the makers of the brand name drug will

- A) abandon the product.
- B) raise their price.
- C) price discriminate.
- D) claim the generic is not as good as the patent version of the drug.

Answer: <https://biology-forums.com/index.php?topic=736193>

Question 1287

Alissa is studying for her principles of economics exam. She tells her study partner that "Only a very small number of people ever get to become astronauts and go into space. Therefore space exploration is not a public good." Do you agree? Explain.

Answer: <https://biology-forums.com/index.php?topic=737848>

Question 1288

According to the information in Table 16.1, M2 is equal to

- A) \$840 billion.
- B) \$1,062 billion.
- C) \$1,692 billion.
- D) \$1,862 billion.

Answer: <https://biology-forums.com/index.php?topic=738182>

Question 1289

Public Broadcasting, in its fund drives, often appeals to viewers by saying, "without you, there will be no Big Bird." This is likely to _____ the free-rider problem and lead to a _____ level of contribution to the public good.

- A) increase; larger
- B) reduce; larger
- C) increase; smaller
- D) reduce; smaller

Answer: <https://biology-forums.com/index.php?topic=737828>

Question 1290

The law of supply states that there is a positive relationship between price and quantity supplied, ceteris paribus.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735254>

Question 1291

Suppose you know that at the current level of production average total cost equals marginal cost, then you know that it is also true that

- A) fixed costs are zero.
- B) average total cost is minimized at the current level of output.
- C) average total cost will decrease if production is increased.
- D) average fixed costs are increasing.

Answer: <https://biology-forums.com/index.php?topic=735772>

Question 1292

Suppose real GDP was 120 in year 1 and 156 in year 2. The growth rate of real GDP is

- A) 5.6%.
- B) 18%.
- C) 30%.
- D) 36%.

Answer: <https://biology-forums.com/index.php?topic=736831>

Question 1293

Suppose that you own a golf course that is part of a Florida resort. You primarily serve two groups of people: local residents and tourists. Devise a price discrimination strategy that will increase your revenues compared to a single-pricing strategy.

Answer: <https://biology-forums.com/index.php?topic=736266>

Question 1294

The forces of supply and demand will provide a quantity that is

- A) exactly the efficient quantity if a good generates external benefits.
- B) less than the efficient quantity if a good generates external benefits.
- C) more than the efficient quantity if a good generates external benefits.
- D) either more than or less than the efficient quantity if a good generates external benefits. It is impossible to know whether it will be too much or too little without more information.

Answer: <https://biology-forums.com/index.php?topic=737832>

Question 1295

Suppose that the percentage change in demand is 20%, the price elasticity of demand is 3, and the price elasticity of supply is 2. What is the percentage change in the equilibrium price?

- A) 4%
- B) 5%
- C) 15%
- D) 20%

Answer: <https://biology-forums.com/index.php?topic=735640>

Question 1296

At lower interest rates the

- A) quantity of money demanded is higher.
- B) money supply is indeterminate.
- C) quantity of money demanded is lower.
- D) money supply is lower.

Answer: <https://biology-forums.com/index.php?topic=738304>

Question 1297

Suppose that a price index in Latvia was 120 in 2011 and 150 in 2012. The inflation rate between those two years was approximately

- A) 8%.
- B) 12.5%.
- C) 25%.
- D) 30%.

Answer: <https://biology-forums.com/index.php?topic=736799>

Question 1298

If the price elasticity of supply is elastic, which of the following could be a possible value of the elasticity?

- A) 3
- B) 1
- C) 0.3
- D) 0

Answer: <https://biology-forums.com/index.php?topic=735599>

Question 1299

Recall the application. The average annual spending on state lotteries per adult living in a lottery state is

- A) less than \$20.
- B) \$56.
- C) \$212.
- D) more than \$500.

Answer: <https://biology-forums.com/index.php?topic=736505>

Question 1300

Under a system of marketable pollution permits

- A) the amount of pollution an individual firm can generate is determined by the number of permits issued to it by the government.
- B) the production costs for firms are not affected.
- C) the government controls the production process of firms who pollute.
- D) firms can trade away their right to pollute.

Answer: <https://biology-forums.com/index.php?topic=737962>

Question 1301

During an economic boom

- A) it is difficult for firms to recruit and retain workers.
- B) firms have an easier time purchasing raw materials.
- C) the level of unemployment tends to be high.
- D) prices tend to decrease over time.

Answer: <https://biology-forums.com/index.php?topic=737123>

Question 1302

In Table 9.3, Market 3 would be in equilibrium if buyers believed lemons account for

- A) 45% of the market.
- B) 50% of the market.
- C) 55% of the market.
- D) 60% of the market.

Answer: <https://biology-forums.com/index.php?topic=737676>

Question 1303

When a firm has decreasing average costs over the entire range of market demand it is

- A) an oligopoly.
- B) in a contestable market.
- C) a natural monopoly.
- D) rent seeking.

Answer: <https://biology-forums.com/index.php?topic=737480>

Question 1304

The market demand curve shows the relationship between the price and the quantity demanded by all consumers, everything else being equal.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735236>

Question 1305

At the beginning of the Vietnam War, increased military spending in the United States decreased unemployment.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738142>

Question 1306

Suppose that in a month the price of a gallon of milk increases from \$2 to \$2.50. At the same time, the quantity of gallons of milk demanded decreases from 100 to 80. The price elasticity of demand for gallons of milk (calculated using the midpoint formula) is approximately

- A) 1.2.

- B) 0.2.
- C) 1.
- D) 0.11.

Answer: <https://biology-forums.com/index.php?topic=735409>

Question 1307

If the economy grew at 7% from 2011 to 2012 and real GDP was 400 in 2011, what was real GDP in 2012?

- A) 393
- B) 400
- C) 407
- D) 428

Answer: <https://biology-forums.com/index.php?topic=736619>

Question 1308

Suppose a bank has \$200,000 in deposits, a reserve ratio of 10%, and reserves of \$45,000. This bank has excess reserves of

- A) \$155,000.
- B) \$25,000.
- C) \$10,000.
- D) \$5,000.

Answer: <https://biology-forums.com/index.php?topic=738229>

Question 1309

For country A, an export is a good produced in

- A) country B and purchased by residents of country A.
- B) country A and purchased by residents of country B.
- C) country A and purchased by residents of country A.
- D) country B and purchased by residents of country B.

Answer: <https://biology-forums.com/index.php?topic=738467>

Question 1310

If there is the legitimate threat of entry into a market, then the market is said to be

- A) perfectly competitive.
- B) reactive.
- C) contestable.
- D) secure.

Answer: <https://biology-forums.com/index.php?topic=737460>

Question 1311

A federal budget _____ occurs when the government spends less than it collects in taxes.

- A) floor
- B) deficit
- C) equilibrium
- D) surplus

Answer: <https://biology-forums.com/index.php?topic=738080>

Question 1312

If the price of output decreases, the equilibrium wage of workers who produce that output will _____ and _____ workers will be hired.

- A) decrease; fewer
- B) increase; more
- C) increase; fewer
- D) decrease; more

Answer: <https://biology-forums.com/index.php?topic=736390>

Question 1313

A good is said to be "inferior" if

- A) it is of low quality.
- B) it has many substitutes.

- C) it has a negative income elasticity of demand.
D) consumers buy less of it at a high price.

Answer: <https://biology-forums.com/index.php?topic=735552>

Question 1314

An insecure monopoly is one where

- A) a new patent has been granted.
B) no other firms can enter.
C) the possibility of a second firm entering exists.
D) price-fixing is illegal under the Sherman Act.

Answer: <https://biology-forums.com/index.php?topic=737441>

Question 1315

A market in which there are neither external benefits nor external costs is

- A) inefficient.
B) efficient.
C) efficient and equitable.
D) impossible.

Answer: <https://biology-forums.com/index.php?topic=737784>

Question 1316

Under which conditions might diseconomies of scale result?

- A) increasing output prices
B) usage of a large amount of indivisible inputs by the firm
C) improved coordination brought about by bureaucracy
D) increasing price of inputs

Answer: <https://biology-forums.com/index.php?topic=735830>

Question 1317

Economists believe that the CPI overstates actual price changes by as much as _____ to _____% each year.

- A) 0.5; 1
B) 1; 2
C) 2; 3
D) 0.5; 1.5

Answer: <https://biology-forums.com/index.php?topic=736781>

Question 1318

Analysis of a proposed merger involves examining its effect only on a market's concentration.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=737587>

Question 1319

Economics is the study of

- A) how government officials decide which goods and services are produced.
B) how to invest in the stock market.
C) the role of money in markets.
D) how society uses limited resources.

Answer: <https://biology-forums.com/index.php?topic=734954>

Question 1320

The majority of spending in the category of government purchases comes from

- A) military spending.
B) the federal government.
C) transfer payments.
D) state and local governments.

Answer: <https://biology-forums.com/index.php?topic=736561>

Question 1321

The percentage change in the quantity of peanut butter demanded divided by the percentage change in price of jelly measures

- A) the price elasticity of demand for peanut butter.
- B) the cross-price elasticity of demand for jelly with respect to the price of peanut butter.
- C) the price elasticity of demand for jelly.
- D) the cross-price elasticity of demand for peanut butter with respect to the price of jelly.

Answer: <https://biology-forums.com/index.php?topic=735564>

Question 1322

The opportunity cost of holding money is

- A) the probability of theft or loss.
- B) the return that could have been earned from holding wealth in other assets.
- C) the ease of conducting everyday business.
- D) heavy and awkward.

Answer: <https://biology-forums.com/index.php?topic=738301>

Question 1323

Suppose Toor's beer is sold in a monopolistically competitive market. If the price of Toor's is currently \$2 and the average cost of producing Toor's is \$1, in the long run we can expect

- A) no change in the price or average cost of producing Toor's beer.
- B) the demand curve for Toor's beer to become horizontal.
- C) the demand for Toor's beer to increase.
- D) the price of Toor's beer to decrease, and the average cost of producing Toor's to increase.

Answer: <https://biology-forums.com/index.php?topic=737214>

Question 1324

Draw a graph showing the effect on the market of the imposition of a quantity restriction. Show the effect on consumer and producer surplus.

Answer: <https://biology-forums.com/index.php?topic=1930090>

Question 1325

Imagine two countries, Zorba and Anduluvia. Zorba is producing everything at a lower resource cost than Anduluvia. If the two countries trade what is the reason?

Answer: <https://biology-forums.com/index.php?topic=738500>

Question 1326

In a simple economy without government or foreign trade, any income not consumed is called

- A) investment.
- B) depreciation.
- C) saving.
- D) net investment.

Answer: <https://biology-forums.com/index.php?topic=736872>

Question 1327

In Table 9.3, Market 2 would be in equilibrium if buyers believed plums account for

- A) about 16.67% of the market.
- B) about 33.33% of the market.
- C) about 66.67% of the market.
- D) about 88.89% of the market.

Answer: <https://biology-forums.com/index.php?topic=737675>

Question 1328

A group of firms that coordinate their pricing decisions is called

- A) monopolistic competition.
- B) a duopoly.
- C) a monopoly.
- D) a cartel.

Answer: <https://biology-forums.com/index.php?topic=737329>

Question 1329

In a simple economy without government or the foreign sector, saving must equal investment because output is divided into consumption and investment, and income is either consumed or saved.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736897>

Question 1330

What is a four-firm concentration ratio, and how is it used?

Answer: <https://biology-forums.com/index.php?topic=737386>

Question 1331

Recall the application. Becoming unemployed caused _____ in perceived well-being for men if those in their peer group were also unemployed.

- A) no change
- B) a larger decrease
- C) a smaller decrease
- D) an large increase

Answer: <https://biology-forums.com/index.php?topic=736759>

Question 1332

Increased specialization in large firms might lead to

- A) horizontal marginal cost curves.
- B) downward-sloping long-run average cost curves.
- C) upward-sloping marginal cost curves.
- D) upward-sloping long-run average cost curves.

Answer: <https://biology-forums.com/index.php?topic=735818>

Question 1333

Net interest payments made by the government depend on the total federal debt held and on the level of interest rates.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738099>

Question 1334

Expansionary policies are policies designed to

- A) increase the level of real GDP.
- B) decrease government spending.
- C) reduce the federal deficit.
- D) reduce the level of real GDP.

Answer: <https://biology-forums.com/index.php?topic=738012>

Question 1335

Imports are products produced in the home country and sold in another country.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738488>

Question 1336

On the "supply side" of a market, producers indicate to consumers what they are willing to sell, in what quantity and at what price.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735253>

Question 1337

The demand for a product tends to be less elastic as the product accounts for a larger fraction of a consumer's budget.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735468>

Question 1338

What three effects can alter the aggregate demand curve?

Answer: <https://biology-forums.com/index.php?topic=737063>

Question 1339

Suppose that a minimum wage is set that is higher than wages for retail workers. This is _____ news for shoppers and _____ retail workers.

- A) good; good news for some but not all
- B) bad; good news for all
- C) good; good news for all
- D) bad; good news for some, but not all

Answer: <https://biology-forums.com/index.php?topic=736411>

Question 1340

A perfectly competitive industry is in long-run equilibrium. If demand for the product increases, we can expect the price of the good to

- A) fall and remain at the lower price.
- B) rise and remain at the higher price.
- C) rise at first and then fall.
- D) fall at first and then rise.

Answer: <https://biology-forums.com/index.php?topic=736041>

Question 1341

If a profit-maximizing firm in a perfectly competitive market is currently producing the output where $(\text{price} - \text{average variable cost}) = \text{average fixed cost}$, the firm is

- A) making a zero economic profit.
- B) suffering an economic loss.
- C) making a positive economic profit.
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=735938>

Question 1342

Cartels engage in price fixing in order to

- A) retain customers.
- B) increase profits.
- C) drive out competition.
- D) promote entry.

Answer: <https://biology-forums.com/index.php?topic=737332>

Question 1343

Which of the following does NOT decrease aggregate demand in the United States?

- A) a decrease in the price of oil
- B) a decrease in government spending
- C) a decrease in the supply of money
- D) a decrease in GDP in Germany

Answer: <https://biology-forums.com/index.php?topic=737023>

Question 1344

Technological progress is one of the mechanisms by which economies can grow.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736854>

Question 1345

In Table 9.1, Market 1 would be in equilibrium if buyers believed lemons accounted for

- A) 60% of the market.
- B) 55% of the market.
- C) 45% of the market.
- D) 40% of the market.

Answer: <https://biology-forums.com/index.php?topic=737631>

Question 1346

During an economic boom

- A) potential output exceeds quantity demanded.
- B) actual output exceeds potential output.
- C) potential output exceeds actual output.
- D) aggregate demand exceeds aggregate supply.

Answer: <https://biology-forums.com/index.php?topic=737122>

Question 1347

To reduce labor costs, companies often invent machines and methods to produce products and reduce the amount of labor required. This is called

- A) induced innovation.
- B) failed labor utilization.
- C) downsizing.
- D) anti-union.

Answer: <https://biology-forums.com/index.php?topic=736936>

Question 1348

If a person has a comparative advantage in some activity, she must have an absolute advantage in that activity as well.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738485>

Question 1349

Tie-in sales

- A) are the same as predatory pricing.
- B) are legal under the Clayton Act.
- C) are contracts that prevent purchasing one good without purchasing another.
- D) were banned under the Hart-Scott-Rodino Act.

Answer: <https://biology-forums.com/index.php?topic=737578>

Question 1350

Trade will be beneficial for a nation with a comparative advantage in producing a certain product.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738490>

Question 1351

In an increasing-cost industry, the long-run market supply curve is

- A) negatively sloped.
- B) vertical.
- C) horizontal.
- D) positively sloped.

Answer: <https://biology-forums.com/index.php?topic=736025>

Question 1352

When a hair stylist charges men less than women for a haircut because men's hair take less time to cut, the hairstylist is price discriminating.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736252>

Question 1353

Kevin's Golf-a-Rama sells golf balls in a perfectly competitive market. At its current level of golf ball production, Kevin has marginal costs equal to \$2. If the market price of golf balls is \$1, Kevin should

- A) increase the production of golf balls.
- B) raise the price of its golf balls.
- C) continue producing the current level of production.
- D) decrease the level of golf ball production.

Answer: <https://biology-forums.com/index.php?topic=735921>

Question 1354

The price elasticity of demand reflects the responsiveness of

- A) demand to a change in price.
- B) demand to a change in price of a substitute good.
- C) quantity demanded to a change in price.
- D) firms to changes in demand.

Answer: <https://biology-forums.com/index.php?topic=735299>

Question 1355

Marginal revenue product equals marginal revenue times the price of output.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736334>

Question 1356

Explain the difference between the short run and the long run.

Answer: <https://biology-forums.com/index.php?topic=735690>

Question 1357

An increase in the level of real GDP in the economy leads to

- A) a leftward movement along the demand for money curve.
- B) a rightward shift in the demand for money curve.
- C) a rightward movement along the demand for money curve.
- D) a leftward shift in the demand for money curve.

Answer: <https://biology-forums.com/index.php?topic=738307>

Question 1358

At a price of \$10, the marginal revenue of a monopolist is \$6. If the marginal cost of production is \$8, what should the monopolist do in order to maximize profits?

- A) Increase its price.
- B) Keep its price at the same level.
- C) Decrease its price.
- D) not enough information to solve

Answer: <https://biology-forums.com/index.php?topic=736125>

Question 1359

Nations that borrow from abroad to support current consumption

- A) will always sacrifice current consumption.
- B) may sacrifice future consumption.
- C) will always sacrifice future consumption.
- D) will always be better off in the future.

Answer: <https://biology-forums.com/index.php?topic=736894>

Question 1360

The first antitrust legislation was the

- A) Sherman Act.
- B) Clayton Act.

- C) Robinson-Patman Act.
- D) Federal Trade Commission Act.

Answer: <https://biology-forums.com/index.php?topic=737561>

Question 1361

Recall the Application. Prior to the financial crisis, the Fed primarily held _____ as assets.

- A) mortgage-backed securities
- B) Treasury securities
- C) corporate stocks and bonds
- D) cash

Answer: <https://biology-forums.com/index.php?topic=738316>

Question 1362

Which one of the following statements is true?

- A) A bank's assets plus its liabilities must equal zero.
- B) A bank's reserves can only be kept as cash in its vault.
- C) Assets generate income for a bank.
- D) Demand deposits are assets of a bank.

Answer: <https://biology-forums.com/index.php?topic=738217>

Question 1363

Normative economic analysis answers what question?

Answer: <https://biology-forums.com/index.php?topic=734989>

Question 1364

A decrease in the cost of production will shift the supply curve down and to the right.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735364>

Question 1365

If a firm that makes \$100 profit per pair of shoes pays LeBron James \$2,000,000 to endorse their basketball shoes, then to make the endorsement pay off they must sell at least

- A) \$20,000 more in shoes.
- B) 200,000 more pairs of shoes.
- C) \$2,000,000 more in shoes.
- D) 20,000 more pairs of shoes.

Answer: <https://biology-forums.com/index.php?topic=737292>

Question 1366

An advantage offered by pollution taxes that is NOT offered by command-and-control policies is that

- A) under pollution taxes, the government receives tax revenues that may be used to clean up pollution.
- B) a pollution tax decreases the price of the polluting good.
- C) under pollution taxes pollution is usually reduced to zero.
- D) pollution taxes decrease the demand for the good generating the pollution.

Answer: <https://biology-forums.com/index.php?topic=737948>

Question 1367

The increase in spending that occurs because the real value of money increases when the price level falls is known as the

- A) price effect.
- B) international trade effect.
- C) interest rate effect.
- D) wealth effect.

Answer: <https://biology-forums.com/index.php?topic=737011>

Question 1368

What is the economic rule for the optimal amount of pollution?

Answer: <https://biology-forums.com/index.php?topic=737875>

Question 1369

The Celler-Kefauver Act outlawed predatory pricing.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737598>

Question 1370

A firm's short-run supply curve is its marginal cost curve above the shut down point.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736015>

Question 1371

There is a negative relationship between two variables if

- A) they move in the same direction.
- B) neither variable moves.
- C) one variable changes and the other does not.
- D) they move in opposite directions.

Answer: <https://biology-forums.com/index.php?topic=735045>

Question 1372

As a component of GDP, consumption expenditures refers to purchases by consumers of currently produced goods and services.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736582>

Question 1373

If potential output exceeds actual output, _____ shifts downward over time.

- A) the short-run AS curve
- B) the long-run AS curve
- C) the short-run AD curve
- D) the long-run AD curve

Answer: <https://biology-forums.com/index.php?topic=737126>

Question 1374

We expect firms with _____ to sell marketable pollution permits to firms with _____.

- A) high production capacity; low production capacity
- B) low abatement costs; high abatement costs
- C) high abatement costs; low abatement costs
- D) high price goods; low price goods

Answer: <https://biology-forums.com/index.php?topic=737993>

Question 1375

A vertical supply curve is infinitely elastic.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735633>

Question 1376

Monopolists reduce producer surplus.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736179>

Question 1377

Unemployment insurance typically replaces a worker's full earnings.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736762>

Question 1378

Considering how a change in one variable affects the value of another variable is called

- A) functional decision making.
- B) the Peter Principle.
- C) the marginal principle.
- D) the principle of supply and demand.

Answer: <https://biology-forums.com/index.php?topic=735136>

Question 1379

Changes in demand will often be met with changes in output rather than changes in prices because of formal and informal contracts.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737002>

Question 1380

The supply-side motivated tax cuts of 1981 during the Reagan administration were aimed at

- A) decreasing aggregate supply.
- B) increasing aggregate supply.
- C) balancing the federal budget.
- D) increasing aggregate demand.

Answer: <https://biology-forums.com/index.php?topic=738131>

Question 1381

Sheila sells corn in a perfectly competitive market. This month Sheila receives a lower price for a bushel of corn than she did last month. This might have happened because

- A) the market demand decreased for corn.
- B) the market demand increased for corn.
- C) firms exited the market.
- D) Sheila's costs have increased.

Answer: <https://biology-forums.com/index.php?topic=736037>

Question 1382

Inside lags are

- A) more variable for monetary policy than for fiscal policy.
- B) longer for monetary policy than for fiscal policy.
- C) longer for fiscal policy than for monetary policy.
- D) the same for fiscal policy and monetary policy.

Answer: <https://biology-forums.com/index.php?topic=738419>

Question 1383

Suppose that a price discriminating monopolist is able to divide its market into two groups. If the firm sells its product for \$50 to the group whose customers have the most elastic demand, what price are they likely to charge to the group whose customers have the least elastic demand?

- A) less than \$50
- B) more than \$50
- C) \$50
- D) The answer depends on the marginal revenue for that group.

Answer: <https://biology-forums.com/index.php?topic=736225>

Question 1384

Table 9.3 represents 3 markets for used stereos. Which of the markets in Table 14.3 are in equilibrium?

- A) 1 only
- B) 2 only
- C) 3 only
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=737672>

Question 1385

The marginal principle _____ to the determination of the optimal level of pollution abatement because _____.

- A) applies; pollution abatement causes greater harm than benefits
- B) does not apply; it is immoral to trade a dirtier environment for material wealth
- C) applies; there are tradeoffs in terms of the costs and benefits of pollution abatement
- D) does not apply; the costs and benefits of pollution abatement cannot be measured

Answer: <https://biology-forums.com/index.php?topic=737860>

Question 1386

If substantial up-front investments in advertising campaigns become essential to a successful market entry, the market is most likely to be

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

Answer: <https://biology-forums.com/index.php?topic=737324>

Question 1387

Inferior goods are substandard.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735580>

Question 1388

As compared to a perfectly competitive firm, a monopolistically competitive firm will

- A) face more barriers to entry.
- B) have more control over price.
- C) have less control over price.
- D) face many more competitors.

Answer: <https://biology-forums.com/index.php?topic=737271>

Question 1389

Recall the Application. If the minimum of average total cost for switchgrass farmers is \$55 per ton and the minimum of average variable costs is \$40 per ton, then at a price of \$35 per ton in the short-run the switchgrass farmer will

- A) operate losing money.
- B) shut down, that is bring no switchgrass to market.
- C) make a zero economic profit.
- D) make a positive economic profit.

Answer: <https://biology-forums.com/index.php?topic=735950>

Question 1390

Which of the following is an example of a barrier to entry?

- A) A newspaper sells advertising space to businesses.
- B) lack of a Web site
- C) A firm is open for business only at certain hours of the day, and has its doors locked at other times.
- D) The government grants licenses to taxicab drivers, without which it is illegal to operate a taxicab.

Answer: <https://biology-forums.com/index.php?topic=736095>

Question 1391

If the price elasticity of supply is 3, supply is

- A) unaffected by price changes.
- B) inelastic.

- C) unitary elastic.
D) elastic.

Answer: <https://biology-forums.com/index.php?topic=735595>

Question 1392

One of the flaws of GDP is that it

- A) includes measures of the underground economy.
B) includes measures of changes of quality of life associated with producing output.
C) ignores transactions that do not take place in organized markets.
D) includes only transactions that take place in formal businesses.

Answer: <https://biology-forums.com/index.php?topic=736656>

Question 1393

The ratio of the percentage change in quantity demanded to the percentage change in price is known as the

- A) price elasticity of demand.
B) demand-side shift factor.
C) cross elasticity of demand.
D) income elasticity of demand.

Answer: <https://biology-forums.com/index.php?topic=735393>

Question 1394

A network externality occurs when

- A) the value of a product to a consumer requires another product.
B) a firm has a patent.
C) a firm has large economies of scale.
D) the value of a product to a consumer increase with the number of other consumers who use it.

Answer: <https://biology-forums.com/index.php?topic=736101>

Question 1395

Explain the difference between a change in quantity supplied and a change in supply.

Answer: <https://biology-forums.com/index.php?topic=735368>

Question 1396

What matters to people is the real value of money or income.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=735208>

Question 1397

A contestable market is one where there are few if any barriers to entry.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=737470>

Question 1398

Inflation makes money an imperfect store of value.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=738198>

Question 1399

Ceteris paribus is the same as rise / run.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=735017>

Question 1400

Which one of the following is NOT true of a thin market?

- A) The price of the good sold will be higher than if the market were thicker.
- B) There may be some sellers of high-quality goods because people are in a hurry to sell.
- C) There are relatively few high-quality goods sold.
- D) It is caused by asymmetric information.

Answer: <https://biology-forums.com/index.php?topic=737699>

Question 1401

For what kinds of goods are buyers most likely to seek additional information about quality?

Answer: <https://biology-forums.com/index.php?topic=737749>

Question 1402

According to the principle of diminishing returns, if all factors of production but one are held constant and if that one factor is doubled, then eventually output will most likely

- A) more than double.
- B) double too.
- C) less than double.
- D) remain unchanged.

Answer: <https://biology-forums.com/index.php?topic=735165>

Question 1403

In which of the following situations can a firm or individual apply for a patent?

- A) Nicki Minaj, a recording artist, releases a new CD in the market.
- B) An author publishes a new novel.
- C) A firm develops a new tool that makes cutting grass much easier.
- D) All of the above are activities that can be patented.

Answer: <https://biology-forums.com/index.php?topic=736188>

Question 1404

In the short run, if the stock of capital _____ there will be more depreciation.

- A) remains stable
- B) grows
- C) declines
- D) grows, declines, or remains stable

Answer: <https://biology-forums.com/index.php?topic=736882>

Question 1405

If in the short-run the firm incurs zero marginal cost, then the firm will

- A) never shut down.
- B) shut down if the price is less than the average total cost.
- C) shut down if the marginal cost equals the marginal revenue.
- D) shut down if the price is greater than the average variable cost.

Answer: <https://biology-forums.com/index.php?topic=735965>

Question 1406

Price discrimination is based on differences in _____ among groups of consumers and the differences in _____ that will result.

- A) cross elasticities of demand; revenues
- B) quantities supplied; marginal revenues
- C) income elasticities of demand; marginal costs
- D) price elasticities of demand; profits

Answer: <https://biology-forums.com/index.php?topic=736223>

Question 1407

If the government _____ taxes to pay for spending on infrastructure, the result will most likely be a(n) _____ in capital deepening.

- A) increases; increase

- B) increases; decrease
- C) decreases; increase
- D) eliminates; elimination

Answer: <https://biology-forums.com/index.php?topic=736888>

Question 1408

In the 1980s and 1990s, average per capita income increased by a greater percentage in sub-Saharan Africa than it did in the rest of the world.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=734997>

Question 1409

By law, banks are required to

- A) lend out no more than the amount of their required reserves.
- B) hold a fraction of their reserves at the Federal Reserve bank.
- C) hold 100% of customer deposits as reserves.
- D) hold a fraction of demand deposits as reserves.

Answer: <https://biology-forums.com/index.php?topic=738222>

Question 1410

Which of the following is NOT an artificial barrier to entry?

- A) a patent
- B) government licensing
- C) government franchise
- D) large economies of scale

Answer: <https://biology-forums.com/index.php?topic=736096>

Question 1411

Assuming a long-run aggregate supply curve, a decrease in government spending results in _____ in output and _____ in price level.

- A) a decrease; a decrease
- B) an increase; no change
- C) no change; an increase
- D) no change; a decrease

Answer: <https://biology-forums.com/index.php?topic=737075>

Question 1412

The income elasticity of demand is

- A) the percentage change in price divided by the percentage change in income.
- B) the percentage change in quantity demanded divided by the percentage change in income.
- C) the percentage change in quantity demanded divided by the percentage change in price.
- D) the percentage change in income divided by the percentage change quantity demanded.

Answer: <https://biology-forums.com/index.php?topic=735555>

Question 1413

M1

- A) is the sum of currency plus traveler's checks.
- B) includes credit cards.
- C) includes small time deposits.
- D) is the narrowest definition of the money supply.

Answer: <https://biology-forums.com/index.php?topic=738166>

Question 1414

People who stopped looking for work because they could not find jobs are called discouraged workers.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736710>

Question 1415

A duopoly is an industry with two firms in it.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737377>

Question 1416

Tradeoffs involve an exchange of one thing for another because resources are limited and can be used in different ways.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735111>

Question 1417

On the "demand side" of a market, consumers indicate what they are willing to buy, in what quantity and at what price.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735234>

Question 1418

Which of the following is true about a perfectly competitive firm in the long run and in the short run?

- A) The supply curve in the short run is usually steeper than the supply curve in the long run.
- B) The supply curve in the short run is usually flatter than the supply curve in the long run.
- C) The supply curve in the short run is usually steeper than the average total cost curve in the long run.
- D) The demand curve in the short run is usually steeper than the marginal cost curve in the long run.

Answer: <https://biology-forums.com/index.php?topic=735962>

Question 1419

When the Motor Carrier Act of 1980 was made into law, new firms entered into the trucking industry. This action by new trucking firms confirm that

- A) the trucking industry was earning losses before and after the entry of the new firms.
- B) the trucking industry was earning profits as a result of the entry of the new firms.
- C) the trucking industry was earning profits in the long run prior to the entry of the new firms.
- D) the trucking industry was earning losses in the long run prior to the entry of the new firms.

Answer: <https://biology-forums.com/index.php?topic=737149>

Question 1420

Recall the Application. When a state makes car insurance compulsory, decreasing the number of uninsured drivers, roads tend to become less hazardous.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737776>

Question 1421

Table 7.2 contains price, demand, and cost data for the Capri Theater, the only first-run movie theater in a small town. What is its profit from non-students under the single price policy?

- A) \$300
- B) \$360
- C) \$450
- D) \$540

Answer: <https://biology-forums.com/index.php?topic=736237>

Question 1422

The relationship between the level of prices and the quantity of real GDP supplied is known as

- A) aggregate demand.
- B) market demand.
- C) market supply.
- D) aggregate supply.

Answer: <https://biology-forums.com/index.php?topic=737070>

Question 1423

Suppose an economy has a balanced federal budget, and a favorable supply shock hits the economy. Tax revenues will _____ and expenditures on transfer payments will _____, resulting in a budget _____.

- A) fall; fall; deficit
- B) increase; increase; surplus
- C) fall; increase; deficit
- D) increase; fall; surplus

Answer: <https://biology-forums.com/index.php?topic=738093>

Question 1424

Marginal product is defined as the change in _____ resulting from a one-unit increase in _____.

- A) total product; input
- B) total cost; output
- C) total product; output
- D) output; total product

Answer: <https://biology-forums.com/index.php?topic=735708>

Question 1425

In the short run, at least one factor of production is fixed. This implies that beyond some level of output a firm will

- A) experience increasing marginal returns.
- B) have a U-shaped long-run average cost curve.
- C) experience diminishing marginal returns.
- D) "learn by doing."

Answer: <https://biology-forums.com/index.php?topic=735696>

Question 1426

Which of the following is NOT a characteristic of a monopolistically competitive market?

- A) Firms have control over price.
- B) There are substantial barriers to entry.
- C) Firms sell differentiated products.
- D) There are many firms.

Answer: <https://biology-forums.com/index.php?topic=737169>

Question 1427

A firm's marginal cost curve above the minimum of the average variable cost curve is also

- A) the firm's producer surplus curve.
- B) the firm's demand for production curve.
- C) the market supply curve.
- D) the firm's short-run supply curve.

Answer: <https://biology-forums.com/index.php?topic=736000>

Question 1428

The higher the Herfindahl-Hirschman Index, the more firms there are in a market.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737373>

Question 1429

Duopoly pricing, grim trigger strategy, and tit-for-tat all promote cartel pricing by

- A) making entry impossible.
- B) making underpricing impossible.
- C) increasing the chance of an underpricer being caught by the rest of the cartel.
- D) penalizing the underpricer.

Answer: <https://biology-forums.com/index.php?topic=737403>

Question 1430

Recall the Application. When a patent ends and generic drugs are introduced, there is

- A) no pressure on the price of the patent version of the drug.
- B) upward pressure on the price of the patent version of the drug.
- C) no demand for the patent version of the drug.
- D) downward pressure on the price of the patent version of the drug.

Answer: <https://biology-forums.com/index.php?topic=736192>

Question 1431

GDP ignores transactions that take place in the underground economy.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736665>

Question 1432

A change in the quantity demanded of a product is the result of a change in

- A) the price of related goods.
- B) the cost of producing the product.
- C) the price of the product.
- D) consumer income.

Answer: <https://biology-forums.com/index.php?topic=735216>

Question 1433

Economists argue that individuals should continue to consume until total benefit equals total cost.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735147>

Question 1434

If the stock of capital of a nation is _____ while the population _____, the nation can produce more output, but output per worker falls.

- A) declining; decreases
- B) fixed; remains stable
- C) fixed; increases
- D) fixed; decreases

Answer: <https://biology-forums.com/index.php?topic=736885>

Question 1435

An increase in the reserve requirement will lead to increased net exports.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738409>

Question 1436

If the banking system has a required reserve ratio of 25%, then the money multiplier is

- A) 2.
- B) 4.
- C) 5.
- D) 10.

Answer: <https://biology-forums.com/index.php?topic=738238>

Question 1437

Depreciation is

- A) the wear and tear on private investment.
- B) the total amount of new private investment purchases.
- C) what is left over from total new private investment after use for a year.
- D) the total amount of private investment purchases, whether new or previously existing.

Answer: <https://biology-forums.com/index.php?topic=736556>

Question 1438

Consider a cable TV company which is subject to an average-cost pricing regulation. If the number of subscribers decreases,

- A) the company will have to operate at a smaller profit unless it suffers an economic loss.
- B) the company will charge more per customer as its average cost increases.
- C) the company will have to charge a relatively low price as the demand curve facing the firm shifts to the left.
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=737499>

Question 1439

Explain what would happen to the equilibrium price and quantity of oranges if the supply of oranges increased while the demand for oranges decreased.

Answer: <https://biology-forums.com/index.php?topic=735373>

Question 1440

When one individual writes a check to another individual the money supply will not be changed.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738260>

Question 1441

A decrease in the personal income tax rate _____ disposable income which _____ consumption.

- A) decreases; increases
- B) decreases; decreases
- C) increases; increases
- D) increases; decreases

Answer: <https://biology-forums.com/index.php?topic=738019>

Question 1442

Recall the Application. A study of the taxi market in New York City showed that an increase in cab fares, and therefore the wages of cab drivers,

- A) increased the demand for cab rides.
- B) increased the quantity of labor supplied by the cab drivers.
- C) decreased the quantity of labor supplied by the cab drivers.
- D) increased the number of hours worked by cab drivers.

Answer: <https://biology-forums.com/index.php?topic=736368>

Question 1443

Recall the Application. If the price of milk increases by 100%, then in the long run, the quantity of milk supplied will rise by

- A) 2.5%.
- B) 25%.
- C) 250%.
- D) 2,500%.

Answer: <https://biology-forums.com/index.php?topic=735628>

Question 1444

A charity that used to make an appeal to peoples' sense of civic or moral responsibility, but no longer does, is likely to _____ the free-rider problem and lead to a _____ level of contribution to the public good.

- A) reduce; smaller
- B) increase; smaller
- C) reduce; larger
- D) increase; larger

Answer: <https://biology-forums.com/index.php?topic=737825>

Question 1445

If actual output exceeds potential output, _____ shifts upward over time.

- A) the short-run AD curve

- B) the short-run AS curve
C) the long-run AS curve
D) the long-run AD curve

Answer: <https://biology-forums.com/index.php?topic=737125>

Question 1446

- A carbon tax placed on a fossil fuel
A) is often used in conjunction with command-and-control carbon policies.
B) is a form of marketable pollution permit.
C) is a pollution tax based on the carbon content of the fuel.
D) will not change the price of the fossil fuel taxed.

Answer: <https://biology-forums.com/index.php?topic=737913>

Question 1447

Explain why the demand for a particular brand of fast food tends to be more elastic than demand for all fast food.

Answer: <https://biology-forums.com/index.php?topic=735475>

Question 1448

If demand for a product increases, ceteris paribus, the equilibrium

- A) price decreases.
B) price increases.
C) price remains unchanged.
D) quantity decreases.

Answer: <https://biology-forums.com/index.php?topic=735300>

Question 1449

Suppose that real GDP starts at 200 and grows at a rate of 9% per year for two years. In the third year real GDP would be

- A) 183.49.
B) 236.
C) 237.62.
D) 239.24.

Answer: <https://biology-forums.com/index.php?topic=736836>

Question 1450

If the government limits the number of firms in a market by issuing a limited number of licenses, the market structure is most likely to be

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

Answer: <https://biology-forums.com/index.php?topic=737323>

Question 1451

Price discrimination is related to elasticity because

- A) the firm can increase revenues by charging customers with elastic demands higher prices and charging customers with inelastic demands lower prices.
B) the firm can increase revenues by charging all customers higher prices.
C) the firm can increase revenues by charging customers with elastic demands lower prices and charging customers with inelastic demands higher prices.
D) None of the above; elasticity and price discrimination are unrelated.

Answer: <https://biology-forums.com/index.php?topic=736222>

Question 1452

All consumers are worse off when firms engage in price discrimination.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=736256>

Question 1453

We use interest rates to measure the opportunity cost of holding money.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738319>

Question 1454

A firm will not shut down in the short run as long as price exceeds

- A) average fixed cost at the level of output where marginal revenue equals marginal cost.
- B) marginal cost at the level of output where marginal revenue equals marginal cost.
- C) average variable cost at the level of output where marginal revenue equals marginal cost.
- D) total revenue at the level of output where marginal revenue equals marginal cost.

Answer: <https://biology-forums.com/index.php?topic=735967>

Question 1455

Suppose that OPEC currently sets the oil price at \$1.50 per gallon, and the current consumption is 100 million gallons per day. The price elasticity of demand for oil is estimated to be 0.7 by the initial value method. If OPEC raises the oil price to \$1.80 per gallon,

- A) quantity demanded decreases by 14 million gallons while total sales revenue increases by \$4.8 million per day.
- B) quantity demanded decreases by 10 million gallons while total sales revenue increases by \$4.4 million per day.
- C) quantity demanded decreases by 10 million gallons and total sales revenue decreases by \$4.4 million per day.
- D) quantity demanded decreases by 14 million gallons and total sales revenue decreases by \$4.8 million per day.

Answer: <https://biology-forums.com/index.php?topic=735497>

Question 1456

People will buy more of an inferior good when their income decreases.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735313>

Question 1457

Deterrence quantity equals zero profit quantity less minimum entry quantity.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737468>

Question 1458

One reason that college graduates earn higher wages than non-graduates is because college graduates

- A) are always more intelligent than non-graduates.
- B) are less equipped to deal with technological change, as their skills are technology-specific.
- C) acquire additional skills to allow them to work in more industries than non-graduates.
- D) always work in more dangerous jobs than non-graduates.

Answer: <https://biology-forums.com/index.php?topic=736439>

Question 1459

If the demand for jelly increases, and the price of grapes (used to make jelly) rises

- A) the equilibrium price of jelly falls and the equilibrium quantity of jelly might rise or fall.
- B) the equilibrium price of jelly rises and the equilibrium quantity of jelly might rise or fall.
- C) the equilibrium quantity of jelly falls and the equilibrium price of jelly might rise or fall.
- D) the equilibrium price of jelly falls and the equilibrium quantity of jelly rises.

Answer: <https://biology-forums.com/index.php?topic=735356>

Question 1460

Explain why some firms may suffer diseconomies of scale.

Answer: <https://biology-forums.com/index.php?topic=735856>

Question 1461

If the elasticity of demand for cigarettes by teenagers is 1.5, then to reduce teen smoking by 60%, tobacco companies would need to raise their prices by

- A) 15%.
- B) 40%.
- C) 60%.
- D) 90%.

Answer: <https://biology-forums.com/index.php?topic=735490>

Question 1462

Money solves the dilemma of a double coincidence of wants by serving as a

- A) medium of exchange.
- B) unit of account.
- C) store of value.
- D) symbol of value.

Answer: <https://biology-forums.com/index.php?topic=738152>

Question 1463

How does the firm-specific demand curve in a perfectly competitive market compare to that in a monopoly?

- A) They are the same.
- B) The firm-specific demand curve in a perfectly competitive market is horizontal. The demand curve in a monopoly is downward sloping.
- C) The firm-specific demand curve in a perfectly competitive market is vertical. The demand curve in a monopoly is horizontal.
- D) The firm-specific demand curve in a perfectly competitive market is horizontal. The demand curve in a monopoly is upward sloping.

Answer: <https://biology-forums.com/index.php?topic=735887>

Question 1464

What are the main features of the Clayton Act?

Answer: <https://biology-forums.com/index.php?topic=737605>

Question 1465

What is the Consumer Price Index (CPI)?

Answer: <https://biology-forums.com/index.php?topic=736791>

Question 1466

A command-and-control policy is one in which

- A) the government commands each firm to produce no more than a certain level of pollution.
- B) the government controls the firm's advertising policy.
- C) the government forces the firm to use particular pollution-control technologies.
- D) Both A and C are correct answers.

Answer: <https://biology-forums.com/index.php?topic=737939>

Question 1467

Juanita quit her job to move to Santa Fe to be closer to her family. She is actively looking for a new job in Santa Fe. Juanita is considered

- A) structurally unemployed.
- B) frictionally unemployed.
- C) cyclically unemployed.
- D) not to be unemployed.

Answer: <https://biology-forums.com/index.php?topic=736716>

Question 1468

The money multiplier will be smaller when

- A) banks prefer to lend out 9% of their excess reserves instead of 90%.
- B) bank customers prefer to hold a bigger amount of their money as cash (instead of in their checking account).
- C) when the reserve ratio decreases.
- D) when the marginal propensity to save declines.

Answer: <https://biology-forums.com/index.php?topic=738242>

Question 1469

Monopoly reduces market efficiency compared to perfect competition.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736180>

Question 1470

The physical and mental effort people use to produce goods and services is a description of which factor of production?

- A) labor
- B) physical capital
- C) entrepreneurship
- D) human capital

Answer: <https://biology-forums.com/index.php?topic=734961>

Question 1471

In general, the demand for a product is more elastic in the long run than in the short run.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735466>

Question 1472

If you can consume a good at the same time that others consume the same good, the good is nonrival in consumption.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737842>

Question 1473

In short-run equilibrium for a competitive firm economic profits

- A) will be negative.
- B) may be positive, negative, or zero.
- C) will be positive.
- D) will be zero.

Answer: <https://biology-forums.com/index.php?topic=735946>

Question 1474

In 2003, the Bush administration revised the tax bill to include provisions to

- A) increase taxes on capital gains.
- B) lower taxes on dividends.
- C) delay tax increases from the 2001 bill.
- D) decrease the child tax credit.

Answer: <https://biology-forums.com/index.php?topic=738135>

Question 1475

One of the key economic questions is "who consumes the products?"

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=734982>

Question 1476

The Motor Carrier Act of 1980 resulted in

- A) lower freight prices.
- B) lower value of a trucking license.
- C) more firms entering the trucking industry.
- D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=737148>

Question 1477

Price discrimination always benefits

- A) consumers and firms.
- B) consumers only.
- C) the firm and may benefit or harm the consumer.
- D) the consumer and may benefit or harm the firm.

Answer: <https://biology-forums.com/index.php?topic=736211>

Question 1478

A secure monopolist charges a higher price than an insecure monopolist.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737466>

Question 1479

Recall the Application. Explain the effect of mandatory car insurance laws on the number of traffic accidents and fatalities.

Answer: <https://biology-forums.com/index.php?topic=737783>

Question 1480

Structural unemployment exists because workers and employers try to find the right employment matches.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736747>

Question 1481

In practice, the Board of Governors and the chairperson of the Federal Reserve have the real control over monetary policy.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738283>

Question 1482

To maximize profit, an unregulated natural monopoly will produce at a level where

- A) marginal revenue is greater than average revenue.
- B) marginal revenue is equal to marginal cost.
- C) marginal revenue is greater than marginal cost.
- D) marginal revenue is less than marginal cost.

Answer: <https://biology-forums.com/index.php?topic=737481>

Question 1483

According to the U.S. Secret Service, approximately \$2.6 billion of U.S. paper currency in circulation is counterfeit. Undetected counterfeit U.S. currency being held by the public both at home and abroad will impact the level of

- A) the reserve ratio.
- B) commodity money.
- C) the money multiplier.
- D) M1.

Answer: <https://biology-forums.com/index.php?topic=738191>

Question 1484

What are the explicit and implicit cost?

Answer: <https://biology-forums.com/index.php?topic=735688>

Question 1485

A monopolist will never produce at a quantity where the

- A) $MR > 0$.
- B) $MR = MC$.

- C) $P > MR$.
- D) $MR < 0$.

Answer: <https://biology-forums.com/index.php?topic=736117>

Question 1486

What are the four components of M1?

Answer: <https://biology-forums.com/index.php?topic=738210>

Question 1487

The supply curve for a perfectly competitive market

- A) is not related to the supply curves of individual firms.
- B) is the summation of all the average cost curves of each firm in a market.
- C) is independent of price.
- D) is the summation of all the marginal cost curves, above the minimum of the average variable cost curve, from all the individual firms in the market.

Answer: <https://biology-forums.com/index.php?topic=736005>

Question 1488

Demand for a particular brand of clothing is likely to be less elastic than demand for all clothing.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735465>

Question 1489

Recall the Application. Farmers in the city of Pu'er, China changing the acreage devoted to coffee production illustrates the law of supply in that the _____ in the price of coffee _____ the quantity supplied.

- A) increase; increased
- B) increase; decreased
- C) decrease; decreased
- D) decrease; increased

Answer: <https://biology-forums.com/index.php?topic=736027>

Question 1490

An export is a product

- A) produced in and purchased by residents of the home country.
- B) produced in the home country and sold in another country.
- C) produced in and sold to the residents of a foreign country.
- D) produced in a foreign country and purchased by the residents of the home country.

Answer: <https://biology-forums.com/index.php?topic=738465>

Question 1491

Prior to the Hart-Scott-Rodino Act, antitrust laws did not apply to proprietorships.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737595>

Question 1492

Hiring a more expensive celebrity endorser will always result in higher firm profits.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737301>

Question 1493

What is the best measure of the value of output of an economy?

- A) NNP
- B) GNP
- C) the GDP deflator
- D) GDP

Answer: <https://biology-forums.com/index.php?topic=736655>

Question 1494

If the government decreases its purchases of goods and services by \$12,000 and the MPS is 0.5, GDP and income will eventually decrease by

- A) \$2,400.
- B) \$6,000.
- C) \$24,000.
- D) \$60,000.

Answer: <https://biology-forums.com/index.php?topic=737045>

Question 1495

A good that is available for everyone, regardless of who pays and who doesn't, is

- A) excludable.
- B) nonexcludable.
- C) nonrival.
- D) rival.

Answer: <https://biology-forums.com/index.php?topic=737792>

Question 1496

Compared with average cost at the quantity that an unregulated monopolist would choose, average costs are higher at the quantity chosen by a monopoly facing an average-cost pricing policy.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737528>

Question 1497

Restaurants, video rental stores, clothing stores, and music stores are examples of industries in which firms differentiate their products by offering them at more locations. This is an example of a _____ market.

- A) perfectly competitive
- B) oligopoly
- C) monopoly
- D) monopolistically competitive

Answer: <https://biology-forums.com/index.php?topic=737238>

Question 1498

The market demand curve

- A) is drawn assuming that the selling price is fixed.
- B) is drawn assuming that variables such as income and tastes are variable.
- C) is drawn assuming that the number of consumers is variable.
- D) shows the relationship between the price of a good and the quantity that all consumers together are willing to buy.

Answer: <https://biology-forums.com/index.php?topic=735223>

Question 1499

The word "monopolistic" in the label "monopolistic competition" refers to the fact that

- A) firms have no control over the price they charge.
- B) each firm produces a slightly different version of the product.
- C) there is only one firm producing in the market.
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=737188>

Question 1500

If two firms have different abatement costs, in a system of marketable pollution permits

- A) the firm with lower abatement costs will sell permits to the firm with higher abatement costs.
- B) the firm with lower abatement costs will purchase permits from the firm with higher abatement costs.
- C) voluntary exchange will occur, but it is impossible to determine which firm will be the seller and which will be the purchaser.
- D) no voluntary exchange that makes both firms better off is possible.

Answer: <https://biology-forums.com/index.php?topic=737964>

Question 1501

Economists define the labor force to include

- A) people who are not working but are actively looking for a job, and people who are working.
- B) all individuals of working age, regardless of whether they are working or looking for a job.
- C) only people who are working full time.
- D) people who are working.

Answer: <https://biology-forums.com/index.php?topic=736674>

Question 1502

For the purposes of GDP accounting, government purchases

- A) are considered part of investment.
- B) include transfer payments.
- C) include wages and benefits paid to government workers.
- D) are considered part of consumption.

Answer: <https://biology-forums.com/index.php?topic=736563>

Question 1503

Explain the concept of diminishing returns.

Answer: <https://biology-forums.com/index.php?topic=735181>

Question 1504

The principles of comparative advantage and specialization only apply to trade between different nations.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738487>

Question 1505

Which of the following is NOT an example of the adverse selection problem?

