

Question 1

If the monopoly's demand curve intersects the AVC curve at minimum AVC, the firm will shut down.
True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785606>

Question 2

Perfect competition and monopolistic competition are similar in that both market structures include

- A) price-taking behavior by firms.
- B) a homogeneous product.
- C) no barriers to entry.
- D) very few firms.

Answer: <https://biology-forums.com/index.php?topic=785821>

Question 3

If the marginal cost of production is \$10, the elasticity of demand for group 1 is -1.5, the elasticity of demand for group 2 is -2.5, and the price paid by group 1 is \$15, the price for group 2 is

- A) \$8.33.
- B) \$27.
- C) \$15.
- D) Impossible to tell.

Answer: <https://biology-forums.com/index.php?topic=785769>

Question 4

What is one reason firms might lobby to prevent entry into their market?

- A) The long run equilibrium might be characterized by $P=MC=ATC$
- B) The long run equilibrium might be characterized by $P=MC<ATC$
- C) The long run equilibrium might be characterized by $P>MC=ATC$
- D) The long run equilibrium might be characterized by $P=MC>ATC$

Answer: <https://biology-forums.com/index.php?topic=785343>

Question 5

Horizontally summing different supply curves assumes

- A) that individual firms cannot influence the good's price.
- B) that all firms operate in collusion.
- C) that only firms who volunteer are included in the summation.
- D) all firms produce the same amount of output.

Answer: <https://biology-forums.com/index.php?topic=784564>

Question 6

Sam is suing someone in court for \$10,000. The probability that Sam will lose the case is $1/h$ where h is the number of hours that Sam's attorney works on the case. The lawyer charges \$500 per hour if he is to be paid hourly, or he requests 20% of the settlement if he is to be paid on a contingency basis. Assuming both Sam and the attorney are risk-neutral wealth maximizers, is either contract efficient?

Answer: <https://biology-forums.com/index.php?topic=786569>

Question 7

The services of real estate brokers are provided in a competitive market. If the state Board of Realtors enacts several requirements that limit the number of real estate brokers, then consumer surplus will most likely

- A) increase.
- B) decrease.
- C) remain unchanged.
- D) There is not enough information to answer.

Answer: <https://biology-forums.com/index.php?topic=785412>

Question 8

A state lottery has a Million Dollar Lottery game that pays \$1,000 a week for life. Assuming a 6% nominal rate of interest and generously assuming an infinite lifetime, can this game be called a "Million Dollar Lottery"?

Answer: <https://biology-forums.com/index.php?topic=786136>

Question 9

A firm should make an investment if the expected return is greater than

- A) the marginal cost of the investment.
- B) the fixed cost of the investment.
- C) the opportunity cost of the investment.
- D) the expected rate of inflation.

Answer: <https://biology-forums.com/index.php?topic=786139>

Question 10

If a payout is certain to occur, then the variance of that payout equals

- A) zero.
- B) one.
- C) the expected value.
- D) the expected value squared.

Answer: <https://biology-forums.com/index.php?topic=786221>

Question 11

In an economy with no inflation, explain why interest rates are positive.

Answer: <https://biology-forums.com/index.php?topic=786135>

Question 12

The question "What are you going to do with that major?" implicitly questions

- A) how much you learn in that major.
- B) whether the major should be offered on campus.
- C) how much the market values the human capital developed in the major.
- D) western bias.

Answer: <https://biology-forums.com/index.php?topic=786158>

Question 13

The monopoly maximizes profit by setting

- A) price equal to marginal cost.
- B) price equal to marginal revenue.
- C) marginal revenue equal to marginal cost.
- D) marginal revenue equal to zero.

Answer: <https://biology-forums.com/index.php?topic=785586>

Question 14

In the relevant price range a demand curve for a Giffen good would be

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

Answer: <https://biology-forums.com/index.php?topic=784903>

Question 15

Assume Sam and Jenn exchange gifts. Sam gives a gift that cost \$20 but is only worth \$10 to Jenn. Jenn gives a gift that cost \$25 but which Sam values at \$15. Ignoring any benefits Sam and Jenn receive in the act of giving gifts, this exchange of gifts

- A) yields a net decrease in total utility to Sam and Jenn.
- B) yields a net increase in total utility to Sam and Jenn.
- C) yields no change in total utility to Sam and Jenn.
- D) an increase in Sam's utility but a decrease in Jenn's utility.

Answer: <https://biology-forums.com/index.php?