- A) Commercial banks would rather use credit rationing than raising interest rates in the presence of excess demand for loans.
- B) An insurance company must choose one price for its coverage for both high-cost and low-cost people.
- C) Buyers in a market for used cars must choose from an undesirable selection of used cars.
- D) An insured motorist drives more recklessly.

Answer: <https://biology-forums.com/index.php?topic=737690>

Question 1506

A possible benefit of unions is lower turnover among workers, which in turn leads to lower training costs.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736467>

Question 1507

Which one of the following would shift the aggregate demand curve to the left?

- A) an increase in government spending
- B) an increase in the money supply
- C) an increase in taxes
- D) an increase in exports

Answer: <https://biology-forums.com/index.php?topic=737027>

Question 1508

Steven lives in a big city where there is a shortage of parking. He has a parking spot in his driveway where he parks his car. Which of the following statements is most correct?

- A) The opportunity cost of using the parking spot is the price he could charge someone else for using the spot.
- B) Steven has a lower opportunity cost of owning a car than his neighbor, who must rent a parking spot.
- C) The opportunity cost of using the spot is zero, because Steven owns the house.
- D) The opportunity cost depends on how much Steven's mortgage payment is.

Answer: <https://biology-forums.com/index.php?topic=735078>

Question 1509

According to the text, _____ is perhaps the most critical aspect of a country's economic performance.

- A) growth in GDP
- B) the inflation rate
- C) the living standard
- D) the unemployment rate

Answer: <https://biology-forums.com/index.php?topic=736827>

Question 1510

In the _____ increases in the supply of money will _____.

- A) short run; decrease total demand and output
- B) long run; lead to lower prices
- C) long run; raise total demand and output
- D) short run; raise total demand and output

Answer: <https://biology-forums.com/index.php?topic=738148>

Question 1511

When buyers assume that there is a 70% chance of getting a lemon, and seven lemons (low quality) and three plums (high quality) are supplied, there is an equilibrium.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737710>

Question 1512

The outside lags related to monetary policy tend to be quite long.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738429>

Question 1513

Explain the two basic mechanisms that increase GDP per capita over the long term.

Answer: <https://biology-forums.com/index.php?topic=736859>

Question 1514

When the government conducts activist fiscal policy, what type of spending does it usually use?

- A) strategic spending
- B) discretionary spending
- C) entitlement and mandatory spending
- D) net interest spending

Answer: <https://biology-forums.com/index.php?topic=738052>

Question 1515

Suppose that in a month the price of a liter of soda increases from \$1 to \$1.50. At the same time, the quantity of liters of soda supplied increases from 200 to 210. The price elasticity of supply for liters of soda (calculated using the initial value formula) is

- A) negative.
- B) elastic.
- C) inelastic.
- D) unitary elastic.

Answer: <https://biology-forums.com/index.php?topic=735594>

Question 1516

If the price elasticity of demand is equal to zero and the price were to rise, the quantity demanded would

- A) decrease slightly.
- B) fall to zero.
- C) not change.
- D) increase.

Answer: <https://biology-forums.com/index.php?topic=735430>

Question 1517

In the case of perfectly elastic supply, the supply curve is

- A) upward sloping.
- B) horizontal.
- C) downward sloping.
- D) vertical.

Answer: <https://biology-forums.com/index.php?topic=735614>

Question 1518

If two firms pollute, and the increase in costs to Firm A from decreasing pollution is equal to the decrease in costs to Firm B from increasing pollution

- A) while both firms can benefit from trading, there is no way for them to determine an agreeable price.
- B) both firms will stop polluting.
- C) the firms can benefit by trading the right to pollute.
- D) the firms cannot benefit from trading the right to pollute.

Answer: <https://biology-forums.com/index.php?topic=737992>

Question 1519

When consumers spend and buy things regardless of their level of income, this is known as

- A) bad financial management.
- B) using credit to its maximum.
- C) autonomous consumption spending.
- D) living the good life.

Answer: <https://biology-forums.com/index.php?topic=737040>

Question 1520

A bank's required reserves are the fraction of deposits they are required by law to hold as reserves.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738253>

Question 1521

The slope of a curve measures

- A) the length of the curve.
- B) only the change in the vertical variable.
- C) the change in one variable in response to the change in the other variable.
- D) only the change in the horizontal variable.

Answer: <https://biology-forums.com/index.php?topic=735046>

Question 1522

If the supply curve is a vertical line, it means that

- A) regardless of price, the quantity supplied is a constant amount.
- B) the good has many substitutes.
- C) regardless of quantity, the price is a constant amount.
- D) the good is inferior.

Answer: <https://biology-forums.com/index.php?topic=735611>

Question 1523

Since people generally know that celebrities are paid to endorse products, celebrity endorsements signal to consumers that

- A) the celebrity loves the product.
- B) only rich people can afford the product.
- C) the product is likely to be popular.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=737288>

Question 1524

Microeconomics helps explain economic fluctuations, why the economy shrinks and expands and why some of the economy's resources are idle.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735038>

Question 1525

Why does monopoly necessarily reduce consumer surplus compared to perfect competition?

Answer: <https://biology-forums.com/index.php?topic=736184>

Question 1526

Going to the dentist would be counted in GDP as

- A) a service.
- B) a measure of welfare.
- C) crowns and fillings.
- D) insurance utilization.

Answer: <https://biology-forums.com/index.php?topic=736552>

Question 1527

When supply increases and the supply curve shifts to the right, equilibrium price _____ and equilibrium quantity _____.

- A) increases; increases
- B) increases; decreases
- C) decreases; increases
- D) decreases; decreases

Answer: <https://biology-forums.com/index.php?topic=735381>

Question 1528

Net exports include goods produced

- A) domestically that are sold abroad, less goods produced domestically that are sold domestically.
- B) abroad that are sold domestically, less goods that are produced domestically that are sold abroad.
- C) domestically that are sold abroad, less goods that are produced abroad that are sold domestically.
- D) domestically that are sold domestically, less goods produced domestically that are sold abroad.

Answer: <https://biology-forums.com/index.php?topic=736567>

Question 1529

Suppose that lenders believe that the government will provide assistance if too many of the lenders' borrowers do not pay back their loans. If lenders expect government assistance they will

- A) not change their lending policies because this expectation is not reasonable.
- B) increase the interest rates that they charge borrowers who are less likely to repay loans.
- C) make more loans to borrowers who are less likely to repay them.
- D) make fewer loans to borrowers who are less likely to repay them.

Answer: <https://biology-forums.com/index.php?topic=737760>

Question 1530

Oligopolists that follow the price leadership model

- A) have chosen to follow the grim-trigger strategy.
- B) will be unable to overcome the duopolists' dilemma because firms will have an incentive to underprice the firm that is the price leader.
- C) are engaging in implicit, but not explicit, price fixing.
- D) are violating antitrust laws.

Answer: <https://biology-forums.com/index.php?topic=737417>

Question 1531

Economic cost differs from accounting cost because accountants do not consider implicit costs.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735680>

Question 1532

The adverse selection problem suggests that

- A) the ratio of plums (high quality) to lemons (low quality) is likely to be high.
- B) the price of lemons (low quality) will be below buyer's willingness to pay.
- C) the ratio of lemons (low quality) to plums (high quality) is likely to be high.
- D) plums (high quality) will sell for more than most buyers' willingness to pay.

Answer: <https://biology-forums.com/index.php?topic=737695>

Question 1533

When the GDP is measured using "adjustments for price changes" it is known as the

- A) real GDP.
- B) nominal GDP.
- C) nominal GNP.
- D) real GNP.

Answer: <https://biology-forums.com/index.php?topic=736627>

Question 1534

Explain how a change in tax rates influences aggregate demand and aggregate supply.

Answer: <https://biology-forums.com/index.php?topic=738117>

Question 1535

The cost of producing a hardback book is only about 20% higher than producing a paperback book, yet the hardback price is typically three times the paperback price. This suggests that demand for paperback books is _____ than demand for hardback books.

- A) more variable
- B) less elastic
- C) more elastic
- D) lower

Answer: <https://biology-forums.com/index.php?topic=736244>

Question 1536

The economy needs some unemployment to operate efficiently, because without it

- A) firms will find it difficult to recruit workers, leading to increased wages and prices.
- B) workers will find it difficult to find a job, leading to increased wages and prices.
- C) firms will find it difficult to recruit workers, leading to reduced wages and prices.
- D) workers will find it difficult to find a job, leading to reduced wages and prices.

Answer: <https://biology-forums.com/index.php?topic=736730>

Question 1537

One result of asymmetric information about people's ability to repay a loan is that

- A) lenders are better off than with perfect information.
- B) loans will only be made to people who don't pay them back.
- C) a bank could make many loans to people who don't pay them back.
- D) banks will not make loans.

Answer: <https://biology-forums.com/index.php?topic=737764>

Question 1538

Human capital includes investments in education and skills.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736956>

Question 1539

Which of the following companies was broken up by the government?

- A) Office Depot
- B) Southwest Airlines
- C) Standard Oil
- D) Wonder Bread

Answer: <https://biology-forums.com/index.php?topic=737539>

Question 1540

Another name for a system of marketable permits is

- A) the Environmental Protection Agency.
- B) the carbon tax.
- C) cap-and-trade.
- D) command and control.

Answer: <https://biology-forums.com/index.php?topic=737960>

Question 1541

Recall the Application. If the majority of new immigrants are low-skill workers,

- A) it will decrease wages for the high-skill native workers.
- B) it will increase wages for the low-skill native workers.
- C) high-skill native workers benefit from low product prices.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736484>

Question 1542

What three factors affect the demand for money?

Answer: <https://biology-forums.com/index.php?topic=738323>

Question 1543

Recall the application. The Fed started paying interest to banks on reserves. Since this change has occurred,

- A) total reserves now far exceed required reserves.
- B) all total reserves are now excess reserves.
- C) required reserves now exceed total reserves.
- D) total reserves are finally equal to required reserves.

Answer: <https://biology-forums.com/index.php?topic=738244>

Question 1544

A U-shaped long-run average cost curve implies that a firm faces only diseconomies of scale.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735850>

Question 1545

When wages increase, the income effect _____ the supply of labor and the substitution effect _____ the supply of labor.

- A) increases; increases
- B) increases; decreases
- C) decreases; decreases
- D) decreases; increases

Answer: <https://biology-forums.com/index.php?topic=736350>

Question 1546

Recall the application. More years of work would be required to pay off a student loan if all prices

- A) remained stable.
- B) increased by 20%.
- C) increased by 40%.
- D) decreased by 10%.

Answer: <https://biology-forums.com/index.php?topic=735202>

Question 1547

Nominal GDP uses current year prices to measure GDP.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736580>

Question 1548

Command-and-control policies lead to higher prices for consumers than pollution taxes do.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737956>

Question 1549

The increase in total cost resulting from producing one more unit of output is the marginal cost.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735792>

Question 1550

If short-run economic profits are greater than zero for firms in a monopolistically competitive market, in the long run we expect

- A) competing firms to enter the market and sell similar products.
- B) the demand curve for firms in the market to shift to the right.
- C) entry barriers to prevent competing firms from entering this market.
- D) profits to increase.

Answer: <https://biology-forums.com/index.php?topic=737198>

Question 1551

Name two actions that a government could take if it wants to implement an expansionary fiscal policy.

Answer: <https://biology-forums.com/index.php?topic=738043>

Question 1552

A demand curve is defined as the relationship between

- A) the income of consumers and the quantity of a good that producers are willing to sell.
- B) the price of a good and the quantity of that good that consumers are willing to buy.
- C) the income of consumers and the quantity of a good that consumers are willing to buy.
- D) the price of a good and the quantity of that good that producers are willing to sell.

Answer: <https://biology-forums.com/index.php?topic=735217>

Question 1553

What are indivisible inputs and what are their implications for economies of scale?

Answer: <https://biology-forums.com/index.php?topic=735853>

Question 1554

If principles of economics sections is three credit hours and an instructor teaches two sections with 100 students in each and tuition and fees at your school are \$500 per credit hour, then the marginal revenue product for your school from hiring that instructor that semester is

- A) \$500.
- B) \$1500.
- C) \$150,000.
- D) \$300,000.

Answer: <https://biology-forums.com/index.php?topic=736321>

Question 1555

In which of the following ways is a monopolistically competitive firm like a perfectly competitive firm?

- A) Long-run economic profits are negative.
- B) Long-run economic profits are equal to zero.
- C) Short-run economic profits are always positive.
- D) Long-run economic profits are positive.

Answer: <https://biology-forums.com/index.php?topic=737277>

Question 1556

The word "competition" in the label "monopolistic competition" refers to the fact that

- A) firms vie against each other to get customers to buy their version of the product.
B) there are very few firms producing in the market.
C) firms have no control over the price they charge.
D) none of the above

Answer: <https://biology-forums.com/index.php?topic=737189>

Question 1557

Suppose that in a month the price of milk increases from \$2 to \$3 a gallon. At the same time, the quantity of gallons of milk demanded decreases from 200 to 190. The price elasticity of demand for milk (calculated using the initial value formula) is

- A) 0.1.
B) 0.2.
C) 1.
D) 10.

Answer: <https://biology-forums.com/index.php?topic=735397>

Question 1558

Will a profit maximizing monopolist who is not subject to government regulation produce a quantity where the $MR < 0$?

Answer: <https://biology-forums.com/index.php?topic=736146>

Question 1559

A rich nation will trade with a poor nation because the

- A) rich nation has the absolute advantage in producing all products.
B) rich nation has the comparative advantage in producing all products.
C) poor nation has the absolute advantage in producing all products.
D) poor nation has the comparative advantage in producing a product.

Answer: <https://biology-forums.com/index.php?topic=738466>

Question 1560

In less-developed countries the _____ effect leads to _____.

- A) output effect; labor intensive production
B) input effect; mechanized production
C) input-substitution; mechanized production
D) input-substitution; labor intensive production

Answer: <https://biology-forums.com/index.php?topic=736328>

Question 1561

Suppose someone told you that the chain-weighted price index for GDP in a country was 135. Why does this fact not convey much information to you?

Answer: <https://biology-forums.com/index.php?topic=736636>

Question 1562

Under a Coase bargaining solution, deal making between the two parties continues until the marginal _____ to the harmed party equals the marginal _____ to the other party.

- A) cost; benefit
B) benefit; benefit
C) benefit; cost
D) cost; cost

Answer: <https://biology-forums.com/index.php?topic=737866>

Question 1563

The real-nominal principle states that

- A) what matters to people is the purchasing power of money or income.
B) what matters to people is the face value of money or income.
C) people respond more to implicit costs than to explicit costs.
D) people respond more to explicit, or real, costs than to implicit costs.

Answer: <https://biology-forums.com/index.php?topic=735183>

Question 1564

Suppose the wage rate in a certain industry falls, and firms hire more workers. The best explanation of this is that labor

- A) demand fell.
- B) demand increased.
- C) supply fell.
- D) supply increased.

Answer: <https://biology-forums.com/index.php?topic=736397>

Question 1565

_____ is a cost that changes with the quantity produced by the firm and is incurred by the firm in the short run.

- A) Average total cost
- B) Variable cost
- C) Fixed cost
- D) Economic cost

Answer: <https://biology-forums.com/index.php?topic=735711>

Question 1566

List and briefly describe the three key reasons for income inequality in a market-based economy.

Answer: <https://biology-forums.com/index.php?topic=736490>

Question 1567

Interest rates will increase if the Fed conducts an open market purchase.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738375>

Question 1568

Cyclical unemployment occurs

- A) because the government labels some people who aren't really in the labor force as unemployed.
- B) with economic fluctuations; it increases during bad times and decreases during good times.
- C) because of a mismatch between the jobs that are available in the economy and the skills of workers seeking jobs.
- D) naturally during the normal workings of an economy, as people change jobs, move across the country, etc.

Answer: <https://biology-forums.com/index.php?topic=736722>

Question 1569

Define the "consumption function."

Answer: <https://biology-forums.com/index.php?topic=737067>

Question 1570

For a monopolistically competitive firm, the firm's demand curve is

- A) horizontal.
- B) upward sloping.
- C) downward sloping.
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=737191>

Question 1571

Suppose that differences in skills explain part of the difference in wages by race. Wage differences arising from skill differences

- A) are always classified as racial discrimination.
- B) may result from past discrimination in access to education.
- C) will disappear when labor markets are in equilibrium.
- D) are not attributable to present or past discrimination.

Answer: <https://biology-forums.com/index.php?topic=736437>

Question 1572

A small change in a variable is

- A) a ceteris paribus change.
- B) an efficient change.

- C) an average change.
D) a marginal change.

Answer: <https://biology-forums.com/index.php?topic=735004>

Question 1573

The nominal interest rate is determined in the

- A) stock market.
B) money market.
C) bond market.
D) exchange market.

Answer: <https://biology-forums.com/index.php?topic=738299>

Question 1574

The demand for labor is called a "derived demand" because it is

- A) affected by the demand for consumer products workers produce.
B) affected by the price of consumer products workers produce.
C) derived from the demand for the products it is used to produce.
D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736270>

Question 1575

Marginally attached workers are discouraged workers who have stopped their job search for reasons other than the lack of jobs.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=736711>

Question 1576

The data presented in the text shows that in the period from 1930-2011, real GDP in the United States has

- A) increased substantially.
B) generally remained the same.
C) decreased in every year since 1930.
D) decreased only in recent years.

Answer: <https://biology-forums.com/index.php?topic=736540>

Question 1577

The existence of discouraged workers will lead to an official unemployment rate that is

- A) overstated.
B) understated.
C) either overstated or understated.
D) unbiased.

Answer: <https://biology-forums.com/index.php?topic=736694>

Question 1578

Why might economic policies aimed at stabilization actually increase the magnitudes of economic fluctuations?

Answer: <https://biology-forums.com/index.php?topic=738434>

Question 1579

Stickiness of wages

- A) is unrelated to stickiness of prices.
B) reinforces stickiness of prices.
C) lessens the stickiness of prices.
D) may or may not reinforce stickiness of prices.

Answer: <https://biology-forums.com/index.php?topic=736985>

Question 1580

Expansionary policies are government policies that

- A) increase aggregate demand.

- B) increase aggregate supply.
- C) decrease aggregate demand.
- D) decrease aggregate supply.

Answer: <https://biology-forums.com/index.php?topic=738021>

Question 1581

If a company's total costs per day increase from \$200 to \$400 by adding another worker, but its additional benefits are \$300, it is sensible to add that additional worker.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735148>

Question 1582

Macroeconomics is best described as the study of

- A) the relationship between inflation and wage inequality.
- B) the nation's economy as a whole.
- C) the choices made by individual households, firms, and governments.
- D) very large issues.

Answer: <https://biology-forums.com/index.php?topic=735026>

Question 1583

Unlike social insurance taxes, income taxes are paid on wages only.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738105>

Question 1584

From 2002-2004, the earned income tax credit _____ the poverty rate among participants.

- A) decreased
- B) had little to no effect on
- C) more than doubled
- D) slightly increased

Answer: <https://biology-forums.com/index.php?topic=736503>

Question 1585

Which of the following is an example of something that economists would consider a cost but accountants would not?

- A) the salary that the firm actually pays to the firm's owner
- B) the interest income foregone by the firm's owner because the owner invested funds into the firm
- C) the cost of advertising
- D) the cost of materials and supplies purchased by a firm

Answer: <https://biology-forums.com/index.php?topic=735675>

Question 1586

What is the "good news" and the "bad news" about a lower value of the U.S. dollar?

Answer: <https://biology-forums.com/index.php?topic=738414>

Question 1587

The relationship between tax rates and tax revenues is shown on the

- A) production possibilities frontier.
- B) Discretionary Spending curve.
- C) IRS curve.
- D) Laffer curve.

Answer: <https://biology-forums.com/index.php?topic=738075>

Question 1588

If the U.S. were to place a carbon tax on fossil fuels, we can expect

- A) the price of fuel oil to decrease.

- B) no change in the price of fuel oil.
C) the price of fuel oil to increase.
D) an increase in demand for fuel oil.

Answer: <https://biology-forums.com/index.php?topic=737911>

Question 1589

A firm will not shut down in the long-run as long as the firms revenue

- A) is less than the total cost.
B) is larger than the firm's variable cost.
C) is greater than the firm's marginal cost.
D) is greater than the fixed cost.

Answer: <https://biology-forums.com/index.php?topic=735964>

Question 1590

Credits cards are NOT a part of the M1 or M2 money supply.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=738205>

Question 1591

The group responsible for deciding on monetary policy is the

- A) Federal Open Market Committee.
B) group of 12 Federal Reserve Bank presidents only.
C) Board of Governors only.
D) Federal Advisory Council.

Answer: <https://biology-forums.com/index.php?topic=738274>

Question 1592

Consumers benefit from monopolistically competitive markets because

- A) goods are sold at a price equal to marginal revenue.
B) in this type of market, producers supply goods in a variety of locations or with a variety of characteristics.
C) in this type of market, goods are sold at a price equal to the marginal cost of production.
D) they only have one good from which to choose.

Answer: <https://biology-forums.com/index.php?topic=737269>

Question 1593

The increase in spending that occurs because the demand for investment goods increases when the price level falls is known as the

- A) international trade effect.
B) wealth effect.
C) price effect.
D) interest rate effect.

Answer: <https://biology-forums.com/index.php?topic=737013>

Question 1594

Empirical studies suggest that when a large number of firms are present in a market, prices are usually _____ and profits are usually _____ than when there are only a few firms in a market.

- A) higher; higher
B) higher; lower
C) lower; lower
D) lower; higher

Answer: <https://biology-forums.com/index.php?topic=737143>

Question 1595

On a linear demand curve, demand is _____ at small quantities than it is at the middle of the demand curve.

- A) equally elastic
B) less elastic
C) more elastic

D) impossible to tell

Answer: <https://biology-forums.com/index.php?topic=735529>

Question 1596

One of the business revolutions of the 1980s is "just in time" inventory, a system where businesses estimate their requirements for raw materials and keep no more on hand than is necessary to complete that period's production. What affect did the change to "just in time" inventory have on short-term supply elasticities?

Answer: <https://biology-forums.com/index.php?topic=735635>

Question 1597

"Nominal GDP" is a measure of GDP that adjusts for price changes.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736579>

Question 1598

In the long run, the level of output depends on the price level.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737114>

Question 1599

Recall the application. In considering the costs involved for student loans that must be repaid in ten years, this Application is addressing the economic concept of

- A) the principle of voluntary exchange.
- B) the real-nominal principle.
- C) the principle of diminishing returns.
- D) the marginal principle.

Answer: <https://biology-forums.com/index.php?topic=735201>

Question 1600

An increasing cost industry is one where total costs rise as the industry grows.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736029>

Question 1601

Suppose that in a month the price of a liter of soda increases from \$1 to \$1.50. At the same time, the quantity of liters of soda supplied increases from 200 to 210. The price elasticity of supply for liters of soda (calculated using the initial value formula) is

- A) 0.1.
- B) 0.5.
- C) 10.
- D) 20.

Answer: <https://biology-forums.com/index.php?topic=735593>

Question 1602

When deciding to implement a congestion tax, economists and the government would use the elements of the economic way of thinking to primarily determine

- A) how much revenue will the tax generate.
- B) if the tax would be allocated equitably.
- C) what tax amount should be charged.
- D) who should be exempt from the tax.

Answer: <https://biology-forums.com/index.php?topic=735007>

Question 1603

Put the following products in order from lowest to highest based on their cross-price elasticity of demand with peanut butter: bread, bologna, floppy disks. Justify your answer.

Answer: <https://biology-forums.com/index.php?topic=735588>

Question 1604

A principle is a self-evident truth that most people readily understand and accept.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735107>

Question 1605

Assume that tortilla chips and salsa are complements. When the price of tortilla chips decreases

- A) the demand for salsa increases.
- B) the supply of salsa decreases.
- C) the demand for tortilla chips decreases.
- D) the demand for salsa decreases.

Answer: <https://biology-forums.com/index.php?topic=735295>

Question 1606

The labor force participation rate is the fraction of the population over 16 years of age that is looking for work.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736706>

Question 1607

Which of the following is an example of technological progress?

- A) an increase in corn output resulting from genetic engineering
- B) the invention of LCD televisions
- C) the invention of the air conditioner
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736910>

Question 1608

In developing countries, the highest returns are from investing in

- A) education.
- B) sanitation systems.
- C) defense.
- D) transportation systems.

Answer: <https://biology-forums.com/index.php?topic=736939>

Question 1609

What are some reasons why coordination of economic affairs through the price system may not work perfectly?

Answer: <https://biology-forums.com/index.php?topic=737003>

Question 1610

In a contestable market the costs of entering and leaving the market are very

- A) high.
- B) low.
- C) low, but firms have no incentive to enter or leave.
- D) high and firms have no incentive to leave.

Answer: <https://biology-forums.com/index.php?topic=737463>

Question 1611

Undesirable job features lead to a _____ labor _____.

- A) higher; supply
- B) lower; demand
- C) higher; demand
- D) lower; supply

Answer: <https://biology-forums.com/index.php?topic=736423>

Question 1612

Recall the Application. On average, free agents in Major League Baseball tend to be paid a salary _____ their marginal revenue product.

- A) significantly lower than
- B) significantly higher than
- C) unrelated to
- D) close to

Answer: <https://biology-forums.com/index.php?topic=736331>

Question 1613

The price elasticity of demand is calculated by

- A) the percentage change in quantity demanded divided by the percentage change in price.
- B) the percentage change in price divided by the percentage change in quantity demanded.
- C) the change in price divided by the change in quantity demanded.
- D) the change in quantity demanded divided by the change in price.

Answer: <https://biology-forums.com/index.php?topic=735392>

Question 1614

A key assumption of most economic analysis is that people act rationally, meaning they respond to incentives.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735019>

Question 1615

A trade surplus occurs when a country's exports exceed that country's imports.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736589>

Question 1616

A perfectly competitive industry is in long-run equilibrium. If demand for the product decreases, we can expect

- A) firms to exit the market.
- B) no change in the number of firms in the market.
- C) firms to enter the market.
- D) Not enough information to tell what will happen to the number of firms in the market.

Answer: <https://biology-forums.com/index.php?topic=736040>

Question 1617

Given the following information about AAA bank:

Bank Deposits \$200,000
Loans 100,000
Required Reserves 40,000
Excess Reserves 60,000

What is the reserve ratio?

- A) 50%
- B) 40%
- C) 20%
- D) 10%

Answer: <https://biology-forums.com/index.php?topic=738220>

Question 1618

An external cost is the cost experienced by people who

- A) do not decide how much of a good to produce or consume.
- B) did not know why they are experiencing the cost.
- C) consume a good.
- D) decide how much of a good to produce or consume.

Answer: <https://biology-forums.com/index.php?topic=737855>

Question 1619

If airlines give passengers under the age of 10 a 25% discount, then this is an example of price discrimination.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736251>

Question 1620

Toby sells wheat in a perfectly competitive market. This month Toby receives a higher price for a bushel of wheat than he did last month. Which of the following might explain this?

- A) The market demand for wheat increased.
- B) Firms entered the market.
- C) Toby's costs have decreased.
- D) The market demand for wheat decreased.

Answer: <https://biology-forums.com/index.php?topic=736036>

Question 1621

Which of the following goods is likely to have the most inelastic demand?

- A) restaurant meals
- B) cigarettes
- C) air travel
- D) movies

Answer: <https://biology-forums.com/index.php?topic=735452>

Question 1622

The principle that "as one input increases while the other inputs are held fixed, output increases at a decreasing rate" is known as the

- A) spillover principle.
- B) principle of diminishing returns.
- C) principle of opportunity cost.
- D) marginal principle.

Answer: <https://biology-forums.com/index.php?topic=735164>

Question 1623

Economists will always reach the same conclusion in their positive analyses.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=734980>

Question 1624

Unemployment insurance tends to lead to the unemployed worker spending less time unemployed.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736763>

Question 1625

Why is a monopolist's marginal revenue less than the price?

Answer: <https://biology-forums.com/index.php?topic=736145>

Question 1626

Which of the following is an example of a tie-in sale?

- A) Prices are set just low enough to prevent other firms from entering the market.
- B) Bus rides are cheaper for senior citizens than for other people.
- C) Two companies merge to form one company.
- D) In order to buy Microsoft Windows, you must also purchase Internet Explorer.

Answer: <https://biology-forums.com/index.php?topic=737551>

Question 1627

In which of the following market structures do you find many sellers?

- A) monopolistic competition
- B) monopoly
- C) perfect competition
- D) monopolistic competition and perfect competition

Answer: <https://biology-forums.com/index.php?topic=735888>

Question 1628

Jerry's Quarry sells building stone in a perfectly competitive market. At its current level of building stone production, Jerry's Quarry has marginal costs equal to \$45, and AVC is rising. If the market price of building stone is \$50, Jerry's Quarry should

- A) decrease its level of building stone production.
- B) shut down and produce no building stone.
- C) increase its production of building stone.
- D) continue producing its current level of production.

Answer: <https://biology-forums.com/index.php?topic=735919>

Question 1629

The government allowed the merger between Interstate Bakeries and Continental Bakery.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737592>

Question 1630

When a firm engages in price discrimination it sets marginal revenue equal to marginal cost for each separate set of consumers.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736254>

Question 1631

Social insurance taxes are paid by corporations based on their profits.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738103>

Question 1632

A decrease in the money supply will tend to reduce investment.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738403>

Question 1633

Explain how an increased federal budget deficit resulting from a recession can actually help stabilize an economy.

Answer: <https://biology-forums.com/index.php?topic=738118>

Question 1634

Oligopoly differs from monopoly and perfect competition in that

- A) firms act strategically.
- B) firms consider each others actions when choosing price and quantity.
- C) there are a few firms in the industry.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=737314>

Question 1635

Which of the following is true for a perfectly competitive market in long-run equilibrium?

- A) There is no incentive for existing firms to leave the market.
- B) There is no incentive for new firms to enter the market.
- C) Each firm in the market earns zero economic profit.
- D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=736009>

Question 1636

Which of the following statements is correct?

- A) Most other industrialized countries have a larger union markup.
- B) The union markup is relatively small for unionized firms in a competitive market.
- C) For the United States, union workers earn 10 to 20% more than nonunion workers doing the same work.
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=736448>

Question 1637

The Clayton Act outlawed tying contracts.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737594>

Question 1638

An economic model is a

- A) detailed version of an economic issue.
- B) fictional representation of an entire economy.
- C) simplified representation of an economic environment.
- D) realistic version of an economic environment.

Answer: <https://biology-forums.com/index.php?topic=734972>

Question 1639

Which of the following is a main factor that explains the differences in the incomes of U.S. households?

- A) luck and misfortune
- B) inheritances
- C) discrimination
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736480>

Question 1640

Under the conditions of monopolistic competition

- A) firm profits are higher in the long run than in the short run.
- B) economic profit is zero in the long run.
- C) average costs of production are the same in the short run as they are in the long run.
- D) price equals marginal cost.

Answer: <https://biology-forums.com/index.php?topic=737197>

Question 1641

(Average Cost\$1\$1\$1)(Tickets Sold30605050))

Table 7.2

844) Table 7.2 contains price, demand, and cost data for the Capri Theater, the only first-run movie theater in a small town. What is its revenue from students under the single price policy?

- A) \$150
- B) \$180
- C) \$450
- D) \$540

Answer: <https://biology-forums.com/index.php?topic=736234>

Question 1642

Why can't the government force a natural monopolist to produce the competitive output?

Answer: <https://biology-forums.com/index.php?topic=737532>

Question 1643

Arranging matching charitable contributions will _____ the free-rider problem and lead to a _____ level of contribution to the public good.

- A) reduce; smaller
- B) reduce; larger
- C) increase; larger
- D) increase; smaller

Answer: <https://biology-forums.com/index.php?topic=737824>

Question 1644

The market supply curve of labor for an occupation is positively sloped in part because an increase in the wage rate will encourage more people to work in that occupation.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736375>

Question 1645

Suppose that nominal GDP in year 1 is 200 and nominal GDP in year 2 is 242. Assume that inflation is 10% per year. How fast did the economy grow between these two years?

- A) 10%
- B) 12%
- C) 21%
- D) 42%

Answer: <https://biology-forums.com/index.php?topic=736620>

Question 1646

Society gains from a patent if the product would not otherwise be developed.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736198>

Question 1647

Stabilization policies are actions taken to bring the economy closer to full employment.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738039>

Question 1648

If a union is successful in increasing wages, it may find that

- A) the demand for union-made goods rises.
- B) the price of union-made goods falls.
- C) demand for workers increases.
- D) demand for workers falls.

Answer: <https://biology-forums.com/index.php?topic=736449>

Question 1649

Which of the following is the best example of a perfectly competitive firm?

- A) DeBeers Diamond Company
- B) your local cable TV company
- C) Jones's wheat farm in eastern Washington
- D) Tino's Italian Eatery, a local restaurant

Answer: <https://biology-forums.com/index.php?topic=735883>

Question 1650

Since the 1930s the United States has experienced continuous deflation.

- A) True

B) False

Answer: <https://biology-forums.com/index.php?topic=736806>

Question 1651

Which of the following products has the least elastic demand?

- A) coffee
- B) Raspberry Mocha Kona coffee blend at Starbuck's
- C) Starbuck's coffee
- D) all beverages

Answer: <https://biology-forums.com/index.php?topic=735444>

Question 1652

An open market sale of bonds by the Federal Reserve will lead to an increase of reserves in banks.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738354>

Question 1653

The Federal Reserve was created in

- A) 1893.
- B) 1913.
- C) 1921.
- D) 1933.

Answer: <https://biology-forums.com/index.php?topic=738266>

Question 1654

The Sherman Act of 1890

- A) prohibited selling products at "unreasonably low prices" with the intent of reducing competition.
- B) outlawed tying contracts.
- C) outlawed stock-purchase mergers that would substantially reduce competition.
- D) made it illegal to engage in practices that resulted in restraint of trade.

Answer: <https://biology-forums.com/index.php?topic=737562>

Question 1655

When is it a good decision to hire a celebrity endorser of your product?

Answer: <https://biology-forums.com/index.php?topic=737304>

Question 1656

Deciding if a power company will generate electricity from wind power or coal answers the economic question of

- A) who consumes the products produced.
- B) how will the products be produced.
- C) where will the products be consumed.
- D) what products will be produced.

Answer: <https://biology-forums.com/index.php?topic=734971>

Question 1657

Studies of real world markets suggest that prices and the number of firms of comparable size in a market are

- A) negatively or inversely related.
- B) not related.
- C) positively related.
- D) sometimes negatively or inversely related, but usually positively related.

Answer: <https://biology-forums.com/index.php?topic=737144>

Question 1658

Suppose that in a month the price of movie rentals decreases from \$3.25 to \$3. At the same time, the quantity of movie rentals demanded increases from 100 to 120. The price elasticity of demand for movie rentals (calculated using the midpoint formula) is

- A) inelastic.

- B) unitary elastic.
- C) elastic.
- D) zero.

Answer: <https://biology-forums.com/index.php?topic=735410>

Question 1659

Name two types of jobs most likely affected by "seasonal unemployment."

Answer: <https://biology-forums.com/index.php?topic=736713>

Question 1660

Suppose that the quantity of cars supplied exceeds the quantity of cars demanded. We would expect that

- A) the price of cars will decrease.
- B) the price of cars will increase.
- C) the supply will increase (supply will shift to the right) to meet the demand.
- D) the demand will decrease (demand will shift to the left) to meet the supply.

Answer: <https://biology-forums.com/index.php?topic=735266>

Question 1661

After the first unit, a monopolist's marginal revenue is less than the price it charges because to sell an additional unit it needs to lower its price.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736134>

Question 1662

Accountants include _____ costs as part of a firm's costs, while economists include _____ costs.

- A) explicit; explicit and implicit
- B) explicit and implicit; implicit
- C) implicit; no implicit
- D) explicit; no explicit

Answer: <https://biology-forums.com/index.php?topic=735670>

Question 1663

Describe some of the ways in which firms differentiate their products.

Answer: <https://biology-forums.com/index.php?topic=737258>

Question 1664

Suppose an oil refinery and a paper mill both pollute a river. Under a system of marketable pollution permits, which of the following must be true in order for both companies to benefit from trading the right to pollute?

- A) They must be able to reduce pollution at exactly the same cost.
- B) They must have a social conscience and must be devoted to pollution abatement.
- C) The government must direct them toward beneficial trades.
- D) It must cost the firms different amounts to reduce pollution.

Answer: <https://biology-forums.com/index.php?topic=737967>

Question 1665

The interest on a business loan is an implicit cost.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735685>

Question 1666

Recall the application. The amount of e-mail spam would significantly decrease if

- A) the cost of sending spam exceeded its profitability.
- B) e-mail filters were developed to separate spam from legitimate e-mail.
- C) states passed laws making spam illegal.
- D) more people responded to spam e-mails.

Answer: <https://biology-forums.com/index.php?topic=735014>

Question 1667

If two firms pollute, and the increase in costs to Firm A from decreasing pollution is less than the decrease in costs to Firm B from increasing pollution

- A) while both firms can benefit from trading, there is no way for them to determine an agreeable price.
- B) both firms will stop polluting.
- C) the firms can benefit by trading the right to pollute.
- D) the firms will not trade the right to pollute.

Answer: <https://biology-forums.com/index.php?topic=737991>

Question 1668

There are profit opportunities in a thin market because the gap between what a buyer is willing to pay for a true plum and the amount a plum owner is willing to accept is large.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737715>

Question 1669

Unemployment that naturally occurs during the normal workings of an economy as people change jobs and move across the country is called

- A) frictional unemployment.
- B) cyclical unemployment.
- C) natural unemployment.
- D) structural unemployment.

Answer: <https://biology-forums.com/index.php?topic=736714>

Question 1670

Which of the following is true for a perfectly competitive market in short-run equilibrium?

- A) The typical firm earns zero economic profit.
- B) The typical firm will always make a positive profit.
- C) The quantity supplied equals the quantity demanded.
- D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=736008>

Question 1671

Most modern economic analysis is normative in nature, but involves questions with positive aspects.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=734979>

Question 1672

If the Federal Reserve conducts an open market sale, the

- A) interest rate will increase.
- B) interest rate will decrease.
- C) interest rate will not change.
- D) money supply is increased.

Answer: <https://biology-forums.com/index.php?topic=738369>

Question 1673

Recall the Application. If consumer income in China increased and as a result the demand for pecans decreased, this would indicate that in China, pecans would be considered _____ goods.

- A) complementary
- B) inferior
- C) normal
- D) substitute

Answer: <https://biology-forums.com/index.php?topic=735311>

Question 1674

Without the government's redistribution programs, the income share of the lowest quintile would _____ and the income share of the highest quintile

would _____.

- A) increase; decrease
- B) decrease; increase
- C) decrease; remain the same
- D) remain the same; increase

Answer: <https://biology-forums.com/index.php?topic=736491>

Question 1675

Recall the application. Economists Carol Corrado and Charles Hulten found that in recent years, as a source of economic growth,

- A) the contribution from tangible capital exceeded the contribution from intangible capital.
- B) the contributions from tangible capital and intangible capital are, at best, negligible.
- C) the contributions from tangible capital and intangible capital are about the same.
- D) the contribution from intangible capital exceeded the contribution from tangible capital.

Answer: <https://biology-forums.com/index.php?topic=736920>

Question 1676

The multiplier represents the ratio of the total shift in aggregate demand to the

- A) initial shift in short-run aggregate supply.
- B) total shift in short-run aggregate supply.
- C) total shift in long-run aggregate supply.
- D) initial shift in aggregate demand.

Answer: <https://biology-forums.com/index.php?topic=737042>

Question 1677

Why do barriers to entry create market power?

Answer: <https://biology-forums.com/index.php?topic=736141>

Question 1678

Most economists believe that the CPI overstates the actual changes in prices while the chain index for GDP understates them.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736790>

Question 1679

The extra benefit resulting from a small increase in an activity is called the

- A) diminishing returns of the activity.
- B) marginal cost.
- C) opportunity cost.
- D) marginal benefit.

Answer: <https://biology-forums.com/index.php?topic=735121>

Question 1680

Suppose you were interested in increasing technological progress in your country. Suggest some ways to do it.

Answer: <https://biology-forums.com/index.php?topic=736960>

Question 1681

A firm announces that in order to purchase a CD player, its customers must also purchase 10 CDs. This is an example of

- A) price discrimination.
- B) monopoly pricing.
- C) predatory pricing.
- D) a tie-in sale.

Answer: <https://biology-forums.com/index.php?topic=737553>

Question 1682

Recall the Application. The mold used to produce the fake killer whales is an indivisible input.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735851>

Question 1683

For a monopolist, marginal revenue _____ for all units of output except the first unit.

- A) is less than the price of output
- B) is greater than the price of output
- C) may be either greater than or less than the price of output
- D) is equal to the price of output

Answer: <https://biology-forums.com/index.php?topic=736115>

Question 1684

What are the characteristics of monopolistic competition?

Answer: <https://biology-forums.com/index.php?topic=735907>

Question 1685

Congestion taxes tend to cause an increase in traffic volume during rush hours.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=734996>

Question 1686

The barrier to entry that sustains a natural monopoly is

- A) government regulation.
- B) patent protection.
- C) implicit price fixing agreements.
- D) economies of scale.

Answer: <https://biology-forums.com/index.php?topic=737478>

Question 1687

What is the substitution effect for leisure demand?

Answer: <https://biology-forums.com/index.php?topic=736377>

Question 1688

The long-run marginal cost is the additional cost incurred by the firm when producing one more unit of output, holding the amount of capital constant.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735844>

Question 1689

Different people eat different amounts of food when they go to buffet restaurants, even though they all pay the same price. Explain how this relates to the marginal principle.

Answer: <https://biology-forums.com/index.php?topic=735153>

Question 1690

Suppose the demand for hamburgers increases. In the short run, firms that produce hamburgers will experience a rise in prices, which will induce them to

- A) increase production and decrease the number of workers.
- B) decrease production and decrease the number of workers.
- C) increase production and increase the number of workers.
- D) decrease production and increase the number of workers.

Answer: <https://biology-forums.com/index.php?topic=736991>

Question 1691

According to the Texas Transportation Institute, the typical U.S. commuter wastes approximately how much time per year due to traffic congestion?

- A) 14 hours
- B) 22 hours

- C) 47 hours
- D) 96 hours

Answer: <https://biology-forums.com/index.php?topic=734991>

Question 1692

In order to engage in price discrimination, a monopolist has to be able to determine that there are different groups of consumers that have different _____ for the product.

- A) price elasticities of demand
- B) cross elasticities of demand
- C) income elasticities of demand
- D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=736224>

Question 1693

Absolute advantage occurs when one producer has greater productivity compared to another producing the same product.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738486>

Question 1694

According to the income effect of labor supply, if leisure is a normal good, then an increase in the wage rate will _____ the quantity of labor _____.

- A) decrease; supplied
- B) decrease; demanded
- C) increase; demanded
- D) increase; supplied

Answer: <https://biology-forums.com/index.php?topic=736347>

Question 1695

Why do college graduates earn higher wages than non-graduates?

Answer: <https://biology-forums.com/index.php?topic=736475>

Question 1696

For the purpose of statistically reporting the unemployment rate, "discouraged workers," are

- A) trained to do different work.
- B) counted.
- C) not counted.
- D) offered other jobs.

Answer: <https://biology-forums.com/index.php?topic=736697>

Question 1697

If the number of people with the skills necessary to perform a job increases, labor _____ shifts _____.

- A) demand; left
- B) demand; right
- C) supply; left
- D) supply; right

Answer: <https://biology-forums.com/index.php?topic=736425>

Question 1698

Social security payments are examples of

- A) transfer payments.
- B) services.
- C) nondurable goods.
- D) durable goods.

Answer: <https://biology-forums.com/index.php?topic=736564>

Question 1699

Market failure is a situation in which

- A) production generates costs that are not paid for by the producer.
- B) purchasers cannot afford the goods that they need.
- C) a market is not in equilibrium.
- D) the government intervenes in the market.

Answer: <https://biology-forums.com/index.php?topic=737856>

Question 1700

Name two actions a government could take if it wants to implement a contractionary fiscal policy.

Answer: <https://biology-forums.com/index.php?topic=738044>

Question 1701

Recall the application. After the government decreased cigarette taxes in several Canadian provinces, demand for cigarettes _____ in these provinces, shifting the demand curve to the _____.

- A) decreased; left
- B) increased; left
- C) increased; right
- D) decreased; right

Answer: <https://biology-forums.com/index.php?topic=735229>

Question 1702

The earned income tax credit is an earnings subsidy for low-income households.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736511>

Question 1703

Suppose that in a month the price of movie rentals increases from \$2 to \$2.20. At the same time, the quantity of movie rentals supplied increases from 100 to 110. The price elasticity of supply for movie rentals (calculated using the initial value formula) is

- A) 0.02.
- B) 0.2.
- C) 1.
- D) 50.

Answer: <https://biology-forums.com/index.php?topic=735591>

Question 1704

Farmer Brown sells her wheat in a perfectly competitive market. Suppose the current market price of wheat is \$2.50 per bushel.

- A) Farmer Brown can sell as much wheat as she likes at \$2.50 per bushel.
- B) Farmer Brown should charge more than \$2.50.
- C) Farmer Brown can charge any price for her wheat, but will maximize profit if she sells for less than \$2.50.
- D) Farmer Brown can charge more than \$2.50 and still sell some wheat.

Answer: <https://biology-forums.com/index.php?topic=735909>

Question 1705

The long-run aggregate supply curve is

- A) downward sloping.
- B) a vertical line at potential output.
- C) upward sloping.
- D) a horizontal line at the current price level.

Answer: <https://biology-forums.com/index.php?topic=737073>

Question 1706

If in the third quarter of 2012 total investment spending was \$4,768 billion and depreciation was \$3,292 billion, then net investment was equal to

- A) \$1,476 billion.
- B) \$3,292 billion.
- C) \$4,768 billion.
- D) \$8,060 billion.

Answer: <https://biology-forums.com/index.php?topic=736559>

Question 1707

If a decrease in the price of good X results in a decrease in the quantity of Y demanded,

- A) good X and good Y are complements.
- B) the cross-price elasticity of demand for good Y is negative.
- C) good X and good Y are substitutes.
- D) There is not sufficient information to determine the relationship between good X and good Y.

Answer: <https://biology-forums.com/index.php?topic=735576>

Question 1708

Under what circumstances would a monopolist price be as low as the price that would prevail in a perfectly competitive market?

Answer: <https://biology-forums.com/index.php?topic=737471>

Question 1709

Under a policy of average-cost pricing, a monopolist must charge the price at which its _____ cost curve intersects its _____ curve.

- A) marginal; marginal revenue
- B) marginal; demand
- C) average variable; demand
- D) average; demand

Answer: <https://biology-forums.com/index.php?topic=737505>

Question 1710

Checking account balances are included in

- A) M1 only.
- B) M2 only.
- C) both M1 and M2.
- D) neither M1 nor M2.

Answer: <https://biology-forums.com/index.php?topic=738167>

Question 1711

When displaced workers require retraining before entering the labor force again, it is the result of _____ unemployment.

- A) structural
- B) frictional
- C) seasonal
- D) cyclical

Answer: <https://biology-forums.com/index.php?topic=736726>

Question 1712

Which of the following is NOT included in M1?

- A) savings accounts
- B) deposits in checking accounts that pay interest
- C) traveler's checks
- D) deposits in checking accounts

Answer: <https://biology-forums.com/index.php?topic=738170>

Question 1713

The costs of inflation that arise from trying to reduce cash holdings are known as

- A) menu costs.
- B) diminishing costs.
- C) shoe leather costs.
- D) chain-index costs.

Answer: <https://biology-forums.com/index.php?topic=736812>

Question 1714

A example of a topic studied in the field of new growth is how incentives for _____ interact with the accumulation of physical capital.

- A) international trade

- B) new product development
- C) research and development
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736950>

Question 1715

Recall the Application. The short-run supply curve for shipping services is

- A) positively sloped.
- B) perfectly vertical.
- C) negatively sloped.
- D) perfectly horizontal.

Answer: <https://biology-forums.com/index.php?topic=736010>

Question 1716

Traveler's checks are included in

- A) M1 only.
- B) M2 only.
- C) both M1 and M2.
- D) neither M1 nor M2.

Answer: <https://biology-forums.com/index.php?topic=738169>

Question 1717

If a firm in a perfectly competitive market is currently producing the output where price = marginal cost > average total cost, the firm is

- A) earning a zero profit.
- B) earning a positive profit.
- C) suffering an economic loss.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=735925>

Question 1718

One would expect people who work the night shift to have higher wages than their day-shift counterparts.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736460>

Question 1719

The price elasticity of demand for higher education is about 1.4. A 5% increase in tuition would lead to

- A) a decrease in enrollment by 7%.
- B) a decrease in enrollment by 6.4%.
- C) a decrease in enrollment by 3.6%.
- D) a decrease in enrollment by 2.8%.

Answer: <https://biology-forums.com/index.php?topic=735481>

Question 1720

The input-substitution effect of an increase in the wage comes about because higher wages

- A) increase production costs, and final good prices will rise, increasing the quantity demanded of the product.
- B) make labor more expensive as an input, leading firms to switch to other inputs.
- C) make labor less expensive as an input, leading firms to switch to labor as an input.
- D) increase production costs, and final good prices will rise, reducing the quantity demanded of the product.

Answer: <https://biology-forums.com/index.php?topic=736327>

Question 1721

Describe the relationship between the Federal Reserve and the legislative and executive branches of the U.S. government.

Answer: <https://biology-forums.com/index.php?topic=738289>

Question 1722

If a firm increases its capital stock per person while holding constant the number of workers employed, the firm is said to experience

- A) capital augmentation.
- B) labor intensity.
- C) investment deepening.
- D) capital deepening.

Answer: <https://biology-forums.com/index.php?topic=736865>

Question 1723

States can allow exceptions to Temporary Aid to Needy Families 60 month rule for up to 20% of recipients.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736509>

Question 1724

The market for laundry detergent is monopolistically competitive because products differ by physical characteristics such as scent, stain fighting ingredients, etc.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737249>

Question 1725

Which of the following is a characteristic of a monopolistically competitive market?

- I. Firms sell differentiated products.
- II. Each firm's product is a close substitute for other firms' products.
- III. Firms freely enter and exit the market.

- A) I only
- B) I and III only
- C) II and III only
- D) I, II, and III

Answer: <https://biology-forums.com/index.php?topic=737192>

Question 1726

When a few firms sell similar products in a market, the market structure is most likely to be

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

Answer: <https://biology-forums.com/index.php?topic=737308>

Question 1727

Social insurance taxes are paid by wages and investment income.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738104>

Question 1728

Based on the data in Table 18.1, if Jesse and April choose to specialize and trade, then

- A) Jesse will specialize in painting snowboards and trade snowboards for kites.
- B) April will specialize in painting snowboards and trade snowboards for kites.
- C) April will specialize in painting kites and trade kites for snowboards.
- D) None of the above; specialization and trade are not beneficial for Jesse and April.

Answer: <https://biology-forums.com/index.php?topic=738444>

Question 1729

Suppose an unregulated monopoly faces a negatively-sloped and steep average cost curve. If a second firm enters, what will happen to the first firm's demand and average cost of production?

Answer: <https://biology-forums.com/index.php?topic=737530>

Question 1730

Diminishing marginal returns implies that firms

- A) require fewer and fewer workers to produce each additional unit of output.
- B) get decreasing amounts of revenue for each unit of output they produce.
- C) get increasing amounts of revenue for each unit of output they produce.
- D) require more and more workers to produce each additional unit of output.

Answer: <https://biology-forums.com/index.php?topic=735698>

Question 1731

What gives money value under a fiat system?

- A) Fiat money is backed by gold.
- B) Fiat money is the same as Treasury bonds.
- C) The supply of fiat money is controlled by the government.
- D) Fiat money is also a commodity.

Answer: <https://biology-forums.com/index.php?topic=738165>

Question 1732

According to the possible trade-off example between warships and drinking water in the text, the policy question that should be considered in Malaysia is

- A) do the real costs of the warships exceed their nominal costs?
- B) do the opportunity costs of the warships exceed their nominal costs?
- C) do the benefits of the warships exceed their opportunity costs?
- D) do the nominal costs of the warships exceed their real costs?

Answer: <https://biology-forums.com/index.php?topic=735088>

Question 1733

Recall the Application. The equilibrium price of pecans increased because the demand curve shifted

- A) up and to the left.
- B) down and to the right.
- C) down and to the left.
- D) up and to the right.

Answer: <https://biology-forums.com/index.php?topic=735308>

Question 1734

If short-run economic profits are greater than zero for firms in a monopolistically competitive market, in the long run we expect

- A) the demand curve for firms in the market to shift to the right.
- B) entry barriers to prevent competing firms from entering this market.
- C) the average cost of production to decrease.
- D) the average cost of production to increase.

Answer: <https://biology-forums.com/index.php?topic=737199>

Question 1735

If, regardless of price, the quantity supplied is a constant amount, then the supply curve is

- A) downward sloping.
- B) vertical.
- C) horizontal.
- D) upward sloping.

Answer: <https://biology-forums.com/index.php?topic=735612>

Question 1736

If a product is a necessity and has no substitutes at all, demand for the product is most likely to be

- A) inelastic.
- B) elastic.
- C) unitary elastic.
- D) very inelastic.

Answer: <https://biology-forums.com/index.php?topic=735439>

Question 1737

A firm produces its product using both capital and labor. When it does not change its capital usage, but doubles its labor input, its output increases by less than 50%. Which of the following is the most likely explanation of this finding?

- A) the principle of opportunity cost
- B) the marginal principle
- C) the principle of diminishing returns
- D) the spillover principle

Answer: <https://biology-forums.com/index.php?topic=735166>

Question 1738

As manager of the only video rental store in town, you have noticed that on Thursday through Sunday the demand for movie rentals is much less elastic than it is on Monday through Wednesday. If you are currently charging \$3 for a two-night rental, give an example of a pricing policy that might increase your revenues compared to a single-pricing strategy.

Answer: <https://biology-forums.com/index.php?topic=736268>

Question 1739

Under a system of marketable pollution permits

- A) the government is not involved.
- B) firms can only buy the right to pollute from the government.
- C) pollution will increase.
- D) firms may trade the right to pollute a certain amount.

Answer: <https://biology-forums.com/index.php?topic=737959>

Question 1740

At a price of \$20, the marginal revenue of a monopolist is \$12. If the marginal cost of production is \$10, what should the monopolist do in order to maximize profits?

- A) Decrease its price.
- B) Increase its price.
- C) Keep its price at the same level.
- D) not enough information to solve

Answer: <https://biology-forums.com/index.php?topic=736126>

Question 1741

In order to practice price discrimination a firm must be in a market such that the consumers in its market

- A) have the same demand for its product.
- B) have different price elasticities of demand.
- C) all have identical price elasticities of demand.
- D) all have identical tastes.

Answer: <https://biology-forums.com/index.php?topic=736221>

Question 1742

For most firms, the biggest cost of doing business is wages.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737000>

Question 1743

Movie theaters would make more money if they offered students the same type of discounts on popcorn that they do on admission.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736258>

Question 1744

When determining an appropriate congestion tax, economists would use which of the following elements of the economic way of thinking?

- A) thinking at the margin
- B) making assumptions

- C) isolating variables
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=735009>

Question 1745

When the Federal Reserve decreases the money supply, it generally does so by purchasing bonds.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738355>

Question 1746

Business cycles are

- A) the transfer of executives between firms.
- B) used to describe fluctuations in GDP.
- C) a description of the time required to bring a new product to market.
- D) movements in stock prices.

Answer: <https://biology-forums.com/index.php?topic=736640>

Question 1747

Recall the Application. Why were there so many "lemon" kiwifruit in the U.S. market?

Answer: <https://biology-forums.com/index.php?topic=737752>

Question 1748

What is the opportunity cost of your college degree?

Answer: <https://biology-forums.com/index.php?topic=735120>

Question 1749

Explain the key issues presented by both sides of the Staples/Office Depot case in 1997.

Answer: <https://biology-forums.com/index.php?topic=737602>

Question 1750

Suppose that Harold buys collision insurance for his car and then drives it recklessly. This is an example of

- A) a positive spillover.
- B) adverse selection.
- C) moral hazard.
- D) irrational behavior.

Answer: <https://biology-forums.com/index.php?topic=737758>

Question 1751

If the demand for school ball caps is inelastic, an increase in price will result in

- A) a decrease in profits.
- B) a decrease in total revenue.
- C) an increase in total revenue.
- D) an increase in the quantity demanded.

Answer: <https://biology-forums.com/index.php?topic=735507>

Question 1752

Which one of the following is the best example of an oligopolistic industry?

- A) apple growers
- B) cigarettes
- C) public utilities
- D) wheat growers

Answer: <https://biology-forums.com/index.php?topic=737320>

Question 1753

If Maria spends a fixed dollar amount per week on movie rentals regardless of changes in the price, Maria's demand for movie rental can be

considered

- A) inelastic.
- B) unit elastic.
- C) elastic.
- D) There is not sufficient information to determine the price elasticity.

Answer: <https://biology-forums.com/index.php?topic=735496>

Question 1754

Which of the following is a characteristic of a perfectly competitive market?

- A) a large number of firms in a market
- B) no barriers to entry
- C) selling a standardized product
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=735873>

Question 1755

Transfer payments are excluded from government purchases in GDP accounting because

- A) nothing is being produced in return for the payment.
- B) they are difficult to measure.
- C) they are already included as part of investment.
- D) they are a reward to individuals who have been productive their entire lives.

Answer: <https://biology-forums.com/index.php?topic=736565>

Question 1756

When firms compete with each other rather than cooperate

- A) consumers will end up better off.
- B) output will be lower.
- C) the firms will end up better off.
- D) prices will be higher.

Answer: <https://biology-forums.com/index.php?topic=737331>

Question 1757

Suppose the wage rate in a certain industry rises, yet firms hire more workers. The best explanation of this is that labor

- A) demand fell.
- B) demand increased.
- C) supply fell.
- D) supply increased.

Answer: <https://biology-forums.com/index.php?topic=736394>

Question 1758

What is meant by the term "outside lags"?

Answer: <https://biology-forums.com/index.php?topic=738046>

Question 1759

The absence of clear property rights

- A) is caused by capital deepening.
- B) encourages creative destruction.
- C) is common in many developing nations.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736964>

Question 1760

The concept of Nash Equilibrium

- A) is limited in its applicability to economic behavior because firms generally follow their dominant strategies.
- B) is limited in its applicability to economic behavior because firms do not follow their dominant strategies.
- C) has wide applicability.
- D) has been disproven by modern economists.

Answer: <https://biology-forums.com/index.php?topic=737367>

Question 1761

Use the marginal principle to explain why government mandated safety features in automobiles during the 1960s and 1970s resulted in an increase in collisions between automobiles and bicycles.

Answer: <https://biology-forums.com/index.php?topic=735154>

Question 1762

Which of the following is NOT an example of the efforts to reduce the adverse selection problem?

- A) Consumers invest in information.
- B) Sellers offer money-back guarantees.
- C) Sellers offer warranties.
- D) All of the above are examples of efforts to reduce adverse selection.

Answer: <https://biology-forums.com/index.php?topic=737735>

Question 1763

The four-firm concentration ratio measures the

- A) average cost of the four largest firms in an industry.
- B) percentage of total output in a market produced by the four largest firms.
- C) number of firms in an industry.
- D) elasticity of demand of the four largest firms in an industry.

Answer: <https://biology-forums.com/index.php?topic=737309>

Question 1764

What are the key characteristics of an oligopoly?

Answer: <https://biology-forums.com/index.php?topic=737384>

Question 1765

In developing countries, economists have found _____ correlation between a person's height and the wages he can earn in the farming sector.

- A) a strong
- B) a weak
- C) an inverse
- D) no

Answer: <https://biology-forums.com/index.php?topic=736942>

Question 1766

Which of the following is NOT a characteristic of a monopoly?

- A) There exist barriers to entry.
- B) A monopolist is a price-taker.
- C) A monopolist's sales revenue is constrained by the market demand.
- D) There is only one seller.

Answer: <https://biology-forums.com/index.php?topic=736092>

Question 1767

Why is it difficult to implement fiscal policies?

Answer: <https://biology-forums.com/index.php?topic=738048>

Question 1768

Suppose that a monopolistically competitive market is in its long-run equilibrium. If the market demand curve shifts to the left due to a recession,

- A) the number of firms in the market decreases in the short-run.
- B) firms' average costs of production decreases as they decrease output levels in the short-run.
- C) some firms may earn negative profits in the short-run.
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=737205>

Question 1769

When the Federal Reserve increases interest rates, investment spending _____ and GDP _____.

- A) decreases; decreases
- B) increases; decreases
- C) decreases; increases
- D) increases; increases

Answer: <https://biology-forums.com/index.php?topic=738298>

Question 1770

The Federal Reserve influences the level of interest rates in the short run by changing the

- A) demand for money through changes in reserve requirements.
- B) supply of money through open market operations.
- C) supply of money through changes in stock market operations.
- D) demand for money through open market operations.

Answer: <https://biology-forums.com/index.php?topic=738363>

Question 1771

If we observe a firm engaging in price discrimination, it must be true that

- A) the firm earns higher profits per unit than it would have earned if it charged a single price for the product.
- B) the firm can identify the preferences of every customer it serves.
- C) the firm is enjoying higher total profits than it would have earned if it charged a single price for the product.
- D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=736210>

Question 1772

Prices that adjust nearly on a daily basis are

- A) auction prices.
- B) heavy prices.
- C) sticky prices.
- D) custom prices.

Answer: <https://biology-forums.com/index.php?topic=736979>

Question 1773

Table 7.2 contains price, demand and cost data for the Capri Theater, the only first-run movie theater in a small town. What is its profit from students under the single price policy?

- A) \$150
- B) \$180
- C) \$450
- D) \$540

Answer: <https://biology-forums.com/index.php?topic=736235>

Question 1774

Moral hazard is more likely to arise when

- A) adverse selection is present.
- B) people are uninsured.
- C) one side of an economic relationship cannot observe the behavior of those on the other side.
- D) insurance policies have high deductibles.

Answer: <https://biology-forums.com/index.php?topic=737756>

Question 1775

If profits in a monopolistically competitive market are positive, we can conclude that

- A) price is greater than average cost
- B) price is less than average cost.
- C) price is equal to average cost.
- D) the market is in long-run equilibrium.

Answer: <https://biology-forums.com/index.php?topic=737212>

Question 1776

Higher U.S. interest rates cause the value of the dollar to

- A) rise, making U.S. goods relatively more expensive on world markets.
- B) fall, making U.S. goods relatively more expensive on world markets.
- C) fall, making U.S. goods relatively cheaper on world markets.
- D) rise, making U.S. goods relatively cheaper on world markets.

Answer: <https://biology-forums.com/index.php?topic=738391>

Question 1777

Suppose an economy consists of 500,000 individuals 16 years and older, 260,000 are employed, and 21,000 are unemployed but actively seeking work. In this example the unemployment rate is approximately

- A) 4.2%.
- B) 6.1%.
- C) 7.5%.
- D) 8.0%.

Answer: <https://biology-forums.com/index.php?topic=736684>

Question 1778

If an economy produced 60 pounds of sushi at \$12 per pound and 15 gallons of sake at \$30 per gallon, the total value of these goods and services would be

- A) \$450.
- B) \$720.
- C) \$1,170.
- D) \$2,700.

Answer: <https://biology-forums.com/index.php?topic=736532>

Question 1779

A decrease in the value of a currency is called a(n)

- A) integration.
- B) depreciation.
- C) appreciation.
- D) consolation.

Answer: <https://biology-forums.com/index.php?topic=738395>

Question 1780

Which of the following is a characteristic of a monopolistically competitive market?

- I. Each firm is a price-taker.
- II. Firms sell slightly differentiated products.
- III. Each firm faces a downward-sloping demand curve.

- A) I only
- B) I and II only
- C) II and III only
- D) I, II, and III

Answer: <https://biology-forums.com/index.php?topic=737174>

Question 1781

The principle of voluntary exchange is based on the idea of

- A) isolating variables.
- B) making assumptions.
- C) rational self-interest.
- D) thinking at the margin.

Answer: <https://biology-forums.com/index.php?topic=735156>

Question 1782

Suppose that a male police officer earns more than a female administrative assistant, but they both have the same amount of education. The difference in wages

- A) can be attributable to the increased danger of being a police officer.
- B) is a violation of anti-discrimination laws.
- C) must be due to discrimination against women among police departments.

D) will disappear once the labor market has reached equilibrium.

Answer: <https://biology-forums.com/index.php?topic=736432>

Question 1783

A government report that makes working in a particular industry less attractive to workers will most likely _____ the number of workers hired in that industry, and _____ the wage paid to those workers.

- A) increase; increase
- B) increase; decrease
- C) decrease; decrease
- D) decrease; increase

Answer: <https://biology-forums.com/index.php?topic=736393>

Question 1784

Copayments and deductibles in insurance policies increase moral hazard.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737772>

Question 1785

Table 7.2 contains price, demand, and cost data for the Capri Theater, the only first-run movie theater in a small town. What is its profit from non-students under the student discount policy?

- A) \$200
- B) \$250
- C) \$350
- D) \$400

Answer: <https://biology-forums.com/index.php?topic=736240>

Question 1786

In the United States, the unionization rate of private-sector workers is much higher than that of public-sector workers.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736465>

Question 1787

Global warming has become a major international environmental issue. Using the concept of externality, explain why countries around the world seldom reach an agreement to reduce the use of fossil fuels.

Answer: <https://biology-forums.com/index.php?topic=737852>

Question 1788

If demand increases, the increase in price will be smaller if demand and supply are highly inelastic.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735653>

Question 1789

A decrease in the demand for musicians _____ the number of musicians employed, and _____ the wages paid to musicians.

- A) increases; increases
- B) increases; decreases
- C) decreases; increases
- D) decreases; decreases

Answer: <https://biology-forums.com/index.php?topic=736384>

Question 1790

If the reserve ratio is 0.9, the money multiplier will be 10.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738259>

Question 1791

Recall the Application. The developer who was interested in building a casino in Creswell, Oregon was willing to offering the citizens of Creswell a yearly cash payment if they voted to approve his casino because in Creswell, the casino market would most likely be

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

Answer: <https://biology-forums.com/index.php?topic=736174>

Question 1792

The federal funds rate is the interest rate that

- A) banks charge the Fed for using their reserves.
- B) the Fed charges to banks that borrow from it.
- C) the Fed pays on bank reserves.
- D) banks charge each other for borrowed money.

Answer: <https://biology-forums.com/index.php?topic=738342>

Question 1793

Table 6.1 shows the cost structure of a firm in a perfectly competitive market. If the market price is \$5,

- A) the firm suffers a loss but is better off producing at the output where $MR = MC$.
- B) the market price is lower than its marginal cost at the profit maximizing output level.
- C) the market price is lower than the average variable cost at the profit maximizing output level.
- D) the firm suffers a loss and is better off shutting down.

Answer: <https://biology-forums.com/index.php?topic=735975>

Question 1794

How do you interpret the value of income elasticity?

Answer: <https://biology-forums.com/index.php?topic=735586>

Question 1795

Because the government has so much money, and can print more, it does not need to borrow and therefore rarely pays net interest on debt.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738108>

Question 1796

Recall the application. After the government decreased cigarette taxes in several Canadian provinces in 1994, the decrease in the price of cigarettes in these provinces

- A) created no noticeable change in the smoking rate.
- B) increased the smoking rate by roughly 17%.
- C) was accompanied by a slight decrease in the rate of smoking.
- D) more than doubled the smoking rate.

Answer: <https://biology-forums.com/index.php?topic=735232>

Question 1797

Diminishing marginal returns implies that

- A) marginal costs are increasing.
- B) marginal costs are decreasing.
- C) marginal costs are constant.
- D) marginal costs may be increasing or decreasing.

Answer: <https://biology-forums.com/index.php?topic=735693>

Question 1798

Nike has used Michael Jordan to create the impression that Air Jordan basketball shoes are superior to any other basketball shoe. Nike is attempting to

- A) sell fewer Air Jordan basketball shoes so they can raise the price.

- B) differentiate Air Jordan basketball shoes from other types of basketball shoe.
C) lower the marginal cost of producing Air Jordan basketball shoes.
D) convince consumers that Air Jordan basketball shoes are identical to other basketball shoes.

Answer: <https://biology-forums.com/index.php?topic=737183>

Question 1799

Consider two individuals, Celia and Sondra, who produce bracelets and pendants. Celia's and Sondra's hourly productivity are as follows:

Bracelets /hour Pendants /hour

Celia 4 1

Sondra 10 2

Who has the absolute advantage or comparative advantage in the production of bracelets or pendants?

Answer: <https://biology-forums.com/index.php?topic=738496>

Question 1800

Which strategy has been shown to be the most effective strategy to promote cooperation?

- A) prisoners' dilemma
B) tit-for-tat
C) low-price guarantee
D) grim-trigger strategy

Answer: <https://biology-forums.com/index.php?topic=737412>

Question 1801

In terms of technological progress, economists interpret this as meaning an economy operates more efficiently by producing more output without using any more inputs.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=736926>

Question 1802

A Major League Baseball player signs a contract that pays \$27 million over 5 years. The \$27 million is the contract's _____ value.

- A) nominal
B) external
C) real
D) implicit

Answer: <https://biology-forums.com/index.php?topic=735190>

Question 1803

Externalities always consist of benefits that are not confined to the person or organization that decides how much of a good to produce or consume.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=737837>

Question 1804

Suppose buyers in the used car market are willing to pay \$4,000 for a plum (high-quality) used car and \$2,000 for a lemon (low-quality) used car. If buyers believe that 50% of the used cars on the market are lemons (low quality), what would they be willing to pay for a used car?

- A) \$2000
B) \$3000
C) \$3500
D) \$4000

Answer: <https://biology-forums.com/index.php?topic=737623>

Question 1805

If the price elasticity of supply is 1, supply is

- A) unaffected by price changes.
B) inelastic.
C) unitary elastic.
D) elastic.

Answer: <https://biology-forums.com/index.php?topic=735598>

Question 1806

If a 10% increase in price increases the quantity supplied by 15%, the price elasticity of supply is 0.67.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735629>

Question 1807

The unionization rate of public sector workers is about

- A) 10.3%.
- B) 17.1%.
- C) 24.4%.
- D) 39.8%.

Answer: <https://biology-forums.com/index.php?topic=736447>

Question 1808

Anticipated inflation is associated with cost increases which are fully expected.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736820>

Question 1809

The difference in wages between college graduates and high school graduates

- A) is nonexistent when labor markets are in equilibrium.
- B) has been stable for several decades.
- C) is smaller than in the past.
- D) has increased in recent years.

Answer: <https://biology-forums.com/index.php?topic=736444>

Question 1810

If Libby can produce 20 gallons of beer or 5 gallons of wine per hour, her opportunity cost of one gallon of beer is 4 gallons of wine.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738478>

Question 1811

Suppose that the percentage change in demand is 10%, the price elasticity of demand is 1, and the percentage change in the equilibrium price is 3.33%. What is the price elasticity of supply?

- A) 0
- B) 1
- C) 2
- D) 3

Answer: <https://biology-forums.com/index.php?topic=735648>

Question 1812

What are the characteristics of oligopoly?

Answer: <https://biology-forums.com/index.php?topic=735906>

Question 1813

Department stores are monopolistically competitive because stores differ in the amount of customer service they provide.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737250>

Question 1814

Which of the following companies was NOT broken up by the government?

- A) Office Depot
- B) Standard Oil
- C) American Tobacco
- D) AT&T

Answer: <https://biology-forums.com/index.php?topic=737538>

Question 1815

If average total cost > average variable cost > price, a profit maximizing firm in a perfectly competitive market should

- A) continue to produce its current output level.
- B) increase its output level to minimize its loss.
- C) shut down in the short run.
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=735966>

Question 1816

A solution to market failure in the particular application of environmental policy

- A) can be the establishment of a new market where one had not existed before.
- B) is impossible because firms and consumers follow their self-interest.
- C) can never involve the government because the government initially created the market failure.
- D) can never be market-based, as market failure implies that markets damage the environment.

Answer: <https://biology-forums.com/index.php?topic=737858>

Question 1817

Which of the following is a question answered with normative economic reasoning?

- A) If the college increased its enrollment requirements, would class size decline?
- B) If the college offers free textbooks for students, will more students read their textbooks?
- C) If the college provided less financial aid for out-of-state students, would more in-state students benefit?
- D) Should the college increase tuition to fund its athletic programs?

Answer: <https://biology-forums.com/index.php?topic=734967>

Question 1818

Monopolistically competitive industries are characterized by no barriers to entry.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735900>

Question 1819

Since a large or a small wind turbine have similar installation, operating and maintenance costs, but a large turbine has four times the generating capacity but costs less than three times as much as a small turbine, the average cost of generating electricity with wind is

- A) increasing as output increases.
- B) at first decreasing and then increasing as output rises.
- C) decreasing as output increases.
- D) constant at each output.

Answer: <https://biology-forums.com/index.php?topic=735858>

Question 1820

At a price of \$15, a firm sells 80 CDs per day. If the slope of the demand curve is 0.10, marginal revenue is \$5.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736136>

Question 1821

A person who is not working and who has looked for work in the past, but is not looking for work now is not considered "unemployed."

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736707>

Question 1822

A carbon tax on fossil fuels is likely to cause the price of goods produced by firms that use fossil fuels to

- A) not change.
- B) decrease.
- C) increase.
- D) change, but in a way that cannot be determined.

Answer: <https://biology-forums.com/index.php?topic=737912>

Question 1823

Lemon laws that allow consumers to return low-quality used cars are designed to help solve the problem of _____ in used car markets.

- A) thick markets
- B) experience ratings
- C) adverse selection
- D) moral hazard

Answer: <https://biology-forums.com/index.php?topic=737734>

Question 1824

Assuming a long-run aggregate supply curve, a decrease in taxes results in _____ in output and _____ in price level.

- A) a decrease; a decrease
- B) an increase; no change
- C) no change; a decrease
- D) no change; an increase

Answer: <https://biology-forums.com/index.php?topic=737076>

Question 1825

Suppose that a market for a product is in equilibrium at a price of \$3 per unit. At any price below \$3 per unit

- A) there will be an excess supply of the product.
- B) there will be an excess demand for the product.
- C) there will be a surplus of that product.
- D) the quantity demanded of the product will be less than the quantity supplied of that product.

Answer: <https://biology-forums.com/index.php?topic=735267>

Question 1826

Marginal cost is defined as

- A) the change in quantity resulting from a one-unit increase in the change in total variable cost.
- B) the change in total variable cost resulting from a one-unit increase in the change in quantity.
- C) total variable cost resulting from a one-unit increase in quantity.
- D) quantity resulting from a one-unit increase in total variable cost.

Answer: <https://biology-forums.com/index.php?topic=735745>

Question 1827

Monopoly profits lead to technological process by

- A) increasing the amount of human capital in the economy.
- B) carefully investing deadweight loss.
- C) encouraging the development of innovations by firms attempting to break a monopoly.
- D) firms lobbying Congress for protection of their monopolies.

Answer: <https://biology-forums.com/index.php?topic=736933>

Question 1828

What is a "cost-of-living" adjustment?

Answer: <https://biology-forums.com/index.php?topic=736792>

Question 1829

Under which conditions might diseconomies of scale result?

- A) increased bureaucracy
- B) increasing output prices

- C) improved coordination brought about by bureaucracy
- D) decreasing costs of inputs

Answer: <https://biology-forums.com/index.php?topic=735829>

Question 1830

Suppose that a state installs a toll booth on a highway and requires drivers to pay \$1.00 before entering the highway. Installation of the toll booth changes

- A) a nonrival good into a nonexcludable good.
- B) a nonrival good into a rival good.
- C) public good into a private good.
- D) a nonexcludable good into an excludable good.

Answer: <https://biology-forums.com/index.php?topic=737806>

Question 1831

Recall the application. The decline in honeybee colonies and its subsequent effect on the ingredients used in the production of ice cream has _____ the equilibrium price and _____ the equilibrium quantity of ice cream.

- A) decreased; decreased
- B) increased; increased
- C) increased; decreased
- D) decreased; increased

Answer: <https://biology-forums.com/index.php?topic=735360>

Question 1832

When a firm hired its tenth worker, its factory output increased by four units per month. Would you expect the firm's output to increase by eight more units per month if the firm hired two more workers?

Answer: <https://biology-forums.com/index.php?topic=735151>

Question 1833

A market in which there are many firms each selling differentiated products is most likely a _____ market.

- A) perfectly competitive
- B) monopolistically competitive
- C) monopoly
- D) natural monopoly

Answer: <https://biology-forums.com/index.php?topic=737170>

Question 1834

What is the chain-weighted price index for GDP in the base year?

- A) 0
- B) 1
- C) 100
- D) The answer depends on the price index for the current year.

Answer: <https://biology-forums.com/index.php?topic=736629>

Question 1835

Suppose that the elasticity of demand for hamburgers is 2.5 and price decreases by 14%. By what percentage will quantity demanded for hamburgers increase?

- A) 2.5%
- B) 5.6%
- C) 25%
- D) 35%

Answer: <https://biology-forums.com/index.php?topic=735482>

Question 1836

If a firm is taxed for each unit of waste it produces, the firm will decrease the amount of waste produced until

- A) there is no waste produced.
- B) the marginal benefit from decreasing waste is equal to zero.
- C) the marginal cost from decreasing waste is zero.

D) the marginal cost of decreasing waste is equal to the marginal benefit from decreasing waste.

Answer: <https://biology-forums.com/index.php?topic=737900>

Question 1837

If your firm is producing a good at a level where marginal revenue equals marginal cost, and price is greater than average total cost, your firm

- A) should decrease output.
- B) should increase output
- C) is earning an economic profit greater than zero.
- D) should shut down and suffer a loss equal to your fixed costs.

Answer: <https://biology-forums.com/index.php?topic=735939>

Question 1838

National income is the income that individuals and firms earn from their production.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736614>

Question 1839

Under an average-cost pricing policy

- A) a regulatory agency picks a price equal to a natural monopoly's marginal cost.
- B) a regulatory agency picks a price equal to a natural monopoly's average fixed cost.
- C) firms earn economic profits greater than zero.
- D) a regulatory agency picks a price at which a natural monopoly's demand curve intersects its average cost curve.

Answer: <https://biology-forums.com/index.php?topic=737501>

Question 1840

If the Federal Reserve is interested in conducting contractionary policy, what types of policies should it consider?

Answer: <https://biology-forums.com/index.php?topic=738359>

Question 1841

Table 7.2 contains price, demand, and cost data for the Capri Theater, the only first-run movie theater in a small town. What is its revenue from non-students under the single price policy?

- A) \$300
- B) \$360
- C) \$450
- D) \$540

Answer: <https://biology-forums.com/index.php?topic=736236>

Question 1842

In June 2012, the U.S. labor force consisted of 142,415,000 employed and 12,749,000 unemployed. The U.S. unemployment rate for June 2012 was about

- A) 7.4%.
- B) 8.2%.
- C) 9.0%.
- D) 11.2%.

Answer: <https://biology-forums.com/index.php?topic=736685>

Question 1843

Which of the following firms have market power?

- A) fast food chains such as McDonald's
- B) private universities
- C) theme parks
- D) All of the above have market power.

Answer: <https://biology-forums.com/index.php?topic=736090>

Question 1844

The reason that the local telephone company is able to engage in price discrimination between business and residential customers in providing local

phone service is that

- A) it must be extremely difficult, if not impossible, for one consumer to resell phone service to another.
- B) it is the only provider of local (landline) telephone service.
- C) business and residential customers differ in their willingness to pay for phone service.
- D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=736208>

Question 1845

Which of the following is NOT a characteristic of a monopolistically competitive market?

- A) Firms must take the market price as given.
- B) There are many firms.
- C) Firms sell products that are similar but not identical.
- D) There are no artificial barriers to entry.

Answer: <https://biology-forums.com/index.php?topic=737167>

Question 1846

Critically evaluate the statement "Honolulu is an expensive place to live. Therefore the inflation rate must be high in Honolulu."

Answer: <https://biology-forums.com/index.php?topic=736807>

Question 1847

What is a gold standard?

Answer: <https://biology-forums.com/index.php?topic=738208>

Question 1848

An increased federal budget deficit resulting from a recession can actually help stabilize an economy through transfer payments because an increased budget deficit will _____ transfer payments and thereby _____ the income of some households.

- A) decrease; increase
- B) decrease; decrease
- C) increase; decrease
- D) increase; increase

Answer: <https://biology-forums.com/index.php?topic=738077>

Question 1849

Contractionary policies are policies designed to

- A) increase the level of real GDP.
- B) increase government spending.
- C) reduce the level of real GDP.
- D) increase the federal deficit.

Answer: <https://biology-forums.com/index.php?topic=738010>

Question 1850

What is meant by the term "marginal change"?

Answer: <https://biology-forums.com/index.php?topic=735025>

Question 1851

Under which conditions might diseconomies of scale result?

- A) increasing costs of inputs
- B) hampered coordination brought about by bureaucracy
- C) the firm uses a large amount of indivisible inputs
- D) both A and B

Answer: <https://biology-forums.com/index.php?topic=735835>

Question 1852

A perfectly competitive firm can

- A) sell as much as it can produce at the market price.
- B) collude with its competitors to set prices.
- C) prevent entry of other firms into their market.

D) affect the market price for its good.

Answer: <https://biology-forums.com/index.php?topic=735885>

Question 1853

If the price elasticity of supply is 1.3, supply is

- A) unaffected by price changes.
- B) inelastic.
- C) unitary elastic.
- D) elastic.

Answer: <https://biology-forums.com/index.php?topic=735597>

Question 1854

Suppose that Gigantic Company is increasing in size. As Gigantic Company grows, they are able to buy inputs in bulk, resulting in lower input prices. It is likely that continued growth will result in

- A) Gigantic Company achieving the minimum efficient scale of production.
- B) economies of scale.
- C) diseconomies of scale.
- D) increasing marginal returns.

Answer: <https://biology-forums.com/index.php?topic=735825>

Question 1855

Which of the following is NOT an example of a consumption expenditure?

- A) a new county jail
- B) a digital camera you purchase to take on vacation
- C) a motorcycle you purchase to ride on the weekends
- D) a restaurant meal

Answer: <https://biology-forums.com/index.php?topic=736545>

Question 1856

A monopolist picks the quantity of output at which price equals marginal cost.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736138>

Question 1857

Oligopolies are characterized by many firms.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735899>

Question 1858

Suppose that in October the price of a cup of cafe latte was \$2.50 and 400 lattes were consumed. In November the price of a latte was \$2.00 and 600 lattes were consumed. What might have caused this change?

- A) The price of coffee beans (an input of production of cafe lattes) fell.
- B) The price of tea (a substitute for cafe lattes) fell.
- C) The price of tea (a substitute for cafe lattes) rose.
- D) The price of coffee beans (an input of production of cafe lattes) rose.

Answer: <https://biology-forums.com/index.php?topic=735343>

Question 1859

In the short run, monopolistically competitive firms find their profit-maximizing quantity by setting price equal to marginal cost.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737255>

Question 1860

The marginal cost curve always intersects the average total cost curve at the minimum of average total cost.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735800>

Question 1861

Limit pricing occurs when a firm sets price

- A) equal to average cost.
- B) so low that other firms are prevented from entering the market.
- C) equal to marginal cost.
- D) at different amounts for different groups of consumers.

Answer: <https://biology-forums.com/index.php?topic=737458>

Question 1862

It has been said that if buyers of used goods are pessimistic it becomes a self-fulfilling prophecy. In other words, buyer pessimism causes the market to have more low-quality goods. Explain why this is true.

Answer: <https://biology-forums.com/index.php?topic=737722>

Question 1863

In a duopoly, one firm's low-price guarantee

- A) guarantees that consumers will pay the lowest price possible.
- B) encourages the other firm to cut its prices.
- C) eliminates the other firm's incentive to undercut the first firm's price.
- D) is ineffective because firms always have an incentive to break their agreements.

Answer: <https://biology-forums.com/index.php?topic=737396>

Question 1864

Which of the following is an example of a consumption expenditure?

- A) the salary paid to the mayor of Denver
- B) the purchase of a new fire truck
- C) the construction of a new public library
- D) the purchase of a ticket to a New Orleans Saints game

Answer: <https://biology-forums.com/index.php?topic=736546>

Question 1865

Explain why the money supply does not change when one individual writes a check to another.

Answer: <https://biology-forums.com/index.php?topic=738265>

Question 1866

The quantity supplied of bagels is 100 at the unit price \$1. Suppose the price elasticity of supply by the initial value method is 1.5, and you would like to induce sellers to increase the quantity of bagels supplied to 130. Then the new price for bagels must be

- A) \$11.
- B) \$10.20.
- C) \$1.20.
- D) \$1.10.

Answer: <https://biology-forums.com/index.php?topic=735607>

Question 1867

Which of the following is an example of an expectation of inflation?

- A) Producers expect the prices they pay for raw materials to be higher next year.
- B) Producers expect their prices on average to be higher next year.
- C) Workers expect that the prices they pay for goods and services will be higher next year.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=738421>

Question 1868

Describe the channels through which open market purchases by the Fed affects output in an open economy.

Answer: <https://biology-forums.com/index.php?topic=738413>

Question 1869

When the economy slows down and national income falls, the government will have _____ tax revenue to fund programs.

- A) a rapid increase in
- B) about the same
- C) more
- D) less

Answer: <https://biology-forums.com/index.php?topic=738085>

Question 1870

CARFAX is a company that compiles and sells histories of used cars. CARFAX reduces the

- A) information asymmetry in the used car market.
- B) number of used cars offered for sale in the market.
- C) cost of used cars in the market.
- D) number of cars exchanged in the used car market.

Answer: <https://biology-forums.com/index.php?topic=737728>

Question 1871

If firms follow a low-price guarantee strategy, the price that will prevail in the market will be closest to

- A) the price that would yield zero economic profits.
- B) the duopoly price.
- C) the price a monopolist will pick.
- D) the price that a perfectly competitive firm would pick.

Answer: <https://biology-forums.com/index.php?topic=737400>

Question 1872

The time it takes for a policy to actually work is known as

- A) inside lags.
- B) outside lags.
- C) fiscal policy.
- D) crowding out.

Answer: <https://biology-forums.com/index.php?topic=738031>

Question 1873

Recall the application. Weighing the benefits and costs of the different speeds at which to sail an ocean cargo ship addresses the economic concept known as

- A) the marginal principle.
- B) the principle of diminishing returns.
- C) the principle of opportunity cost.
- D) the principle of voluntary exchange.

Answer: <https://biology-forums.com/index.php?topic=735139>

Question 1874

All of the following are considered natural resources EXCEPT

- A) labor.
- B) a coral reef.
- C) a redwood forest.
- D) gold.

Answer: <https://biology-forums.com/index.php?topic=734963>

Question 1875

Which of the following is an example of a supply shock?

- A) an increase in the price level
- B) a surprise increase of the money supply
- C) an increase in government spending
- D) a sharp increase in the price of oil

Answer: <https://biology-forums.com/index.php?topic=737100>

Question 1876

As the volume of waste decreases (holding the amount of paper produced constant), the production cost per ton of paper increases at a decreasing rate because the firm must use increasingly sophisticated abatement equipment to decrease the volume of waste.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737923>

Question 1877

Monopolistically competitive firms offer consumers more variety than perfectly competitive firms.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737283>

Question 1878

Suppose that the price elasticity of supply is 0.8 and the price increases by 10%. We would predict

- A) an 8% increase in quantity supplied.
- B) a 0.8% increase in quantity supplied.
- C) a 1.25% increase in quantity supplied.
- D) a 12.5% increase in quantity supplied.

Answer: <https://biology-forums.com/index.php?topic=735623>

Question 1879

Suppose that you own a house. What is the opportunity cost of living in the house?

- A) There is no opportunity cost unless you could set up a business in the house.
- B) The opportunity cost is the cost of your monthly mortgage payment plus bills.
- C) The opportunity cost is the rent you could have received from a tenant if you didn't live there.
- D) There is no opportunity cost because you own the house.

Answer: <https://biology-forums.com/index.php?topic=735077>

Question 1880

Normative economics

- A) answers the question "What is?"
- B) answers the question "What ought to be?"
- C) predicts the consequences of alternative actions.
- D) is the focus of most modern economic reasoning.

Answer: <https://biology-forums.com/index.php?topic=734964>

Question 1881

In Table 9.4, Market 1 would be in equilibrium if buyers believed lemons accounted for

- A) about 90.91% of the market.
- B) about 74.5% of the market.
- C) about 63.25% of the market.
- D) about 57.65% of the market.

Answer: <https://biology-forums.com/index.php?topic=737680>

Question 1882

Alex's Furniture Mart produces and sells tables in a perfectly competitive market. When Alex's Furniture Mart produces and sells 250 tables, its marginal cost is equal to \$200, and AVC is rising. If the market price of tables is equal to \$150, Alex's Furniture Mart should

- A) continue producing 250 tables.
- B) decrease its level of table production.
- C) raise the price of its tables.
- D) increase its level of table production.

Answer: <https://biology-forums.com/index.php?topic=735922>

Question 1883

A bank's reserves

- A) can be held as cash in its vault.
B) are the sum of its excess and required reserves.
C) can be held as deposits with the Federal Reserve.
D) all of the above

Answer: <https://biology-forums.com/index.php?topic=738219>

Question 1884

The study of the choices made by individual households, firms, and government is called

- A) microeconomics.
B) managerial economics.
C) macroeconomics.
D) market economics.

Answer: <https://biology-forums.com/index.php?topic=735034>

Question 1885

A small, one-unit change in value is called a marginal change.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=735018>

Question 1886

Diminishing marginal returns always sets in with the hiring of the first worker.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=735787>

Question 1887

Why does depreciation decrease the stock of capital?

Answer: <https://biology-forums.com/index.php?topic=736904>

Question 1888

This Application addresses the economic concept of

- A) fluctuations in GDP.
B) measuring a nation's national income.
C) real versus nominal GDP.
D) GDP as a measure of welfare.

Answer: <https://biology-forums.com/index.php?topic=736659>

Question 1889

As the price of a product falls, the demand for the product increases, ceteris paribus.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=735233>

Question 1890

An economic model is a detailed version of an economic environment.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=734983>

Question 1891

A good for which demand decreases when income increases is known as a(n) _____ good.

- A) substitute
B) inferior
C) complementary
D) normal

Answer: <https://biology-forums.com/index.php?topic=735305>

Question 1892

Nominal GDP measures the value of goods and services using current-year prices.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736631>

Question 1893

Members of the Federal Reserve Board of Governors

- A) are members of the Federal Open Market Committee.
- B) are confirmed by the House of Representatives.
- C) are appointed to 4 year terms.
- D) frequently need to deal with political pressures.

Answer: <https://biology-forums.com/index.php?topic=738272>

Question 1894

Suppose Kevin offers to match his competitors' prices in an oligopoly market. This will have the effect of

- A) decreasing his competitors' incentive to reduce price.
- B) triggering an antitrust investigation.
- C) driving out his competition.
- D) providing consumers with the lowest possible price.

Answer: <https://biology-forums.com/index.php?topic=737398>

Question 1895

GDP understates the value of output produced by an economy because it

- A) excludes value added from the underground economy, such as tips taken "under the table."
- B) excludes the value of the wages and benefits of government employees.
- C) includes transactions that do not take place in organized markets, such as home-cooked meals.
- D) includes environmental degradation caused by increased output production.

Answer: <https://biology-forums.com/index.php?topic=736657>

Question 1896

In a simple economy (without government or foreign trade) where output can be purchased only by consumers or by firms, saving must equal

- A) consumption.
- B) income.
- C) investment.
- D) depreciation.

Answer: <https://biology-forums.com/index.php?topic=736873>

Question 1897

The duopoly price provides a greater incentive to maintain cartel pricing than does the grim trigger strategy.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737425>

Question 1898

Entitlements and net interest are the _____ the U.S. federal budget.

- A) only two components with negative values in
- B) two slowest-growing components of
- C) two fastest-growing components of
- D) only two declining components of

Answer: <https://biology-forums.com/index.php?topic=738058>

Question 1899

Which of the following is NOT an example of private investment expenditure?

- A) using credit cards to purchase durable and nondurable goods
- B) new houses built during the year

- C) increases in inventories on goods produced during the year
D) new plants and equipment added during the year

Answer: <https://biology-forums.com/index.php?topic=736560>

Question 1900

GDP calculations tend to exclude all of the following EXCEPT

- A) work that people do for themselves in their own homes.
B) illegal transactions.
C) environmental quality.
D) salaries paid to government employees.

Answer: <https://biology-forums.com/index.php?topic=736663>

Question 1901

The Celler-Kefauver Act of 1950

- A) closed down a loophole in the Clayton Act by outlawing mergers through the purchase of another firm's physical assets.
B) established the FTC.
C) banned tying contracts.
D) closed down a loophole in the Sherman Act by outlawing mergers through the purchase of another firm's physical assets.

Answer: <https://biology-forums.com/index.php?topic=737579>

Question 1902

In monopolistically competitive industries, firms find it easy to enter and exit the market in the long run.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=737254>

Question 1903

Suppose that someone deposits \$10,000 into a bank. Assuming a reserve requirement ratio of 20%, what will be the eventual increase in checking account balances?

Answer: <https://biology-forums.com/index.php?topic=738263>

Question 1904

A monopoly faced with the possibility that another firm may enter is a(n)

- A) competitive monopoly.
B) insecure monopoly.
C) natural monopoly.
D) oligopolistic monopoly.

Answer: <https://biology-forums.com/index.php?topic=737440>

Question 1905

Which one of the following statements is NOT correct?

- A) The line between frictional and structural unemployment is sometimes hard to draw.
B) Unemployment can occur even when an economy is growing.
C) The term "full employment" means that 100% of the labor force is employed.
D) The natural rate of unemployment is estimated to be between 5% and 6.5% in the U.S.

Answer: <https://biology-forums.com/index.php?topic=736741>

Question 1906

Suppose that Jack promises that if Jill chooses the high price, he will too. Jill has no incentive to cheat on the agreement.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=737381>

Question 1907

Explain why the long-run aggregate supply curve is vertical.

Answer: <https://biology-forums.com/index.php?topic=737118>

Question 1908

Suppose that a market for a product is in equilibrium at a price of \$5 per unit. At any price above \$5 per unit

- A) there will be an excess supply of the product.
- B) there will be a shortage of that product.
- C) there will be an excess demand for the product.
- D) the quantity supplied of the product will be less than the quantity demanded of that product.

Answer: <https://biology-forums.com/index.php?topic=735264>

Question 1909

Suppose that a monopolistically competitive market is in its long-run equilibrium. If the market demand curve shifts to the right due to changes in consumer preferences,

- A) firms will earn positive economic profits in the short-run.
- B) firms' average costs of production will increase as they increase output levels in the short-run.
- C) the number of firms in the market will increase in the short-run.
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=737204>

Question 1910

Which of the following is least likely to overcome the free-rider problem?

- A) offer people a private gift for contributing
- B) appeal to peoples' sense of civic or moral responsibility
- C) arrange for matching contributions
- D) maintain anonymity of contributions

Answer: <https://biology-forums.com/index.php?topic=737821>

Question 1911

Which of the following types of workers might have wages that change quickly?

- A) union workers
- B) movie stars and rock stars
- C) unskilled, low-wage workers
- D) employees of state and local governments

Answer: <https://biology-forums.com/index.php?topic=736988>

Question 1912

The poverty rate in the United States is highest for

- A) single people.
- B) childless households.
- C) female headed households.
- D) married couples.

Answer: <https://biology-forums.com/index.php?topic=736493>

Question 1913

Explain why real and nominal rates of interest will differ when the public expects inflation.

Answer: <https://biology-forums.com/index.php?topic=738435>

Question 1914

Which of the following characteristics of the monopolistically competitive and the perfectly competitive market will cause the firm to earn zero profits in the long run?

- A) price taker
- B) many buyers
- C) no barriers to entry
- D) homogeneous product

Answer: <https://biology-forums.com/index.php?topic=737276>

Question 1915

The ability of one person or nation to produce a good at a lower opportunity cost than another is called a(n)

- A) absolute advantage.
- B) comparative advantage.
- C) market advantage.
- D) specialization advantage.

Answer: <https://biology-forums.com/index.php?topic=738446>

Question 1916

In the short run, _____ factors of production are fixed, while in the long run, _____ of them are.

- A) all; at least some
- B) some; none
- C) no; at least some
- D) all; none

Answer: <https://biology-forums.com/index.php?topic=735659>

Question 1917

Microsoft requires persons who purchase its operating system to also purchase its web browser. This is an example of

- A) price discrimination.
- B) a tie-in sale.
- C) competitive pricing.
- D) predatory pricing.

Answer: <https://biology-forums.com/index.php?topic=737554>

Question 1918

What is the most likely reason that snack foods sold in vending machines is so much more expensive than the snack foods sold in grocery stores?

- A) People who purchase snack foods from vending machines tend to have less elastic demand for snack foods.
- B) Snack foods sold in vending machines come in smaller packages, so the per-package costs are higher.
- C) Owners of vending machine companies are greedier than owners of grocery stores.
- D) Grocery stores buy in bulk, while vending machine companies tend to buy in smaller quantities.

Answer: <https://biology-forums.com/index.php?topic=736230>

Question 1919

Total cost of production is the sum of total variable cost and total fixed cost. If the total fixed cost alone decreases,

- A) the vertical distance between the average total cost curve and the average variable cost curve decreases at all output levels.
- B) the average variable cost curve shifts downward at all output levels.
- C) the average total cost curve shifts upward at all output levels.
- D) the marginal cost curve shifts downward at all output levels.

Answer: <https://biology-forums.com/index.php?topic=735780>

Question 1920

Firms earning negative profits in the short run should always shut down.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735992>

Question 1921

When the wage rate rises, the demand for leisure falls.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736372>

Question 1922

The opportunity cost of going to a particular college is not the same for everyone.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735114>

Question 1923

A decrease in demand will cause the equilibrium price and quantity of a good to fall, ceteris paribus.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735319>

Question 1924

Suppose that you observe that as a TV manufacturer increases its price its total revenue decreases. This could be due to

- A) demand being perfectly price inelastic.
- B) demand being price elastic.
- C) demand being unitary elastic.
- D) demand being price inelastic.

Answer: <https://biology-forums.com/index.php?topic=735499>

Question 1925

When supply increases and the supply curve shifts to the right, equilibrium price and equilibrium quantity will both increase.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735389>

Question 1926

Which of the following products has the most elastic demand?

- A) coffee
- B) Starbuck's coffee
- C) Raspberry Mocha Kona coffee blend at Starbuck's
- D) all beverages

Answer: <https://biology-forums.com/index.php?topic=735443>

Question 1927

The term "stagflation" is used to define an economic situation where there are adverse supply shocks which cause a fall in output but with increasing price level.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737117>

Question 1928

Before they can be used in regular exchanges, the assets that make up M2 must often

- A) be paid off if they are credit cards.
- B) have reached term if they are insurance policies.
- C) have their interest computed.
- D) be converted to M1 assets.

Answer: <https://biology-forums.com/index.php?topic=738189>

Question 1929

In the market for pollution permits, the total supply of permits is

- A) always equal to the demand for permits.
- B) elastic.
- C) inelastic.
- D) determined by the Chicago Board of Trade.

Answer: <https://biology-forums.com/index.php?topic=737995>

Question 1930

Which one of the following is the best example of an oligopolistic industry?

- A) public utilities
- B) apple growers
- C) soft drinks
- D) wheat growers

Answer: <https://biology-forums.com/index.php?topic=737322>

Question 1931

What are the components of M2?

Answer: <https://biology-forums.com/index.php?topic=738211>

Question 1932

Suppose that in a month the price of oranges increases from \$.75 to \$1. At the same time, the quantity of oranges demanded decreases from 100 to 80. The price elasticity of demand for oranges (calculated using the initial value formula) is

- A) 0.75.
- B) 0.6.
- C) 0.25.
- D) 20.

Answer: <https://biology-forums.com/index.php?topic=735399>

Question 1933

Prior to 1996 the government measured real GDP using 1987 prices. What would the rapid growth in computers and the fall in computer prices tend to do to the difference between true GDP growth and measured real GDP growth, relative to using a later year?

Answer: <https://biology-forums.com/index.php?topic=736635>

Question 1934

The relationship between the wage and the quantity of labor that a given worker is willing to provide is called

- A) market labor supply.
- B) individual labor demand.
- C) market labor demand.
- D) individual labor supply.

Answer: <https://biology-forums.com/index.php?topic=736354>

Question 1935

Recall the Application. The decrease in the price of wool would be reflected by a movement _____ on the market supply curve for wool.

- A) down and to the left
- B) up and to the right
- C) up and to the left
- D) down and to the right

Answer: <https://biology-forums.com/index.php?topic=735250>

Question 1936

Average fixed costs in the short run

- A) increase as the quantity produced increases.
- B) decrease as the quantity produced increases.
- C) first increase, then decrease eventually as the quantity produced increases.
- D) first decrease, then increase eventually as the quantity produced increases.

Answer: <https://biology-forums.com/index.php?topic=735764>

Question 1937

Which of the following is NOT included in M1 or M2?

- A) credit card balances
- B) checking account balances
- C) traveler's checks
- D) currency in circulation outside of commercial banks

Answer: <https://biology-forums.com/index.php?topic=738178>

Question 1938

According to the output effect, a decrease in the wage will decrease production costs, so the price of final goods will decrease and the demand for labor will decrease.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736336>

Question 1939

Why do pharmaceutical firms benefit most from patent protection?

- A) because pharmaceutical drugs need to be controlled by the government
- B) because only physicians can legally prescribe pharmaceutical drugs
- C) because research and development of drugs require large expenditures that need to be recouped while the patent is still valid
- D) because pharmaceutical companies pay large taxes to the government

Answer: <https://biology-forums.com/index.php?topic=736187>

Question 1940

Briefly explain how a change in the personal income tax rate affects aggregate demand.

Answer: <https://biology-forums.com/index.php?topic=738042>

Question 1941

By raising the discount rate, the Federal Reserve _____ banks from borrowing more reserves.

- A) discourages
- B) encourages
- C) short-changes
- D) prohibits

Answer: <https://biology-forums.com/index.php?topic=738339>

Question 1942

What are the four components of aggregate demand?

Answer: <https://biology-forums.com/index.php?topic=737062>

Question 1943

An implication of the long-run aggregate supply curve is that continuous increases in the money supply will result in continuous

- A) decreases in output.
- B) increases in output and price level.
- C) increases in price level.
- D) decreases in output and price level.

Answer: <https://biology-forums.com/index.php?topic=737079>

Question 1944

A decrease in the supply of musicians _____ the number of musicians employed, and _____ the wages paid to musicians.

- A) increases; increases
- B) increases; decreases
- C) decreases; increases
- D) decreases; decreases

Answer: <https://biology-forums.com/index.php?topic=736386>

Question 1945

Kaitlyn and Larissa have formed a dog bathing and grooming business. The number of dogs they can bathe or groom in any given day is depicted in Table 2.1. The opportunity cost of grooming the third dog in a day is bathing _____ dog(s).

- A) 3
- B) 4
- C) 5
- D) 18

Answer: <https://biology-forums.com/index.php?topic=735090>

Question 1946

If the demand for a product in an increasing cost perfectly competitive industry increases, we would expect that price in the long-run would _____ and the number of firms in the market would _____.

- A) increase; decrease
- B) decrease; increase
- C) decrease; decrease
- D) increase; increase

Answer: <https://biology-forums.com/index.php?topic=736049>

Question 1947

When money is used to express the value of goods and services, it is functioning as a

- A) unit of account.
- B) store of purchasing power.
- C) medium of exchange.
- D) store of value.

Answer: <https://biology-forums.com/index.php?topic=738153>

Question 1948

Given the following information about Gotham Bank:

Bank Deposits \$50,000

Loans 34,000

Reserves 12,000

Reserve Requirement 20%

Gotham Bank is holding _____ in excess reserves.

- A) \$22,000
- B) \$12,000
- C) \$2,000
- D) -\$2,000

Answer: <https://biology-forums.com/index.php?topic=738225>

Question 1949

The term "rent seeking" best describes a situation in which

- A) firms use resources to secure or preserve a monopoly in providing a good or service.
- B) consumers compete for a limited quantity of the good.
- C) individuals expend effort searching for a good price on an apartment.
- D) None of the above are good descriptions of rent-seeking behavior.

Answer: <https://biology-forums.com/index.php?topic=736168>

Question 1950

Excess demand in an unregulated market will cause the price of a product to fall.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735274>

Question 1951

Which of the following is NOT a component of gross domestic product?

- A) government purchases
- B) net exports
- C) purchases by consumers of used goods
- D) purchases by consumers of finished goods

Answer: <https://biology-forums.com/index.php?topic=736542>

Question 1952

The date at which a recession starts is called the

- A) trough.
- B) plateau.
- C) depression.
- D) peak.

Answer: <https://biology-forums.com/index.php?topic=736642>

Question 1953

Poverty rates among the elderly are

- A) much lower than poverty rates among children.
- B) higher than the poverty rates among children.

- C) rising more rapidly than the poverty rates among children.
D) approximately the same as the poverty rates among children.

Answer: <https://biology-forums.com/index.php?topic=736495>

Question 1954

Diminishing marginal returns implies that

- A) marginal product is constant.
B) marginal product is decreasing.
C) marginal product is increasing.
D) marginal product may be increasing or decreasing.

Answer: <https://biology-forums.com/index.php?topic=735694>

Question 1955

Which of the following factors does NOT shift the demand curve for money?

- A) changes in the price level in the economy
B) changes in the interest rate
C) changes in real GDP
D) changes in real income

Answer: <https://biology-forums.com/index.php?topic=738309>

Question 1956

One school of thought that emphasizes the role that taxes play in an economy's supply of output is known as

- A) supply-side economics.
B) demand-pull economics.
C) classical economics.
D) tax-and-spend economics.

Answer: <https://biology-forums.com/index.php?topic=738073>

Question 1957

Price fixing is illegal under the Sherman Act and subsequent legislation.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=737431>

Question 1958

If the demand for one good decreases when the price of another good decreases, the two goods are _____ goods.

- A) substitute
B) inferior
C) complementary
D) normal

Answer: <https://biology-forums.com/index.php?topic=735302>

Question 1959

A Nash Equilibrium in a game is that outcome in which

- A) the players' profits are equal.
B) each player is doing the best he or she can given the other player's action.
C) neither player plays his or her dominant strategy.
D) the players' earn the highest profits possible.

Answer: <https://biology-forums.com/index.php?topic=737366>

Question 1960

Recall the application. If you earn a salary of \$40,000 in the first year and all prices triple in the next 10 years, what will your nominal annual salary be in 10 years?

- A) \$20,000
B) \$60,000
C) \$120,000
D) \$180,000

Answer: <https://biology-forums.com/index.php?topic=735204>

Question 1961

Suppose that the percentage change in supply is 20%, the price elasticity of demand is 3, and the price elasticity of supply is 2. What is the percentage change in the equilibrium price?

- A) 4%
- B) 5%
- C) 15%
- D) 20%

Answer: <https://biology-forums.com/index.php?topic=735643>

Question 1962

The trade-offs made by the U.S. government to fund the war in Iraq

- A) prove that the government is spending too much on the war.
- B) exceed the benefits derived from the war.
- C) show that the government is justified in its war spending.
- D) represent what was potentially sacrificed to engage in the war.

Answer: <https://biology-forums.com/index.php?topic=735087>

Question 1963

A good synonym for elasticity would be

- A) stickiness.
- B) demand.
- C) change.
- D) responsiveness.

Answer: <https://biology-forums.com/index.php?topic=735391>

Question 1964

If you purchased a new model of a digital camera right after it is released you will likely pay more than if you purchase it six months after release. Why is this an example of price discrimination on the part of the firm?

Answer: <https://biology-forums.com/index.php?topic=736264>

Question 1965

When a monopolist sells two units of output its total revenues are \$100. When the monopolist sells three units of output its total revenues are \$120. When the monopolist sells three units of output, the price per unit is

- A) \$6.67.
- B) \$20.
- C) \$33.33.
- D) \$40.

Answer: <https://biology-forums.com/index.php?topic=736113>

Question 1966

One difference between the short run and the long run is that perfectly competitive firms

- A) always earn more economic profit in the long run.
- B) can earn positive, negative, or zero economic profit in the short run, but will earn zero economic profit in the long run.
- C) earn zero economic profit in the short run, but will earn positive economic profit in the long run.
- D) always earn positive economic profit in the short run, but never in the long run.

Answer: <https://biology-forums.com/index.php?topic=736051>

Question 1967

"If the amount of product differentiation in a monopolistically competitive industry is very small, the outcome in that market will not be very different than if it were a perfectly competitive industry." Explain.

Answer: <https://biology-forums.com/index.php?topic=737287>

Question 1968

A reason that economists keep an eye on both M2 and M1 is because

- A) money market accounts are sometimes used like checking accounts and sometimes like savings accounts.

- B) M2 is more accurate than M1.
C) both fluctuate widely and frequently in total dollar value.
D) during a recession, M1 is meaningless.

Answer: <https://biology-forums.com/index.php?topic=738184>

Question 1969

A firm switching from a single price to a price discrimination scheme will _____ the price for the group of consumers with relatively elastic demand and _____ the price for the group of consumers with relatively inelastic demand.

- A) decrease; increase
B) increase; increase
C) decrease; decrease
D) increase; decrease

Answer: <https://biology-forums.com/index.php?topic=736228>

Question 1970

Distinguish M1 from M2.

Answer: <https://biology-forums.com/index.php?topic=738209>

Question 1971

Suppose that the percentage change in supply is 20%, the price elasticity of supply is 2, and the percentage change in the equilibrium price is 4%. What is the price elasticity of demand?

- A) 0
B) 1
C) 2
D) 3

Answer: <https://biology-forums.com/index.php?topic=735644>

Question 1972

Macroeconomics helps explain economic fluctuations, why the economy shrinks and expands and why some of the economy's resources are idle.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=735031>

Question 1973

When a second firm enters a monopolist's market,

- A) the market price rises as the average cost increases.
B) the former monopolist's average cost increases as its output level decreases.
C) the demand curve facing the former monopolist shifts to the right.
D) none of the above

Answer: <https://biology-forums.com/index.php?topic=737138>

Question 1974

A supply curve is defined as the relationship between

- A) the income of consumers and the quantity of a product that consumers are willing to buy.
B) the price of a good and the quantity that consumers are willing to buy.
C) the price of a good and the quantity that producers are willing to sell.
D) the income of consumers and the quantity of a product that producers are willing to sell.

Answer: <https://biology-forums.com/index.php?topic=735237>

Question 1975

Any change in demand from _____ will also change aggregate demand.

- A) firms
B) the foreign sector
C) households
D) all of the above

Answer: <https://biology-forums.com/index.php?topic=737038>

Question 1976

Many hotel chains offer senior citizen discounts to members of AARP. This suggests that the hotels believe that senior citizens have a _____ demand for hotel rooms than non-seniors.

- A) less elastic
- B) more elastic
- C) greater
- D) smaller

Answer: <https://biology-forums.com/index.php?topic=736214>

Question 1977

If the firm is producing in the long run, then the firm's average total cost curve

- A) equals zero.
- B) is less than the average variable cost curve.
- C) exceeds the average variable cost curve.
- D) equals the average variable cost curve.

Answer: <https://biology-forums.com/index.php?topic=735840>

Question 1978

If few people have the skill required for a job, it will pay less.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736461>

Question 1979

The optimal level of pollution abatement is where

- A) the marginal benefit of abatement is equal to its marginal cost.
- B) the marginal benefit of abatement is greater than its marginal cost.
- C) the marginal benefit of abatement is less than its marginal cost.
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=737859>

Question 1980

Which of the following causes a movement along the aggregate demand curve?

- A) an increase in government spending
- B) an increase in the price level
- C) an increase in the money supply
- D) a fall in wages

Answer: <https://biology-forums.com/index.php?topic=737026>

Question 1981

During the Kennedy administration, what did economist Walter Heller propose to bring the economy back to full employment?

- A) a large government works program
- B) insourcing
- C) tariffs on imported goods
- D) tax cuts

Answer: <https://biology-forums.com/index.php?topic=738126>

Question 1982

In the United States during the 1930s, politicians

- A) deliberately relied on government spending and taxation even though they knew the depression would continue.
- B) did not believe in using government spending and taxation because they feared the consequences of budget deficits.
- C) relied on government spending and taxation to pull the economy out of the depression.
- D) knew that the depression would eventually subside because of automatic stabilizers.

Answer: <https://biology-forums.com/index.php?topic=738123>

Question 1983

A perfectly competitive firm that is maximizing profit produces the quantity of output at which price equals marginal cost.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735953>

Question 1984

The Latin phrase *ceteris paribus* means that when a relationship between two variables is being studied,

- A) both are treated as unpredictable.
- B) all other variables are held fixed.
- C) neither of those two variables is allowed to change.
- D) we recognize that some factors are unknown.

Answer: <https://biology-forums.com/index.php?topic=735001>

Question 1985

Suppose that the price elasticity of supply is 1.25 and the quantity supplied increases by 10%. Other things being equal, the percentage change in the price should be

- A) a 12.5% increase in the price.
- B) an 8% increase in the price.
- C) a 0.8% increase in the price.
- D) a 1.25% increase in the price.

Answer: <https://biology-forums.com/index.php?topic=735624>

Question 1986

Average total costs are minimized when

- A) marginal cost is greater than average total cost.
- B) marginal cost equals average total cost.
- C) marginal costs begin to decrease.
- D) marginal costs begin to increase.

Answer: <https://biology-forums.com/index.php?topic=735768>

Question 1987

When there is a shift the aggregate supply curve caused by factors external to a nation's economy, it is called

- A) government control.
- B) trade imbalance.
- C) supply shock.
- D) economic anomaly.

Answer: <https://biology-forums.com/index.php?topic=737102>

Question 1988

The Celler-Kefauver Act of 1950

- A) extended antitrust legislation to proprietorships and partnerships.
- B) outlawed price discrimination for the purpose of reducing competition.
- C) outlawed asset-purchase mergers that would substantially reduce competition.
- D) made it illegal to monopolize a market.

Answer: <https://biology-forums.com/index.php?topic=737576>

Question 1989

The marginal cost curve intersects the short-run average total cost curve where

- A) average variable costs are maximized in the short run.
- B) average total costs are minimized in the short run.
- C) marginal cost is minimized in the short run.
- D) average variable costs are minimized in the short run.

Answer: <https://biology-forums.com/index.php?topic=735767>

Question 1990

Command-and-control policies generally reduce pollution more than pollution taxes do.

- A) True

B) False

Answer: <https://biology-forums.com/index.php?topic=737955>

Question 1991

On a linear demand curve, demand is _____ at large quantities than it is at the middle of the demand curve.

- A) equally elastic
- B) less elastic
- C) more elastic
- D) impossible to tell

Answer: <https://biology-forums.com/index.php?topic=735531>

Question 1992

A market in which there are neither external benefits nor external costs is inefficient.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737836>

Question 1993

Which of the following is a question answered with positive economic analysis?

- A) Should the college eliminate its athletic program to cut its costs?
- B) If the college increased its eligibility requirements for enrollment, will class sizes decline?
- C) Should the college reduce tuition for out-of-state residents?
- D) Should the college charge higher tuition for part-time students?

Answer: <https://biology-forums.com/index.php?topic=734966>

Question 1994

Bananas and apples are substitutes. When the price of bananas falls, and a technological advance in apple production occurs at the same time

- A) the equilibrium price of apples rises and the equilibrium quantity of apples might rise or fall.
- B) the equilibrium price of apples falls and the equilibrium quantity of apples might rise or fall.
- C) the equilibrium price of apples rises and the equilibrium quantity of apples rises.
- D) the equilibrium price of apples rises and the equilibrium quantity of apples falls.

Answer: <https://biology-forums.com/index.php?topic=735353>

Question 1995

In a business cycle, the period following a trough is called an expansion.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736652>

Question 1996

In a market with an adverse selection problem

- A) the uninformed side of the market must choose from an undesirable selection of goods.
- B) some high-quality goods are sold but fewer than would be sold in a market with perfect information.
- C) one side of the market has better information about the goods than the other.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=737689>

Question 1997

Economic expansions might lead to inflation because an expansion leads to

- A) a decrease in the unemployment rate, which decreases wages.
- B) an increase in the unemployment rate, which increases wages.
- C) an increase in the unemployment rate, which decreases wages.
- D) a decrease in the unemployment rate, which increases wages.

Answer: <https://biology-forums.com/index.php?topic=736740>

Question 1998

Because pollution taxes raise the costs of production for firms, firms

- A) must receive a higher price at every level of output.
- B) will lower prices to consumers.
- C) will quit producing goods that generate pollution.
- D) will increase the quantity produced at every price.

Answer: <https://biology-forums.com/index.php?topic=737884>

Question 1999

- A command-and-control policy
- A) increases the incentive for firms to develop efficient abatement technologies.
- B) does not affect the production costs of firms.
- C) usually does not result in the use of the most efficient pollution abatement technology.
- D) usually finds the most efficient pollution abatement technology.

Answer: <https://biology-forums.com/index.php?topic=737940>

Question 2000

Sheila sells corn in a perfectly competitive market. This month Sheila receives a higher price for a bushel of corn than she did last month. Which of the following might explain this?

- A) Firms entered the market.
- B) The market demand increased for corn.
- C) The market demand decreased for corn.
- D) Sheila's costs have decreased.

Answer: <https://biology-forums.com/index.php?topic=736038>

Question 2001

Andy does not bother to lock the door to his house because he has theft insurance. This is an example of

- A) adverse selection.
- B) a positive spillover.
- C) moral hazard.
- D) irrational behavior.

Answer: <https://biology-forums.com/index.php?topic=737754>

Question 2002

If supply decreases, the increase in price will be smaller if demand and supply are highly elastic.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735654>

Question 2003

Which of the following is NOT a component of private investment, for purposes of GDP accounting?

- A) additions to firms' stock of inventories
- B) purchases by firms of used machinery
- C) newly built factories
- D) newly produced housing

Answer: <https://biology-forums.com/index.php?topic=736554>

Question 2004

What is the real value of money?

- A) the ability to shop at market prices
- B) the quantity of goods it can buy
- C) its compounded earnings in banks
- D) its face value

Answer: <https://biology-forums.com/index.php?topic=735196>

Question 2005

Explain why a monopolist must lower its quantity relative to a competitive market to maximize its profits.

Answer: <https://biology-forums.com/index.php?topic=736182>

Question 2006

What is moral hazard?

Answer: <https://biology-forums.com/index.php?topic=737777>

Question 2007

The biggest problem caused by a deflation is that

- A) people cannot repay their debts.
- B) interest rates rise.
- C) wages fall.
- D) prices fall.

Answer: <https://biology-forums.com/index.php?topic=736804>

Question 2008

The change in total variable cost resulting from a one-unit increase in the change in quantity is

- A) opportunity cost.
- B) average total cost.
- C) marginal cost.
- D) average variable cost.

Answer: <https://biology-forums.com/index.php?topic=735746>

Question 2009

The share of corporate tax in total federal revenues

- A) has declined over the past few decades to a relatively low level.
- B) is the smallest of all the components of federal tax revenue.
- C) is larger than the other components of federal revenue.
- D) has grown significantly in each of the past 10 years.

Answer: <https://biology-forums.com/index.php?topic=738070>

Question 2010

Suppose that the price elasticity of supply is 0.5 and the price increases by 4%. We would predict

- A) a 2% increase in quantity supplied.
- B) a 0.2% increase in quantity supplied.
- C) an 8% increase in quantity supplied.
- D) a 0.8% increase in quantity supplied.

Answer: <https://biology-forums.com/index.php?topic=735625>

Question 2011

Suppose that the income elasticity of demand for good X is greater than 1. Other things being equal, which of the following statements is INCORRECT?

- A) The quantity demanded of good X decreases as a consumer's income declines.
- B) Good X is a normal good.
- C) A consumer buys more X as income rises, but the share of income spent on good X falls.
- D) A consumer buys more X as income rises and the share of income spent on good X also rises.

Answer: <https://biology-forums.com/index.php?topic=735562>

Question 2012

Which of the following is an example of an indivisible input?

- A) flour used to produce bread
- B) wood used to produce paper
- C) train tracks between two cities
- D) the amount of labor a firm hires

Answer: <https://biology-forums.com/index.php?topic=735817>

Question 2013

How many quarters (3-month periods) must the "real" GDP decline to have the economy considered to be in a recession?

- A) 1

- B) 2
- C) 3
- D) 4

Answer: <https://biology-forums.com/index.php?topic=736646>

Question 2014

Recall the application. The small city of Silva Jardim in Brazil has issued its own currency called the capivari. If this currency had nothing backing its value and was simply created by decree of the issuing city government, the city-issued money would be considered

- A) gold standard money.
- B) fiat money.
- C) commodity money.
- D) barter money.

Answer: <https://biology-forums.com/index.php?topic=738194>

Question 2015

The time it takes to formulate a policy is known as

- A) fiscal policy.
- B) crowding out.
- C) outside lags.
- D) inside lags.

Answer: <https://biology-forums.com/index.php?topic=738030>

Question 2016

The four components of GDP are consumption expenditures, private investment expenditures, government purchases, and transfer payments.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736581>

Question 2017

Which of the following is an example of an automatic stabilizer?

- A) Congress increases the tax rate during an expansion.
- B) More unemployment benefits are paid during a recession.
- C) Congress authorizes spending increases during a recession.
- D) Welfare payments decrease during a recession.

Answer: <https://biology-forums.com/index.php?topic=738091>

Question 2018

Which of the following is a bank asset?

- A) loans made to customers
- B) savings account deposits
- C) demand deposits
- D) certificates of deposit held by the public

Answer: <https://biology-forums.com/index.php?topic=738216>

Question 2019

Shows on broadcast TV, like ABC or NBC, are _____ and shows on cable TV, like MTV or HBO, are _____.

- A) nonexcludable; excludable
- B) excludable; nonexcludable
- C) nonrival; nonexcludable
- D) rival; nonrival

Answer: <https://biology-forums.com/index.php?topic=737799>

Question 2020

The saying that "There's no such thing as a free lunch" refers to the

- A) principle of opportunity cost.
- B) marginal principle.
- C) reality principle.

D) spillover principle.

Answer: <https://biology-forums.com/index.php?topic=735074>

Question 2021

A decrease in the discount rate

- A) reduces the cost of borrowing from the Fed.
- B) signals the Fed's desire to reduce lending to commercial banks.
- C) increases the cost of reserves borrowed from the Fed.
- D) signals the Fed's desire to decrease the money supply.

Answer: <https://biology-forums.com/index.php?topic=738344>

Question 2022

In modern economies

- A) all prices are very flexible.
- B) prices become less flexible as they increase.
- C) no prices are very flexible.
- D) some prices are very flexible while others are not.

Answer: <https://biology-forums.com/index.php?topic=736976>

Question 2023

Suppose that the elasticity of demand for a product is 2.0. What will happen to total revenue as a firm increases the price?

- A) Total revenue will stay the same.
- B) Total revenue will decrease.
- C) Total revenue will increase.
- D) Cannot be determined from the information provided.

Answer: <https://biology-forums.com/index.php?topic=735502>

Question 2024

The purpose of having the members of the Board of Governors of the Federal Reserve serve fourteen-year terms is to

- A) ensure that the governors become well-experienced at policymaking.
- B) insulate the governors' policy decisions from the influence of presidential elections and politics.
- C) establish long-standing ties with high-level officials of other nations' central banks.
- D) promote unity of opinion from shared time together.

Answer: <https://biology-forums.com/index.php?topic=738278>

Question 2025

Recall the application. The decline in honeybee colonies has impacted the supply curve for ice cream, shifting the supply curve to the _____ due to a(n) _____ in production costs.

- A) right; increase
- B) left; increase
- C) left; decrease
- D) right; decrease

Answer: <https://biology-forums.com/index.php?topic=735361>

Question 2026

You observe that at your current production of lunch boxes, the average total cost of producing lunch boxes is \$5 and the marginal cost of producing lunch boxes is \$2. What should always happen if you increase lunch box production?

- A) Average total cost will fall.
- B) Marginal cost will fall.
- C) Marginal cost will rise.
- D) Average total cost will rise.

Answer: <https://biology-forums.com/index.php?topic=735775>

Question 2027

An equilibrium in the labor market is a situation in which

- A) there is no unemployment.
- B) wages exceed minimum wage.

- C) there is no pressure for wages to change.
D) marginal revenue product equals the wage.

Answer: <https://biology-forums.com/index.php?topic=736381>

Question 2028

When the Fed conducts an open market sale, it leads to a higher level of investment and output in the economy.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=738406>

Question 2029

Repair guarantees are a sign the seller thinks they have a lemon.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=737746>

Question 2030

The returns to education are

- A) highest in developing nations.
B) highest in developed nations.
C) never reflected in the wages of workers.
D) lowest in developing nations.

Answer: <https://biology-forums.com/index.php?topic=736937>

Question 2031

Recall the application. Workers in the EU were more productive than workers in Latvia in the 1990s, yet EU nations still purchased products from Latvia. This is because Latvia _____ in the production of the products it sold to EU nations.

- A) used fewer resources
B) had an absolute advantage
C) had a higher opportunity cost
D) had a comparative advantage

Answer: <https://biology-forums.com/index.php?topic=738476>

Question 2032

Deciding if a company will produce automobiles by robotics or manual labor answers the economic question of

- A) how will the products be produced.
B) who consumes the products produced.
C) where will the products be consumed.
D) what products will be produced.

Answer: <https://biology-forums.com/index.php?topic=734970>

Question 2033

A(n) _____ is a trade policy by which a nation agrees to limit its exports of a good in order to avoid more restrictive trade policies.

- A) tariff
B) import quota
C) import ban
D) voluntary export restraint

Answer: <https://biology-forums.com/index.php?topic=738503>

Question 2034

A command-and-control policy

- A) is unlikely to have any impact on the amount of pollution emitted.
B) decreases the incentive for firms to develop efficient abatement technologies.
C) does not affect the production costs of firms.
D) usually finds the most efficient pollution abatement technology.

Answer: <https://biology-forums.com/index.php?topic=737941>

Question 2035

In periods when GDP grows very rapidly for a long period, the actual unemployment rate will be _____ than the natural rate of unemployment.

- A) the same
- B) lower
- C) higher
- D) more variable

Answer: <https://biology-forums.com/index.php?topic=736737>

Question 2036

Average total cost is defined as

- A) the change in total variable cost divided by the change in quantity.
- B) total cost divided by quantity.
- C) quantity divided by total variable cost.
- D) total variable cost divided by quantity.

Answer: <https://biology-forums.com/index.php?topic=735716>

Question 2037

A bank may make loans until its

- A) total liabilities are exhausted.
- B) total assets are exhausted.
- C) required reserves are exhausted.
- D) excess reserves are exhausted.

Answer: <https://biology-forums.com/index.php?topic=738240>

Question 2038

If the number of people with the skills necessary to perform a job decreases, labor _____ shifts _____.

- A) demand; left
- B) demand; right
- C) supply; left
- D) supply; right

Answer: <https://biology-forums.com/index.php?topic=736424>

Question 2039

All growth theory today is "new growth theory" because it considers a broad framework that includes technological progress.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736959>

Question 2040

One reason that college graduates earn higher wages than non-graduates is because

- A) college graduates are less equipped to deal with technological change, as their skills are technology-specific.
- B) there are no additional skills learned in college that increase productivity.
- C) college graduates are always less intelligent than non-college graduates.
- D) college graduation serves as a signal of the individual's productivity.

Answer: <https://biology-forums.com/index.php?topic=736438>

Question 2041

"Final goods and services" are those that are

- A) sold to ultimate or final purchasers.
- B) used in the production of other goods and services.
- C) double counted in the calculation of GDP.
- D) produced outside the United States.

Answer: <https://biology-forums.com/index.php?topic=736536>

Question 2042

Recall the Application. A 2009 study on air pollution found that the damage from pollution in rural areas is _____ the damage from pollution in

- urban areas.
- A) the primary cause of
 - B) equal to
 - C) less than
 - D) greater than

Answer: <https://biology-forums.com/index.php?topic=737920>

Question 2043

- Scarcity can best be defined as a situation in which
- A) the resources we use to produce goods and services are limited.
 - B) there is more than enough money to satisfy consumers' wants.
 - C) there are not enough goods to satisfy all of the buyers' demand.
 - D) there are no buyers willing to purchase what sellers have produced.

Answer: <https://biology-forums.com/index.php?topic=734955>

Question 2044

- To an economist, "investment" in the GDP accounts means purchases of new final goods and services by firms.
- A) True
 - B) False

Answer: <https://biology-forums.com/index.php?topic=736584>

Question 2045

- Command-and-control policies are undesirable ways of reducing pollution because the means of abatement they mandate may not be efficient for all firms.
- A) True
 - B) False

Answer: <https://biology-forums.com/index.php?topic=737953>

Question 2046

- If a local government gives out water filters to low-income families free of charge, they are
- A) private goods.
 - B) spillover goods.
 - C) external goods.
 - D) public goods.

Answer: <https://biology-forums.com/index.php?topic=737789>

Question 2047

- The cross-price elasticity between good X and good Y is positive. Other things being equal, if the price of X rises
- A) a consumer spends more on good Y than on good X.
 - B) quantity of Y demanded decreases.
 - C) quantity of Y demanded increases.
 - D) a consumer spends more on good X than on good Y.

Answer: <https://biology-forums.com/index.php?topic=735574>

Question 2048

- The exchange rate is
- A) the price at which one currency trades for another currency.
 - B) the rate at which banks can borrow from the Fed.
 - C) the rate at which one can translate money into consumption goods.
 - D) the slope of the investment function.

Answer: <https://biology-forums.com/index.php?topic=738389>

Question 2049

- When economies of scale are present, but sufficiently large to generate a natural monopoly, the expected market structure is
- A) oligopoly.
 - B) monopolistic competition.
 - C) monopoly.

D) perfect competition.

Answer: <https://biology-forums.com/index.php?topic=737319>

Question 2050

List and briefly describe the five factors of production.

Answer: <https://biology-forums.com/index.php?topic=734986>

Question 2051

Using the rule of 70, if the GDP per capita growth rate in the United States is 3.5%, real GDP per capita doubles every

- A) 20 years.
- B) 24.5 years.
- C) 35 years.
- D) 70 years.

Answer: <https://biology-forums.com/index.php?topic=736837>

Question 2052

There are _____ Federal Reserve Banks located in different parts of the United States.

- A) 10
- B) 12
- C) 15
- D) 50

Answer: <https://biology-forums.com/index.php?topic=738271>

Question 2053

Fearing that the economy was overheating, policymakers instituted a temporary tax surcharge in 1968. This temporary surtax

- A) increased savings and reduced consumption.
- B) drastically reduced both savings and consumption.
- C) successfully reduced consumption sufficiently to cool down the economy.
- D) reduced savings but had little effect on consumption.

Answer: <https://biology-forums.com/index.php?topic=738130>

Question 2054

This Application exemplifies how a change in _____ in one market impacts the _____ in a different market.

- A) demand; supply
- B) supply; supply
- C) demand; demand
- D) supply; demand

Answer: <https://biology-forums.com/index.php?topic=735362>

Question 2055

If a competitive market operates perfectly, it relies on

- A) the laws of supply and demand.
- B) the number of people buying goods.
- C) how many products can be produced for sale.
- D) how much people are willing to pay for the products.

Answer: <https://biology-forums.com/index.php?topic=735215>

Question 2056

If the income elasticity of a good is greater than one, we say that its demand is

- A) price insensitive.
- B) income-elastic.
- C) income-inelastic.
- D) price sensitive.

Answer: <https://biology-forums.com/index.php?topic=735554>

Question 2057

A large blast furnace is an example of an indivisible input that cannot be scaled down to reduce output.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735845>

Question 2058

A nationwide system of marketable pollution permits will reduce pollution overall, but might increase pollution in some high abatement cost areas.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738006>

Question 2059

Total cost of production is the sum of total variable cost and total fixed cost. If the total fixed cost alone increases,

- A) the marginal cost curve shifts upward at all output levels.
- B) the average total cost curve shifts downward at all output levels.
- C) the vertical distance between the average total cost curve and average variable cost curve increases at all output levels.
- D) the average variable cost curve shifts upward at all output levels.

Answer: <https://biology-forums.com/index.php?topic=735779>

Question 2060

When there is a change in the quantity demanded it means that

- A) the quantity a consumer is willing to buy changes when the price changes.
- B) the number of products in inventory have increased.
- C) the hours the customer can buy products each day have increased.
- D) the selling price of the products has not changed.

Answer: <https://biology-forums.com/index.php?topic=735222>

Question 2061

Suppose that in a month the price of pizza increases from \$4 to \$5. At the same time, the quantity of pizzas demanded decreases from 200 to 190. The price elasticity of demand for pizza (calculated using the midpoint formula) is

- A) 0.1.
- B) 0.23.
- C) 0.25.
- D) 4.35.

Answer: <https://biology-forums.com/index.php?topic=735411>

Question 2062

What happens to total revenue associated with a linear demand curve as price falls?

Answer: <https://biology-forums.com/index.php?topic=735550>

Question 2063

Which of the following creates difficulties in making comparisons of real GDP across nations?

- A) Nations produce different goods and services.
- B) Nations often have different languages.
- C) Relative prices differ sharply across countries.
- D) Each nation has a different population.

Answer: <https://biology-forums.com/index.php?topic=736847>

Question 2064

Suppose Johnson's Rubber Factory belches black smoke into the air over the city of Bellowsville. If the city of Bellowsville attempts to internalize the external costs associated with the production of rubber with a pollution tax, we can expect

- A) no change in the quantity of rubber demanded.
- B) the quantity of rubber demanded to increase.
- C) the price of rubber not to change.
- D) the price of rubber to increase.

Answer: <https://biology-forums.com/index.php?topic=737894>

Question 2065

An inside lag is

- A) a policy aimed at reducing GDP.
- B) a policy aimed at increasing GDP.
- C) the period of time it takes for policies to work.
- D) a lag in implementing policy.

Answer: <https://biology-forums.com/index.php?topic=738417>

Question 2066

Adam Smith

- A) is responsible for refining the model of supply and demand.
- B) is the author of this text.
- C) is considered the founder of economics.
- D) introduced the concept of ceteris paribus to the discussion of supply and demand.

Answer: <https://biology-forums.com/index.php?topic=735005>

Question 2067

A public good is a good that

- A) is excludable.
- B) is free.
- C) is rival.
- D) is available regardless of willingness to pay.

Answer: <https://biology-forums.com/index.php?topic=737786>

Question 2068

A rancher raises sheep. Once a year he shears them and sells the raw wool to a processor who cleans it and spins it into yarn. The yarn is then sold to a knitting mill, which produces and sells sweaters. In calculating GDP we would count

- A) the raw wool, the yarn and the sweaters.
- B) only the raw wool and the yarn.
- C) only the yarn and the sweaters.
- D) only the sweaters.

Answer: <https://biology-forums.com/index.php?topic=736537>

Question 2069

Recall the Application. If the selling price of zinc falls below the shutdown price for half of the world's zinc mines, the output produced from these mines will

- A) increase by 50%.
- B) fall to zero.
- C) decrease by 50%.
- D) still remain constant.

Answer: <https://biology-forums.com/index.php?topic=735990>

Question 2070

An example of a public good is

- A) a hamburger.
- B) a laundromat.
- C) national defense.
- D) a personal computer.

Answer: <https://biology-forums.com/index.php?topic=737794>

Question 2071

Suppose that in a month the price of tulips increases from \$1 to \$1.50. At the same time, the quantity of tulips demanded decreases from 200 to 190. The price elasticity of demand for tulips (calculated using the initial value formula) is

- A) 0.1.
- B) 0.5.
- C) 10.
- D) 20.

Answer: <https://biology-forums.com/index.php?topic=735400>

Question 2072

A firm will not shut down in the short run as long as at the point where $MR = MC$

- A) $P > AVC$.
- B) $P > AFC$.
- C) $P > MC$.
- D) $P > ATC$.

Answer: <https://biology-forums.com/index.php?topic=735963>

Question 2073

Recall the Application. Among the losers when there is an increase in labor migration to the United States are

- A) U.S. consumers
- B) U.S. workers with the same skill level of the immigrants.
- C) U.S. firms.
- D) all of the above.

Answer: <https://biology-forums.com/index.php?topic=736486>

Question 2074

Consumers often base their spending on their estimated permanent income.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738144>

Question 2075

Assuming a long-run aggregate supply curve, a decrease in consumer confidence results in _____ in output and _____ in price level.

- A) a decrease; no change
- B) an increase; no change
- C) no change; a decrease
- D) a decrease; a decrease

Answer: <https://biology-forums.com/index.php?topic=737077>

Question 2076

If total revenue is unrelated to price, then demand is unitary elastic.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735518>

Question 2077

Isabel receives a check for \$7,000 from Kermit and deposits it in her bank. Suppose that the reserve ratio is 10%. As a result of this transaction the money supply will

- A) decrease by \$63,000 and then increase by \$70,000.
- B) increase by \$70,000.
- C) not change.
- D) decrease by \$70,000 and then increase by \$63,000.

Answer: <https://biology-forums.com/index.php?topic=738249>

Question 2078

If demand is perfectly elastic, the price elasticity of demand is equal to

- A) infinity.
- B) 1.
- C) 0.
- D) a positive number between 0 and infinity.

Answer: <https://biology-forums.com/index.php?topic=735429>

Question 2079

Two goods are complements if an increase in the price of one good leads to an increase in demand for the other.

- A) True

B) False

Answer: <https://biology-forums.com/index.php?topic=735312>

Question 2080

Describe the changes in the variables that will cause supply for a product to decrease, shifting the supply curve up and to the left.

Answer: <https://biology-forums.com/index.php?topic=735370>

Question 2081

Diminishing returns occurs because

- A) not enough people have jobs.
- B) two people have not satisfied their self-interests.
- C) consumers don't buy enough of the products produced.
- D) one of the inputs to the production process is fixed.

Answer: <https://biology-forums.com/index.php?topic=735175>

Question 2082

In which of the following situations should a firm increase its efforts to abate pollution?

- A) The marginal benefit of abatement is equal to its marginal cost.
- B) The marginal benefit of abatement is less than its marginal cost.
- C) The marginal benefit of abatement is greater than its marginal cost.
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=737862>

Question 2083

When the government eliminates artificial barriers to entry

- A) competition in the market will decrease.
- B) firm profits will rise.
- C) prices to consumers will likely decrease.
- D) All of the above will occur.

Answer: <https://biology-forums.com/index.php?topic=737141>

Question 2084

Using the rule of 70, if the GDP per capita growth rate in the United States is 4.4%, real GDP per capita doubles every

- A) 6.72 years.
- B) 15.91 years.
- C) 44 years.
- D) 65.6 years.

Answer: <https://biology-forums.com/index.php?topic=736838>

Question 2085

Based on the data in Table 18.1

- A) Jesse should specialize in painting snowboards and trade for kites.
- B) Jesse should specialize in painting kites and trade for snowboards.
- C) Jesse should specialize in both goods.
- D) April should specialize in both goods.

Answer: <https://biology-forums.com/index.php?topic=738442>

Question 2086

Coordination problems in large firms might lead to

- A) upward-sloping long-run average cost curves.
- B) horizontal marginal cost curves.
- C) downward-sloping marginal cost curves.
- D) upward-sloping short-run average cost curves.

Answer: <https://biology-forums.com/index.php?topic=735832>

Question 2087

The relationship between the level of prices and total quantity of goods and services producers are willing to supply is represented by the

- A) aggregate supply curve.
- B) sticky price curve.
- C) GDP multiplier.
- D) aggregate demand curve.

Answer: <https://biology-forums.com/index.php?topic=737071>

Question 2088

Suppose that a labor market is initially in equilibrium. If the minimum wage is set above the initial equilibrium wage rate,

- A) the labor supply curve will shift to the right.
- B) all workers in the labor market will be better off, receiving a higher wage per hour.
- C) the quantity demanded of labor will decrease along the given labor demand curve.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736402>

Question 2089

An open market sale by the Fed

- A) decreases the money supply and decreases output.
- B) increases the money supply and decreases output.
- C) decreases the money supply and increases output.
- D) increases the money supply and increases output.

Answer: <https://biology-forums.com/index.php?topic=738382>

Question 2090

Cost-of-living adjustments are

- A) averages of neighboring years' base prices used in constructing the CPI.
- B) automatic wage changes based on the CPI which are included in some union contracts.
- C) quality measurements included in the calculation of the CPI.
- D) changes in the basket of goods used in calculating the CPI.

Answer: <https://biology-forums.com/index.php?topic=736782>

Question 2091

The long-run marginal cost (LMC) is the increase in the cost incurred by the firm when producing one additional output, holding

- A) the workforce constant.
- B) the production facility constant.
- C) neither the workforce nor the production facility constant.
- D) the workforce and the production facility constant.

Answer: <https://biology-forums.com/index.php?topic=735809>

Question 2092

It is rational for someone who wants to sell a lemon to offer the buyer a money-back guarantee.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737744>

Question 2093

Suppose the growth rate of GDP in the United States is 4.2%. If 1.1% and 1.4% of GDP growth are due, respectively, to capital and labor growth, the amount resulting from technological progress is

- A) 0.3%.
- B) 1.1%.
- C) 1.4%.
- D) 1.7%.

Answer: <https://biology-forums.com/index.php?topic=736915>

Question 2094

Suppose that in 2011, 4 million plasma TVs were purchased at \$950 each, while in 2012, 3 million plasma TVs were purchased at \$800 each. What might have caused this change?

- A) Plasma TV manufacturing technology decreased.

- B) Plasma TV manufacturing technology increased.
C) The price of LCD TVs (a substitute for plasma TVs) rose.
D) The price of LCD TVs (a substitute for plasma TVs) fell.

Answer: <https://biology-forums.com/index.php?topic=735306>

Question 2095

According to the Application,

- A) reported levels of happiness in the United States have increased over the past 30 years.
B) stable marriages account for no more happiness than marriages ending in divorce.
C) money does appear to buy happiness, ceteris paribus.
D) retired people report higher levels of happiness than people below the age of 40.

Answer: <https://biology-forums.com/index.php?topic=736660>

Question 2096

If the percentage change in price is 20 and the percentage change in quantity supplied is 10, supply is

- A) unaffected by price changes.
B) inelastic.
C) unitary elastic.
D) elastic.

Answer: <https://biology-forums.com/index.php?topic=735602>

Question 2097

If the Federal Reserve conducts an open market purchase, the

- A) money supply is decreased.
B) interest rate will increase.
C) interest rate will decrease.
D) interest rate will not change.

Answer: <https://biology-forums.com/index.php?topic=738368>

Question 2098

A minimum wage that is less than the prevailing market wage will

- A) have no effect on the market.
B) reduce wages.
C) increase unemployment.
D) increases wages.

Answer: <https://biology-forums.com/index.php?topic=736410>

Question 2099

You currently sell the same product to both professional plumbers and homeowners, and are able to prevent transfer from one group to the other. Your current prices, quantities sold, and the absolute values of the slopes of the demand curves are as follows

tableau1 ((Price Number sold Slope of demand curve)(Plumbers \$20300.75)(Homeowners \$20100.50))

If your marginal cost is \$10 and you are interested in maximizing your revenues, how would you adjust your prices?

- A) Decrease plumbers' price and increase homeowners' price.
B) Decrease prices for both groups.
C) Increase prices for both groups.
D) Increase plumbers' price and decrease homeowners' price.

Answer: <https://biology-forums.com/index.php?topic=736233>

Question 2100

Recall the Application. What is the indivisible input and what are its implications for economies or diseconomies of scale?

Answer: <https://biology-forums.com/index.php?topic=735857>

Question 2101

What matters to people is the face value of money or income.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=735207>

Question 2102

What would be a way for the Federal Reserve to stimulate a sluggish economy?

- A) print more money
- B) buy government bonds on the open market
- C) encourage the stock market
- D) sell more government bonds

Answer: <https://biology-forums.com/index.php?topic=738332>

Question 2103

Which of the following statements about featherbedding is correct?

- A) It forces a firm to hire more workers than it needs.
- B) It may or may not increase wages.
- C) It may or may not increase the demand for labor.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736450>

Question 2104

If a firm engages in guaranteed price matching, that firm picks a

- A) high price but instantly switches to a low price if its competitors choose a high price.
- B) high price but instantly switches to a low price if its competitors choose a low price.
- C) low price no matter what the competition does.
- D) low price but instantly switches to a high price if its competitors choose a low price.

Answer: <https://biology-forums.com/index.php?topic=737395>

Question 2105

Table 9.7 shows the production cost for two utilities at different levels of sulfur dioxide emissions. Assume that the government issued 8 marketable pollution permits to each firm. If Firm A contemplates selling one permit to Firm B, what is Firm A's willingness to accept?

- A) \$3,000
- B) \$5,000
- C) \$6,000
- D) \$7,000

Answer: <https://biology-forums.com/index.php?topic=737978>

Question 2106

A good that is consumed by a single person or household is

- A) excludable.
- B) nonexcludable.
- C) rival.
- D) nonrival.

Answer: <https://biology-forums.com/index.php?topic=737793>

Question 2107

Suppose the wage rate in a certain industry falls, yet firms hire fewer workers. The best explanation of this is that labor

- A) demand fell.
- B) demand increased.
- C) supply fell.
- D) supply increased.

Answer: <https://biology-forums.com/index.php?topic=736396>

Question 2108

Credit cards are regularly used in economic exchanges, so credit card balances are included in the definition of money.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738201>

Question 2109

Which of the following statements about a perfectly competitive market is INCORRECT?

- A) Buyers and sellers cannot enter exit the market freely.
- B) The market sell homogeneous products.
- C) There are many buyers, each purchasing a small quantity.
- D) There are many sellers, each supplying a small quantity.

Answer: <https://biology-forums.com/index.php?topic=735882>

Question 2110

The cross-price elasticity of demand between bananas and apples is most likely

- A) positive.
- B) zero.
- C) negative.
- D) More information is needed to determine.

Answer: <https://biology-forums.com/index.php?topic=735567>

Question 2111

Suppose consumers save 3% of their incomes. If the government collects 1 dollar in taxes from each taxpayer, private saving will _____ per taxpayer.

- A) increase by \$1
- B) decrease by 97 cents
- C) increase by 97 cents
- D) decrease by 3 cents

Answer: <https://biology-forums.com/index.php?topic=736889>

Question 2112

The price system always works instantaneously.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736998>

Question 2113

In the case of perfectly inelastic demand, the demand curve is

- A) upward sloping.
- B) vertical.
- C) horizontal.
- D) downward sloping.

Answer: <https://biology-forums.com/index.php?topic=735427>

Question 2114

To operate efficiently, an economy generally "needs" _____ unemployment.

- A) cyclical
- B) structural
- C) frictional
- D) seasonal

Answer: <https://biology-forums.com/index.php?topic=736743>

Question 2115

Implicit cooperation among firms to maintain prices is illegal under antitrust laws.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737433>

Question 2116

What is a network externality?

Answer: <https://biology-forums.com/index.php?topic=736143>

Question 2117

For country A, an import is a good produced in
A) country B and purchased by residents of country A.
B) country A and purchased by residents of country B.
C) country A and purchased by residents of country A.
D) country B and purchased by residents of country B.

Answer: <https://biology-forums.com/index.php?topic=738468>

Question 2118

President George W. Bush used part of the budget surplus inherited from the Clinton administration to
A) fund tax cuts.
B) stimulate the economy that was slowing down following the end of the high-tech investment boom.
C) increase government entitlement spending.
D) both A and B

Answer: <https://biology-forums.com/index.php?topic=738134>

Question 2119

Suppose a bank has \$300,000 in deposits, a reserve ratio of 5%, and bank reserves of \$45,000. This bank can make new loans in the amount of
A) \$345,000.
B) \$45,000.
C) \$30,000.
D) \$15,000.

Answer: <https://biology-forums.com/index.php?topic=738232>

Question 2120

Recall the Application. If a fake killer whale to be used to scare sea lions away from steelhead and other threatened and commercially valuable species cost \$11,000 for the mold and \$5,000 for materials for each fake killer whale made, then the producer would face
A) decreasing returns to scale.
B) increasing returns to scale.
C) decreasing demand.
D) increasing average total costs.

Answer: <https://biology-forums.com/index.php?topic=735842>

Question 2121

Which one of the following is true of a market for used cars?
A) There is a public information problem.
B) As buyers become more pessimistic about their chances of buying a high-quality car, the price of used cars (both low-quality and high-quality) decreases.
C) The willingness to pay is less than the willingness to accept.
D) A consumer typically overestimates the probability of getting a lemon (low-quality car).

Answer: <https://biology-forums.com/index.php?topic=737691>

Question 2122

Recall the Application. A study of the taxi market in New York City showed that when cab fares increase, thereby increasing the wages of cab drivers,
A) the substitution effect for leisure demand outweighs the income effect for leisure demand.
B) the income effect for leisure demand and the substitution effect for leisure demand work in the same direction, causing the labor supply to increase.
C) the income effect for leisure demand and the substitution effect for leisure demand work in the same direction, causing the labor supply to decrease.
D) the income effect for leisure demand outweighs the substitution effect for leisure demand.

Answer: <https://biology-forums.com/index.php?topic=736369>

Question 2123

Taxes can have an important effect on
A) saving.
B) economic growth.
C) the labor supply.
D) all of the above

Answer: <https://biology-forums.com/index.php?topic=738132>

Question 2124

Pollution taxes reduce pollution by

- A) decreasing the amount sold of the good that causes the pollution.
- B) encouraging firms to modify their production process to reduce emissions.
- C) causing firms to produce less of the good that generates the pollution.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=737897>

Question 2125

The Laffer curve illustrates that

- A) high tax rates could lead to lower tax revenues if economic activity is severely discouraged.
- B) high tax rates would increase tax revenue and increase the labor supply as people work harder to maintain their standard of living.
- C) lowering tax rates will always increase tax revenues.
- D) lowering tax rates will always decrease tax revenues.

Answer: <https://biology-forums.com/index.php?topic=738076>

Question 2126

Pollution imposes costs on people and firms other than those involved in producing or consuming the product that produces pollution.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737872>

Question 2127

If the Federal Reserve wanted to change the money supply in the economy, it would be least likely to

- A) change the level of reserves required to be held by banks.
- B) sell bonds on the open market.
- C) buy bonds on the open market.
- D) change the federal funds rate.

Answer: <https://biology-forums.com/index.php?topic=738338>

Question 2128

Economic models explore decision making by individuals, firms and other organizations.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=734984>

Question 2129

By which of the following methods could a supplier identify its good as a plum to a skeptical buyer?

- A) warranties and repair guarantees
- B) money-back guarantee
- C) a verbal assurance
- D) both A and B

Answer: <https://biology-forums.com/index.php?topic=737732>

Question 2130

What are the two tools of fiscal policy that governments can use to stabilize an economy?

- A) taxation and controlling imports
- B) taxation and controlling exports
- C) government spending and technology improvements
- D) government spending and taxation

Answer: <https://biology-forums.com/index.php?topic=738009>

Question 2131

Average variable cost equals

- A) average total cost plus average fixed cost.
- B) average total cost minus average fixed cost.

- C) total fixed cost plus total variable cost.
D) total cost minus average cost.

Answer: <https://biology-forums.com/index.php?topic=735718>

Question 2132

If a product has only a few acceptable substitutes, demand for the product is most likely to be

- A) inelastic.
B) very elastic.
C) elastic.
D) very inelastic.

Answer: <https://biology-forums.com/index.php?topic=735440>

Question 2133

Suppose that in 2011, 3 million plasma TVs were purchased at \$950 each, while in 2012, 4 million plasma TVs were purchased at \$800 each. What might have caused this change?

- A) There were fewer workers in plasma TV manufacturing.
B) The price of LCD TVs (a substitute for plasma TVs) fell.
C) There was an advance in plasma TV manufacturing technology.
D) The price of LCD TVs (a substitute for plasma TVs) rose.

Answer: <https://biology-forums.com/index.php?topic=735338>

Question 2134

If a firm that makes \$5 profit per box of cigars pays Rush Limbaugh \$1,000,000 to endorse their cigars, then to make the endorsement pay off they must sell at least

- A) 20,000 more boxes of cigars.
B) \$2,000,000 more in cigars.
C) \$20,000 more in cigars.
D) 200,000 more boxes of cigars.

Answer: <https://biology-forums.com/index.php?topic=737293>

Question 2135

Which of the following is a bank liability?

- A) demand deposit balances
B) required reserves
C) loans made to customers
D) reserve deposits held at the Fed

Answer: <https://biology-forums.com/index.php?topic=738215>

Question 2136

If the banking system has a required reserve ratio of 40%, then the money multiplier is

- A) 2.
B) 2.5.
C) 4.
D) 8.

Answer: <https://biology-forums.com/index.php?topic=738237>

Question 2137

Studies have shown that differences in wages between men and women

- A) are fully explained by differences in productivity, education, and skill.
B) have disappeared in the last five years.
C) are fully explained by discrimination.
D) are explained in part by differences in productivity and in part by discrimination.

Answer: <https://biology-forums.com/index.php?topic=736433>

Question 2138

Advertising can create an image about a product inducing people to try the product.

- A) True

B) False

Answer: <https://biology-forums.com/index.php?topic=737298>

Question 2139

To increase the level of output, the Fed should conduct an open market sale.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738407>

Question 2140

An increase in demand will cause a relatively small increase in price when

- A) demand is highly inelastic.
- B) the increase in demand is large.
- C) supply is highly elastic.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=735646>

Question 2141

If the growth rate for GDP was 5% and GDP in year 1 was 140, then GDP in year 2 would be

- A) 133.3.
- B) 135.
- C) 145.
- D) 147.

Answer: <https://biology-forums.com/index.php?topic=736834>

Question 2142

Unemployment occurs even during periods when the economy is growing.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736744>

Question 2143

As compared to a pollution tax, a command-and-control policy will

- A) shift the supply curve to the left by a larger amount.
- B) increase price by a smaller amount.
- C) increase production costs by a smaller amount.
- D) shift the supply curve to the left by a smaller amount.

Answer: <https://biology-forums.com/index.php?topic=737943>

Question 2144

Generally, when the Federal Reserve lowers interest rates, investment spending _____ and GDP _____.

- A) increases; increases
- B) decreases; increases
- C) decreases; decreases
- D) increases; decreases

Answer: <https://biology-forums.com/index.php?topic=738297>

Question 2145

The period of time in which the level of output moves from a trough to a peak is called a

- A) plateau.
- B) recovery.
- C) contraction.
- D) depression.

Answer: <https://biology-forums.com/index.php?topic=736643>

Question 2146

In the United States during the 1930s

- A) government spending and taxes both increased, resulting in zero net fiscal expansion.
B) government spending increased and taxes decreased, resulting in a fiscal expansion.
C) government spending decreased and taxes increased, resulting in a fiscal contraction.
D) government spending and taxes both decreased, resulting in a net fiscal contraction.

Answer: <https://biology-forums.com/index.php?topic=738124>

Question 2147

Describe the changes in the variables that will cause demand for a product to increase, shifting the demand curve to the right.

Answer: <https://biology-forums.com/index.php?topic=735321>

Question 2148

What does it mean for a nation to have an absolute advantage in producing a product?

Answer: <https://biology-forums.com/index.php?topic=738495>

Question 2149

Comparing the minimum wages between 1974 and 2011 addresses the economic concept of

- A) the principle of diminishing returns.
B) the principle of voluntary exchange.
C) the real-nominal principle.
D) the marginal principle.

Answer: <https://biology-forums.com/index.php?topic=735197>

Question 2150

In the final two decades of the twentieth century, per capita income in sub-Saharan Africa

- A) remained relatively unchanged.
B) increased by more than 75%.
C) increased by approximately 35%.
D) decreased by approximately 6%.

Answer: <https://biology-forums.com/index.php?topic=734993>

Question 2151

The price of apples increases from \$1 to \$1.10. At the same time, the quantity of apples demanded decreases from 100 to 90. The price elasticity of demand for apples (calculated using the initial value formula) is

- A) 0.02.
B) 0.9.
C) 1.
D) 1.1.

Answer: <https://biology-forums.com/index.php?topic=735396>

Question 2152

In the long-run perfectly competitive equilibrium, firms produce at the minimum of average total cost.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=736065>

Question 2153

If the price elasticity of demand is infinite, demand is

- A) upward sloping.
B) perfectly elastic.
C) inelastic.
D) elastic.

Answer: <https://biology-forums.com/index.php?topic=735419>

Question 2154

Define transfer payments and explain why they are not included in the government purchases section of the GDP accounts.

Answer: <https://biology-forums.com/index.php?topic=736596>

Question 2155

The inside lags for monetary policy are relatively long compared to those for fiscal policy.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738428>

Question 2156

An example of a good that is excludable is

- A) a television set.
- B) broadcast television.
- C) an outdoor sculpture visible from the street.
- D) an aerial fireworks display.

Answer: <https://biology-forums.com/index.php?topic=737808>

Question 2157

The Law of Demand can be explained as

- A) a lot of people wanting the same thing.
- B) legal reasons people make purchases in the marketplace.
- C) people are willing to make limited sacrifices to acquire products.
- D) the higher the price, the smaller the quantity demanded, ceteris paribus.

Answer: <https://biology-forums.com/index.php?topic=735219>

Question 2158

Marginal product in the short run

- A) diminishes at all levels of production.
- B) may initially increase, then eventually decrease.
- C) may initially decrease, then eventually increase.
- D) increases at all levels of production.

Answer: <https://biology-forums.com/index.php?topic=735707>

Question 2159

An arrangement under which a number of firms acts as a single firm and coordinate their pricing decisions is

- A) monopolistic competition.
- B) perfect competition.
- C) a monopoly.
- D) price fixing.

Answer: <https://biology-forums.com/index.php?topic=737330>

Question 2160

Which of the following is NOT an example of technological progress?

- A) the development of blue tooth headsets
- B) the invention of wireless Internet access
- C) builders constructing a new office building that uses less energy
- D) an increase in Florida's orange crop resulting from a mild winter

Answer: <https://biology-forums.com/index.php?topic=736909>

Question 2161

When marginal costs are increasing

- A) average cost is always decreasing.
- B) average cost is always increasing.
- C) a firm is experiencing diminishing returns.
- D) marginal costs are always greater than average costs.

Answer: <https://biology-forums.com/index.php?topic=735744>

Question 2162

The reason that air and water pollution impose external costs is that

- A) providers of goods and services ignore costs that they do not have to pay.
- B) environmentalists object to the degradation of the earth.
- C) they affect the quality of the out-of-doors.
- D) the damage from pollution crosses international boundaries.

Answer: <https://biology-forums.com/index.php?topic=737857>

Question 2163

The federal deficit _____ in 2006 and 2007, and _____ in 2008.

- A) decreased; decreased further
- B) decreased; increased
- C) increased, increased further
- D) increased; decreased

Answer: <https://biology-forums.com/index.php?topic=738137>

Question 2164

If the demand for a product in an increasing cost perfectly competitive industry decreases, we would expect that price in the long-run would _____ and the number of firms in the market would _____.

- A) decrease; increase
- B) increase; increase
- C) decrease; decrease
- D) increase; decrease

Answer: <https://biology-forums.com/index.php?topic=736048>

Question 2165

Recall the application. The regular price elasticities of demand found at www.ers.usda.gov are reported as

- A) foreign currency units per dollar.
- B) negative numbers.
- C) dollars per unit of foreign currency.
- D) positive numbers.

Answer: <https://biology-forums.com/index.php?topic=735578>

Question 2166

In the short run, a firm that is incurring losses would always be better off if it keeps producing.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735960>

Question 2167

If the demand for new cars is elastic, an increase in price will result in

- A) an increase in the quantity demanded.
- B) an increase in profits.
- C) an increase in total revenue.
- D) a decrease in total revenue.

Answer: <https://biology-forums.com/index.php?topic=735508>

Question 2168

Suppose Robin's Clock Works produces in a perfectly competitive market. Suppose the average total cost of clocks is \$95, the average variable cost of clocks is \$90, and the price of clocks is \$85. If the firm is producing the level of output where marginal cost equals price, then in the short run the firm

- A) should continue to produce since total revenue exceeds total variable cost.
- B) is earning a positive economic profit.
- C) can increase profit by increasing output.
- D) should shut down.

Answer: <https://biology-forums.com/index.php?topic=735979>

Question 2169

If consumer preference for a product increases, this will cause the equilibrium price of the product to go down, and the equilibrium quantity of the

product to go up.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735316>

Question 2170

Price-fixing by firms in an oligopoly is

- A) more likely when firms must commit to a single pricing strategy for the lifetime of the firm.
- B) more likely when neither firm chooses the low-price guarantee strategy.
- C) more likely when the firms play a game repeatedly.
- D) never sustainable because firms have an incentive to underprice each other.

Answer: <https://biology-forums.com/index.php?topic=737401>

Question 2171

The Sherman Act of 1890

- A) prohibited selling products at "unreasonably low prices" with the intent of reducing competition.
- B) outlawed tying contracts.
- C) made it illegal to monopolize a market.
- D) outlawed stock-purchase mergers that would substantially reduce competition.

Answer: <https://biology-forums.com/index.php?topic=737563>

Question 2172

The rate of interest charged to commercial banks by the Fed for loans is called the _____ rate.

- A) federal funds
- B) prime
- C) commercial paper
- D) discount

Answer: <https://biology-forums.com/index.php?topic=738341>

Question 2173

A perfectly competitive market

- A) consists of only one firm.
- B) consists of at most five firms.
- C) is made up of a large number of firms.
- D) is dominated by one firm.

Answer: <https://biology-forums.com/index.php?topic=735875>

Question 2174

The demand for a particular good depends on variables such as

- A) price of complements.
- B) consumer income.
- C) price of substitutes.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=735551>

Question 2175

Which of the following situations would be examples of price discrimination?

- A) United Airlines charges customers who book 14 days ahead a lower price than those who don't.
- B) Chevron gas stations charges customers 20 cents more per gallon if they choose the premium grade over the regular unleaded.
- C) GEICO, an insurance company, charges higher rates to those who received more than one speeding ticket in the last 6 months.
- D) The local carwash charges drivers of minivans and large SUVs a \$2.00 "large vehicle" surcharge.

Answer: <https://biology-forums.com/index.php?topic=736204>

Question 2176

The supply curve for gasoline will be more elastic in

- A) the long-run because of the principle of diminishing returns.
- B) the short-run because of the principle of diminishing returns.

- C) the short-run because firms have more time in which to respond to the price change.
D) the long-run because firms have more time in which to respond to the price change.

Answer: <https://biology-forums.com/index.php?topic=735606>

Question 2177

Which of the following would cause a decrease in aggregate demand?

- A) a fall in investor confidence
B) an increase in the money supply
C) an increase in the price level
D) a rise in wages

Answer: <https://biology-forums.com/index.php?topic=737025>

Question 2178

Which of the following statements is INCORRECT?

- A) The price elasticity of demand tends to be smaller when consumers have less time to adjust to price changes.
B) The price elasticity of demand tends to be greater for a product with more substitutes available.
C) The price elasticity of demand tends to be greater when a product accounts for a smaller portion of the consumer's budget.
D) The price elasticity of demand tends to be greater for a specific brand of a product than for a product in general.

Answer: <https://biology-forums.com/index.php?topic=735438>

Question 2179

Suppose real GDP was 100 in year 1 and 105 in year 2. The growth rate of real GDP is

- A) 0.5%.
B) 1.5%.
C) 2.5%.
D) 5%.

Answer: <https://biology-forums.com/index.php?topic=736832>

Question 2180

Suppose the wage rate in a certain industry rises, and firms hire fewer workers. The best explanation of this is that labor

- A) demand fell.
B) demand increased.
C) supply fell.
D) supply increased.

Answer: <https://biology-forums.com/index.php?topic=736395>

Question 2181

A perfectly competitive firm has no control over the price that it charges.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=735898>

Question 2182

In the Staples/Office Depot Case, the government

- A) found that Staples had illegally attempted to monopolize the market by using tying contracts.
B) found that Staples had attempted to drive Office Depot out of the market, and so they prosecuted them under the Clayton Act.
C) determined that the anticompetitive effects of a proposed merger between the two firms outweighed the potential savings in production costs, and so they blocked the proposed merger.
D) found that Office Depot had illegally attempted to monopolize the market.

Answer: <https://biology-forums.com/index.php?topic=737545>

Question 2183

How does a monopolist's marginal revenue change as output increases? Why?

Answer: <https://biology-forums.com/index.php?topic=736144>

Question 2184

The aggregate demand curve is

- A) a vertical line at potential output.
- B) a horizontal line at the current price level.
- C) downward sloping.
- D) upward sloping.

Answer: <https://biology-forums.com/index.php?topic=737009>

Question 2185

Can a firm experience diminishing returns in the long run?

Answer: <https://biology-forums.com/index.php?topic=735852>

Question 2186

The value of goods produced in a previous year but sold in the current year is added to the GDP for the current year.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736578>

Question 2187

If butter and margarine are substitutes, then an increase in the price of butter will reduce the demand for margarine.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735584>

Question 2188

Fixed costs do not vary as output changes.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735789>

Question 2189

People who are currently not working but are actively looking for work are officially classified as

- A) employed and in the labor force.
- B) unemployed and in the labor force.
- C) unemployed and out of the labor force.
- D) employed and out of the labor force.

Answer: <https://biology-forums.com/index.php?topic=736678>

Question 2190

Compared with a low benefit reduction rate, a relatively high benefit reduction rate in a cash assistance program

- A) increases the incentive to work.
- B) will reduce the incentive to work through the substitution effect but will increase the incentive to work through the income effect.
- C) reduces the incentive to work.
- D) does not affect the incentive to work.

Answer: <https://biology-forums.com/index.php?topic=736501>

Question 2191

Why does entry into markets decrease firm profits?

Answer: <https://biology-forums.com/index.php?topic=737162>

Question 2192

An input is indivisible if

- A) it cannot be increased to produce a larger quantity of output.
- B) it cannot be used as a substitute for other inputs in the production process.
- C) it cannot be scaled down to produce a smaller quantity of output.
- D) it is sufficiently inexpensive to purchase that firms will want to buy as much as they can.

Answer: <https://biology-forums.com/index.php?topic=735815>

Question 2193

If the equilibrium price of a good decreases and the equilibrium quantity of the good decreases, we can conclude that

- A) demand decreased.
- B) supply increased.
- C) demand increased.
- D) supply decreased.

Answer: <https://biology-forums.com/index.php?topic=735307>

Question 2194

A public good is a good that

- A) is provided by the government.
- B) is available for everyone to consume, regardless of who pays.
- C) cannot be used by private citizens.
- D) is consumed by a single person or household.

Answer: <https://biology-forums.com/index.php?topic=737785>

Question 2195

Describe the recession phase of a business cycle, including when it begins and when it ends.

Answer: <https://biology-forums.com/index.php?topic=736654>

Question 2196

An example of a monopolistically competitive industry is cable television service.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737251>

Question 2197

Equilibrium in the money market occurs when

- A) the quantity of money demanded is more than the quantity of money supplied.
- B) the interest rate equals the money supply.
- C) the quantity of money demanded equals the quantity of money supplied.
- D) the quantity of money demanded is less than the quantity of money supplied.

Answer: <https://biology-forums.com/index.php?topic=738365>

Question 2198

Increases in net investment generally result in

- A) lower levels of capital stock and higher levels of depreciation.
- B) higher levels of capital stock and lower levels of depreciation.
- C) higher levels of capital stock and higher levels of depreciation.
- D) lower levels of capital stock and lower levels of depreciation.

Answer: <https://biology-forums.com/index.php?topic=736881>

Question 2199

In short-run equilibrium for a competitive firm

- A) price will equal marginal cost.
- B) marginal revenue will be greater than marginal cost.
- C) price will not equal marginal revenue.
- D) price will be greater than marginal cost.

Answer: <https://biology-forums.com/index.php?topic=735945>

Question 2200

Recall the application. If you earn a salary of \$80,000 in the first year and all prices decrease by half in the next 5 years, what will your nominal annual salary be in 5 years?

- A) \$8,000
- B) \$10,000
- C) \$20,000

D) \$40,000

Answer: <https://biology-forums.com/index.php?topic=735203>

Question 2201

What are the two critical measures of a nation's economic health?

- A) income and spending
- B) production and income
- C) sales and taxes
- D) wages and raises

Answer: <https://biology-forums.com/index.php?topic=736522>

Question 2202

If the wage paid to workers increases, the labor demand curve

- A) will not shift.
- B) shifts to the left and fewer workers are hired.
- C) shifts to the right and fewer workers are hired.
- D) shifts to the right and more workers are hired.

Answer: <https://biology-forums.com/index.php?topic=736391>

Question 2203

What is meant by the term "the natural rate of unemployment"?

Answer: <https://biology-forums.com/index.php?topic=736757>

Question 2204

Recall the Application. Relative to people of average appearance workers receive _____ wages if they are _____.

- A) lower; more attractive than average
- B) higher; unattractive
- C) the same; either attractive or unattractive
- D) higher; more attractive than average

Answer: <https://biology-forums.com/index.php?topic=736455>

Question 2205

Why is it important that a firm have market power if it wishes to engage in price discrimination?

Answer: <https://biology-forums.com/index.php?topic=736260>

Question 2206

Recall the Application. By offering the citizens of Creswell, Oregon a yearly cash payment if they voted to approve his casino, the developer was engaged in

- A) rent seeking.
- B) network externalities.
- C) price discrimination.
- D) applying for a patent.

Answer: <https://biology-forums.com/index.php?topic=736173>

Question 2207

Why does the government work to eliminate artificial barriers to entry?

Answer: <https://biology-forums.com/index.php?topic=737165>

Question 2208

Public Broadcasting, in its fund drives, often arranges for a corporation to match donations made by its employees. This is likely to _____ the free-rider problem and lead to a _____ level of contribution to the public good.

- A) reduce; larger
- B) increase; larger
- C) increase; smaller
- D) reduce; smaller

Answer: <https://biology-forums.com/index.php?topic=737829>

Question 2209

Spending on programs that _____, such as Social Security and Medicare, is classified as entitlement and mandatory spending.

- A) has been authorized by prior law
- B) is authorized only in times of budget deficits
- C) is authorized only in times of budget surpluses
- D) is authorized by Congress on an annual basis

Answer: <https://biology-forums.com/index.php?topic=738054>

Question 2210

We ADD to the GDP when goods produced abroad are sold in the United States.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736591>

Question 2211

If you work 4 extra hours, and the slope of the curve showing the relationship between your income and work hours is 8, your income will increase by

- A) \$2.
- B) \$4.
- C) \$12.
- D) \$32.

Answer: <https://biology-forums.com/index.php?topic=735064>

Question 2212

Recall the Application. Suppose the price elasticity of demand for gasoline is 0.20 and the price elasticity of supply for gasoline is 0.55. If supply increases by 20%, the equilibrium price will decrease by

- A) 27%.
- B) 57%.
- C) 175%.
- D) 375%.

Answer: <https://biology-forums.com/index.php?topic=735651>

Question 2213

If there is an advancement in the technology used to produce a product, what is the likely effect it may have on the supply?

- A) It would increase the supply.
- B) The company would not change its manufacturing.
- C) More people would be needed to produce the product.
- D) It would decrease the supply.

Answer: <https://biology-forums.com/index.php?topic=735336>

Question 2214

Suppose that in October the price of a cup of cafe latte was \$2.50 and 400 lattes were consumed. In November the price of a latte was \$2.00 and 300 lattes were consumed. What might have caused this change?

- A) The price of coffee beans (an input of production of cafe lattes) rose.
- B) The price of coffee beans (an input of production of cafe lattes) fell.
- C) The price of tea (a substitute for cafe lattes) rose.
- D) The price of tea (a substitute for cafe lattes) fell.

Answer: <https://biology-forums.com/index.php?topic=735297>

Question 2215

Recall the Application. If a firm is able to use idle capital when increasing production, the marginal cost incurred when increasing production is

- A) decreasing.
- B) negative.
- C) not changing.
- D) increasing.

Answer: <https://biology-forums.com/index.php?topic=735783>

Question 2216

Suppose 100 townspeople value a statue of the local hero at \$1 each, and construction of the statue would cost \$90. Which of the following is true:

- A) the statue will not be built because it is not efficient to build a statue that costs \$90 if the townspeople value it at only \$1.
- B) It would be efficient to build the statue, but it may not be built because some of the townspeople who value the statue will not contribute to its construction.
- C) the statue will not be built because the local government does not have the power to tax only those who value it.
- D) It would be efficient to build the statue and it will be built because at least ninety of the townspeople will contribute to its construction.

Answer: <https://biology-forums.com/index.php?topic=737817>

Question 2217

Suppose an economy consists of 500,000 individuals 16 years and older, 260,000 are employed, and 21,000 are unemployed but actively seeking work. In this example the labor force participation rate is approximately

- A) 4%.
- B) 48%.
- C) 52%.
- D) 56%.

Answer: <https://biology-forums.com/index.php?topic=736683>

Question 2218

One reason for increasing costs industries is that as an industry grows, it drives up the prices of inputs.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736028>

Question 2219

College students who increase their human capital by acquiring the skills required for certain occupations typically earn higher incomes than high school graduates. This is called

- A) the discriminatory effect of a college education.
- B) the learning effect of a college education.
- C) the signaling effect of a college education.
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=736440>

Question 2220

Recall the Application. If it is not known whether the decrease in price of illegal drugs is primarily due to a change in supply, a change in demand, or equal changes in both, the equilibrium quantity of drugs

- A) will increase.
- B) will decrease.
- C) will not change.
- D) may or may not change.

Answer: <https://biology-forums.com/index.php?topic=735387>

Question 2221

In the long run

- A) firms are able to alter some, but not all, of their resources.
- B) firms are unable to adjust their output choices.
- C) firms have the ability to enter or exit the industry.
- D) None of the above is correct.

Answer: <https://biology-forums.com/index.php?topic=735664>

Question 2222

On a linear demand curve, demand is _____ at the middle of the demand curve than it is at small quantities.

- A) equally elastic
- B) less elastic
- C) more elastic
- D) impossible to tell

Answer: <https://biology-forums.com/index.php?topic=735532>

Question 2223

If supply of a product increases and demand for the product decreases, equilibrium quantity will definitely change.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735366>

Question 2224

Recall the application. Sailing an ocean cargo ship slower to save on the expense of fuel as opposed to sailing it faster to save time and therefore allow it to make more deliveries makes sense if the _____ of sailing slower is less than the _____ of sailing slower.

- A) marginal benefit; opportunity cost
- B) marginal benefit; marginal cost
- C) marginal cost; marginal benefit
- D) marginal cost; opportunity cost

Answer: <https://biology-forums.com/index.php?topic=735140>

Question 2225

Taxes and transfer payments automatically reduce fluctuations in real GDP and thereby stabilize the economy without any need for decisions from Congress or the White House.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738111>

Question 2226

Suppose a bank has \$200,000 in deposits and a reserve ratio of 15%. Its required reserves are

- A) \$350.
- B) \$1,500.
- C) \$3,000.
- D) \$30,000.

Answer: <https://biology-forums.com/index.php?topic=738227>

Question 2227

Why does it make sense for unprofitable firms to stay in business?

Answer: <https://biology-forums.com/index.php?topic=735996>

Question 2228

Given the data in Table 12.1, if the workers who are "not employed and not looking for work" were counted as not employed and in the labor force, the unemployment rate of Metropolis would be approximately

- A) 4%.
- B) 7%.
- C) 9%.
- D) 10%.

Answer: <https://biology-forums.com/index.php?topic=736689>

Question 2229

From 1948 to 2010, the United States has experienced only 4 recessions.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736653>

Question 2230

What entices a second firm to enter a market that was previously a single price monopoly?

Answer: <https://biology-forums.com/index.php?topic=737164>

Question 2231

If two firms use a tit-for-tat scheme to maintain cartel pricing and one firm chooses a low price in the current time period then

- A) that firm will also choose a high price in the next time period.
- B) the other firm will choose a low price in the next time period.
- C) that firm will also choose a low price in the next time period.
- D) the other firm will choose a high price in the next time period.

Answer: <https://biology-forums.com/index.php?topic=737407>

Question 2232

If a firm wants to engage in price discrimination it must have some market power.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736250>

Question 2233

Based on the data in Table 18.1

- A) April should specialize in painting kites and trade for snowboards.
- B) Jesse should specialize in both goods.
- C) April should specialize in painting snowboards and trade for kites.
- D) April should specialize in both goods.

Answer: <https://biology-forums.com/index.php?topic=738443>

Question 2234

Suppose there are two firms maintaining a cartel agreement. If one firm suddenly drops its price, the other firm could interpret this as signaling

- A) cooperative pricing.
- B) limit pricing.
- C) under-pricing.
- D) cartel pricing.

Answer: <https://biology-forums.com/index.php?topic=737419>

Question 2235

According to the information in Table 16.1, M1 is equal to

- A) \$620 billion.
- B) \$672 billion.
- C) \$842 billion.
- D) \$1,012 billion.

Answer: <https://biology-forums.com/index.php?topic=738181>

Question 2236

Economists use different definitions of money because

- A) there are differences in the frequency with which depositors use their accounts.
- B) it is not always clear which assets are used primarily as money.
- C) deposits may be held at banks or savings and loans.
- D) deposits can be domestic or international.

Answer: <https://biology-forums.com/index.php?topic=738183>

Question 2237

Government regulation of a natural monopoly causes its average cost curve to shift downward.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737525>

Question 2238

Suppose that a technological advancement substantially reduces the cost of laser eye surgery. This would cause the equilibrium

- A) quantity of laser eye surgery to decrease.
- B) quantity of technology to decrease.
- C) price of technology to increase.
- D) quantity of laser eye surgery to increase.

Answer: <https://biology-forums.com/index.php?topic=735339>

Question 2239

When the price of almonds falls

- A) the demand for almonds decreases, ceteris paribus.
- B) the quantity of almonds demanded increases, ceteris paribus.
- C) the quantity of almonds demanded decreases, ceteris paribus.
- D) the demand for almonds increases, ceteris paribus.

Answer: <https://biology-forums.com/index.php?topic=735290>

Question 2240

In order to _____, a government must decrease spending and increase taxation.

- A) decrease aggregate supply
- B) increase aggregate demand
- C) increase aggregate supply
- D) decrease aggregate demand

Answer: <https://biology-forums.com/index.php?topic=738017>

Question 2241

Real business cycle theory emphasizes the role of

- A) technology shocks as a cause of economic fluctuations.
- B) shocks to the money supply as a cause of economic fluctuations.
- C) government spending as a cause of economic fluctuations.
- D) demand shocks as a cause of economic fluctuations.

Answer: <https://biology-forums.com/index.php?topic=736973>

Question 2242

Explain liabilities and assets as they relate to a bank's balance sheet.

Answer: <https://biology-forums.com/index.php?topic=738261>

Question 2243

Individuals who are not working and are not actively looking for work are counted as unemployed if they have looked for work in the past.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736705>

Question 2244

A government sometimes creates an excess supply of a product by setting a minimum price at which the product may be sold to consumers. This is sometimes called a

- A) price floor.
- B) price ceiling.
- C) subsidy.
- D) tax.

Answer: <https://biology-forums.com/index.php?topic=735268>

Question 2245

If the number of highway deaths among young people is roughly proportional to their beer consumption and young peoples' elasticity of demand for beer is 1.5, then to decrease highway deaths of young people by 15%, taxes would need to be increased enough to increase the price of beer by

- A) 1%.
- B) 1.5%.
- C) 10%.
- D) 15%.

Answer: <https://biology-forums.com/index.php?topic=735488>

Question 2246

If demand elasticity of airline tickets is 3, what percentage change in quantity would the airlines expect from a 10% increase in price?

Answer: <https://biology-forums.com/index.php?topic=735524>

Question 2247

Individuals who have stopped looking for work after an active search because of the lack of transportation or lack of affordable child care, etc. are classified as _____ workers.

- A) marginally attached
- B) non-contributing
- C) very lazy
- D) nonfunctional

Answer: <https://biology-forums.com/index.php?topic=736698>

Question 2248

If producers have an expectation of higher future prices, the supply of the good that is currently available

- A) will decrease.
- B) will be all that is produced.
- C) will not change.
- D) will increase.

Answer: <https://biology-forums.com/index.php?topic=735342>

Question 2249

The stock of capital _____ with any gross investment and _____ with any depreciation.

- A) decreases; decreases
- B) increases; increases
- C) decreases; increases
- D) increases; decreases

Answer: <https://biology-forums.com/index.php?topic=736878>

Question 2250

How would the Fed's reduction of the reserve ratio requirement affect the money supply?

Answer: <https://biology-forums.com/index.php?topic=738361>

Question 2251

Every country in the world has an independent central bank.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738284>

Question 2252

An increase in wages will shift the supply curve up and to the left.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735365>

Question 2253

Table 5.3 presents the cost schedule for Candy's Cakes. If Candy produces zero cake, Candy's total costs are

- A) \$0.
- B) \$50.
- C) \$100.
- D) \$150

Answer: <https://biology-forums.com/index.php?topic=735733>

Question 2254

The value of a dollar

- A) is its face value.
- B) remains constant over time.
- C) is set by the government.
- D) is its purchasing power.

Answer: <https://biology-forums.com/index.php?topic=736764>

Question 2255

A tie-in sale is when two firms merge together and are essentially tied together.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737593>

Question 2256

If the average total cost is increasing over a given output range, the average total cost must be smaller than the marginal cost.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735802>

Question 2257

In the market for pollution permits, the demand for permits comes from

- A) the Chicago Board of Trade.
- B) firms that would prefer to use permits rather than incur abatement costs.
- C) firms with low abatement costs.
- D) the Environmental Protection Agency.

Answer: <https://biology-forums.com/index.php?topic=737996>

Question 2258

In communities where more people carry property insurance you would expect people to be

- A) more careful about securing their possessions.
- B) less careful about securing their possessions.
- C) paying less for property insurance relative to communities where fewer people carry property insurance.
- D) less likely to engage in behaviors that would be classified as moral hazard.

Answer: <https://biology-forums.com/index.php?topic=737757>

Question 2259

Which of the following is NOT a characteristic of a perfectly competitive market?

- A) an individual firm having no control over price
- B) selling a standardized product
- C) a small number of firms in a market
- D) no barriers to entry

Answer: <https://biology-forums.com/index.php?topic=735872>

Question 2260

Entry leads reduces firm profits because it leads to a lower price.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737159>

Question 2261

Why might the market supply of workers increase when wages increase in a particular occupation or location?

Answer: <https://biology-forums.com/index.php?topic=736379>

Question 2262

Lower input prices in large firms might lead to

- A) downward-sloping long-run average cost curves.
- B) upward-sloping marginal cost curves.
- C) upward-sloping long-run average cost curves.
- D) upward-sloping short-run average cost curves.

Answer: <https://biology-forums.com/index.php?topic=735823>

Question 2263

As long as two firms have different abatement costs, they

- A) will prefer a pollution tax to a system of marketable pollution permits.
- B) will not be able to benefit from trading the right to pollute under a system of marketable pollution permits.
- C) can benefit under a system of marketable pollution permits by trading the right to pollute.
- D) will decrease the price of their product if taxed on the amount of pollution they emit.

Answer: <https://biology-forums.com/index.php?topic=737968>

Question 2264

Consumers can reduce their information disadvantage by investigating consumer satisfaction surveys.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737743>

Question 2265

What are the main features of the Hart-Scott-Rodino Act?

Answer: <https://biology-forums.com/index.php?topic=737608>

Question 2266

The percentage rate of change in the price level is called the

- A) chain-weighted price index.
- B) rate of inflation.
- C) Consumer Price Index.
- D) rate of absorption.

Answer: <https://biology-forums.com/index.php?topic=736795>

Question 2267

Normative economics answers the question, "What ought to be?" Positive economics predicts the consequences of alternative actions, answering the questions, "What is?" or "What will be?"

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=734978>

Question 2268

When a celebrity is endorsing a product, it is usually because the celebrity is enthusiastic about the product.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737300>

Question 2269

Adverse selection and moral hazard are two different terms that mean essentially the same thing.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737770>

Question 2270

If Sam does not have a job and is not currently looking for work but has looked in the past, he is considered

- A) unemployed and in the labor force.
- B) not in the labor force.
- C) unemployed and not in the labor force.
- D) unemployed.

Answer: <https://biology-forums.com/index.php?topic=736677>

Question 2271

Monopolistically competitive firms have no benefits to consumers relative to perfectly competitive firms.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737282>

Question 2272

When differences between nominal GDP and real GDP result due to price changes and nothing else is compared, an index is created called the

- A) inflation index.
- B) GDP deflator.
- C) index of leading indicators.
- D) consumer price index.

Answer: <https://biology-forums.com/index.php?topic=736630>

Question 2273

What is the "good news" and the "bad news" about a higher value of the U.S. dollar?

Answer: <https://biology-forums.com/index.php?topic=738415>

Question 2274

A perfectly competitive market is one where

- A) each firm within the market must sell its good at the market price.
- B) each firm sells at the government mandated price.
- C) a firm can affect market price by increasing output.
- D) each firm controls the price charged for its product by changing the quantity they produce.

Answer: <https://biology-forums.com/index.php?topic=735893>

Question 2275

If the quantity of a product demanded is greater than the quantity of a product supplied, there is pressure in the market to push the price downward.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735272>

Question 2276

A constant cost industry is one in which

- A) input prices do not change as output changes in the long-run.
- B) short-run supply is horizontal.
- C) supply is highly inelastic.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736073>

Question 2277

Which of the following firms have no market power?

- A) theme parks
- B) fast food chains such as McDonald's
- C) clothing companies
- D) gold panners during the gold rush

Answer: <https://biology-forums.com/index.php?topic=736091>

Question 2278

Suppose that the price elasticity of supply is one and the quantity supplied increases by 5%. Other things being equal, the percentage change in the price should be

- A) a 0.5% increase in the price.
- B) a 2% increase in the price.
- C) a 0.2% increase in the price.
- D) a 5% increase in the price.

Answer: <https://biology-forums.com/index.php?topic=735626>

Question 2279

The substitution effect of an increase in the wage rate influences a worker to consuming more leisure.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736373>

Question 2280

Which of the following is the least likely example of asymmetric information?

- A) a seller of fresh fruit and a buyer
- B) a seller of used cars and a prospective customer
- C) a retailer of Music CDs and a buyer
- D) an insurance company and a client who just obtained a driver license

Answer: <https://biology-forums.com/index.php?topic=737621>

Question 2281

Both firms depicted in Table 9.5 can benefit if Firm A sells its pollution permit allowing it to generate 1,000 gallons of wastewater to Firm B for

- A) a price between \$12 and \$15.
- B) a price greater than \$20.
- C) a price between \$0 and \$6.
- D) It is not possible for firms to benefit if Firm A sells a permit to Firm B.

Answer: <https://biology-forums.com/index.php?topic=737972>

Question 2282

The quantity of pencils sold is 1000 at the unit price \$0.5. Suppose the price elasticity of demand for pencils by the initial value method is 2, and you would like to increase the quantity sold to 1200. Then the new price for pencils must be

- A) \$0.05.
- B) \$0.25.
- C) \$0.30.
- D) \$0.45.

Answer: <https://biology-forums.com/index.php?topic=735405>

Question 2283

Which of the following is a macroeconomic question?

- A) Why did a leading computer manufacturer establish call centers in India?
- B) Why does a pharmaceutical manufacturer try to lower its production costs?
- C) Should the government put a tax on alcohol in an attempt to assist in the funding of support groups like Alcoholics Anonymous?
- D) Should we have a constitutional amendment requiring the government to implement a national consumption tax to replace the current income tax?

Answer: <https://biology-forums.com/index.php?topic=735027>

Question 2284

In general, firms in a cartel

- A) agree to charge the price the monopolist would charge.
- B) agree to set price equal to marginal cost.
- C) do not consider the actions of the other firms in the cartel when making output decisions.
- D) produce levels of output exceeding the monopoly output level.

Answer: <https://biology-forums.com/index.php?topic=737333>

Question 2285

When the long-run average total cost curve is horizontal, a firm has economies of scale.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735843>

Question 2286

A natural monopoly is inevitable if the entry of a second firm shifts the demand curve facing each individual firm entirely below the average cost curve.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737524>

Question 2287

People will buy more of a normal good when their income decreases.

- A) True

B) False

Answer: <https://biology-forums.com/index.php?topic=735317>

Question 2288

When the public expects inflation, real and nominal rates of interest will be the same.

A) True

B) False

Answer: <https://biology-forums.com/index.php?topic=738430>

Question 2289

If marginal cost is increasing, average variable cost must also be increasing.

A) True

B) False

Answer: <https://biology-forums.com/index.php?topic=735794>

Question 2290

When sellers have more information about the quality of a good than buyers do, a relatively large share of the goods in the market will be low-quality goods. This is the _____ problem.

A) law of diminishing returns

B) adverse selection

C) moral hazard

D) free-rider

Answer: <https://biology-forums.com/index.php?topic=737686>

Question 2291

In the expanded circular flow diagram, the government supplies

A) goods and services to the product market.

B) factors of production to firms.

C) goods and services to households.

D) factors of production to the factor market.

Answer: <https://biology-forums.com/index.php?topic=736612>

Question 2292

The one organization that has the power to change the total amount of reserves in the banking system is the

A) Federal Reserve System.

B) Executive Branch of the Federal Government.

C) Congress.

D) U.S. Treasury.

Answer: <https://biology-forums.com/index.php?topic=738325>

Question 2293

People who complete college provide a signal to employers about their skills and thus face better employment opportunities than equally skilled high school graduates. This is called

A) the signaling effect of a college education.

B) the learning effect of a college education.

C) the discriminatory effect of a college education.

D) none of the above

Answer: <https://biology-forums.com/index.php?topic=736442>

Question 2294

A perfectly competitive industry is in long-run equilibrium. If demand for the product decreases, we can expect the price of the good to

A) fall at first and then rise.

B) fall and remain at the lower price.

C) rise and remain at the higher price.

D) rise at first and then fall.

Answer: <https://biology-forums.com/index.php?topic=736042>

Question 2295

The Federal Reserve is a branch of the Treasury Department, and is therefore subject to significant government control.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738286>

Question 2296

Provide an intuitive explanation of the free-rider problem.

Answer: <https://biology-forums.com/index.php?topic=737850>

Question 2297

The Nash Equilibrium outcome assures the maximum profit for firms.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737383>

Question 2298

A White House proposal to increase infrastructure spending on roads, rail lines and runways is an example of

- A) expansionary fiscal policy.
- B) automatic stabilization.
- C) contractionary fiscal policy.
- D) insourcing policies.

Answer: <https://biology-forums.com/index.php?topic=738059>

Question 2299

The minimum efficient scale is the output at which the long-run average cost curve becomes horizontal.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735848>

Question 2300

Which one of the following is an example of asymmetric information?

- A) A homeowner knowingly sells a house that has hidden electrical problems.
- B) A supermarket repackages packages of stale meat and sells them.
- C) A company hires an employee who has an addiction to sleeping pills.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=737619>

Question 2301

_____ are costs that do not require a monetary payment.

- A) Explicit costs
- B) All opportunity costs
- C) Accounting costs
- D) Implicit costs

Answer: <https://biology-forums.com/index.php?topic=735667>

Question 2302

It is efficient not to alter the amount of pollution produced by the market.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737870>

Question 2303

Higher prices lead to higher levels of real wealth.

- A) True

B) False

Answer: <https://biology-forums.com/index.php?topic=737053>

Question 2304

Suppose Smith's oil refinery and Jones' paper mill both pollute a river and both firms operate under a system of marketable pollution permits. If it costs Smith \$45 to reduce pollution by 500 gallons per day, and Jones can reduce costs by \$65 by increasing pollution by 500 units per day

- A) both firms can benefit if Smith trades the right to increase pollution by 500 gallons to Jones for \$30.
- B) both firms can benefit if Smith trades the right to increase pollution by 500 gallons to Jones for \$50.
- C) both firms can benefit if Jones trades the right to increase pollution by 500 gallons to Smith for \$30.
- D) the firms cannot gain by trading the right to pollute.

Answer: <https://biology-forums.com/index.php?topic=737989>

Question 2305

Suppose two power plants pollute a river and both firms operate under a system of marketable pollution permits. If it costs Firm A \$90 to reduce pollution by 800 units per day, and Firm B can reduce costs by \$115 by increasing pollution by 800 units per day

- A) both firms can benefit if Firm A trades the right to increase pollution by 800 units to Firm B for \$70.
- B) the firms cannot gain by trading the right to pollute.
- C) both firms can benefit if Firm B trades the right to increase pollution by 800 units to Firm A for \$120.
- D) both firms can benefit if Firm A trades the right to increase pollution by 800 units to Firm B for \$100.

Answer: <https://biology-forums.com/index.php?topic=737990>

Question 2306

In the used car market, the adverse selection problem refers to the fact that a buyer must choose a used car from an undesirable selection of cars.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737711>

Question 2307

What happens in the short-run and long-run in a constant cost industry like bags of ice after a natural disaster like a hurricane?

Answer: <https://biology-forums.com/index.php?topic=736087>

Question 2308

Workers whose wages tend to adjust slowly include all of the following EXCEPT

- A) unskilled, low wage workers.
- B) union workers.
- C) those with long-term contracts.
- D) movie stars, professional athletes, and rock stars.

Answer: <https://biology-forums.com/index.php?topic=736987>

Question 2309

When the government eliminates artificial barriers to entry

- A) prices to consumers will likely increase.
- B) competition in the market will decrease.
- C) more firms will enter the market.
- D) All of the above will occur.

Answer: <https://biology-forums.com/index.php?topic=737140>

Question 2310

If the long-run average total cost curve is rising as output increases, then the firm faces diseconomies of scale.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735849>

Question 2311

Other things being equal, if a firm's marginal cost curve shifts upward at all output levels,

- A) the average total cost curve remains unchanged at all output levels.
- B) the average fixed cost curve remains unchanged at all output levels.

- C) the average variable cost curve remains unchanged at all output levels.
D) all of the above

Answer: <https://biology-forums.com/index.php?topic=735781>

Question 2312

Suppose that Gigantic Company is increasing in size. As Gigantic Company grows, coordination of work teams is becoming more difficult because of increased bureaucracy. It is likely that continued growth will result in

- A) diseconomies of scale.
B) economies of scale.
C) increasing marginal returns.
D) Gigantic Company achieving the minimum efficient scale of production.

Answer: <https://biology-forums.com/index.php?topic=735836>

Question 2313

If a monopolist charges the same price for all of the units of the good that it sells, then beyond the first unit sold

- A) $P = MR$ because the firm maximizes profit.
B) $P < MR$ because the monopolist must decrease price on all units in order to sell another unit.
C) $P = MR$ because the monopolist holds price constant.
D) $P > MR$ because the monopolist must decrease price on all units in order to sell another unit.

Answer: <https://biology-forums.com/index.php?topic=736116>

Question 2314

The poverty rate in the United States is lowest for whites.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=736507>

Question 2315

Recall the application. One reason for the increase in Chinese demand for pecans was

- A) the expectation of higher future prices.
B) an increase in consumer preferences.
C) an increase in the price of walnuts, a substitute good.
D) a decrease in income.

Answer: <https://biology-forums.com/index.php?topic=735309>

Question 2316

Which of the following appears in M2 and NOT M1?

- A) money market mutual funds
B) checking account balances
C) traveler's checks
D) currency

Answer: <https://biology-forums.com/index.php?topic=738180>

Question 2317

An open market _____ by the Fed increases interest rates and _____ output.

- A) purchase; decreases
B) sale; decreases
C) purchase; increases
D) sale; increases

Answer: <https://biology-forums.com/index.php?topic=738381>

Question 2318

Suppose that demand for a product falls, but prices are sticky. What is likely to happen to prices and output in that market, in the short run?

Answer: <https://biology-forums.com/index.php?topic=737005>

Question 2319

Aggregate demand determines output in the short run if prices are flexible.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737110>

Question 2320

The unemployment rate is the number of unemployed people

- A) divided by the number of people who are working.
- B) and the number of people working fewer than their desired number of hours, divided by the number of people who are working or looking for work.
- C) divided by the sum of the number of people who are working and the number of people who are looking for work.
- D) divided by the total working-age population.

Answer: <https://biology-forums.com/index.php?topic=736675>

Question 2321

The purchasing power of money increases as the

- A) demand increases.
- B) production increases.
- C) price level falls.
- D) unemployment decreases.

Answer: <https://biology-forums.com/index.php?topic=737015>

Question 2322

Under a system of marketable pollution permits the government

- A) distributes permits to polluting firms.
- B) chooses a level of pollution.
- C) allows firms to trade permits.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=737958>

Question 2323

U.S. banks are required by law to keep most of their assets as reserves.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738256>

Question 2324

The individual supply curve for labor is the relationship between the wage and the quantity of labor that

- A) all workers are willing to provide.
- B) all firms are willing to employ.
- C) any given worker is willing to provide.
- D) any given firm is willing to employ.

Answer: <https://biology-forums.com/index.php?topic=736355>

Question 2325

In the long run, the main reason that a monopolist can earn positive economic profits while a perfectly competitive firm cannot is

- A) the monopolist faces an inelastic demand for its product.
- B) perfectly competitive firms face greater opportunity costs.
- C) monopolists enjoy greater economies of scale.
- D) there are no barriers to entry in a perfectly competitive market.

Answer: <https://biology-forums.com/index.php?topic=736151>

Question 2326

The marginal revenue product of labor is the

- A) change in revenue resulting from adding an additional unit of labor.
- B) change in output resulting from adding an additional unit of labor.
- C) change in labor necessary to produce an additional unit of output.
- D) cost of additional labor necessary to produce an additional unit of output.

Answer: <https://biology-forums.com/index.php?topic=736277>

Question 2327

Explain the difference between a change in quantity demanded and a change in demand.

Answer: <https://biology-forums.com/index.php?topic=735320>

Question 2328

An example of a good that is excludable is

- A) clean air.
- B) a park.
- C) a river.
- D) a boat.

Answer: <https://biology-forums.com/index.php?topic=737807>

Question 2329

If the quantity of money demanded is less than the quantity of money supplied, then the

- A) interest rate will decrease.
- B) interest rate will increase.
- C) interest rate stays the same.
- D) effect on the interest rate is indeterminate.

Answer: <https://biology-forums.com/index.php?topic=738367>

Question 2330

Given their skills, a college graduate may be perceived as a good manager of time and the better fit for a managerial job than a high school graduate.

This is an example of

- A) the discriminatory effect of a college education.
- B) the signaling effect of a college education.
- C) the learning effect of a college education.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736443>

Question 2331

Discuss three types of antitrust policy.

Answer: <https://biology-forums.com/index.php?topic=737600>

Question 2332

Suppose that a tire factory produces \$825,000 of output and causes \$70,000 worth of pollution as a result of production. The tire factory's official contribution to GDP would be _____ and its overall contribution to society would be _____.

- A) \$895,000; \$825,000
- B) \$755,000; \$825,000
- C) \$825,000; \$895,000
- D) \$825,000; \$755,000

Answer: <https://biology-forums.com/index.php?topic=736658>

Question 2333

What is "competitive" about a monopolistically competitive market?

Answer: <https://biology-forums.com/index.php?topic=737261>

Question 2334

When a monopoly is inevitable, the government often

- A) forces it to break into smaller firms.
- B) sets a maximum price for the monopolist.
- C) sets a minimum price for the monopolist.
- D) None of the above; monopoly is never inevitable.

Answer: <https://biology-forums.com/index.php?topic=737494>

Question 2335

Entry of a second firm will result in a downward shift in the ATC curve.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737160>

Question 2336

Mergers can sometimes be good for a market by allowing firms to take advantage of economies of scale.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737586>

Question 2337

Who is more likely to offer a money-back guarantee: a seller of a lemon or a seller of a plum? Why?

Answer: <https://biology-forums.com/index.php?topic=737751>

Question 2338

The output effect is the change in labor supply due to a change in the quantity of output produced.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736338>

Question 2339

Describe the channels through which an open market sale of bonds by the Fed affects output in a closed economy.

Answer: <https://biology-forums.com/index.php?topic=738412>

Question 2340

An oligopoly is an industry with just one firm.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737370>

Question 2341

Net investment plus depreciation is equal to

- A) gross depreciation.
- B) gross exports.
- C) gross domestic product.
- D) gross investment.

Answer: <https://biology-forums.com/index.php?topic=736877>

Question 2342

Stabilization policies are policies designed to

- A) keep output constant.
- B) increase trade.
- C) keep prices constant.
- D) move the economy closer to potential output.

Answer: <https://biology-forums.com/index.php?topic=738028>

Question 2343

Recall the application. The failure of including cell phones in a timely manner when calculating the CPI caused the telecommunications component of the price index

- A) to become negative.
- B) to actually register no perceptible bias.
- C) to be biased downward.
- D) to be biased upward.

Answer: <https://biology-forums.com/index.php?topic=736786>

Question 2344

Under which conditions might economies of scale result?

- A) workers having to spend less time switching back and forth between tasks.
- B) increasing output prices
- C) hampered coordination brought about by bureaucracy
- D) increasing costs of inputs

Answer: <https://biology-forums.com/index.php?topic=735822>

Question 2345

In the long-run, diminishing returns would

- A) not exist because no input is held constant.
- B) exist at a greater degree, because all inputs are allowed to vary.
- C) still exist at a lesser degree because inputs are allowed to vary.
- D) not exist because all inputs are held constant.

Answer: <https://biology-forums.com/index.php?topic=735807>

Question 2346

Which of the following uses of tax revenues collected by the government leads to increased capital deepening in the United States?

- A) subsidizing airport construction in Seattle
- B) providing food to a nation suffering from a famine
- C) foreign aid given to Mexico to build new schools
- D) higher salaries for members of Congress

Answer: <https://biology-forums.com/index.php?topic=736887>

Question 2347

Suppose that in 2012 MBI Corp. produced 100 million units of a good at an average cost of \$6, and in 2013 MBI Corp. expanded its plant capacity and produced 200 million units at an average cost of \$6.20. In this range, one can conclude that MBI Corp. is experiencing

- A) economies of scale.
- B) diseconomies of scale.
- C) increasing marginal product.
- D) neither economies of scale or diseconomies of scale.

Answer: <https://biology-forums.com/index.php?topic=735834>

Question 2348

Suppose that the percentage change in demand is 10%, the price elasticity of supply is 2, and the percentage change in the equilibrium price is 3.33%. What is the price elasticity of demand?

- A) 0
- B) 1
- C) 2
- D) 3

Answer: <https://biology-forums.com/index.php?topic=735639>

Question 2349

If the price elasticity of supply is 0.3, supply is

- A) unaffected by price changes.
- B) inelastic.
- C) unitary elastic.
- D) elastic.

Answer: <https://biology-forums.com/index.php?topic=735596>

Question 2350

If the demand for a product increases, we would expect that price will initially _____, and eventually _____.

- A) rise; fall
- B) rise; continue to rise
- C) fall; continue to fall
- D) fall; rise

Answer: <https://biology-forums.com/index.php?topic=736046>

Question 2351

A firm that has market power has the ability

- A) to drive its competition out of the market.
- B) to affect the price of its own product.
- C) to conduct illegal activities without fear of prosecution.
- D) to command consumer to buy any quantity from them.

Answer: <https://biology-forums.com/index.php?topic=736089>

Question 2352

If the number of highway deaths among young people is roughly proportional to their beer consumption and young peoples' elasticity of demand for beer is 1.5, then a tax increase that increases the price of beer by 20% would roughly reduced highway deaths of young people by

- A) 1.5%.
- B) 13.33%.
- C) 20%.
- D) 30%.

Answer: <https://biology-forums.com/index.php?topic=735489>

Question 2353

The long-run aggregate supply curve is horizontal.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737109>

Question 2354

Suppose that 50% of the part-time workers of Metropolis are looking for full-time jobs. Given the data in Table 12.1, if these workers were counted as not employed and looking for work, the unemployment rate of Metropolis would be approximately

- A) 6%.
- B) 13%.
- C) 16%.
- D) 21%.

Answer: <https://biology-forums.com/index.php?topic=736688>

Question 2355

Define "autonomous consumption spending."

Answer: <https://biology-forums.com/index.php?topic=737068>

Question 2356

Suppose that a new advertising campaign extolling the virtues of apple juice is successful, and a major freeze destroys half of the country's apple crop. What happens to the price and quantity of apple juice?

- A) The equilibrium price of apple juice might rise or fall and the equilibrium quantity of apple juice falls.
- B) The equilibrium price of apple juice falls and the equilibrium quantity of apple juice might rise or fall.
- C) The equilibrium price of apple juice might rise or fall and the equilibrium quantity of apple juice rises.
- D) The equilibrium price of apple juice rises and the equilibrium quantity of apple juice might rise or fall.

Answer: <https://biology-forums.com/index.php?topic=735357>

Question 2357

Exports are products produced in the home country and sold in another country.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738489>

Question 2358

Monopolistically competitive firms do NOT differentiate their products by

- A) convincing consumers that the product is identical to those sold by competitors.
- B) selling a product with different levels of services accompanying the product.

- C) selling products at different locations.
- D) using advertising to create a special aura or image for the product.

Answer: <https://biology-forums.com/index.php?topic=737179>

Question 2359

When the price of pens went from \$1 to \$1.50, the quantity demanded of pencils changed from 50 to 75 a day. The cross-price elasticity of demand for pencils (using the initial value formula) is

- A) 1.
- B) 0.4.
- C) 0.2.
- D) -0.2.

Answer: <https://biology-forums.com/index.php?topic=735571>

Question 2360

Higher input prices in large firms might lead to

- A) downward-sloping marginal cost curves.
- B) downward-sloping long-run average cost curves.
- C) upward-sloping long-run average cost curves.
- D) horizontal marginal cost curves.

Answer: <https://biology-forums.com/index.php?topic=735833>

Question 2361

Part of the efficiency cost resulting from a switch from perfect competition to monopoly is the loss of consumer surplus caused by the decrease in quantity produced.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736175>

Question 2362

Explain what is meant by predatory pricing, and the inherent difficulties involved with predatory pricing from a firm's point of view.

Answer: <https://biology-forums.com/index.php?topic=737603>

Question 2363

The Law of Supply states that

- A) producers are legally required to make necessary items available in the marketplace.
- B) there is a positive relationship between price and quantity supplied, ceteris paribus.
- C) producers should only sell the items when the price is right.
- D) producers should only produce what they can sell.

Answer: <https://biology-forums.com/index.php?topic=735239>

Question 2364

Explain the difference between fixed costs in the short run and in the long run.

Answer: <https://biology-forums.com/index.php?topic=735692>

Question 2365

The change in the quantity of labor demanded resulting from a change in the relative cost of labor is known as the _____ effect.

- A) input-substitution
- B) derived demand
- C) price elasticity
- D) output

Answer: <https://biology-forums.com/index.php?topic=736324>

Question 2366

Which of the following companies was broken up by the government?

- A) Wonder Bread
- B) American Tobacco
- C) Office Depot

D) Southwest Airlines

Answer: <https://biology-forums.com/index.php?topic=737540>

Question 2367

In Washington, D.C., there are many coffee shops, each offering nearly identical coffee but each shop located in a different place around the city. It is likely a coffee shop in Washington, D.C., operates in a

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

Answer: <https://biology-forums.com/index.php?topic=737181>

Question 2368

Taxation and government spending are examples of fiscal policy tools used to stabilize an economy.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738036>

Question 2369

One example of a microeconomic question is, "How will prices in the clothing industry change if the government bans imports from China?"

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735040>

Question 2370

If average cost is above marginal cost, average cost must be falling.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735796>

Question 2371

If Cassie's Coffee House purchases 33 cents worth of ingredients and spends 36 cents on wages per cup of coffee to produce an 89 cent cup of coffee, then Cassie's Coffee House's contribution to GDP is _____ per cup of coffee.

- A) 20 cents
- B) 33 cents
- C) 36 cents
- D) 56 cents

Answer: <https://biology-forums.com/index.php?topic=736607>

Question 2372

A key assumption of most economic analysis is that people are altruistic, meaning that they act in their own self-interest.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735020>

Question 2373

Imagine that an economy produces two goods, flashlights and fishing lures. In 2011, the economy produced 100 flashlights and 50 fishing lures, and the prices of flashlights and fishing lures were \$5 and \$11, respectively. In 2012, the economy produced 120 flashlights and 60 fishing lures, and the prices of flashlights and fishing lures were \$7 and \$14, respectively. What happened to nominal GDP from 2011 to 2012? What happened to real GDP?

Answer: <https://biology-forums.com/index.php?topic=736634>

Question 2374

Suppose that when a particular firm decreases its price its total revenue decreases. What kind of demand does this particular firm face?

- A) Demand is perfectly price elastic.
- B) Demand is price elastic.
- C) Demand is unitary elastic.

D) Demand is price inelastic.

Answer: <https://biology-forums.com/index.php?topic=735500>

Question 2375

If the slope of a demand curve is constant, then so is the elasticity on that demand curve.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735546>

Question 2376

An arrangement between firms whereby decision-making is controlled by a board of trustees is known as

- A) a trust.
- B) predatory pricing.
- C) a merger.
- D) a compact between industry and government.

Answer: <https://biology-forums.com/index.php?topic=737537>

Question 2377

If the elasticity of demand for cheddar cheese is 1.5, then a 20% change in price will lead to a 10% change in quantity demanded.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735516>

Question 2378

When the expected rate of inflation is added to the real interest rate, the result is called the

- A) adjustment rate.
- B) nominal interest rate.
- C) preferred rate.
- D) differential rate.

Answer: <https://biology-forums.com/index.php?topic=738423>

Question 2379

Command-and-control policies usually

- A) result in less pollution being produced than when pollution taxes are used.
- B) don't raise prices as much to consumers as do pollution taxes.
- C) result in lower costs for firms when compared to pollution taxes.
- D) result in higher costs for firms when compared to pollution taxes.

Answer: <https://biology-forums.com/index.php?topic=737944>

Question 2380

A seller's verbal assurances that a used car is a plum (high-quality car)

- A) is a more efficient way to prove high quality than a money-back guarantee because it does not cost the seller any money to make the assurance.
- B) is an effective way for sellers to prove that the good they are selling is of high quality.
- C) provides the same protection against adverse selection than does a repair guarantee.
- D) is not effective at reducing the problems associated with asymmetric information.

Answer: <https://biology-forums.com/index.php?topic=737736>

Question 2381

Which of the following is a possible benefit of labor unions?

- A) It may lead to an increase in productivity.
- B) It may provide workers an intermediary to discuss job issues with managers.
- C) It may facilitate a smooth relationship between labor and management.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736453>

Question 2382

Under the conditions of monopolistic competition, if a firm is earning economic profits in the short run

- A) firm profits are higher in the long run than in the short run.
B) long-run economic profits are positive.
C) average costs of production are higher in the long run than in the short run.
D) prices are higher in the long run than in the short run.

Answer: <https://biology-forums.com/index.php?topic=737207>

Question 2383

Deterrence quantity is always equal to the zero profit quantity.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=737469>

Question 2384

If the substitution effect of wage increases is greater than the income effect, then the individual labor supply curve is positively sloped in the short-run.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=736371>

Question 2385

It is possible for a merger to result in lower prices for consumers.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=737590>

Question 2386

As inflation rates increase, money becomes less useful as a

- A) unit of account.
B) double coincidence of wants.
C) store of value.
D) medium of exchange.

Answer: <https://biology-forums.com/index.php?topic=738156>

Question 2387

If a pollution tax imposed on a firm is smaller than external cost,

- A) the pollution tax transfers the full cost borne by people outside the firm back to the firm itself.
B) the firm is producing too much from a society's point of view.
C) the social production cost increases by the amount of the pollution tax.
D) the externality is completely internalized.

Answer: <https://biology-forums.com/index.php?topic=737881>

Question 2388

Suppose that in 2011 the chain-weighted price index for GDP in Estonia is 220 and the chain-weighted price index in Lithuania is 160. In 2012 the price index in Estonia is 242 and the price index in Lithuania is 180. You could conclude that

- A) Lithuania is a more expensive place to live than Estonia.
B) Estonia's rate of inflation is higher than Lithuania's.
C) Estonia is a more expensive place to live than Lithuania.
D) Lithuania's rate of inflation is higher than Estonia's.

Answer: <https://biology-forums.com/index.php?topic=736802>

Question 2389

Implicit cost is the opportunity cost of the inputs that do not require monetary payment.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=735684>

Question 2390

Recall the Application. As a percentage of household income, the amount spent on lotteries by households of varying income levels is

- A) proportional.
- B) progressive.
- C) exponential.
- D) regressive.

Answer: <https://biology-forums.com/index.php?topic=736504>

Question 2391

- A private good is a good that
- A) cannot be used by private citizens.
 - B) cannot result in external benefits or costs to those who don't consume.
 - C) is available for everyone to consume, regardless of who pays.
 - D) is consumed by a single person or household.

Answer: <https://biology-forums.com/index.php?topic=737787>

Question 2392

- An inflation rate that exceeds 50% per month is referred to as
- A) destructive deflation.
 - B) superflation.
 - C) hyperinflation.
 - D) anticipated inflation.

Answer: <https://biology-forums.com/index.php?topic=736818>

Question 2393

- If two firms are engaging in price fixing, and one firm lowers its price, the other firm will always interpret this as underpricing.
- A) True
 - B) False

Answer: <https://biology-forums.com/index.php?topic=737432>

Question 2394

- What is the reason that stabilization policies do not have an immediate effect on an economy?
- A) Imports come into the country too fast.
 - B) Exports often are not shipped fast enough.
 - C) Consumers are slow to catch up on spending.
 - D) There is a time lag for policies to take effect.

Answer: <https://biology-forums.com/index.php?topic=738029>

Question 2395

- An increase in supply of a product results when
- A) the government reduces subsidies on the product.
 - B) the companies that produce the product have higher materials costs.
 - C) taxes on the product are increased.
 - D) technological innovations are introduced in the manufacturing process.

Answer: <https://biology-forums.com/index.php?topic=735337>

Question 2396

- Suppose a bank has \$600,000 in deposits, a reserve ratio of 20%, and bank reserves of \$240,000. This bank can make new loans in the amount of
- A) \$840,000.
 - B) \$360,000.
 - C) \$120,000.
 - D) \$12,000.

Answer: <https://biology-forums.com/index.php?topic=738231>

Question 2397

- If the price of output increases the labor _____ curve shifts to the _____.
- A) demand; left
 - B) supply; right
 - C) supply; left

D) demand; right

Answer: <https://biology-forums.com/index.php?topic=736387>

Question 2398

If a large number of workers are classified as being out of the labor force when they are really looking for work, this will lead to an official unemployment rate that is

- A) overstated.
- B) understated.
- C) neither overstated or understated.
- D) unbiased.

Answer: <https://biology-forums.com/index.php?topic=736695>

Question 2399

When consumers are willing to buy more than producers are willing to sell

- A) the market is in equilibrium.
- B) there is excess supply of the product in the market.
- C) there is excess demand for the product in the market.
- D) the demand curve will shift until the quantity supplied equals the quantity demanded.

Answer: <https://biology-forums.com/index.php?topic=735262>

Question 2400

Suppose that in a month the price of a cup of coffee increases from \$1 to \$1.50. At the same time, the quantity of cups of coffee demanded decreases from 200 to 190. The price elasticity of demand for cups of coffee (calculated using the midpoint formula) is

- A) unitary elastic.
- B) inelastic.
- C) elastic.
- D) zero.

Answer: <https://biology-forums.com/index.php?topic=735414>

Question 2401

Nations with low levels of GDP per capita may converge to richer nations if

- A) nations with high levels of income experience a continuously increasing growth rate.
- B) nations with lower levels of income spend less on investment.
- C) nations with lower levels of income grow more slowly than those with higher levels of income.
- D) nations with lower levels of income grow more quickly than those with higher levels of income.

Answer: <https://biology-forums.com/index.php?topic=736851>

Question 2402

An import ban results in

- A) a decrease in the supply of the product.
- B) a decrease in the quantity of the product bought and sold.
- C) an increase in the product's price.
- D) all of the above.

Answer: <https://biology-forums.com/index.php?topic=738501>

Question 2403

Money solves the problem of double coincidence of wants that would regularly occur under a system of credit.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738197>

Question 2404

Table 9.8 shows the production cost for two utilities at different levels of sulfur dioxide emissions. Assume that the government issued 8 marketable pollution permits to each firm. If Firm A contemplates selling a second permit to Firm B, what is Firm A's willingness to accept?

- A) \$2,000
- B) \$3,000
- C) \$4,000

D) \$5,000

Answer: <https://biology-forums.com/index.php?topic=737986>

Question 2405

Which of the following statements is correct with respect to price elasticity of supply?

- A) The price elasticity of supply tends to be greater as new firms can easily enter the market.
- B) The price elasticity of supply tends to be smaller as firms have limited production facilities.
- C) The price elasticity of supply tends to be greater as expanding existing production facilities is less costly.
- D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=735610>

Question 2406

The Federal Reserve System is the central bank of the United States.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738281>

Question 2407

Table 9.1 represents 3 markets for used computers. Which of the markets in Table 14.1 is in equilibrium?

- A) 1 only
- B) 2 only
- C) 3 only
- D) 1 and 3

Answer: <https://biology-forums.com/index.php?topic=737630>

Question 2408

When demand increases and the demand curve shifts to the right, equilibrium price _____ and equilibrium quantity _____.

- A) increases; increases
- B) increases; decreases
- C) decreases; increases
- D) decreases; decreases

Answer: <https://biology-forums.com/index.php?topic=735379>

Question 2409

You are responsible for purchasing 25 used cars for your company. Star Brand cars cost \$7,500 and Diamond Brand cars cost \$6,000. Based on experience, you believe that 20% of Star Brand cars are lemons (low quality) while 40% of Diamond Brand cars are lemons (low quality). You are willing to pay \$5,000 for a known lemon and \$12,000 for a known plum. Which brand do you purchase?

- A) Diamond
- B) Star
- C) indifferent between brands
- D) don't buy either brand

Answer: <https://biology-forums.com/index.php?topic=737684>

Question 2410

The summation of all individual firm marginal cost curves above the minimum of the average variable cost curve

- A) defines the relationship between price and capacity output.
- B) is the market supply curve.
- C) defines the relationship between price and demand.
- D) forms a curve that is usually downward sloping.

Answer: <https://biology-forums.com/index.php?topic=736006>

Question 2411

Under a system of marketable pollution permits, a firm with relatively low abatement costs will buy permits from a firm with relatively high abatement costs.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738002>

Question 2412

Explain why people might work less if the wage increases.

Answer: <https://biology-forums.com/index.php?topic=736376>

Question 2413

The relationship between consumer spending and income is known as the

- A) inflation rate.
- B) rate of income.
- C) rate of individual wealth.
- D) consumption function.

Answer: <https://biology-forums.com/index.php?topic=737039>

Question 2414

An increase in a country's capital stock relative to its work force is known as

- A) capital growth.
- B) capital improvement.
- C) capital deepening.
- D) capital augmentation.

Answer: <https://biology-forums.com/index.php?topic=736828>

Question 2415

The price of pineapples has risen dramatically. Which of the following is likely to happen?

- A) The quantity of pineapples supplied will increase.
- B) The supply of pineapples will increase.
- C) The quantity of pineapples supplied will decrease.
- D) The supply of pineapples will decrease.

Answer: <https://biology-forums.com/index.php?topic=735331>

Question 2416

Money is the standard of exchange by which any type of goods can be purchased.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738195>

Question 2417

You are responsible for purchasing 20 used computers for your company. Red brand computers costs \$1,250 and Green brand computers cost \$1,800. Based on experience, you believe that 60% of Red Brand computers are lemons (low quality) while 20% of green brand computers are lemons (low quality). You are willing to pay \$1,000 for a known lemon and \$2,000 for a known plum. Which brand do you purchase?

- A) green
- B) red
- C) indifferent between brands
- D) don't buy either brand

Answer: <https://biology-forums.com/index.php?topic=737683>

Question 2418

Compared to the natural rate of unemployment, the actual unemployment rate is

- A) always lower.
- B) always the same.
- C) always higher.
- D) higher in periods when GDP fails to grow at its normal rate.

Answer: <https://biology-forums.com/index.php?topic=736734>

Question 2419

A market in which firms sell a homogeneous product and cannot influence market price is most likely

- A) an oligopoly.
- B) a monopoly market.

- C) a monopolistically competitive market.
D) a perfectly competitive market.

Answer: <https://biology-forums.com/index.php?topic=735880>

Question 2420

Why would a bumper crop be bad news for farmers?

- A) Their crop has an elastic demand and the resulting drop in price reduces their total revenue.
B) Their crop has an inelastic demand and the resulting drop in price reduces their total revenue.
C) Their crop has an elastic demand and the resulting drop in price raises their total revenue.
D) Their crop has an inelastic demand and the resulting drop in price raises their total revenue.

Answer: <https://biology-forums.com/index.php?topic=735510>

Question 2421

Suppose the annual growth rate of GDP in Nepal is 5%. In 35 years, GDP in Nepal will double

- A) 1.75 times.
B) 2.5 times.
C) 7 times.
D) 24.5 times.

Answer: <https://biology-forums.com/index.php?topic=736839>

Question 2422

In the United States during the 1950s and 1960s

- A) the inflation rate was frequently less than 2% a year.
B) prices rose sharply.
C) prices fell.
D) there was zero inflation.

Answer: <https://biology-forums.com/index.php?topic=736803>

Question 2423

Recall the Application. As the world price of wool decreased, the quantity of wool supplied by individual ranchers would _____, and the quantity supplied in the whole market would _____.

- A) decrease; decrease
B) decrease; increase
C) increase; increase
D) increase; decrease

Answer: <https://biology-forums.com/index.php?topic=735249>

Question 2424

Diminishing marginal returns occur in the short run.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=735786>

Question 2425

Assuming that labor is the only variable input with a fixed production facility, explain the relationship between the marginal product of labor and the marginal production cost.

Answer: <https://biology-forums.com/index.php?topic=735803>

Question 2426

From 1998 to 2010, the cost of electricity produced with nuclear power has _____ and the cost of electricity produced with solar power has _____.

- A) increased; increased
B) decreased; decreased
C) increased; decreased
D) decreased; increased

Answer: <https://biology-forums.com/index.php?topic=735864>

Question 2427

Total cost divided by the quantity of output the firm chooses when it can choose a production facility of any size describes

- A) the short-run marginal cost of production.
- B) the long-run marginal cost of production.
- C) the short-run average cost of production.
- D) the long-run average cost of production.

Answer: <https://biology-forums.com/index.php?topic=735810>

Question 2428

When a firm hires a worker for one hour, the marginal benefit to that firm equals the

- A) dollar value of the goods produced by that worker in one hour.
- B) price of each item that the worker produces in that hour.
- C) hourly wage of that worker.
- D) number of items the worker produces in that hour.

Answer: <https://biology-forums.com/index.php?topic=736279>

Question 2429

A construction laborer might make more than a similarly skilled book store clerk because the working conditions in the book store are more desirable.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736463>

Question 2430

Suppose that David buys the same number of energy drinks every weekend no matter what happens to the price of the energy drinks. What does this suggest about David's demand for energy drinks?

- A) It is elastic.
- B) It is unitary elastic.
- C) It is perfectly inelastic.
- D) It is not something that can be characterized without knowing the prices of the energy drinks.

Answer: <https://biology-forums.com/index.php?topic=735415>

Question 2431

Education is an integral part of economic growth.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736957>

Question 2432

A firm scaled down its operation by reducing all inputs by 50% and experienced a less-than-50% decrease in output. If all input prices remain unchanged, the firm's long-run average cost exhibits

- A) economies of scale at the current output level.
- B) diseconomies of scale at the current output level.
- C) diminishing marginal returns at the current output level.
- D) a constant long-run average cost at the current output level.

Answer: <https://biology-forums.com/index.php?topic=735839>

Question 2433

If an increase in the price of accordions does not change total revenue from accordion sales, we can infer that demand for accordions is inelastic.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735517>

Question 2434

Recall the application. In recent years the European Union has reformed its agriculture policies by reducing or eliminating minimum prices. Ceteris paribus, these policy reforms would _____ excess supply by _____ prices.

- A) increase; raising

- B) reduce; raising
- C) increase; lowering
- D) reduce; lowering

Answer: <https://biology-forums.com/index.php?topic=735271>

Question 2435

Why do most economists believe that the Laffer argument does not apply to broad-based taxes?

Answer: <https://biology-forums.com/index.php?topic=738120>

Question 2436

The conventional way to regulate a natural monopolist is to force it to charge a price equal to marginal cost.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737523>

Question 2437

Joe and Steve are duopolists who each can follow two strategies: cooperate and jointly act like a monopolist, or don't cooperate (cheat) and act like duopolists. Their profits are as follows:

If both cooperate: both receive \$1 million

If one cooperates: cooperator receives \$200,000, cheater receives \$1.2 million

If both cheat: both receive \$500,000

What will they do?

Answer: <https://biology-forums.com/index.php?topic=737391>

Question 2438

Explain the connection between property rights and economic growth.

Answer: <https://biology-forums.com/index.php?topic=736971>

Question 2439

The unionization rate of private sector workers is about

- A) 8.2%.
- B) 12.5%.
- C) 35.5%.
- D) 37.7%.

Answer: <https://biology-forums.com/index.php?topic=736446>

Question 2440

If you can consume a good without having to pay for it, the good must be nonrival in consumption.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737845>

Question 2441

In which of the following cases did the government break up a monopoly?

- A) Staples/Office Depot
- B) Xidex
- C) AT&T
- D) Interstate Bakeries and Continental Bakery

Answer: <https://biology-forums.com/index.php?topic=737541>

Question 2442

The price elasticity of demand for color printers is 1.6 and you would like to see the quantity demanded for color printers to increase by 32%. Then the percentage change in price should be

- A) 10%.
- B) 15%.
- C) 20%.
- D) 25%.

Answer: <https://biology-forums.com/index.php?topic=735480>

Question 2443

In oligopoly the actions of one firm has a perceptible affect on the other firms.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737372>

Question 2444

If a firm facing a linear demand curve experiences an increase in total revenue after lowering the price,

- A) the new price is set where the demand is perfectly elastic.
- B) the initial price was set at a point where the demand is inelastic.
- C) the initial price was set at a point where the demand is elastic.
- D) the new price is set where the demand is perfectly inelastic.

Answer: <https://biology-forums.com/index.php?topic=735540>

Question 2445

Suppose that the CPI in Thailand was 345 in 2011 and 388 in 2012. The inflation rate between those two years was approximately

- A) 11.2%.
- B) 14.3%.
- C) 12.5%.
- D) 43%.

Answer: <https://biology-forums.com/index.php?topic=736797>

Question 2446

Compact discs are sold in a perfectly competitive market. The current market price of compact discs is \$15. If at the current level of production of compact discs you calculate that the marginal cost to your company is also \$15, and that AVC is rising, in the short run your company should

- A) produce more compact discs.
- B) produce fewer compact discs.
- C) raise the price of its compact discs.
- D) continue producing the current level of compact discs.

Answer: <https://biology-forums.com/index.php?topic=735923>

Question 2447

What is the input-substitution effect?

Answer: <https://biology-forums.com/index.php?topic=736343>

Question 2448

Gross investment minus depreciation is equal to

- A) personal investment.
- B) gross domestic product.
- C) nominal investment.
- D) net investment.

Answer: <https://biology-forums.com/index.php?topic=736875>

Question 2449

The supply curve will be more inelastic when

- A) the firm is experiencing diminishing returns to a variable input.
- B) inputs to production are scarce.
- C) a good has many substitutes.
- D) firms' response to a price change is limited by the limited capacity of their production facilities.

Answer: <https://biology-forums.com/index.php?topic=735609>

Question 2450

A uniform-abatement policy is

- A) efficient because an equal amount of pollution is assigned to each firm.
- B) efficient because it helps firms lower their production costs.

- C) inefficient because it incurs relatively low compliance costs.
D) inefficient because it does not exploit the differences in abatement costs among firms.

Answer: <https://biology-forums.com/index.php?topic=737933>

Question 2451

An outside lag is

- A) a policy aimed at reducing GDP.
B) the period of time it takes for policies to work.
C) a lag in implementing policy.
D) a policy aimed at increasing GDP.

Answer: <https://biology-forums.com/index.php?topic=738418>

Question 2452

Which one of the following statements is true of the Consumer Price Index?

- A) It does not take into account the price of used goods.
B) It does not take account of the price of imported goods and services.
C) It measures changes in prices of a fixed basket of goods.
D) It understates the true rate of inflation.

Answer: <https://biology-forums.com/index.php?topic=736768>

Question 2453

A public utility is a classic example of

- A) a natural monopoly.
B) monopolistic competition.
C) an oligopoly.
D) perfect competition.

Answer: <https://biology-forums.com/index.php?topic=737479>

Question 2454

Recall the Application. Which of the following is a reason for the state of Virginia to increase its revenue while the price for vanity plates increases?

- A) The demand for vanity plates in Virginia is equal to 1.
B) The demand for vanity plates in Virginia is inelastic.
C) The demand for vanity plates in Virginia is elastic.
D) There is insufficient information to draw a conclusion.

Answer: <https://biology-forums.com/index.php?topic=735514>

Question 2455

Increases in the stock of capital are the result of decreases in

- A) depreciation.
B) gross investment.
C) net investment.
D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736874>

Question 2456

A firm doubled all its inputs and experienced a 50% increase in output. If all input prices remain unchanged, the firm's long-run average cost exhibits

- A) a constant long-run average cost at the current output level.
B) diseconomies of scale at the current output level.
C) diminishing marginal returns at the current output level.
D) economies of scale at the current output level.

Answer: <https://biology-forums.com/index.php?topic=735838>

Question 2457

Actual unemployment can exceed the natural rate of unemployment due to

- A) cyclical unemployment.
B) frictional unemployment.
C) structural unemployment.

D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736736>

Question 2458

Jacinda quit her job as a blackjack dealer where she made \$42,000 per year to start her own florist business. Her business expenses are \$14,000 per year on rent, \$21,000 per year on supplies, and \$9,000 per year on part time help. As for her personal expenses, her apartment costs her \$12,000 per year and her personal bills are an extra \$6,000 per year. What is Jacinda's opportunity cost of running the business?

- A) \$104,000
- B) \$86,000
- C) \$62,000
- D) \$44,000

Answer: <https://biology-forums.com/index.php?topic=735075>

Question 2459

An outside lag is the time period it takes economists to formulate a stabilization policy.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738040>

Question 2460

If an increase in the price of good X results in a decrease in the quantity of Y demanded,

- A) good X and good Y are complements.
- B) the cross-price elasticity of demand for good Y is positive.
- C) good X and good Y are substitutes.
- D) There is not sufficient information to determine the relationship between good X and good Y.

Answer: <https://biology-forums.com/index.php?topic=735575>

Question 2461

Explain the new guidelines used by the Department of Justice and the Federal Trade Commission for evaluating proposed mergers.

Answer: <https://biology-forums.com/index.php?topic=737601>

Question 2462

The Fed has immense power and there are no limits to the extent to which it can effectively control the economy.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738318>

Question 2463

Black and Hispanics poverty rates in the United States are about twice as high as Asian and white poverty rates.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736508>

Question 2464

Suppose after the semester ends, you take a trip to a tropical island. Upon arriving at the island, you make a stop at one of the markets and notice that everyone is carrying around jars full of little turtles. You also notice the person in line in front of you just paid for a bottle of rum with 6 turtles. Someone else just bought a straw hat for two turtles. Thinking back to your economics class (as painful as that may be), you would conclude that

- A) those little turtles are serving as money.
- B) this is a barter economy.
- C) turtles are valueless.
- D) turtle soup is a delicacy.

Answer: <https://biology-forums.com/index.php?topic=738157>

Question 2465

Recall the application. Even though the catalogs listed in the Application were reissued every six months, the prices which were tracked in these retail catalogs

- A) changed every month.

- B) tended to fall during periods of high inflation.
C) were typically fixed for a year or more.
D) were not listed due to low rates of inflation.

Answer: <https://biology-forums.com/index.php?topic=736996>

Question 2466

A firm's short-run supply curve shows the relationship between price and quantity supplied.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=736012>

Question 2467

Describe the market effects of a carbon tax.

Answer: <https://biology-forums.com/index.php?topic=737932>

Question 2468

There are no fixed costs in the long run.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=735791>

Question 2469

When was the Clayton Act passed, and what were the main practices that it outlawed?

Answer: <https://biology-forums.com/index.php?topic=737609>

Question 2470

Both increases in the price level and increases in real GDP will decrease the demand for money.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=738321>

Question 2471

What is a commodity money system?

Answer: <https://biology-forums.com/index.php?topic=738207>

Question 2472

The poverty rate in the United States has been growing for people over age 65.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=736506>

Question 2473

The quantity demanded of a product increases as

- A) the price of the product rises.
B) the prices of other products fall.
C) the price of the product falls.
D) consumer income rises.

Answer: <https://biology-forums.com/index.php?topic=735218>

Question 2474

While marketable pollution permits may _____ the total amount of pollution, they may _____ pollution in local areas.

- A) decrease; increase
B) increase; decrease
C) not change; increase
D) decrease; not change

Answer: <https://biology-forums.com/index.php?topic=737994>

Question 2475

The mechanism that normally coordinates what goes on in an economy is the

- A) price system.
- B) Federal Reserve.
- C) government.
- D) stock market.

Answer: <https://biology-forums.com/index.php?topic=736975>

Question 2476

Markets exist

- A) because each person specializes in the production of many products.
- B) so people can buy and sell things.
- C) as an arrangement where buyers do not interact with sellers.
- D) because people are self-sufficient.

Answer: <https://biology-forums.com/index.php?topic=738436>

Question 2477

Which of the following explains the impact of technological advances on the wage gap between less skilled workers and highly skilled workers?

- A) Advances in technology have increased the demand for less skilled workers and highly skilled workers alike, and thus the wage gap between the two groups remains unchanged.
- B) Advances in technology have increased the productivity of less skilled workers and thus narrowed the wage gap between the two groups.
- C) Advances in technology have increased the demand for higher education degrees and widened the wage gap between the two groups.
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=736482>

Question 2478

The government uses the buying power of wages rather than face value or nominal value in reporting changes in "real wages" in the economy.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735209>

Question 2479

Because pollution taxes raise production costs, the _____ curve _____.

- A) demand; shifts to the right
- B) supply; does not change
- C) supply; shifts to the right
- D) supply; shifts to the left

Answer: <https://biology-forums.com/index.php?topic=737893>

Question 2480

When GDP is measured in "current prices" it is known as the

- A) nominal GNP.
- B) real GNP.
- C) real GDP.
- D) nominal GDP.

Answer: <https://biology-forums.com/index.php?topic=736626>

Question 2481

The threat of punishment in a repeated game tends to

- A) maintain prices at the duopoly price level.
- B) anger the other firms, resulting in a price war.
- C) deter entry.
- D) reduce the incentive to break a pricing agreement.

Answer: <https://biology-forums.com/index.php?topic=737413>

Question 2482

After the U.S. government deregulated the trucking industry

- A) the number of trucking companies decreased.
- B) freight prices fell.
- C) freight prices rose.
- D) profits rose.

Answer: <https://biology-forums.com/index.php?topic=737145>

Question 2483

Under average-cost pricing, an increase in the monopolist's production cost will

- A) decrease its profit because its profit per unit decreases.
- B) not affect its profit because the government adjusts the regulated price equal to the average cost.
- C) increase its profit because the monopolist can reduce the average cost at a greater output level.
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=737497>

Question 2484

The real rate of interest is defined as the

- A) nominal inflation rate plus the expected inflation rate.
- B) nominal interest rate minus the expected inflation rate.
- C) expected inflation rate minus the nominal interest rate.
- D) expected inflation rate plus the nominal interest rate.

Answer: <https://biology-forums.com/index.php?topic=738422>

Question 2485

An estimate of a household's long-run average income is called permanent income.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738143>

Question 2486

Which of the following products has the least elastic demand?

- A) all carbonated beverages
- B) Coca Cola in 12 oz. cans
- C) all cola drinks
- D) all beverages

Answer: <https://biology-forums.com/index.php?topic=735446>

Question 2487

The more product differentiation in the market, the _____ the firm specific demand curve. The less product differentiation in the market, the _____ the firm specific demand curve.

- A) steeper; flatter
- B) flatter; steeper
- C) more convex; more concave
- D) more concave; more convex

Answer: <https://biology-forums.com/index.php?topic=737278>

Question 2488

The Clayton Act of 1914

- A) made it illegal to monopolize a market.
- B) repealed the Sherman Act.
- C) outlawed price discrimination for the purpose of reducing competition.
- D) prohibited selling products at "unreasonably low prices" with the intent of reducing competition.

Answer: <https://biology-forums.com/index.php?topic=737573>

Question 2489

How does real gross domestic product (GDP) differ from nominal GDP?

- A) Nominal GDP can be used to directly compare the amount of output produced from year to year, while real GDP cannot be used for such

comparison.

- B) Nominal GDP controls for price changes, while real GDP does not.
- C) Real GDP controls for price changes, while nominal GDP does not.
- D) There is no difference between nominal GDP and real GDP.

Answer: <https://biology-forums.com/index.php?topic=736538>

Question 2490

If the quantity demanded of peanut butter falls by 12% when income rises by 10%, then peanut butter is

- A) a normal good.
- B) income-elastic demand.
- C) an inferior good.
- D) both A and C

Answer: <https://biology-forums.com/index.php?topic=735558>

Question 2491

Which of the following is a long-run adjustment?

- A) GM buys more steel for its auto plants in Michigan.
- B) The number of professional baseball teams increases by two.
- C) A farmer buys twice her usual amount of fertilizer.
- D) A firm hires two new workers.

Answer: <https://biology-forums.com/index.php?topic=735662>

Question 2492

In a competitive market, a pollution tax increases the equilibrium price of the polluting good, decreases the equilibrium quantity, and decreases the volume of waste.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737925>

Question 2493

When a second firm enters a monopolist's market, the initial demand curve facing the monopolist will

- A) shift to the right.
- B) shift to the left.
- C) remain the same.
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=737135>

Question 2494

If the government increases its purchases of goods and services by \$3,000 and the MPC is 0.8, GDP and income will eventually increase by

- A) \$2,400.
- B) \$6,000.
- C) \$15,000.
- D) \$24,000.

Answer: <https://biology-forums.com/index.php?topic=737044>

Question 2495

The Act which outlawed tying contracts was the

- A) Sherman Act.
- B) Clayton Act.
- C) Robinson-Patman Act.
- D) Celler-Kefauver Act.

Answer: <https://biology-forums.com/index.php?topic=737566>

Question 2496

If the demand for illegal drugs is inelastic, then a government policy to cause their price to increase would cause total revenue from drug sales to

- A) drop to zero.
- B) stay the same.

- C) rise.
- D) fall.

Answer: <https://biology-forums.com/index.php?topic=735512>

Question 2497

The real value of money

- A) is the same as its nominal value.
- B) is another word for the face value.
- C) matters less to people than its nominal value.
- D) reflects the purchasing power of money.

Answer: <https://biology-forums.com/index.php?topic=735187>

Question 2498

If in the market for used bikes only sellers can distinguish between good quality and bad quality used bikes, then in that market there exists

- A) duopoly information.
- B) perfect information.
- C) public information.
- D) asymmetric information.

Answer: <https://biology-forums.com/index.php?topic=737616>

Question 2499

How many broad categories are used by economists to define the GDP?

- A) 3
- B) 4
- C) 6
- D) 8

Answer: <https://biology-forums.com/index.php?topic=736543>

Question 2500

At Tony's Restaurant, the quantity of large pizzas sold is 200 at the unit price \$15. Suppose the price elasticity of demand for pizzas by the initial value method is 1.5, and you would like to increase the quantity sold to 250. Then the new price must be

- A) \$13.
- B) \$12.50.
- C) \$11.50.
- D) \$11.25.

Answer: <https://biology-forums.com/index.php?topic=735406>

Question 2501

Demand for low budget items, such as candy, is generally _____ than demand for large budget items, such as automobiles.

- A) higher
- B) less elastic
- C) lower
- D) more elastic

Answer: <https://biology-forums.com/index.php?topic=735449>

Question 2502

A tax levied on coal-fired plants that is based on the amount of carbon released in the atmosphere is considered by the firm as a

- A) variable cost.
- B) source of revenue
- C) fixed cost.
- D) sunk cost.

Answer: <https://biology-forums.com/index.php?topic=735863>

Question 2503

A market where individual firms cannot affect the market price of their good is most likely

- A) a monopoly market.
- B) a monopolistically competitive market.

- C) an oligopoly market.
- D) a perfectly competitive market.

Answer: <https://biology-forums.com/index.php?topic=735886>

Question 2504

The Temporary Aid to Needy Families program

- A) requires that recipients participate in work activities.
- B) was an important factor in the increase in poverty among children between 1993 and 2002.
- C) is associated with a decrease in single mothers working.
- D) has caused a rise in national welfare case loads.

Answer: <https://biology-forums.com/index.php?topic=736498>

Question 2505

Recall the application. Large increases in per capita income in the United States over the past 30 years have

- A) lowered stress levels.
- B) had the greatest impact on retired people.
- C) not increased happiness levels.
- D) led to a higher divorce rate.

Answer: <https://biology-forums.com/index.php?topic=736661>

Question 2506

When economists say that a good is nonrival in consumption, they mean that

- A) the good is widely available.
- B) more than one person can enjoy the good at the same time.
- C) no one wants the good.
- D) everyone wants the good.

Answer: <https://biology-forums.com/index.php?topic=737800>

Question 2507

What are the three properties of money?

Answer: <https://biology-forums.com/index.php?topic=738206>

Question 2508

Landon demands more sushi as his income increases. From this we can conclude that, for Landon,

- A) sushi is a normal good.
- B) sushi is a complementary good.
- C) sushi is a substitute good.
- D) sushi is an inferior good.

Answer: <https://biology-forums.com/index.php?topic=735291>

Question 2509

List four of the Federal Reserve's key functions.

Answer: <https://biology-forums.com/index.php?topic=738287>

Question 2510

People who apply for loans know more about their ability to repay the loan than the lenders do. This is an example of

- A) a negative externality.
- B) a community rating.
- C) public information.
- D) asymmetric information.

Answer: <https://biology-forums.com/index.php?topic=737762>

Question 2511

Other things being equal, as diminishing marginal returns begin to occur, the marginal revenue product of labor

- A) remains unchanged as more workers are used.
- B) decreases as more workers are used.
- C) increases as more workers are used.

D) none of the above

Answer: <https://biology-forums.com/index.php?topic=736272>

Question 2512

Identify three key factors that can cause a shift in the aggregate demand curve.

Answer: <https://biology-forums.com/index.php?topic=737066>

Question 2513

In a perfectly competitive market, what would you expect to happen to the number of firms and firm profitability in the short run and long run if demand for the product rises?

Answer: <https://biology-forums.com/index.php?topic=736071>

Question 2514

Marginal revenue product is the additional revenue for the firm when it hires one additional unit of labor.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736333>

Question 2515

The price elasticity of supply is a measure of the responsiveness of

- A) the suppliers with respect to the change in price.
- B) the quantity supplied to the changes in price.
- C) the quantity supplied to the change in income.
- D) the change in price to the quantity supplied.

Answer: <https://biology-forums.com/index.php?topic=735589>

Question 2516

Suppose that a product benefits from a successful advertising campaign. The result is that

- A) the demand for the product decreases.
- B) the supply of the product increases.
- C) the supply of the product decreases.
- D) the demand for the product increases.

Answer: <https://biology-forums.com/index.php?topic=735293>

Question 2517

The chairman of the Federal Reserve Board of Governors

- A) is appointed by the President and confirmed by the Treasury.
- B) serves a fourteen year term as chairman.
- C) sits on the Federal Open Market Committee.
- D) is always the president of the Federal Reserve Bank of New York.

Answer: <https://biology-forums.com/index.php?topic=738273>

Question 2518

Inflation distorts the operation of our tax and financial system.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736822>

Question 2519

In order to achieve an efficient result a pollution tax must

- A) be equal to the social cost of production.
- B) not be passed through to the consumers of the produced good.
- C) be equal to the external cost generated.
- D) be shared equally by the producer and the consumer of the produced good.

Answer: <https://biology-forums.com/index.php?topic=737883>

Question 2520

If the quantity demanded of restaurant meals increases by 20% when income increases by 10%, the demand for restaurant meals is

- A) price insensitive.
- B) income-inelastic.
- C) price sensitive.
- D) income-elastic.

Answer: <https://biology-forums.com/index.php?topic=735556>

Question 2521

Which of the following firms rely on patents the most as the barrier to keep other firms from entering the industry?

- A) law firms
- B) wine makers
- C) textbook publishers
- D) pharmaceutical firms

Answer: <https://biology-forums.com/index.php?topic=736098>

Question 2522

A U.S. company that wishes to sell more to other countries would favor

- A) an appreciation of the dollar.
- B) a depreciation of the dollar.
- C) neither an appreciation nor a depreciation of the dollar.
- D) higher interest rates.

Answer: <https://biology-forums.com/index.php?topic=738398>

Question 2523

According to Robert Solow, the production function should be written as

- A) $Y = F(K, L, A)$.
- B) $Y = F(K, A)$.
- C) $Y = F(A, L)$.
- D) $Y = F(K, L)$.

Answer: <https://biology-forums.com/index.php?topic=736911>

Question 2524

Suppose that next year the government fixes the number of pollution permits at a quantity less than the number sold this year. If nothing else changes, next year the price of a pollution permit will be

- A) equal to the price of a permit this year.
- B) greater than the price of a permit this year.
- C) equal to the price set by the government.
- D) less than the price of a permit this year.

Answer: <https://biology-forums.com/index.php?topic=737997>

Question 2525

Suppose that the chain-weighted index for GDP in Panama was 180 in 2011 and 188 in 2012. The inflation rate between those two years was approximately

- A) 1.1%.
- B) 4.4%.
- C) 8%.
- D) 10.4%.

Answer: <https://biology-forums.com/index.php?topic=736798>

Question 2526

The Department of Justice could use the cross-price elasticity between products sold at Staples and Office Max to show that the firms are very similar.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735582>

Question 2527

What will make a change in supply cause a small change in price?

Answer: <https://biology-forums.com/index.php?topic=735658>

Question 2528

Monopolistically competitive firms do NOT differentiate their products by

- A) offering different levels of service that come with a product.
- B) charging different prices to different groups of consumers.
- C) selling products at different locations.
- D) changing the products' physical characteristics.

Answer: <https://biology-forums.com/index.php?topic=737177>

Question 2529

Gross investment is

- A) the total amount of private investment purchases, whether new or previously existing.
- B) the wear and tear on private investment.
- C) the total amount of new private investment purchases.
- D) what is left over from total new private investment after depreciation.

Answer: <https://biology-forums.com/index.php?topic=736555>

Question 2530

What is the highest price that a firm would be willing to pay for one marketable pollution permit?

- A) an amount equal to the selling firm's marginal abatement cost
- B) an amount equal to the social benefit of pollution reduction
- C) an amount determined by supply and demand in the market
- D) an amount equal to the purchasing firm's marginal abatement cost

Answer: <https://biology-forums.com/index.php?topic=737965>

Question 2531

As compared to a pollution tax, a command-and-control policy will increase production costs by a _____ amount and increase equilibrium price by a _____ amount.

- A) smaller; larger
- B) smaller; smaller
- C) larger; larger
- D) larger; smaller

Answer: <https://biology-forums.com/index.php?topic=737942>

Question 2532

(1,000\$103\$135)(0\$115\$155))

Table 9.5

833) Given the data in Table 9.5, if Firm A were to reduce pollution from 1,000 gallons of wastewater per day to 0 gallons per day, production costs

- A) would increase by \$12.
- B) would not change.
- C) would decrease by \$12.
- D) cannot be calculated from the information above.

Answer: <https://biology-forums.com/index.php?topic=737969>

Question 2533

The short run in macroeconomics is the period in which

- A) prices change significantly.
- B) no contracts or agreements exist to fix prices.
- C) the demand curve is vertical.
- D) demand determines output.

Answer: <https://biology-forums.com/index.php?topic=736994>

Question 2534

The use of seat belts and other automobile safety features making bicycling more hazardous can be explained by the economic concept known as

- A) the real-nominal principle.
- B) the marginal principle.
- C) the principle of diminishing returns.
- D) the principle of voluntary exchange.

Answer: <https://biology-forums.com/index.php?topic=735141>

Question 2535

Microeconomics is the study of aggregate behavior in the economy.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735039>

Question 2536

The merger of two firms selling close substitutes may lead to higher prices.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737589>

Question 2537

The short-run labor demand curve is

- A) either more or less elastic than the long-run labor demand curve.
- B) less elastic than the long-run labor demand curve.
- C) perfectly elastic (horizontal).
- D) more elastic than the long-run labor demand curve.

Answer: <https://biology-forums.com/index.php?topic=736329>

Question 2538

Define the term "import."

Answer: <https://biology-forums.com/index.php?topic=738498>

Question 2539

Cyclical unemployment increases during recessions.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736745>

Question 2540

Over the last three decades the "college premium" has _____ because of _____.

- A) increased; racial and gender discrimination
- B) increased; technological advances
- C) decreased; technological advances
- D) decreased; laws that prohibit discrimination

Answer: <https://biology-forums.com/index.php?topic=736445>

Question 2541

Personal income and personal disposable income refer to payments ultimately flowing to

- A) governments.
- B) households.
- C) firms.
- D) foreigners.

Answer: <https://biology-forums.com/index.php?topic=736604>

Question 2542

The main purpose of hiring the celebrity endorser is to

- A) make the customers buy the product repeatedly.
- B) make the customers try the product for the first time.

C) convince the customers that using the product will turn them into celebrities as well.
D) pay for the endorser's retirement expenses.

Answer: <https://biology-forums.com/index.php?topic=737290>

Question 2543

What are the two components of federal spending?

Answer: <https://biology-forums.com/index.php?topic=738113>

Question 2544

If potential output exceeds actual output, the aggregate demand curve shifts downward over time.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737128>

Question 2545

Innovation and incentives to come up with new products and production methods are stifled in larger markets.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736954>

Question 2546

When does a firm's average variable cost exceed the average total cost?

- A) never
- B) when the average fixed cost is at its minimum
- C) when the average total cost equals the average fixed cost
- D) when the average variable cost is at its minimum

Answer: <https://biology-forums.com/index.php?topic=735765>

Question 2547

_____ is a cost that independent of the quantity produced by the firm and is incurred by the firm in the short run.

- A) Average total cost
- B) Variable cost
- C) Fixed cost
- D) Economic cost

Answer: <https://biology-forums.com/index.php?topic=735710>

Question 2548

A carbon tax placed on coal will _____ the price of coal and _____ the quantity sold of coal.

- A) lower; increase
- B) lower; decrease
- C) raise; decrease
- D) raise; increase

Answer: <https://biology-forums.com/index.php?topic=737914>

Question 2549

Suppose Wave detergent is sold in a monopolistically competitive market. If the price of Wave detergent is currently \$6, and the average cost of producing Wave is \$4, in the long run we can expect

- A) the producers of Wave to earn economic profits greater than zero.
- B) the producers of Wave to go out of business.
- C) firms to enter the detergent market and sell product similar to Wave, shifting the demand curve for Wave to the right.
- D) firms to enter the detergent market and sell products similar to Wave, shifting the demand curve for Wave to the left.

Answer: <https://biology-forums.com/index.php?topic=737213>

Question 2550

Which of the following explains the differences in earnings by race?

- A) differences in productivity
- B) differences in education and work experience

- C) racial discrimination
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736435>

Question 2551

(230)(312)(410)(5 5)(6 3)

Table 8.1

181) The four-firm concentration ratio for the market depicted in Table 8.1 is

- A) 10%.
- B) 40%.
- C) 82%.
- D) 92%.

Answer: <https://biology-forums.com/index.php?topic=737311>

Question 2552

Suppose that you lend \$5,000 to a friend who pays you back \$5,400 the next year. Suppose that prices that year rose by 6% and the real rate of return in the stock market was 5%. Your friend says that he or she was being more than fair by giving you more than the rate of inflation as a return. What do you think?

Answer: <https://biology-forums.com/index.php?topic=735117>

Question 2553

A charity that used to arrange matching charitable contributions, but no longer does, is likely to _____ the free-rider problem and lead to a _____ level of contribution to the public good.

- A) reduce; smaller
- B) increase; smaller
- C) increase; larger
- D) reduce; larger

Answer: <https://biology-forums.com/index.php?topic=737827>

Question 2554

A firm's value added can be measured as the value of its

- A) total sales.
- B) purchases of inputs from other firms.
- C) profits.
- D) total sales, less purchases from other firms.

Answer: <https://biology-forums.com/index.php?topic=736605>

Question 2555

In a constant cost industry, a decrease in price causes

- A) quantity supplied to remain constant.
- B) some firms to exit the industry.
- C) some firms to enter the industry.
- D) price controls.

Answer: <https://biology-forums.com/index.php?topic=736077>

Question 2556

Evaluate the statement: All minimum wage workers will be better off if the minimum wage rises.

Answer: <https://biology-forums.com/index.php?topic=736471>

Question 2557

Explain why perfectly competitive firms make zero economic profit in the long run.

Answer: <https://biology-forums.com/index.php?topic=736072>

Question 2558

The largest component of GDP is

- A) private investment expenditures.
- B) consumption expenditures.

- C) government spending.
- D) net exports.

Answer: <https://biology-forums.com/index.php?topic=736544>

Question 2559

Suppose a bank has \$8 million in deposits and a reserve ratio of 20%. Its required reserves are

- A) \$40,000.
- B) \$400,000.
- C) \$1,600,000.
- D) \$16,000,000.

Answer: <https://biology-forums.com/index.php?topic=738228>

Question 2560

Ceteris paribus, if more alternative forms of energy become available, we would expect the demand for gasoline to become

- A) more inelastic.
- B) more elastic.
- C) perfectly elastic.
- D) perfectly inelastic.

Answer: <https://biology-forums.com/index.php?topic=735441>

Question 2561

If real GDP was 100 in 2011 and 104.4 in 2012, the growth rate of real GDP between 2011 and 2012 was

- A) 2.2%.
- B) 4.4%.
- C) 100%.
- D) 102.2%.

Answer: <https://biology-forums.com/index.php?topic=736618>

Question 2562

Describe a grim trigger strategy.

Answer: <https://biology-forums.com/index.php?topic=737437>

Question 2563

Suppose that Polaroid instant cameras had a guarantee that would be valid only if the camera was used with Polaroid film. This would then be an example of

- A) a tie-in sale.
- B) monopoly pricing.
- C) predatory pricing.
- D) price discrimination.

Answer: <https://biology-forums.com/index.php?topic=737555>

Question 2564

Compared to a pollution tax, a policy of uniform abatement with permits is

- A) exactly as efficient.
- B) more efficient.
- C) either more or less efficient depending on the number of firms affected.
- D) less efficient.

Answer: <https://biology-forums.com/index.php?topic=737937>

Question 2565

The principle of voluntary exchange is the concept that a voluntary exchange between two people makes both people better off.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735161>

Question 2566

All of the following encourage increases in technological progress EXCEPT

- A) the possibility of monopoly profits.
- B) the ability to patent a new invention.
- C) closed economies.
- D) larger markets through free trade.

Answer: <https://biology-forums.com/index.php?topic=736935>

Question 2567

If the equilibrium wage is above the actual wage

- A) the wage rate will rise.
- B) the wage rate will fall.
- C) the demand for labor will increase.
- D) the demand for labor will decrease.

Answer: <https://biology-forums.com/index.php?topic=736382>

Question 2568

Monopolist marginal revenue rises with output.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736137>

Question 2569

Given their skills and education, those who work the night shift earn more than those who work in the daytime. This is partly because

- A) a relatively small number of people are willing to work the night shift.
- B) few people have the required skills for the night shift.
- C) working the night shift is safer.
- D) working the night shift is relatively more desirable.

Answer: <https://biology-forums.com/index.php?topic=736421>

Question 2570

If leisure is a normal good, as the price of leisure increases the quantity of leisure demanded _____ and the demand for leisure _____.

- A) remains the same; decreases
- B) falls; is not affected
- C) increases; is not affected
- D) falls; increases

Answer: <https://biology-forums.com/index.php?topic=736353>

Question 2571

The Justice Department will not allow firms to merge if the result will be higher prices to consumers.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737584>

Question 2572

Negative relationships are also referred to as inverse relationships.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735068>

Question 2573

If actual output exceeds potential output, the short-run aggregate supply curve shifts downward over time.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737129>

Question 2574

To increase income by \$120 when the slope of the curve showing the relationship between your income and work hours is 8, how many extra hours will you need to work?

- A) 8
- B) 15
- C) 112
- D) 960

Answer: <https://biology-forums.com/index.php?topic=735065>

Question 2575

Suppose that for a given firm, the increase in output resulting from the last worker hired is less than the increase in output of the previous worker hired.

This is an example of

- A) increasing return.
- B) constant returns.
- C) diminishing returns.
- D) capital deepening.

Answer: <https://biology-forums.com/index.php?topic=736884>

Question 2576

Which of the following does NOT shift the U.S. aggregate demand curve?

- A) an increase in the supply of money
- B) a decrease in the price level
- C) a decrease in taxes
- D) an increase in GDP in Japan

Answer: <https://biology-forums.com/index.php?topic=737022>

Question 2577

Growth accounting is a method which measures the contributions to economic growth from what three factors?

Answer: <https://biology-forums.com/index.php?topic=736929>

Question 2578

An oligopoly might occur as a result of

- A) economies of scale in production.
- B) advertising.
- C) government barriers to entry.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=737325>

Question 2579

It is efficient to reduce pollution to zero.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737869>

Question 2580

Why does it usually NOT make sense to reduce pollution to zero?

Answer: <https://biology-forums.com/index.php?topic=737876>

Question 2581

The circular flow is used to make the point that

- A) households purchase factors of production from firms.
- B) production generates income.
- C) rising prices never occur during times of unemployment.
- D) unemployment only occurs during a recession.

Answer: <https://biology-forums.com/index.php?topic=736523>

Question 2582

The unemployment rate

- A) rises during booms and falls during recessions.
- B) tends to remain the same in booms and recessions.

C) rises during times of rapid economic growth and falls during times of slow economic growth.
D) rises during recessions and falls during booms.

Answer: <https://biology-forums.com/index.php?topic=736702>

Question 2583

Lower U.S. interest rates cause the value of the dollar to
A) rise, making U.S. goods relatively more expensive on world markets.
B) fall, making U.S. goods relatively cheaper on world markets.
C) fall, making U.S. goods relatively more expensive on world markets.
D) rise, making U.S. goods relatively cheaper on world markets.

Answer: <https://biology-forums.com/index.php?topic=738390>

Question 2584

Recall the Application. On average, apprentices in Major League Baseball tend to be paid a salary _____ their marginal revenue product.

- A) unrelated to
- B) significantly lower than
- C) close to
- D) significantly higher than

Answer: <https://biology-forums.com/index.php?topic=736332>

Question 2585

As we move upward along a linear demand curve, the price elasticity of the demand

- A) remains the same.
- B) increases.
- C) decreases.
- D) increases up to the midpoint and then decreases.

Answer: <https://biology-forums.com/index.php?topic=735530>

Question 2586

Suppose McDonald's puts up five new stores in San Francisco using exactly the same floor plan, capital equipment and number of workers, then the long run average cost curve of McDonald's would be _____ and the company experiences _____.

- A) horizontal; economies of scale
- B) horizontal; diseconomies of scale
- C) upward sloping; economies of scale
- D) horizontal; constant returns to scale

Answer: <https://biology-forums.com/index.php?topic=735812>

Question 2587

Recall the Application. Suppose the price elasticity of demand for gasoline is 0.20 and the price elasticity of supply for gasoline is 0.55. If supply decreases by 50%, the equilibrium price will increase by

- A) 67%.
- B) 70%.
- C) 143%.
- D) 150%.

Answer: <https://biology-forums.com/index.php?topic=735650>

Question 2588

A decrease in the level of real GDP in the economy leads to
A) a leftward movement along the demand for money curve.
B) a rightward shift in the demand for money curve.
C) a rightward movement along the demand for money curve.
D) a leftward shift in the demand for money curve.

Answer: <https://biology-forums.com/index.php?topic=738308>

Question 2589

_____ unemployment occurs due to a mismatch between the jobs that are available and the skills of workers seeking jobs.

- A) Structural

- B) Cyclical
- C) Voluntary
- D) Frictional

Answer: <https://biology-forums.com/index.php?topic=736724>

Question 2590

The unemployment rate is calculated by dividing the number unemployed and looking for work by the sum of the number employed and the number unemployed and looking for work.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736704>

Question 2591

The marginal product of labor is the

- A) change in revenue resulting from adding an additional unit of labor.
- B) change in labor necessary to produce an additional unit of output.
- C) cost of additional labor necessary to produce an additional unit of output.
- D) change in output resulting from adding an additional unit of labor.

Answer: <https://biology-forums.com/index.php?topic=736271>

Question 2592

When an electronics company advertises on the local newspaper a 10% discount coupon, is this an example of price discrimination? Why or why not?

Answer: <https://biology-forums.com/index.php?topic=736262>

Question 2593

Hyperinflation refers to an inflation rate which exceeds 5% per month.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736823>

Question 2594

Suppose two firms produce close substitutes such that reducing the price of one product reduces the quantity demanded of the other. If those two firms merge,

- A) they will be unable to earn higher profits because the two products will compete against each other.
- B) they will eliminate the less profitable product and sell only one.
- C) they will raise prices on both products.
- D) they can earn higher profits by continuing to sell both products if the profit gained from increased sales of one product are greater than the lost profits from reduced sales of the other product.

Answer: <https://biology-forums.com/index.php?topic=737548>

Question 2595

Which of the following is likely to overcome the free-rider problem?

- A) arrange for matching contributions
- B) offer people a private gift for contributing
- C) appeal to peoples' sense of civic or moral responsibility
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=737820>

Question 2596

A benefit to consumers of monopolistically competitive markets is that

- A) consumers have a variety of products from which to choose.
- B) consumers only have to choose from one product.
- C) goods are sold at the lowest possible average cost of production.
- D) price is equal to marginal cost in equilibrium.

Answer: <https://biology-forums.com/index.php?topic=737268>

Question 2597

Economic growth is severely impeded in economies

- A) with a lack of clear property rights.
- B) which encourage induced innovation.
- C) with high rates of convergence.
- D) with a strong market system.

Answer: <https://biology-forums.com/index.php?topic=736963>

Question 2598

Explain the differences between a federal budget deficit, a federal budget surplus, and a balanced federal budget.

Answer: <https://biology-forums.com/index.php?topic=738121>

Question 2599

Recall the Application. If the decrease in price of illegal drugs is primarily due to a change in supply, the equilibrium quantity of drugs

- A) will increase.
- B) will decrease.
- C) will not change.
- D) may or may not change.

Answer: <https://biology-forums.com/index.php?topic=735385>

Question 2600

Why is it easier to raise \$1 million in voluntary contributions for medical research into a deadly disease like cancer than it is to raise the same amount for space exploration?

Answer: <https://biology-forums.com/index.php?topic=737854>

Question 2601

Suppose that the wage for teachers decreases relative to other occupations. We know that _____ people will work as teachers, and the total number of hours worked will _____.

- A) more; increase
- B) more; decrease
- C) fewer; increase
- D) fewer; decrease

Answer: <https://biology-forums.com/index.php?topic=736363>

Question 2602

A pollution tax internalizes the costs of pollution a firm is imposing on others.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737921>

Question 2603

In November 2008, the MONTHLY rate of inflation in Zimbabwe approached 79 BILLION%. An inflation rate such as this would

- A) be too high to calculate using the CPI.
- B) seriously disrupt normal commerce.
- C) decrease the natural rate of unemployment.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736817>

Question 2604

The price elasticity of supply is calculated by

- A) dividing the percentage change in quantity supplied by the percentage change in price.
- B) dividing the percentage change in price by the percentage quantity supplied.
- C) dividing the percentage change in quantity supplied by the price.
- D) dividing the percentage change in income by the percentage quantity supplied.

Answer: <https://biology-forums.com/index.php?topic=735590>

Question 2605

Suppose Toor's beer is sold in a monopolistically competitive market. In the long run we expect the price of Toor's beer to

- A) exceed the average cost of production of Toors beer.
- B) equal the minimum possible average cost of producing Toors beer.
- C) equal the average cost of production of Toors beer.
- D) equal the marginal cost of production for Toors beer.

Answer: <https://biology-forums.com/index.php?topic=737215>

Question 2606

The principle that the cost of something is equal to what is sacrificed to get it is known as the

- A) marginal principle.
- B) principle of diminishing returns.
- C) principle of opportunity cost.
- D) reality principle.

Answer: <https://biology-forums.com/index.php?topic=735073>

Question 2607

Price fixing tends to fail in an oligopoly because

- A) consumers don't like fixed prices.
- B) firms like to have flexibility in setting prices.
- C) it increases the quantity demanded.
- D) each firm has an incentive to underprice the other firms.

Answer: <https://biology-forums.com/index.php?topic=737362>

Question 2608

Recall the Application. If the organization in New Zealand was successful in getting the Olympics to include sheep shearing as a spectator sport, and this helped to raise the world price of wool, the quantity of wool supplied would _____ because the market supply curve for wool is _____ sloped.

- A) decrease; negatively
- B) increase; negatively
- C) decrease; positively
- D) increase; positively

Answer: <https://biology-forums.com/index.php?topic=735251>

Question 2609

One reason that professional baseball players earn higher incomes than college professors is that

- A) being a college professor requires less education.
- B) there are no barriers to entry in the baseball profession.
- C) the training costs to enter the baseball profession are low.
- D) few people have the skill to play professional baseball.

Answer: <https://biology-forums.com/index.php?topic=736417>

Question 2610

The duopolists' dilemma refers to the situation in which

- A) duopolists do not have a dominant strategy.
- B) duopolists would be better off maintaining high prices but face an incentive to choose a low price.
- C) duopolists can only earn high profits by breaking the law.
- D) duopolists who are engaged in price fixing have an incentive to report the behavior to the government.

Answer: <https://biology-forums.com/index.php?topic=737365>

Question 2611

Unanticipated inflation is associated with cost increases which are not expected.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736821>

Question 2612

Why does the government grant patents universally rather than just to those products that would not be developed without a patent?

Answer: <https://biology-forums.com/index.php?topic=736201>

Question 2613

Table 7.2 contains price, demand, and cost data for the Capri Theater, the only first-run movie theater in a small town. Should the firm adopt the single price policy or the student discount policy?

- A) the student discount policy because it is more profitable than the single price policy
- B) the single price policy because price discrimination would not be legal for this firm
- C) the single price policy because it is more profitable than price discrimination for this firm
- D) the single price policy because the firm does not meet the three conditions necessary to engage in price discrimination

Answer: <https://biology-forums.com/index.php?topic=736242>

Question 2614

An import is a product

- A) produced in and sold to the residents of a foreign country.
- B) produced in the home country and sold in another country.
- C) produced in a foreign country and purchased by the residents of the home country.
- D) produced in and purchased by residents of the home country.

Answer: <https://biology-forums.com/index.php?topic=738464>

Question 2615

When a second firm enters a monopolist's market,

- A) the market price falls.
- B) the demand curve facing the former monopolist shifts to the right.
- C) the former monopolist's average cost decreases as its output level decreases.
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=737139>

Question 2616

The opportunity cost of going to college

- A) is the same for all students at a particular school who pay full tuition.
- B) is zero if your parents pay your tuition.
- C) includes wages you lose by going to school instead of working.
- D) is equal to the cost of tuition, room and board, and other expenses.

Answer: <https://biology-forums.com/index.php?topic=735084>

Question 2617

How is the price-change formula to predict the change in the equilibrium price resulting from a change in demand calculated?

- A) by dividing the percentage change in supply by the sum of the price elasticities of supply and demand
- B) by dividing the percentage change in income by the sum of the price elasticities of supply and demand
- C) by dividing the percentage change in demand by the sum of the price elasticities of supply and demand
- D) by dividing the percentage change in price by the sum of the price elasticities of supply and demand

Answer: <https://biology-forums.com/index.php?topic=735638>

Question 2618

What does the deadweight loss of monopoly measure?

Answer: <https://biology-forums.com/index.php?topic=736183>

Question 2619

Output in the long run is determined by which of the two following factors when an economy operates at full employment?

- A) capital and labor
- B) capital and supply
- C) imports and exports
- D) the "real" GDP and purchases

Answer: <https://biology-forums.com/index.php?topic=737082>

Question 2620

If the price of output increases, the marginal revenue product curve will shift _____ and the profit maximizing quantity of labor demanded will _____.

- A) up; decrease
- B) up; increase
- C) down; increase
- D) down; decrease

Answer: <https://biology-forums.com/index.php?topic=736284>

Question 2621

The opportunity cost of something is the nominal price paid for the product.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735110>

Question 2622

A bumper crop would be bad news for farmers if their crop has an inelastic demand because their total revenue would

- A) rise as price falls.
- B) fall as price rises.
- C) rise along with price.
- D) fall along with price.

Answer: <https://biology-forums.com/index.php?topic=735511>

Question 2623

The chain-weighted index for GDP and the CPI differ in that the CPI

- A) is calculated by the Commerce Department while the chain-weighted index is calculated by local newspapers.
- B) is calculated in nominal terms and the chain-weighted index is calculated in real terms.
- C) asks how much a fixed basket of goods costs in the current year as compared to the cost of those same goods in a base year while the chain-weighted index takes an average of price changes using base years from neighboring years.
- D) excludes price changes from used and imported goods while the chain-weighted index includes these price changes.

Answer: <https://biology-forums.com/index.php?topic=736777>

Question 2624

If a firm's total fixed costs are \$30, the firm's marginal cost of producing the first unit of output is \$30, and the average total cost of producing two units of output is \$42, the marginal cost of the second unit of output is

- A) \$84.
- B) \$54.
- C) \$42.
- D) \$24.

Answer: <https://biology-forums.com/index.php?topic=735732>

Question 2625

Explain the relationship between average fixed cost and marginal cost.

Answer: <https://biology-forums.com/index.php?topic=735691>

Question 2626

Jane is a student at a university. She pays \$10,000 per year in tuition, \$4,000 per year in living expenses, and \$800 per year for books. Were she not in school, she could earn \$20,000 per year working as a bookkeeper and she would not live with her parents. What is her economic cost of a year in college?

- A) \$10,000
- B) \$13,000
- C) \$30,800
- D) \$34,800

Answer: <https://biology-forums.com/index.php?topic=735674>

Question 2627

In the case of perfectly elastic demand, the demand curve is

- A) downward sloping.
- B) vertical.
- C) upward sloping.

D) horizontal.

Answer: <https://biology-forums.com/index.php?topic=735426>

Question 2628

What are the two tools of fiscal policy that governments can use to affect the level of aggregate demand?

- A) government spending and technology improvements
- B) taxation and controlling exports
- C) government spending and taxation
- D) taxation and controlling imports

Answer: <https://biology-forums.com/index.php?topic=738015>

Question 2629

The economy's ability to coordinate economic activity is hindered by

- A) workers whose wages change quickly.
- B) auction prices.
- C) sticky wages causing sticky prices.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736986>

Question 2630

Command-and-control policies usually

- A) increase price less than do pollution taxes.
- B) reduce the production of a polluting good more than do pollution taxes.
- C) reduce the production of a polluting good less than do pollution taxes.
- D) decrease the quantity demanded by less than do pollution taxes.

Answer: <https://biology-forums.com/index.php?topic=737945>

Question 2631

If the cross-price elasticity of salt and pepper is positive the goods must be complements.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735581>

Question 2632

An advantage of pollution taxes that is NOT offered by command-and-control policies is that

- A) with a pollution tax zero pollution is produced.
- B) a pollution tax decreases the demands for goods that cause pollution.
- C) a pollution tax decreases the price of the polluting good.
- D) with a pollution tax, firms have flexibility in their choice of strategies to use to clean up pollution.

Answer: <https://biology-forums.com/index.php?topic=737949>

Question 2633

Who sets the rules for entitlements when spending is authorized under this category?

- A) the agency involved
- B) the Congress when it appropriates the spending
- C) the President
- D) each individual state

Answer: <https://biology-forums.com/index.php?topic=738056>

Question 2634

What is total revenue for a firm?

Answer: <https://biology-forums.com/index.php?topic=735525>

Question 2635

Explain what guaranteed price matching means. What are the consequences of such a policy?

Answer: <https://biology-forums.com/index.php?topic=737435>

Question 2636

If the demand for a product decreases by 16% and the supply elasticity is 1.2 and demand elasticity is 0.80. Then the equilibrium price will decrease by 6%.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735652>

Question 2637

If a natural monopoly is forced to follow a policy of average-cost pricing, the monopolist will

- A) charge the same price as if it were not regulated.
- B) charge a higher price than if not regulated.
- C) earn economic profits less than zero.
- D) increase output to an amount greater than what it would have produced if it were not regulated.

Answer: <https://biology-forums.com/index.php?topic=737504>

Question 2638

If an economy produced 220 pounds of jelly beans at \$5 per pound and 90 pounds of gum drops at \$2 per pound in 2012, its real gross domestic product (GDP) was

- A) 310 pounds of candy.
- B) \$180.
- C) \$1,100.
- D) \$1,280.

Answer: <https://biology-forums.com/index.php?topic=736533>

Question 2639

Since a large or a small wind turbine have the same installation, operating and maintenance costs, but a large turbine has four times the generating capacity but costs less than three times as much as a small turbine, the wind power industry faces

- A) economies of scale.
- B) a hump shaped cost curve.
- C) diseconomies of scale.
- D) constant economies of scale.

Answer: <https://biology-forums.com/index.php?topic=735859>

Question 2640

In the short run, the marginal cost of the first unit of output is \$40, the average variable cost of producing three units of output is \$32, and the marginal cost of producing the second unit of output is \$32. What is the marginal cost of producing the third unit of output?

- A) \$24
- B) \$32
- C) \$40
- D) \$96

Answer: <https://biology-forums.com/index.php?topic=735731>

Question 2641

GDP is supposed to measure the goods _____ the United States.

- A) purchased in
- B) exported to
- C) produced in
- D) imported to

Answer: <https://biology-forums.com/index.php?topic=736573>

Question 2642

Monopolistically competitive industries have only a single firm and there is a barrier to entry.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737247>

Question 2643

_____ unemployment is NOT associated with economic fluctuations.

- A) Frictional
- B) Cyclical
- C) Structural
- D) both A and C

Answer: <https://biology-forums.com/index.php?topic=736721>

Question 2644

The supply of money is determined by the Federal Reserve and is dependent on the demand for money.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738374>

Question 2645

Information goods such as a music video have an L-shaped average cost curve.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735867>

Question 2646

Recall the application. One explanation for the decline in the U.S. labor force participation rate since 1999 is

- A) sluggish economic growth that resulted in more discouraged workers.
- B) the growing number of workers who have postponed retirement.
- C) the increase in foreign ownership of U.S.-based companies.
- D) higher college enrollment.

Answer: <https://biology-forums.com/index.php?topic=736691>

Question 2647

When compared to the profit maximizing price and quantity supplied, an average-cost pricing policy for a natural monopoly causes the price the monopolist charges to _____ and the quantity it sells to _____.

- A) decrease; decrease
- B) increase; increase
- C) decrease; increase
- D) increase; decrease

Answer: <https://biology-forums.com/index.php?topic=737502>

Question 2648

An increase in the reserve requirement

- A) decreases the money supply, which leads to decreased interest rates and a decrease in GDP.
- B) increases the money supply, which leads to increased interest rates and a decrease in GDP.
- C) decreases the money supply, which leads to increased interest rates and a decrease in GDP.
- D) increases the money supply, which leads to decreased interest rates and a decrease in GDP.

Answer: <https://biology-forums.com/index.php?topic=738384>

Question 2649

Which of the following is a characteristic of a monopolistically competitive market?

- I. There are many sellers.
 - II. Firms sell slightly differentiated products.
 - III. Each firm faces a downward-sloping demand curve.
- A) I only
 - B) I and II only
 - C) II and III only
 - D) I, II, and III

Answer: <https://biology-forums.com/index.php?topic=737173>

Question 2650

There exists asymmetric information in a market

- A) only if sellers have better information about the good than buyers.
- B) if both sides of the market have the same information about the good.
- C) if either buyers or sellers have better information than the other group.
- D) only if buyers have better information about the good than sellers.

Answer: <https://biology-forums.com/index.php?topic=737611>

Question 2651

The market supply of labor curve is

- A) downward sloping if the income effect dominates and upward sloping if the substitution effect dominates.
- B) perfectly inelastic.
- C) upward sloping.
- D) upward sloping if the income effect dominates and downward sloping if the substitution effect dominates.

Answer: <https://biology-forums.com/index.php?topic=736366>

Question 2652

Suppose consumer tastes and preferences shift from tacos to pizzas. In the short run, these changing tastes will result in pizza restaurants _____ pizza prices and taco restaurants _____ taco prices.

- A) decreasing; decreasing
- B) decreasing; increasing
- C) increasing; decreasing
- D) increasing; increasing

Answer: <https://biology-forums.com/index.php?topic=736993>

Question 2653

The point of diminishing returns means that output will decrease at an increasing rate.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736901>

Question 2654

Empirical studies indicate that entry

- A) increases price, but decreases profits.
- B) increases price and profits.
- C) decreases price, but increases profits.
- D) decreases price and profits.

Answer: <https://biology-forums.com/index.php?topic=737142>

Question 2655

The fact that it takes time for government to identify and recognize a problem is one reason for the occurrence of

- A) structural lags.
- B) implementation lags.
- C) outside lags.
- D) inside lags.

Answer: <https://biology-forums.com/index.php?topic=738032>

Question 2656

President Obama needs to get Congressional approval to enact measures to boost the economy. The time involved to formulate and get approval for these policies are called

- A) automatic stabilization.
- B) outside lags.
- C) inside lags.
- D) crowding in.

Answer: <https://biology-forums.com/index.php?topic=738034>

Question 2657

An increase in demand will cause the equilibrium price and quantity to rise, ceteris paribus.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735315>

Question 2658

If the first copy cost of a music video is \$223,000 and the marginal cost is \$0, then as the firm produces an infinite quantity of the video, the average total cost of producing the video will approach

- A) zero.
- B) \$1.00.
- C) \$2,230.
- D) \$1 million.

Answer: <https://biology-forums.com/index.php?topic=735862>

Question 2659

The slope of a nonlinear curve

- A) is zero.
- B) is constant.
- C) is negative.
- D) changes along the curve.

Answer: <https://biology-forums.com/index.php?topic=735059>

Question 2660

Adverse selection in employment is more likely when

- A) everyone is equally qualified for the job.
- B) people's abilities are difficult for potential employers to observe.
- C) jobs require specific training.
- D) people's abilities are easy to measure.

Answer: <https://biology-forums.com/index.php?topic=737697>

Question 2661

In the long run, output is determined solely by the supply of capital and the supply of labor, not the price level.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737113>

Question 2662

From World War II through 2010, the United States experienced _____ recessions.

- A) 2
- B) 5
- C) 11
- D) 15

Answer: <https://biology-forums.com/index.php?topic=736644>

Question 2663

Suppose that everybody pays the same price for auto insurance. What should happen to the price of insurance if the law changes from a system where there is mandatory auto insurance to one where there is voluntary auto insurance?

Answer: <https://biology-forums.com/index.php?topic=737782>

Question 2664

Suppose we observe that as a firm increases its price its total revenue decreases. Which of the following is a possible value of its price elasticity of demand?

- A) 0.25
- B) 0.5
- C) 1

D) 2

Answer: <https://biology-forums.com/index.php?topic=735504>

Question 2665

A policy of average-cost pricing will initially _____ price for a natural monopoly, but as costs increase price will _____.

- A) decrease; not change
- B) increase; decrease
- C) decrease; increase
- D) increase; not change

Answer: <https://biology-forums.com/index.php?topic=737511>

Question 2666

Fiat money refers to a monetary system in which gold backs up paper money.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738199>

Question 2667

When wages increase the income effect of labor supply _____ the quantity of labor supplied because _____.

- A) increases; the price of leisure has increased
- B) reduces; workers acquire more of all normal goods when income increases
- C) increases; the value of working has increased
- D) reduces; the price of leisure has increased

Answer: <https://biology-forums.com/index.php?topic=736348>

Question 2668

Which of the following is NOT a subgroup of the Federal Reserve System?

- A) the Federal Open Market Committee
- B) the Board of Governors
- C) the Federal Reserve Banks
- D) the Federal Funds Market

Answer: <https://biology-forums.com/index.php?topic=738270>

Question 2669

Trade is only beneficial if a nation has an absolute advantage in producing all products.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738491>

Question 2670

Explain why deflation could prevent people from being able to repay their debts.

Answer: <https://biology-forums.com/index.php?topic=736808>

Question 2671

How costly are biases in the CPI?

Answer: <https://biology-forums.com/index.php?topic=736794>

Question 2672

If cash is deposited into a checking account, the supply of money increases.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738255>

Question 2673

Average fixed cost is defined as

- A) total variable cost divided by quantity.

- B) total fixed cost divided by quantity.
C) quantity divided by total variable cost.
D) the change in total variable cost divided by the change in quantity.

Answer: <https://biology-forums.com/index.php?topic=735715>

Question 2674

If the Fed wished to decrease interest rates, it could

- A) increase the reserve requirement or conduct an open market sale.
B) increase the reserve requirement or conduct an open market purchase.
C) decrease the reserve requirement or conduct an open market sale.
D) decrease the reserve requirement or conduct an open market purchase.

Answer: <https://biology-forums.com/index.php?topic=738387>

Question 2675

The input-substitution effect associated with an increase in the wage implies that as the wage increases, a firm will substitute other inputs for the relatively expensive labor.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=736337>

Question 2676

Recall the application. By using a value-added approach to measure Wal-Mart's sales impact on the economy, we are

- A) excluding the net foreign sector.
B) using a chain-weighted index.
C) avoiding double-counting.
D) including GDP as a measure of welfare.

Answer: <https://biology-forums.com/index.php?topic=736610>

Question 2677

Prices of industrial products and wages tend to be the most "flexible."

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=736999>

Question 2678

In Table 9.2, Market 2 would be in equilibrium if buyers believed lemons account for

- A) 55% of the market.
B) 65% of the market.
C) 70% of the market.
D) 80% of the market.

Answer: <https://biology-forums.com/index.php?topic=737669>

Question 2679

Suppose that the price elasticity of demand for bagels is 1.60, a 10% increase in price will decrease the quantity demanded by 6%.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=735463>

Question 2680

What is the characteristic of a perfectly competitive firm that causes it to be a price taker?

- A) many buyers and sellers
B) homogeneous product
C) free entry and exit
D) A and B are correct.

Answer: <https://biology-forums.com/index.php?topic=735870>

Question 2681

When demand decreases and the demand curve shifts to the left, equilibrium price _____ and equilibrium quantity _____.

- A) increases; increases
- B) increases; decreases
- C) decreases; increases
- D) decreases; decreases

Answer: <https://biology-forums.com/index.php?topic=735380>

Question 2682

Describe how adjustments in wages and prices take the economy from the short-run equilibrium to the long-run equilibrium.

Answer: <https://biology-forums.com/index.php?topic=737130>

Question 2683

Suppose consumers save 17% of their incomes. If the government collects 10 dollar in taxes from each taxpayer and invested it in infrastructure, total social investment will _____ per taxpayer.

- A) increase by \$8.30
- B) decrease by \$1.70
- C) decrease by \$8.30
- D) increase by \$10.17

Answer: <https://biology-forums.com/index.php?topic=736891>

Question 2684

If Tom purchases a comprehensive auto insurance because he knows he is a reckless driver, his behavior is an example of moral hazard.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737771>

Question 2685

The real value of money _____ as the price level falls.

- A) decreases
- B) remains the same
- C) increases
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=737017>

Question 2686

A price taker is a buyer or a seller who

- A) accepts whatever price that the government legislates as the price of the good or service.
- B) has the ability to influence the equilibrium price in the market.
- C) buys or sells only at a price where profits can be made.
- D) takes the market price as given.

Answer: <https://biology-forums.com/index.php?topic=735877>

Question 2687

A firm should shut down in the short-run if its revenue is smaller than its variable costs.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735991>

Question 2688

A graphical tool that provides a visual representation of the consequences of alternative strategies is a

- A) strategy set.
- B) network.
- C) decision node.
- D) game tree.

Answer: <https://biology-forums.com/index.php?topic=737347>

Question 2689

Producers will take external costs into account when

- A) environmental groups apply sufficient pressure and generate negative press coverage.
- B) they actually have to pay those costs.
- C) those costs are less than the private costs.
- D) those costs are less than the benefits.

Answer: <https://biology-forums.com/index.php?topic=737878>

Question 2690

The sacrifices made by societies in order to engage in military spending represent

- A) the excessive costs of military spending.
- B) the nominal costs of military spending.
- C) the opportunity costs of military spending.
- D) the real costs of military spending.

Answer: <https://biology-forums.com/index.php?topic=735086>

Question 2691

The actual unemployment rate can be greater than or less than the natural rate of unemployment.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736749>

Question 2692

Slope is calculated as the

- A) change in the vertical variable.
- B) the vertical axis divided by the horizontal axis.
- C) change in the horizontal variable divided by the change in the vertical variable.
- D) change in the vertical variable divided by the change in the horizontal variable.

Answer: <https://biology-forums.com/index.php?topic=735047>

Question 2693

An increase in the supply of musicians _____ the number of musicians employed, and _____ the wages paid to musicians.

- A) increases; increases
- B) increases; decreases
- C) decreases; increases
- D) decreases; decreases

Answer: <https://biology-forums.com/index.php?topic=736385>

Question 2694

The quantity of TVs sold is 100 at the unit price \$200. Suppose the price elasticity of demand for TVs by the initial value method is 2.0, and you would like to decrease the unit price for TVs to \$150. Then the new quantity sold must be

- A) 125.
- B) 150.
- C) 200.
- D) 250.

Answer: <https://biology-forums.com/index.php?topic=735407>

Question 2695

If the price elasticity of supply is equal to zero and the price were to rise, the quantity supplied would

- A) fall to zero.
- B) not change.
- C) increase.
- D) decrease slightly.

Answer: <https://biology-forums.com/index.php?topic=735618>

Question 2696

Most empirical studies show that firms' long-run average cost curves

- A) are flat.

- B) are downward-sloping.
C) are L-shaped.
D) are upward-sloping.

Answer: <https://biology-forums.com/index.php?topic=735814>

Question 2697

Ceteris paribus means "Let the buyer beware."

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=735016>

Question 2698

In a market for used cars, if the minimum supply price for plums is lower than consumers' willingness to pay for a lemon, only plums will be supplied at the consumers' willingness to pay for a lemon.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=737713>

Question 2699

Adverse supply shocks can cause a recession with increasing price level.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=737116>

Question 2700

If average cost is falling, marginal cost must also be falling.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=735793>

Question 2701

If in the third quarter of 2012 total investment spending was \$4,768 billion and depreciation was \$3,292 billion, then the amount counted in GDP, which is known as gross investment, would be

- A) \$1,476 billion.
B) \$3,292 billion.
C) \$4,768 billion.
D) \$8,060 billion.

Answer: <https://biology-forums.com/index.php?topic=736558>

Question 2702

Slope is calculated as rise / run.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=735069>

Question 2703

Even though in oligopoly the actions of one firm has a perceptible effect on the other firms, oligopoly firms act independently.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=737375>

Question 2704

Nominal GDP is measured by calculating real GDP at constant prices.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=736632>

Question 2705

If price is less than average variable cost at a level of output where marginal revenue is equal to marginal cost, then in the short run the firm

- A) will produce only if they can decrease their fixed costs.
- B) should gather more data to determine whether to shut down.
- C) should shut down.
- D) should produce the level of output where marginal revenue equals marginal cost.

Answer: <https://biology-forums.com/index.php?topic=735984>

Question 2706

A perfectly competitive firm is producing a good at a level where $P = \$30$ and $MC = \$30$. The firm will continue to produce in the short run as long as

- A) AVC is less than $\$30$.
- B) price does not increase.
- C) AFC is less than $\$30$.
- D) ATC is greater than $\$30$.

Answer: <https://biology-forums.com/index.php?topic=735982>

Question 2707

Explain the effect of trade deficits on economic growth.

Answer: <https://biology-forums.com/index.php?topic=736906>

Question 2708

Is demand for electricity more price elastic when measured over a short period of time or a long period of time? Explain.

Answer: <https://biology-forums.com/index.php?topic=735479>

Question 2709

Suppose your bank pays you 4% interest per year on your savings account, so that $\$1,000$ grows to $\$1,040$ over a one-year period. If prices increase by 1% per year over that time, approximately how much real value do you gain by keeping $\$100$ in the bank for a year?

- A) $\$0$
- B) $\$10$
- C) $\$30$
- D) $\$50$

Answer: <https://biology-forums.com/index.php?topic=735191>

Question 2710

Which of the following is an example of a normative question?

- A) How will an increase in the inheritance tax affect tax revenues?
- B) Should Florida implement a state income tax to reduce its deficit?
- C) What fraction of an income tax cut will be spent on imported goods?
- D) How will an increase in unemployment benefits affect the unemployment rate?

Answer: <https://biology-forums.com/index.php?topic=734965>

Question 2711

Deposits are examples of a bank's

- A) balance sheet.
- B) assets.
- C) net worth.
- D) liabilities.

Answer: <https://biology-forums.com/index.php?topic=738214>

Question 2712

If a monopolist is maximizing its profits, we know that it has

- A) minimized total cost.
- B) maximized marginal revenue.
- C) equated marginal cost and marginal revenue.
- D) maximized total revenue.

Answer: <https://biology-forums.com/index.php?topic=736124>

Question 2713

In the GDP accounts, investment includes the purchase of newly issued shares of stock.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736583>

Question 2714

Which of the following is a microeconomic question?

- A) Why do some countries have higher inflation rates than other countries?
- B) Should the government subsidize corn farmers to encourage the production of ethanol?
- C) Should congress decrease taxes to help stimulate the economy?
- D) Should the government decrease unemployment benefits to reduce the unemployment rate?

Answer: <https://biology-forums.com/index.php?topic=735037>

Question 2715

In the United States, the use of fiscal policy tools to stabilize the economy gained prominence during

- A) the Clinton administration.
- B) the depression era.
- C) the Reagan administration.
- D) the Kennedy administration.

Answer: <https://biology-forums.com/index.php?topic=738125>

Question 2716

In the United States economy, what is the basic measure of money?

- A) disposable income
- B) commodities
- C) M1
- D) wealth

Answer: <https://biology-forums.com/index.php?topic=738185>

Question 2717

When the price of hamburger went from \$3 to \$4 a pound, the quantity demanded of buns changed from 30 to 25 packages a day. The cross-price elasticity of demand for buns (using the initial value formula) is

- A) 1.4.
- B) 0.5.
- C) -0.5.
- D) -1.4.

Answer: <https://biology-forums.com/index.php?topic=735569>

Question 2718

Output in the short run is determined by which of the following factors when an economy operates at full employment?

- A) the price level
- B) the labor force
- C) demand
- D) supply

Answer: <https://biology-forums.com/index.php?topic=737084>

Question 2719

Recall the application. The policies used by the European Union to support the agricultural sectors of its member countries created excess supply. Excess supply can be generated if a government establishes a

- A) price floor above the market equilibrium price.
- B) price floor below the market equilibrium price.
- C) price ceiling below the market equilibrium price.
- D) price ceiling above the market equilibrium price.

Answer: <https://biology-forums.com/index.php?topic=735270>

Question 2720

Which of the following would be a macroeconomic question?

- A) How has the number of commercial airline flights decreased over time?
- B) How has the price of gold increased over time?
- C) How have the retirement benefits in the auto industry changed over time?
- D) How has inflation increased over time?

Answer: <https://biology-forums.com/index.php?topic=736517>

Question 2721

If the Fed wished to decrease inflation, it could

- A) increase the reserve requirement or conduct an open market sale.
- B) increase the reserve requirement or conduct an open market purchase.
- C) decrease the reserve requirement or conduct an open market sale.
- D) decrease the reserve requirement or conduct an open market purchase.

Answer: <https://biology-forums.com/index.php?topic=738388>

Question 2722

Recall the application. Oil supply disruptions explain _____ of the variability of oil prices.

- A) absolutely none
- B) about 50%
- C) more than 90%
- D) only a small fraction

Answer: <https://biology-forums.com/index.php?topic=737108>

Question 2723

If the prices of goods begin to rise rapidly, people may find it difficult to maintain their lifestyles. Explain why.

Answer: <https://biology-forums.com/index.php?topic=736529>

Question 2724

The difference in price between hardback books and paperbacks is primarily explained by differences in production costs.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736259>

Question 2725

Under which conditions might diseconomies of scale result?

- A) decreasing costs of inputs
- B) increasing output prices
- C) usage of a large amount of indivisible inputs by the firm
- D) hampered coordination brought about by bureaucracy

Answer: <https://biology-forums.com/index.php?topic=735831>

Question 2726

Who are the price takers in a perfectly competitive market?

- A) both the buyers and the sellers
- B) neither the buyers nor the sellers
- C) the sellers
- D) the buyers

Answer: <https://biology-forums.com/index.php?topic=735876>

Question 2727

Recall the Application. Suppose a low demander is willing to pay \$8 for a movie, while a high demander is willing to pay \$12 for a movie and popcorn. If the theater charged \$8 for admission and \$2 for popcorn, the low demander would receive a consumer surplus of _____, and the high demander would receive a consumer surplus of _____.

- A) \$2; \$6
- B) \$10; \$22

- C) \$0; \$2
- D) \$-2; \$4

Answer: <https://biology-forums.com/index.php?topic=736247>

Question 2728

Governments like to know the price elasticity of demand because it helps them determine how changes in sales tax rates will affect

- A) tax revenues.
- B) income.
- C) government spending.
- D) profits.

Answer: <https://biology-forums.com/index.php?topic=735509>

Question 2729

Table 9.7 shows the production cost for two utilities at different levels of sulfur dioxide emissions. Assume that the government issued 8 marketable pollution permits to each firm. If the two firms were to voluntarily trade pollution permits, how many permits would be swapped?

- A) 1
- B) 2
- C) 3
- D) 4

Answer: <https://biology-forums.com/index.php?topic=737982>

Question 2730

Suppose that buyers assume that there is a 30% chance of getting a plum, and 8 of 10 cars in the used car market are lemons. Is this an equilibrium?

Answer: <https://biology-forums.com/index.php?topic=737720>

Question 2731

Monopolistically competitive markets are different from perfectly competitive markets because in monopolistically competitive markets firms

- A) have some control over price, while in perfectly competitive markets firms have no control over price.
- B) sell a standardized product, while in perfectly competitive markets firms sell a differentiated product.
- C) face substantial barriers to entry, while in perfectly competitive markets firms face no significant barriers to entry.
- D) have no control over price, while in perfectly competitive markets firms have some control over price.

Answer: <https://biology-forums.com/index.php?topic=737274>

Question 2732

A monopolist's marginal cost is less than the price it charges.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736133>

Question 2733

Suppose consumer tastes and preferences shift from pizza to tacos. In the short run case, these changing tastes will result in pizza restaurants _____ pizza prices and taco restaurants _____ taco prices.

- A) increasing; increasing
- B) increasing; decreasing
- C) decreasing; increasing
- D) decreasing; decreasing

Answer: <https://biology-forums.com/index.php?topic=736992>

Question 2734

How does a pollution tax work?

Answer: <https://biology-forums.com/index.php?topic=737931>

Question 2735

The amount of income that households keep after paying taxes is

- A) value added income.
- B) personal income.
- C) national income.

D) personal disposable income.

Answer: <https://biology-forums.com/index.php?topic=736603>

Question 2736

Which of the following is NOT a form of antitrust policy?

- A) a price control
- B) regulation of business practices
- C) blocking mergers
- D) breaking up monopolies

Answer: <https://biology-forums.com/index.php?topic=737533>

Question 2737

In periods when GDP fails to grow at its normal rate, the actual unemployment rate will be _____ than the natural rate of unemployment.

- A) higher
- B) the same
- C) falling faster
- D) lower

Answer: <https://biology-forums.com/index.php?topic=736735>

Question 2738

An open market _____ by the Fed decreases the money supply, which leads to _____ interest rates and a fall in investment spending.

- A) purchase; decreased
- B) sale; increased
- C) purchase; increased
- D) sale; decreased

Answer: <https://biology-forums.com/index.php?topic=738380>

Question 2739

Suppose that real GDP starts at 100 and grows at a rate of 10% per year for two years. In the third year real GDP would be

- A) 110.
- B) 110.1.
- C) 120.
- D) 121.

Answer: <https://biology-forums.com/index.php?topic=736835>

Question 2740

A decrease in spending on new homes will, other things equal,

- A) decrease aggregate demand.
- B) increase aggregate demand.
- C) decrease aggregate supply.
- D) increase aggregate supply.

Answer: <https://biology-forums.com/index.php?topic=737037>

Question 2741

Perfect competition is characterized by many firms and no barriers to entry.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735902>

Question 2742

What is frictional unemployment?

Answer: <https://biology-forums.com/index.php?topic=736752>

Question 2743

Table 9.4 represents 3 markets for used motorcycles. Which of the markets in Table 14.4 are in equilibrium?

- A) 1 only
- B) 2 only

- C) 3 only
- D) 1 and 3

Answer: <https://biology-forums.com/index.php?topic=737678>

Question 2744

- The marginal propensity to save (MPS) is the
- A) part of consumption spending that does not depend on income.
 - B) fraction of additional income that is saved.
 - C) total amount of income that is saved.
 - D) amount of saving that is later consumed.

Answer: <https://biology-forums.com/index.php?topic=737043>

Question 2745

- A market is called monopolistically competitive if each firm has the same product but consumers can choose to purchase the product from any firm.
- A) True
 - B) False

Answer: <https://biology-forums.com/index.php?topic=737244>

Question 2746

- The result of the Interstate Bakeries and Continental Bakery case was that the firms were
- A) forced to split up into several smaller firms.
 - B) allowed to merge only if one of the firms sold off some of its divisions.
 - C) fined substantial amounts for engaging in a trust.
 - D) blocked from merging because a merger would have created a monopoly in some locations.

Answer: <https://biology-forums.com/index.php?topic=737550>

Question 2747

- The supply of money in the U.S. economy is determined primarily by
- A) the actions of the Federal Reserve and the banking system.
 - B) decisions made by the Federal Reserve and the U.S. Treasury.
 - C) the demand for money in the economy.
 - D) consumers and the banking system.

Answer: <https://biology-forums.com/index.php?topic=738147>

Question 2748

Empirical studies show that entry into markets increases both price and quantity of goods supplied.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737161>

Question 2749

Under Temporary Aid to Needy Families a recipient loses their cash benefits when they get a job.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736510>

Question 2750

Firms like to know the price elasticity of demand because it determines how price changes affect

- A) costs.
- B) the supply curve.
- C) taxes.
- D) revenues.

Answer: <https://biology-forums.com/index.php?topic=735542>

Question 2751

Give five examples of industries that are monopolistically competitive.

Answer: <https://biology-forums.com/index.php?topic=737259>

Question 2752

Using expansionary policies to combat a recession would

- A) increase a budget surplus.
- B) increase federal revenue.
- C) decrease discretionary spending.
- D) increase a budget deficit.

Answer: <https://biology-forums.com/index.php?topic=738096>

Question 2753

Why is it important that a firm can prevent resale of its product if it wishes to engage in price discrimination?

Answer: <https://biology-forums.com/index.php?topic=736261>

Question 2754

Consider two people involved in a marriage or relationship. If, when one person is caught cheating on their agreement, the other divorces or leave them, then they are using a

- A) tit-for-tat strategy.
- B) predatory strategy.
- C) grim trigger strategy.
- D) dominant strategy.

Answer: <https://biology-forums.com/index.php?topic=737411>

Question 2755

The price elasticity of demand for business travel tends to be greater than that of leisure travel.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735467>

Question 2756

To explore the rationale for specialization, economists use the

- A) principle of marginal exchange.
- B) marginal principle.
- C) principle of opportunity cost.
- D) real-nominal principle.

Answer: <https://biology-forums.com/index.php?topic=738437>

Question 2757

Recall the application. The economic approach to spam is to

- A) ignore the spam issue because it has no economic implications.
- B) establish a price for commercial e-mail.
- C) have it legislated on the local level since it is a microeconomic issue.
- D) ban all e-mail from international servers.

Answer: <https://biology-forums.com/index.php?topic=735013>

Question 2758

What is meant by the term "inside lags"?

Answer: <https://biology-forums.com/index.php?topic=738045>

Question 2759

What impact would the Fed's raising the interest rate have on any inflationary pressure in the economy?

- A) An increase in interest rates increases the money supply, which could cause the price level to increase.
- B) An increase in interest rates decreases the exchange rate, which causes net exports to rise, generating inflation.
- C) An increase in interest rates increases real GDP, which creates inflation in an economy.
- D) An increase in interest rates decreases the money demand, which could slow increases in the price level.

Answer: <https://biology-forums.com/index.php?topic=738351>

Question 2760

It is possible that a firm in a perfectly competitive market earns a negative profit in the long run.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736069>

Question 2761

All of the following can cause technological progress EXCEPT

- A) population decreases.
- B) research and development.
- C) education.
- D) free trade.

Answer: <https://biology-forums.com/index.php?topic=736930>

Question 2762

In the short run

- A) firms are able to alter some, but not all, of their factors of production.
- B) firms are unable to adjust their output choices.
- C) firms have the ability to enter or exit the industry.
- D) None of the above is correct.

Answer: <https://biology-forums.com/index.php?topic=735663>

Question 2763

In what sense is frictional unemployment "good" for the economy?

Answer: <https://biology-forums.com/index.php?topic=736756>

Question 2764

The relationship between the wage and the quantity of labor that all workers are willing to provide is called

- A) individual labor demand.
- B) market labor supply.
- C) individual labor supply.
- D) market labor demand.

Answer: <https://biology-forums.com/index.php?topic=736358>

Question 2765

You observe that at your current production of rutabaga, the average total cost of producing rutabaga is \$1 and the marginal cost of producing rutabaga is \$2. What should always happen if you increase rutabaga production?

- A) Marginal cost will fall.
- B) Average total cost will fall.
- C) Average total cost will rise.
- D) Both A and B are correct.

Answer: <https://biology-forums.com/index.php?topic=735776>

Question 2766

Inflation must be high in Moscow because it is very expensive to live there.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736805>

Question 2767

If your wealth is held as currency or in checking accounts, or other assets that you can convert to money on short notice, your assets are considered to be

- A) liquid.
- B) interest bearing.
- C) fast moving.
- D) abundant.

Answer: <https://biology-forums.com/index.php?topic=738312>

Question 2768

Why is it difficult to make accurate and valid comparisons of real GDP or GNP for different countries, and how do the World Bank and the IMF deal with these difficulties?

Answer: <https://biology-forums.com/index.php?topic=736863>

Question 2769

When federal government spending amounts to less than tax revenues, the federal government runs a budget deficit.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738110>

Question 2770

You own a local sub shop in a college town. You primarily serve two groups of people: local residents (both students and other local residents) and visitors to your town. Devise a price discrimination strategy that will increase your revenues compared to a single-pricing strategy.

Answer: <https://biology-forums.com/index.php?topic=736267>

Question 2771

Recall the application. The recessions in 1973 and 1979 were caused by

- A) supply shocks.
- B) arbitrage losses in the foreign exchange market.
- C) deflation.
- D) foreign monetary developments.

Answer: <https://biology-forums.com/index.php?topic=737094>

Question 2772

Marginal revenue is equal to price for a perfectly competitive firm because

- A) total revenue increases by less than the price of the good when an additional unit is sold.
- B) firms need to lower price to increase the quantity sold.
- C) firms can increase price and still increase the quantity sold.
- D) total revenue increases by the price of the good when an additional unit is sold.

Answer: <https://biology-forums.com/index.php?topic=735913>

Question 2773

If firms make a profit in the short run, firms will exit the market in the long run.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736068>

Question 2774

The entry of an additional firm into a market decreases the profit per unit of output because entry decreases the price.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737156>

Question 2775

Why can car insurance companies charge higher auto rates for new customers than for established customers, all else held constant?

Answer: <https://biology-forums.com/index.php?topic=737781>

Question 2776

Your boss, the mayor of a city, thought that she'd come up with a great way to raise city revenue: increase the tax on gasoline in the city! However, she discovered that the city was actually receiving less tax revenue after the gas tax increase than before. Incensed, she declared that the economic policy prescription of taxing goods with inelastic demand must be flawed. Comment.

Answer: <https://biology-forums.com/index.php?topic=735477>

Question 2777

A private good is a good that

- A) is not excludable.
- B) is nonrival.
- C) is consumed by a single person or household.
- D) is provided only by private sectors.

Answer: <https://biology-forums.com/index.php?topic=737790>

Question 2778

When governments grant patents

- A) consumers pay a higher price than they would in a competitive market.
- B) producers earn profits that are substantially higher than would occur in a competitive market.
- C) consumers are likely to pay lower prices than they would in a competitive market.
- D) Both A and B are correct.

Answer: <https://biology-forums.com/index.php?topic=736186>

Question 2779

If the price a firm charges in a perfectly competitive industry is greater than average total cost

- A) the firm is earning an economic profit equal to zero.
- B) the firm is earning an economic profit less than zero.
- C) the firm is earning an economic profit greater than zero.
- D) it is not possible to determine anything about profits.

Answer: <https://biology-forums.com/index.php?topic=735940>

Question 2780

If perfectly competitive firms are earning positive economic profits in the short run, then in the long run other firms will enter the market.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736064>

Question 2781

GDP per capita means GDP

- A) in real terms.
- B) divided by the capital stock.
- C) adjusted for inflation.
- D) per person.

Answer: <https://biology-forums.com/index.php?topic=736830>

Question 2782

Joe runs a restaurant. He pays his employees \$200,000 per year. His ingredients cost him \$50,000 per year. Prior to running his restaurant, Joe was a lawyer earning \$150,000 per year. What would economists say is Joe's cost of running the restaurant?

- A) \$150,000
- B) \$200,000
- C) \$250,000
- D) \$400,000

Answer: <https://biology-forums.com/index.php?topic=735672>

Question 2783

Fireworks on the night on July 4th are neither rival nor excludable.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737846>

Question 2784

A school bookstore tried to engage in price discrimination by selling novels to students and faculty for different prices. Its strategy was to increase prices to faculty and decrease prices to students. What is the most likely reason that this strategy failed?

- A) Everyone had inelastic demand for novels.
- B) There was nothing to prevent students from purchasing novels and reselling them to faculty.
- C) Novels are sold in a competitive market.
- D) There was no easy way to distinguish the students from the faculty.

Answer: <https://biology-forums.com/index.php?topic=736209>

Question 2785

Assume that when a lamp manufacturer decreases its price its total revenue does not change. What do we know?

- A) Demand is price inelastic.
- B) Demand is unitary elastic.
- C) Demand is price elastic.
- D) Demand is perfectly price elastic.

Answer: <https://biology-forums.com/index.php?topic=735501>

Question 2786

When the public expects inflation, real and nominal interest rates will differ because inflation needs to be accounted for in calculating the real return from lending and borrowing.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738433>

Question 2787

If the demand for one good decreases when the price of another good increases, the two goods are _____ goods.

- A) substitute
- B) inferior
- C) complementary
- D) normal

Answer: <https://biology-forums.com/index.php?topic=735303>

Question 2788

The government uses the buying power of wages in reporting changes in "nominal wages" in the economy.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735210>

Question 2789

Why does unemployment not go to zero during booms?

Answer: <https://biology-forums.com/index.php?topic=736758>

Question 2790

Which of the following is NOT an advantage of a pollution tax?

- A) It allows us to predict the total volume of pollution that will be discharged.
- B) It allows a low-cost firm to abate more.
- C) It provides firms an incentive to invest in pollution abatement technologies.
- D) It allows firms to equate its marginal abatement cost and the marginal benefit (tax savings).

Answer: <https://biology-forums.com/index.php?topic=737906>

Question 2791

Suppose the growth rate of GDP in the United States is 4.2%. If 2.9% and 1.3% of GDP growth are due, respectively, to capital and labor growth, the amount resulting from technological progress is

- A) 0%.
- B) 1.3%.
- C) 2.9%.
- D) 4.2%.

Answer: <https://biology-forums.com/index.php?topic=736914>

Question 2792

Recall the application. The policies used by the European Union to support the agricultural sectors of its member countries created excess supply. This would occur if these policies set a _____ price which was _____ the market equilibrium price.

- A) maximum; above
- B) minimum; above
- C) maximum; below
- D) minimum; below

Answer: <https://biology-forums.com/index.php?topic=735269>

Question 2793

In the short run a manufacturing firm's production equipment is a sunk cost.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735995>

Question 2794

Which of the following is an example of government discretionary spending?

- A) Social Security retirement payments
- B) net interest paid on government debt held by the public
- C) defense spending
- D) Medicare benefits for the elderly

Answer: <https://biology-forums.com/index.php?topic=738053>

Question 2795

A market served by only one firm is called a(n)

- A) perfectly competitive market.
- B) oligopoly.
- C) monopoly.
- D) Any of the above could be correct.

Answer: <https://biology-forums.com/index.php?topic=736088>

Question 2796

Based on the data in the table, this Application addresses the economic concept of

- A) the real-nominal principle.
- B) the principle of voluntary exchange.
- C) the principle of diminishing returns.
- D) the marginal principle.

Answer: <https://biology-forums.com/index.php?topic=735176>

Question 2797

A period in which real GDP in the economy declines for at least six months is referred to as

- A) a positive fluctuation.
- B) long term growth.
- C) a recession.
- D) living standards.

Answer: <https://biology-forums.com/index.php?topic=736639>

Question 2798

The transaction demand for money comes mostly from the fact that

- A) money is a unit of account.
- B) money has low opportunity cost.
- C) money is a store of value.
- D) money is a medium of exchange.

Answer: <https://biology-forums.com/index.php?topic=738300>

Question 2799

Fixed costs are the same in the short run as they are in the long run.

- A) True

B) False

Answer: <https://biology-forums.com/index.php?topic=735790>

Question 2800

Which of the following is NOT an example of technological progress?

- A) the invention of the microwave oven
- B) the development of smart phones
- C) the development of laser eye surgery
- D) an increase in the labor supply as the result of population growth

Answer: <https://biology-forums.com/index.php?topic=736908>

Question 2801

When referring to "marginal" changes, the economic focus is on

- A) large changes on the low end.
- B) graduated changes on the high end.
- C) small or incremental changes.
- D) changes which affect only a few people or products.

Answer: <https://biology-forums.com/index.php?topic=735137>

Question 2802

The practice of featherbedding is intended to help unions

- A) increase membership by guaranteeing job growth.
- B) defeat "right-to-work" laws.
- C) negotiate for higher wages by assuring more efficient labor practices.
- D) reduce the tradeoff between higher wages and fewer jobs.

Answer: <https://biology-forums.com/index.php?topic=736452>

Question 2803

Steel workers laid off from their jobs as the result of a recession are considered

- A) cyclically unemployed.
- B) structurally unemployed.
- C) seasonally unemployed.
- D) frictionally unemployed.

Answer: <https://biology-forums.com/index.php?topic=736718>

Question 2804

An example of a good that is nonrival in consumption is

- A) the Lincoln Memorial in Washington, D.C.
- B) a campsite at Yellowstone National Park.
- C) a ticket to an Omnimax movie at the Smithsonian.
- D) All of the above are nonrival in consumption.

Answer: <https://biology-forums.com/index.php?topic=737801>

Question 2805

The real GDP per capita allows economic comparison between countries.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736856>

Question 2806

Why is the demand for labor downward sloping in the short-run?

Answer: <https://biology-forums.com/index.php?topic=736341>

Question 2807

If the marginal cost is increasing over a given output range, the average total cost must increase.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735801>

Question 2808

Suppose that there are two firms, each generating three tons of SO₂. Suppose also that the government has set a target abatement level of two tons. Under a policy of uniform abatement with permits the firm with the lower marginal abatement cost

- A) will abate less SO₂ than the firm with the higher marginal abatement cost.
- B) will abate more SO₂ than the firm with the higher marginal abatement cost.
- C) will sell its pollution permit to the firm with the higher marginal abatement cost.
- D) will abate exactly the same amount of SO₂ as the firm with the higher marginal abatement cost.

Answer: <https://biology-forums.com/index.php?topic=737936>

Question 2809

The lemons model predicts that

- A) if there are high-quality goods in the market, there will be fewer or no low-quality items.
- B) if there are low-quality goods in the market, there will be fewer or no high-quality items.
- C) if buyers are pessimistic about the percentage of low-quality goods on the market sellers of low-quality goods will be able to charge higher prices than if buyers had neutral beliefs.
- D) the more low-quality goods there are in the market, the more high-quality goods there will be in the market.

Answer: <https://biology-forums.com/index.php?topic=737701>

Question 2810

In the price fixing game, when both firms choose their dominant strategy, each firm will generally earn more profits than when both firms choose the alternative strategy.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737382>

Question 2811

There is asymmetric information in the used car market because sellers cannot distinguish between lemons (low-quality) and plums (high-quality) but buyers can.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737707>

Question 2812

If the first copy cost of a music video is \$223,000 and the marginal cost is \$0, then how many copies should the firm sell in order to break even if the price was \$10 each?

- A) zero
- B) 2,230
- C) 22,300
- D) 223,000

Answer: <https://biology-forums.com/index.php?topic=735861>

Question 2813

In the short run, the marginal cost of the first unit of output is \$20, the marginal cost of producing the second unit of output is \$16, and the marginal cost of producing the third unit of output is \$12. The firm's total variable cost of producing three units of output is

- A) \$12.
- B) \$16.
- C) \$20.
- D) \$48.

Answer: <https://biology-forums.com/index.php?topic=735728>

Question 2814

Kaitlyn and Larissa have formed a dog bathing and grooming business. The number of dogs they can bathe or groom in any given day is depicted in Table 2.1. The opportunity cost of grooming the first dog in a day is bathing _____ dog(s).

- A) 1
- B) 2

- C) 24
- D) 25

Answer: <https://biology-forums.com/index.php?topic=735089>

Question 2815

Deposits in savings accounts are included in

- A) M1.
- B) M2.
- C) both M1 and M2.
- D) neither M1 nor M2.

Answer: <https://biology-forums.com/index.php?topic=738176>

Question 2816

Which of the following curves reflects the idea that in the long run, output is determined only by the factors of production and given technology?

- A) the long-run aggregate supply curve
- B) the Keynesian aggregate supply curve
- C) the aggregate demand curve
- D) the market supply curve

Answer: <https://biology-forums.com/index.php?topic=737078>

Question 2817

If you were thinking of entering the ice cream business, would you make a product that is just like one that is already being produced? Explain.

Answer: <https://biology-forums.com/index.php?topic=737262>

Question 2818

Explain three ways we can use macroeconomic analysis.

Answer: <https://biology-forums.com/index.php?topic=735033>

Question 2819

Suppose that your firm's marginal cost of producing a pencil is 5 cents and the average cost of producing a pencil is 7 cents. If your firm is interested in minimizing average total costs, what should your firm do?

- A) Decrease production.
- B) Increase production.
- C) Maintain production at the current level.
- D) Look for ways to increase fixed costs.

Answer: <https://biology-forums.com/index.php?topic=735778>

Question 2820

Suppose that an Italian ice cream firm is facing a linear demand curve and that the current price for the Italian ice cream is set at a point where the price elasticity is 0.7. If the firm decreases the product price,

- A) the demand becomes less inelastic and total revenue increases.
- B) the demand becomes more inelastic and total revenue increases.
- C) the demand becomes less inelastic and total revenue decreases.
- D) the demand becomes more inelastic and total revenue decreases.

Answer: <https://biology-forums.com/index.php?topic=735539>

Question 2821

Recall the Application. The reason that the change in demand for margarine did not change the equilibrium price in the long run is because the margarine industry is an example of _____ industry.

- A) a decreasing-cost
- B) a constant-cost
- C) a negative-cost
- D) an increasing-cost

Answer: <https://biology-forums.com/index.php?topic=736080>

Question 2822

You borrow money to buy a house in 2009 at a fixed interest rate of 5.5%. By 2012, the inflation rate has steadily fallen to 1.5% from the recent high of

3.0% in 2009. Considering only your mortgage, is inflation good news or bad news for you?

- A) good news, because it makes the real value of your mortgage payments decrease
- B) bad news, because it makes the nominal value of your mortgage payments increase
- C) bad news, because inflation hurts everyone
- D) bad news, because it makes the real value of your mortgage payments increase

Answer: <https://biology-forums.com/index.php?topic=735194>

Question 2823

When private goods have external benefits

- A) marginal private cost is greater than marginal social cost.
- B) marginal private benefit is greater than marginal social benefit.
- C) marginal social cost is greater than marginal private cost.
- D) marginal social benefit is greater than marginal private benefit.

Answer: <https://biology-forums.com/index.php?topic=737831>

Question 2824

How do you interpret the value of cross-price elasticity?

Answer: <https://biology-forums.com/index.php?topic=735587>

Question 2825

Consider the data in Table 9.6. Both firms can benefit if Firm A sells its pollution permit allowing it to generate 100 gallons of wastewater to Firm B for

- A) a price between \$12 and \$18.
- B) a price between \$7 and \$12.
- C) a price between \$0 and \$7.
- D) Both firms cannot benefit if A sells permits to B.

Answer: <https://biology-forums.com/index.php?topic=737976>

Question 2826

Should a monopolist charge the highest price for its good that anyone in the market will pay?

Answer: <https://biology-forums.com/index.php?topic=736147>

Question 2827

From 1979-2007, labor income for U.S. households became more evenly distributed.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736489>

Question 2828

Can a monopolistically competitive firm producing a good with lots of very close substitutes earn large positive profits in the long run?

Answer: <https://biology-forums.com/index.php?topic=737267>

Question 2829

When a credit card company offers different services with its card, like travel insurance for air travel tickets purchased with the credit card or product insurance for items purchased with the card, the credit card company is trying to

- A) differentiate its credit card from those offered by other companies.
- B) create a perfectly competitive market in which to sell its credit card.
- C) create a barrier to entry for competing firms.
- D) shift the demand curve for competing firms to the right.

Answer: <https://biology-forums.com/index.php?topic=737185>

Question 2830

Explain the supply and demand of products, factors of production, and the payments for the products and factors of production as described in the circular flow diagram.

Answer: <https://biology-forums.com/index.php?topic=736530>

Question 2831

If the actual interest rate in the money market is higher than the equilibrium interest rate, there would be an excess supply of money.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738376>

Question 2832

Which of the following is a long-run impact of an increase in the wage?

- A) The quantity demanded of labor increases because there are no diminishing returns.
- B) The quantity demanded of labor decreases because firms face a higher degree of diminishing returns.
- C) The quantity demanded of labor increases because the marginal revenue product curve shifts upward due to a higher product price.
- D) The quantity demanded of labor decreases because firms will have an incentive to use more of other inputs instead of labor.

Answer: <https://biology-forums.com/index.php?topic=736325>

Question 2833

Recall the Application. A study of the retail tire market suggests that prices are _____ in markets where firms offer low-price guarantees.

- A) generally unchanged
- B) always lower
- C) generally higher
- D) generally lower

Answer: <https://biology-forums.com/index.php?topic=737422>

Question 2834

When the Fed increases the money supply, it leads to lower interest rates.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738404>

Question 2835

Between 1992 and 1999, the employment rate for single mothers in the United States

- A) more than doubled.
- B) increased by 15 percentage points.
- C) remained fairly constant.
- D) decreased by 19 percentage points.

Answer: <https://biology-forums.com/index.php?topic=736502>

Question 2836

Which of the following is NOT a barrier to entry for monopoly?

- A) large economies of scale
- B) government licensing
- C) a patent
- D) a large number of existing firms in a market

Answer: <https://biology-forums.com/index.php?topic=736093>

Question 2837

Macroeconomics involves the study of the decision-making of individual firms or individuals.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735030>

Question 2838

When deciding whether to engage in an activity or how much to do, people should follow

- A) the law of supply and demand.
- B) the principle of microeconomics.
- C) the marginal principle.
- D) the principle of macroeconomics.

Answer: <https://biology-forums.com/index.php?topic=735138>

Question 2839

Why do some markets have more firms than others?

Answer: <https://biology-forums.com/index.php?topic=736142>

Question 2840

Macroeconomics

- A) studies the behavior of individual consumers, firms and markets.
- B) involves the interaction between different countries in specific markets.
- C) studies the behavior of the economy as a whole.
- D) studies how computer automation has changed economics.

Answer: <https://biology-forums.com/index.php?topic=736520>

Question 2841

At full employment there is no

- A) frictional unemployment.
- B) cyclical unemployment.
- C) structural unemployment.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736729>

Question 2842

In order to practice price discrimination a firm must

- A) avoid detection by the government.
- B) have some degree of market power.
- C) advertise their product.
- D) have a homogeneous product.

Answer: <https://biology-forums.com/index.php?topic=736207>

Question 2843

The financial crisis and recession which began in 2007

- A) had a global impact.
- B) impacted only low-income countries.
- C) was only severe in the United States.
- D) impacted only high-income countries.

Answer: <https://biology-forums.com/index.php?topic=734995>

Question 2844

The absence of clear property rights inhibits investment and economic growth.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736969>

Question 2845

The purpose of antitrust policy is to

- A) achieve scale economies in production.
- B) increase profits to firms.
- C) promote competition among firms.
- D) protect domestic firms from foreign trade.

Answer: <https://biology-forums.com/index.php?topic=737534>

Question 2846

Explain why the short-run aggregate supply curve is a relatively flat, horizontal line.

Answer: <https://biology-forums.com/index.php?topic=737119>

Question 2847

About 46% of M1 is composed of

- A) savings deposits.
- B) money market mutual funds.
- C) currency held by the public.
- D) demand deposits.

Answer: <https://biology-forums.com/index.php?topic=738171>

Question 2848

A special case of an oligopoly where there are only two firms is called

- A) perfect competition.
- B) monopolistic competition.
- C) a monopoly.
- D) a duopoly.

Answer: <https://biology-forums.com/index.php?topic=737326>

Question 2849

If the elasticity of demand for cigarettes by teenagers is 1.5, then the price and total revenue from teens buying cigarettes are

- A) directly related.
- B) inversely related.
- C) unrelated.
- D) zero.

Answer: <https://biology-forums.com/index.php?topic=735491>

Question 2850

Actual unemployment can fall below the natural rate of unemployment due to

- A) negative cyclical unemployment.
- B) structural unemployment.
- C) frictional unemployment.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=736738>

Question 2851

A comparison of the average growth rates across time for developed nations indicates that

- A) nations with lower levels of income grow more quickly than those with higher levels of income.
- B) nations with lower levels of income grow more slowly than those with higher levels of income.
- C) nations with lower levels of income will never be as rich as nations with high levels of income.
- D) nations with high levels of income experience a continuously increasing growth rate.

Answer: <https://biology-forums.com/index.php?topic=736850>

Question 2852

The economic theory that emphasizes the role of difficulties in coordinating economic affairs as a cause of economic fluctuations is known as

- A) real business cycle theory.
- B) technology shock theory.
- C) investment cycle theory.
- D) Keynesian economics.

Answer: <https://biology-forums.com/index.php?topic=736974>

Question 2853

When demand falls, the price charged by a monopoly under an average-cost pricing policy will fall.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737529>

Question 2854

What is the purpose of a pollution tax?

Answer: <https://biology-forums.com/index.php?topic=737929>

Question 2855

In wealthy countries such as the United States, the price elasticity of the demand for food is _____ it is in poorer countries.

- A) the same as
- B) greater than
- C) less than
- D) None of the above; it is not possible to make international comparisons of price elasticity.

Answer: <https://biology-forums.com/index.php?topic=735455>

Question 2856

What is cyclical unemployment?

Answer: <https://biology-forums.com/index.php?topic=736751>

Question 2857

When a firm is awarded a patent, it is given monopoly rights to the production of that product for _____ years.

- A) 10
- B) 20
- C) 30
- D) 50

Answer: <https://biology-forums.com/index.php?topic=736097>

Question 2858

Most economists believe that convergence of GDP per capita _____ between developed nations and _____ between developing and developed nations.

- A) has occurred; has occurred
- B) has not occurred; has occurred
- C) has not occurred; has not occurred
- D) has occurred; has not occurred

Answer: <https://biology-forums.com/index.php?topic=736853>

Question 2859

The market for chicken used to be perfectly competitive. Then producers like Frank Perdue started marketing chicken under their name. What did they gain by doing this?

Answer: <https://biology-forums.com/index.php?topic=737263>

Question 2860

Bananas, chocolate bars, chewing gum, orange juice and yogurt are considered to be _____ goods.

- A) essential
- B) service
- C) nondurable
- D) durable

Answer: <https://biology-forums.com/index.php?topic=736551>

Question 2861

In Table 9.2, Market 3 would be in equilibrium if buyers believed plums account for

- A) 30% of the market.
- B) 40% of the market.
- C) 50% of the market.
- D) 60% of the market.

Answer: <https://biology-forums.com/index.php?topic=737670>

Question 2862

If the price elasticity of demand is 1.3, demand is

- A) elastic.
- B) inelastic.
- C) unitary elastic.
- D) upward sloping.

Answer: <https://biology-forums.com/index.php?topic=735417>

Question 2863

What does Temporary Aid to Needy Families provide to recipients?

Answer: <https://biology-forums.com/index.php?topic=736515>

Question 2864

Depreciation is the term used when plants, equipment and housing deteriorate and wear out, thus losing their original values.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736585>

Question 2865

Describe the three broad categories of the U.S. budget.

Answer: <https://biology-forums.com/index.php?topic=738115>

Question 2866

Suppose that the elasticity of demand for chocolate is 3.0 and price decreases by 20%. By what percentage will quantity demanded for chocolate increase?

- A) 20%
- B) 30%
- C) 60%
- D) 200%

Answer: <https://biology-forums.com/index.php?topic=735484>

Question 2867

A carbon tax would increase the total volume of greenhouse gases.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737927>

Question 2868

If the first copy cost of a music video is \$223,000 and the marginal cost is \$0, how much total cost would the firm incur if it produces 1 million copies?

- A) zero
- B) \$223,000
- C) \$1 million
- D) \$1 million + \$223,000

Answer: <https://biology-forums.com/index.php?topic=735860>

Question 2869

The demand for money that arises because holding money over short periods is less risky than holding stocks or bonds is called the

- A) liquidity demand for money.
- B) speculative demand for money.
- C) transactions demand for money.
- D) opportunity cost demand for money.

Answer: <https://biology-forums.com/index.php?topic=738311>

Question 2870

Pay disparity by race

- A) is caused by a combination of discrimination and differences in skills.
- B) is caused solely by discrimination.
- C) has disappeared in the last five years.
- D) is caused solely by differences in skills.

Answer: <https://biology-forums.com/index.php?topic=736436>

Question 2871

Describe the relationship illustrated by the Laffer curve.

Answer: <https://biology-forums.com/index.php?topic=738119>

Question 2872

Recall the Application. Suppose a firm that produces trampolines has a linear demand curve for its product, with a vertical intercept of \$1,500. If the firm does NOT want the demand for its product to be price-inelastic, the minimum price it should charge is

- A) \$500.
- B) \$750.
- C) \$1,000.
- D) \$1,500.

Answer: <https://biology-forums.com/index.php?topic=735543>

Question 2873

A firm scaled down its operation by reducing all inputs by 50% and experienced a more-than-50% decrease in output. If all input prices remain unchanged, the firm's long-run average cost exhibits

- A) diminishing marginal returns at the current output level.
- B) a constant long-run average cost at the current output level.
- C) diseconomies of scale at the current output level.
- D) economies of scale at the current output level.

Answer: <https://biology-forums.com/index.php?topic=735827>

Question 2874

In the United States, the temporary tax surcharge of 1968

- A) decreased consumer spending by more than was originally estimated.
- B) had no impact on consumer spending.
- C) decreased consumer spending by less than was originally estimated.
- D) actually increased consumer spending.

Answer: <https://biology-forums.com/index.php?topic=738129>

Question 2875

Recall the Application. In most cases where satellite TV service is introduced in an area with cable TV service, the price of the cable TV service usually

- A) increases.
- B) decreases.
- C) is unaffected.
- D) initially increases, then decreases.

Answer: <https://biology-forums.com/index.php?topic=737150>

Question 2876

_____ are costs that require a monetary payment.

- A) Implicit costs
- B) Explicit costs
- C) Accounting costs
- D) B and C are correct.

Answer: <https://biology-forums.com/index.php?topic=735668>

Question 2877

Recall the application. Berg and Ostrey found that

- A) inequality promoted longer periods of growth than did equality.
- B) when there was more equality, any signs of growth were short-lived.
- C) when there was more equality, spells of growth within a country tended to last longer.
- D) levels of equality or inequality had no direct bearing on long periods of growth.

Answer: <https://biology-forums.com/index.php?topic=736870>

Question 2878

If, regardless of price, the quantity demanded is a constant amount, then the demand curve is

- A) upward sloping.

- B) vertical.
- C) horizontal.
- D) downward sloping.

Answer: <https://biology-forums.com/index.php?topic=735424>

Question 2879

Angelina, age seven, decides to dress up like Princess Fiona for Halloween. What is the opportunity cost of her decision?

- A) the fact that she can't dress up like Dora the Explorer, her second choice
- B) the cost of the costume
- C) zero, because seven-year-olds don't have opportunity costs
- D) the cost of the Lady Gaga costume which she did not want

Answer: <https://biology-forums.com/index.php?topic=735080>

Question 2880

The cost savings from outsourcing often lead to _____ for consumers and _____ for the outsourcing company.

- A) lower prices; less output
- B) higher prices; less output
- C) higher prices; more output
- D) lower prices; more output

Answer: <https://biology-forums.com/index.php?topic=738470>

Question 2881

Based on the model of the money market, if the Federal Reserve increases the reserve requirement, the equilibrium interest rate should

- A) stay the same.
- B) increase.
- C) decrease.
- D) increase to the same extent that the demand for money increases.

Answer: <https://biology-forums.com/index.php?topic=738373>

Question 2882

Jimbo has a comparative advantage over Ned in producing a good if

- A) Jimbo has a lower opportunity cost of producing the good than does Ned.
- B) Jimbo has to trade off more than Ned does to produce the good.
- C) Jimbo can produce more of the good than Ned can in a given time period.
- D) Jimbo has a higher opportunity cost of producing the good than does Ned.

Answer: <https://biology-forums.com/index.php?topic=738460>

Question 2883

Raising the minimum wage would

- A) help all workers and hurt all firms.
- B) help workers and help consumers.
- C) help some workers while hurting others.
- D) hurt all workers and help some consumers.

Answer: <https://biology-forums.com/index.php?topic=736414>

Question 2884

Why is the money multiplier in the United States smaller than the inverse of the required reserve ratio?

Answer: <https://biology-forums.com/index.php?topic=738264>

Question 2885

If the price elasticity of supply is equal to infinity and the price were to fall, the quantity supplied would

- A) not change.
- B) fall to zero.
- C) decrease slightly.
- D) increase.

Answer: <https://biology-forums.com/index.php?topic=735617>

Question 2886

When economists say a market has "barriers to entry" they refer to

- A) monopolists being prohibited from selling their products to certain customers.
- B) factors that prevent other firms from challenging a firm with market power.
- C) a policy that some countries establish to reduce imports from other countries.
- D) economic profits that are positive, but too high to encourage entry.

Answer: <https://biology-forums.com/index.php?topic=736094>

Question 2887

Which of the following is an example of predatory pricing?

- A) Bus rides are cheaper for senior citizens than for other people.
- B) Prices are set low enough to drive other firms out of a market.
- C) In order to buy Microsoft Windows, you must also purchase Internet Explorer.
- D) Prices are set just high enough to prevent other firms from entering the market.

Answer: <https://biology-forums.com/index.php?topic=737552>

Question 2888

In order for a barter transaction to be successful, there must be a

- A) market for the goods.
- B) high demand for a certain item.
- C) federal tax law in effect.
- D) double coincidence of wants.

Answer: <https://biology-forums.com/index.php?topic=738159>

Question 2889

Which specific government agency monitors unemployment?

- A) Bureau of Labor Statistics
- B) Commerce Department
- C) Executive Branch
- D) State Department

Answer: <https://biology-forums.com/index.php?topic=736696>

Question 2890

There is a positive relationship between two variables if

- A) one variable changes and the other does not.
- B) they move in opposite directions.
- C) neither variable moves.
- D) they move in the same direction.

Answer: <https://biology-forums.com/index.php?topic=735044>

Question 2891

Explain what is meant by "internalizing an externality," and describe three methods by which this can be done.

Answer: <https://biology-forums.com/index.php?topic=737928>

Question 2892

When a local casino spends millions in TV ads convincing town residents to reject another casino's bid to operate in the area, the casino is

- A) seeking rent controls.
- B) allocating resources efficiently.
- C) acting fraudulently.
- D) rent seeking.

Answer: <https://biology-forums.com/index.php?topic=736170>

Question 2893

What is marginal revenue?

Answer: <https://biology-forums.com/index.php?topic=735961>

Question 2894

Suppose that Jack promises that if Jill chooses the high price, he will too. Jack has an incentive to cheat on the agreement.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737380>

Question 2895

You are a student at a university. You pay \$8,000 per year in tuition, \$5,000 per year in living expenses, and \$1,000 per year for books. Were you not in school, you could earn \$15,000 per year and you would not live with your parents. What is your economic cost of a year in college?

- A) \$9,000
- B) \$15,000
- C) \$24,000
- D) \$29,000

Answer: <https://biology-forums.com/index.php?topic=735673>

Question 2896

If supply of a product increases and demand for the product decreases, equilibrium price will definitely change.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735367>

Question 2897

Table 7.2 contains price, demand, and cost data for the Capri Theater, the only first-run movie theater in a small town. What is its profit from students under the student discount policy?

- A) \$200
- B) \$250
- C) \$325
- D) \$375

Answer: <https://biology-forums.com/index.php?topic=736239>

Question 2898

The market demand for school supplies is more elastic at the beginning of the semester than it is at the start of summer vacation.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735469>

Question 2899

Which of the following is a long-run adjustment?

- A) Two firms exit the asbestos removal industry.
- B) A manufacturer increases its purchase of raw materials.
- C) A farmer buys twice her usual amount of herbicide.
- D) A firm lays off two workers.

Answer: <https://biology-forums.com/index.php?topic=735661>

Question 2900

What does Temporary Aid to Needy Families require of recipients?

Answer: <https://biology-forums.com/index.php?topic=736514>

Question 2901

Could the advent of the Internet completely eliminate frictional unemployment?

Answer: <https://biology-forums.com/index.php?topic=736754>

Question 2902

The demand for money that arises so that individuals or firms can make purchases on quick notice is called the

- A) transaction demand for money.

- B) speculative demand for money.
C) liquidity demand for money.
D) real demand for money.

Answer: <https://biology-forums.com/index.php?topic=738310>

Question 2903

Diminishing marginal returns imply that marginal cost is rising.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=735799>

Question 2904

If the price of a 32GB memory card decreases from \$25 to \$20, the percentage change is

- A) -20%.
B) -33%.
C) -50%.
D) -60%.

Answer: <https://biology-forums.com/index.php?topic=735061>

Question 2905

Seasonally adjusted unemployment rates

- A) are the same as the unadjusted rates in periods of bad weather.
B) are not calculated for the U.S. economy.
C) adjust for the predictable summer increase in the unemployment rate for teenagers.
D) adjust for the predictable summer decrease in the unemployment rate for teenagers.

Answer: <https://biology-forums.com/index.php?topic=736703>

Question 2906

A decrease in population would shift the demand curve to the left.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=735318>

Question 2907

If supply is perfectly inelastic, the price elasticity of supply is equal to

- A) 0.
B) infinity.
C) 1.
D) a negative number between 0 and infinity.

Answer: <https://biology-forums.com/index.php?topic=735615>

Question 2908

When a second firm enters a monopolist's market, the monopolist's marginal revenue curve will

- A) remain the same.
B) shift to the left as its initial demand curve shifts to the left.
C) shift to the right as its initial demand curve shifts to the right.
D) none of the above

Answer: <https://biology-forums.com/index.php?topic=737136>

Question 2909

To make things simpler and focus attention on what really matters, economists would

- A) ignore all variables.
B) use assumptions.
C) think at the margin.
D) respond to incentives.

Answer: <https://biology-forums.com/index.php?topic=734999>

Question 2910

A firm that can sell as much as it can produce at the market price is likely operating in

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

Answer: <https://biology-forums.com/index.php?topic=735884>

Question 2911

Even when the Obama administration succeeds with its effort to gain Congressional approval for its stimulus proposals, it will still take time for these policies to actually work. The time it takes for these policies to work is known as

- A) inside lags.
- B) outside lags.
- C) crowding out.
- D) automatic stabilization.

Answer: <https://biology-forums.com/index.php?topic=738035>

Question 2912

An economy is better off with an increase in the stock of capital.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736896>

Question 2913

Kaitlyn and Larissa have formed a dog bathing and grooming business. The number of dogs they can bathe or groom in any given day is depicted in Table 2.1. The opportunity cost of grooming the sixth dog in a day is bathing _____ dog(s).

- A) 0
- B) 5
- C) 6
- D) 7

Answer: <https://biology-forums.com/index.php?topic=735091>

Question 2914

The price that a monopolistically competitive firm will charge depends on what its competitors charge.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737253>

Question 2915

If demand is elastic, then when price rises, total revenue will decrease.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735520>

Question 2916

If an economy is represented by a point along its production possibilities curve,

- A) it can produce more of one product only if it produces less of another product.
- B) it cannot possibly produce more of one product, even if it produces less of another product.
- C) it cannot produce more of one product unless it stops producing the other product entirely.
- D) it can produce more of one product even if it does not produce less of another product.

Answer: <https://biology-forums.com/index.php?topic=735102>

Question 2917

Recall the Application. If the federal Disability Insurance program leads to a decrease in the labor force participation rate, the _____ will be _____.

- A) measured unemployment rate; lower

- B) frictional unemployment rate; higher
C) structural unemployment rate; higher
D) measured unemployment rate; higher

Answer: <https://biology-forums.com/index.php?topic=736699>

Question 2918

The factor that ultimately determines the change in the stock of capital, the level of real wages, and the output of an economy is

- A) the labor force.
B) the unemployment level.
C) GDP.
D) net investment.

Answer: <https://biology-forums.com/index.php?topic=736883>

Question 2919

Explain menu costs and shoe leather costs as they relate to inflation.

Answer: <https://biology-forums.com/index.php?topic=736825>

Question 2920

When a second firm enters a monopolist's market

- A) the first firm's profits will increase.
B) market price will drop.
C) sales for the first firm will rise.
D) All of the above will occur.

Answer: <https://biology-forums.com/index.php?topic=736593>

Question 2921

If technological advancements reduce the cost of pollution abatement, all else equal

- A) the government will be forced to issue more permits.
B) the price of a pollution permit will fall.
C) the government will be forced to issue fewer permits.
D) the price of a pollution permit will increase.

Answer: <https://biology-forums.com/index.php?topic=737998>

Question 2922

Over time, a country's real GDP per capita typically

- A) grows.
B) shrinks.
C) increases and decreases randomly.
D) remains stable.

Answer: <https://biology-forums.com/index.php?topic=736842>

Question 2923

Nations that borrow from abroad to support current investment will

- A) sacrifice future consumption only if the investments are profitable.
B) always be better off in the future.
C) always sacrifice future consumption.
D) be better off in the future if the investments are profitable.

Answer: <https://biology-forums.com/index.php?topic=736893>

Question 2924

Suppose that we compare shares of income earned by different U.S. groups by dividing all households into five groups. Which of the following statements about the income distribution in the United States is correct?

- A) Shares of income decrease as we move from the lowest quintile to the highest quintile.
B) Shares of income remain roughly constant as we move from the lowest quintile to the highest quintile.
C) Shares of income increase as we move from the lowest quintile to the highest quintile.
D) none of the above

Answer: <https://biology-forums.com/index.php?topic=736479>

Question 2925

Recall the application. One idea to reduce the volume of e-mail spam is to charge the sender for each commercial e-mail sent.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735024>

Question 2926

Recall the application. Some economists believe that the economy was slow to recover from the recession of 2007-2009 because this recession was brought on primarily by

- A) increasing oil prices.
- B) a decrease in the demand for housing.
- C) rapid inflation.
- D) a financial crisis.

Answer: <https://biology-forums.com/index.php?topic=736650>

Question 2927

The four-firm concentration ratio for the cigarette market is 93%. This means that

- A) the four largest firms in the market produce 93% of the total market output.
- B) there is a high degree of concentration in the cigarette market.
- C) the market is an oligopoly.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=737310>

Question 2928

As the stock of capital grows, there will typically be _____ depreciation.

- A) less
- B) more
- C) the same amount of
- D) no

Answer: <https://biology-forums.com/index.php?topic=736880>

Question 2929

For the perfectly competitive firm

- A) price always equals average variable cost.
- B) price always equals average cost.
- C) price always equals marginal cost.
- D) price always equals marginal revenue.

Answer: <https://biology-forums.com/index.php?topic=735915>

Question 2930

Customer service representatives who have lost their jobs as a result of call centers being outsourced to India are an example of

- A) structural unemployment.
- B) frictional unemployment.
- C) voluntary unemployment.
- D) cyclical unemployment.

Answer: <https://biology-forums.com/index.php?topic=736719>

Question 2931

The Fed can change the money supply by buying or selling long-term Treasury bonds. Purchasing long-term securities is commonly called

- A) discount operations.
- B) quantitative easing.
- C) open market operations.
- D) federal funds speculation.

Answer: <https://biology-forums.com/index.php?topic=738352>

Question 2932

People acting in their own self interest is the basis of the

- A) principle of voluntary exchange.
- B) principle of scarcity.
- C) principle of supply and demand.
- D) real-nominal principle.

Answer: <https://biology-forums.com/index.php?topic=735155>

Question 2933

Based on the model of the money market, when real income decreases, the equilibrium interest rate should

- A) stay the same.
- B) increase.
- C) decrease.
- D) increase to the same extent that the supply of money increases.

Answer: <https://biology-forums.com/index.php?topic=738372>

Question 2934

If the government increased its purchases of goods and services by \$12,000, and this resulted in an eventual increase in GDP and income of \$60,000, the MPS would be equal to

- A) 0.2.
- B) 0.4.
- C) 0.8.
- D) 2.

Answer: <https://biology-forums.com/index.php?topic=737046>

Question 2935

Some monopolistically competitive firms differentiate their products simply by opening a new store at a different location.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737257>

Question 2936

Recall the Application. Between 2006 and 2009, Chinese demand for pecans increased by roughly _____%.

- A) 79
- B) 90
- C) 456
- D) 877

Answer: <https://biology-forums.com/index.php?topic=735310>

Question 2937

When wages or benefits are automatically increased based on the reported inflation rate, it is called the _____ adjustment.

- A) cost-of-living
- B) change in imports
- C) natural flow of money
- D) change in exports

Answer: <https://biology-forums.com/index.php?topic=736783>

Question 2938

Which of the following is true if a firm has indivisible inputs?

- A) The long-run fixed cost curve is downward sloping at lower levels of output.
- B) The long-run average cost curve is downward sloping at lower levels of output.
- C) The long-run marginal cost curve is downward sloping at lower levels of output.
- D) The long-run total cost curve is downward sloping at lower levels of output.

Answer: <https://biology-forums.com/index.php?topic=735816>

Question 2939

An individual or country that has a comparative advantage in the production of one good

- A) may or may not have an absolute advantage in the good's production.

- B) must not have an absolute advantage in the good's production.
C) must have an absolute advantage in the good's production.
D) must not have an absolute advantage in the production of the other good.

Answer: <https://biology-forums.com/index.php?topic=738447>

Question 2940

Tax revenues are an advantage of _____ not offered by command-and-control policies.

- A) tradeable pollution permits
B) pollution taxes
C) pollution allowances
D) pollution tax credits

Answer: <https://biology-forums.com/index.php?topic=737950>

Question 2941

The origin of a graph is the intersection of the two axes, where the value of both variables is zero.

- A) True
B) False

Answer: <https://biology-forums.com/index.php?topic=735066>

Question 2942

Recall the Application. What makes the wireless telephone market in the United States NOT perfectly competitive?

- A) It is very expensive to enter the market in the United States.
B) There are many buyers and many sellers in the United States.
C) Wireless phone calls are standardized product.
D) All of the above are correct.

Answer: <https://biology-forums.com/index.php?topic=735896>

Question 2943

The output effect of an increase in the wage comes about because higher wages

- A) increase production costs, and final good prices will rise, increasing the quantity demanded of the product.
B) make labor more expensive as an input, leading firms to switch to other inputs.
C) make labor less expensive as an input, leading firms to switch to labor as an input.
D) increase production costs, and final good prices will rise, reducing the quantity demanded of the product.

Answer: <https://biology-forums.com/index.php?topic=736326>

Question 2944

The president of the _____ Federal Reserve Bank is always a member of the FOMC.

- A) New York
B) Minneapolis
C) Washington, D.C.
D) Boston

Answer: <https://biology-forums.com/index.php?topic=738276>

Question 2945

Social security payments automatically increase when the CPI goes up because of the

- A) cost-of-living adjustments.
B) age of the recipient.
C) years receiving social security.
D) individual being married or unmarried.

Answer: <https://biology-forums.com/index.php?topic=736784>

Question 2946

Tax cuts aimed at businesses can stimulate

- A) private consumption.
B) investment spending.
C) net exports.
D) social spending.

Answer: <https://biology-forums.com/index.php?topic=738020>

Question 2947

Recall the application. As the quantity of wine demanded increases, prices _____ in the short-run and _____ as supply catches up with demand.

- A) rise; fall
- B) fall; stabilize
- C) rise; stabilize
- D) fall; rise

Answer: <https://biology-forums.com/index.php?topic=736063>

Question 2948

Which of the following statements is incorrect?

- A) A firm's total accounting cost is at least as large as the firm's implicit cost.
- B) A firm's total economic cost includes both explicit cost and implicit cost of the firm.
- C) A firm's total economic cost is at least as large as the firm's total accounting cost.
- D) A firm's implicit cost is the opportunity cost of non-purchased inputs.

Answer: <https://biology-forums.com/index.php?topic=735671>

Question 2949

Restaurants and retail stores often give 10% senior citizen discounts. Use the concept of elasticity to explain how this can be profit maximizing behavior.

Answer: <https://biology-forums.com/index.php?topic=735478>

Question 2950

Under a system of pollution taxes we expect firms to cut pollution until the marginal benefit from tax savings equals the marginal increase in production costs due to decreasing pollution.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737924>

Question 2951

Oligopoly arises with scale economies that large enough to cause a natural monopoly.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737371>

Question 2952

Explain why it was necessary to pass the Clayton Act when the Sherman Act had already addressed the antitrust issue.

Answer: <https://biology-forums.com/index.php?topic=737610>

Question 2953

The congestion tax implemented in London reduced traffic volume and cut travel time for cars and buses in half.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=735022>

Question 2954

Suppose the government runs a budget surplus in a given year. It can reduce its overall federal debt by

- A) increasing taxes on luxury items.
- B) not buying anything on credit.
- C) buying back bond it sold to the public.
- D) forcing a change in net exports.

Answer: <https://biology-forums.com/index.php?topic=738081>

Question 2955

A perfectly competitive industry is in long-run equilibrium. If demand for the product increases, we can expect

- A) firms to exit the market.
- B) no change in the number of firms in the market.
- C) firms to enter the market.
- D) Not enough information to tell what will happen to the number of firms in the market.

Answer: <https://biology-forums.com/index.php?topic=736039>

Question 2956

Given percentage change in supply and the price elasticity of supply, explain how percentage change in equilibrium price varies as the price elasticity of demand changes from 0 to infinity.

Answer: <https://biology-forums.com/index.php?topic=735657>

Question 2957

Suppose that in a month the price of a cup of coffee increases from \$1 to \$1.50. At the same time, the quantity of cups of coffee demanded decreases from 200 to 190. The price elasticity of demand for cups of coffee (calculated using the midpoint formula) is approximately

- A) 0.13.
- B) 0.5.
- C) 7.8.
- D) 20.

Answer: <https://biology-forums.com/index.php?topic=735413>

Question 2958

Assuming the price level has not changed, how would an increase in the aggregate demand affect real GDP?

- A) It only changes with changes in imports.
- B) It decreases.
- C) It only changes with changes in exports.
- D) It increases.

Answer: <https://biology-forums.com/index.php?topic=737036>

Question 2959

Labor unions may increase worker productivity by facilitating smooth relations between labor and management.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=736468>

Question 2960

Selling government bonds through open market operations allows the Federal Reserve to

- A) receive a high rate of interest on the bonds.
- B) receive discounts on future sales.
- C) decrease the money supply in the private sector.
- D) decrease money in the Treasury.

Answer: <https://biology-forums.com/index.php?topic=738330>

Question 2961

You are hired by Jimbo's Potato Farm to determine when Jimbo should shut down and produce no potatoes in the short run. Jimbo sells his potatoes in a perfectly competitive market. You tell Jimbo to shut down if

- A) marginal revenue is less than marginal cost.
- B) price is less than average total cost when marginal revenue equals marginal cost.
- C) total cost is less than total revenue when marginal revenue equals marginal cost.
- D) price is less than average variable cost when marginal revenue equals marginal cost.

Answer: <https://biology-forums.com/index.php?topic=735977>

Question 2962

Table 7.2 contains price, demand, and cost data for the Capri Theater, the only first-run movie theater in a small town. What is its total profit under the single price policy?

- A) \$300
- B) \$360

- C) \$450
- D) \$540

Answer: <https://biology-forums.com/index.php?topic=736238>

Question 2963

Recall the application. The marginal revenue from ticket sales for a typical Major League Baseball team is

- A) positive.
- B) zero.
- C) infinity.
- D) negative.

Answer: <https://biology-forums.com/index.php?topic=736130>

Question 2964

What is the most likely reason that milk sold in convenience stores is more expensive than milk sold in grocery stores?

- A) People who buy milk at convenience stores tend to have less elastic demand for milk.
- B) Convenience store owners are greedier than grocery store owners.
- C) Convenience stores sell milk in smaller packages, so the per-gallon packaging costs are higher.
- D) Grocery stores buy in bulk, while convenience stores buy milk in smaller quantities.

Answer: <https://biology-forums.com/index.php?topic=736231>

Question 2965

Why are some long-run average cost curves steeper on the downward side than others?

Answer: <https://biology-forums.com/index.php?topic=735854>

Question 2966

You currently sell the same product to both students and faculty members, and are able to prevent transfer from one group to the other. Your current prices, quantities sold, and the absolute values of the slopes of the demand curves are as follows

tableau1 ((Price Number sold Slope of demand curve)(Students \$52000.01)(Faculty \$10300.40))

If your marginal cost is \$1 and you are interested in maximizing your revenues, how would you adjust your prices?

- A) Decrease student price and increase faculty price.
- B) Increase student price and decrease faculty price.
- C) Decrease prices for both groups.
- D) Increase prices for both groups.

Answer: <https://biology-forums.com/index.php?topic=736232>

Question 2967

Aggregate demand will be affected by the purchasing power of money.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=737054>

Question 2968

An import quota

- A) limits the amount of a good that can be imported, thus increasing prices.
- B) increases the amount of a good imported, thus increasing prices.
- C) increases the amount of a good imported, thus decreasing prices.
- D) limits the amount of a good that can be imported, thus decreasing prices.

Answer: <https://biology-forums.com/index.php?topic=738502>

Question 2969

If Eddie can produce 40 milk shakes or 20 banana splits in an hour, and Tina can produce 30 milk shakes or 16 banana splits in an hour, then Eddie has a comparative advantage in producing banana splits.

- A) True
- B) False

Answer: <https://biology-forums.com/index.php?topic=738481>

Question 2970

Government taxes and transfers

- A) increase the wealth of the poorest Americans and reduce the wealth of the richest Americans.
- B) increase the wealth of all Americans.
- C) reduce the wealth of all Americans.
- D) reduce the wealth of the poorest Americans and increase the wealth of the richest Americans.

Answer: <https://biology-forums.com/index.php?topic=736492>

Question 2971

When firms cooperate with each other rather than compete

- A) they will agree to set low prices to help each other out.
- B) consumers will end up better off.
- C) the firms will end up better off.
- D) both consumers and firms end up better off.

Answer: <https://biology-forums.com/index.php?topic=737328>

Question 2972

Recall the Application. For many entrepreneurs, starting a new business means leaving paid employment. The pay given up by the entrepreneur when starting a new business is an example of _____ for that entrepreneur.

- A) an implicit cost
- B) neither an explicit cost nor an implicit cost
- C) both an explicit and an implicit cost
- D) an explicit cost

Answer: <https://biology-forums.com/index.php?topic=735679>

Question 2973

Positive economic analysis answers what question?

Answer: <https://biology-forums.com/index.php?topic=734988>

Question 2974

If labor productivity increases, the marginal revenue product curve will shift _____ and the profit maximizing quantity of labor demanded will _____.

- A) up; decrease
- B) down; decrease
- C) up; increase
- D) down; increase

Answer: <https://biology-forums.com/index.php?topic=736285>

Question 2975

What would happen if the government chooses to increase the number of years that a firm can enjoy patent protection from 20 years to 25 years?

Answer: <https://biology-forums.com/index.php?topic=736199>

Question 2976

Who is associated with the following summary of the economic way of thinking: "The theory of economics does not furnish a body of settled conclusions immediately acceptable to policy. It is a method rather than a doctrine, an apparatus of the mind, a technique of thinking which helps its processer draw correct conclusions."

- A) Alfred Marshall
- B) President Harry Truman
- C) John Maynard Keynes
- D) Adam Smith

Answer: <https://biology-forums.com/index.php?topic=734998>

Question 2977

A government report that makes working in a particular industry more attractive to workers will most likely _____ the number of workers hired in that industry, and _____ the wage paid to those workers.

- A) decrease; decrease
- B) increase; increase
- C) increase; decrease

D) decrease; increase

Answer: <https://biology-forums.com/index.php?topic=736392>

Question 2978

Firms who are attempting to engage in price discrimination will offer customers with a _____ demand a higher price and customers with a(n) _____ demand a lower price.

A) less elastic; more elastic

B) more elastic; less elastic

C) lower; higher

D) normal; inferior

Answer: <https://biology-forums.com/index.php?topic=736227>

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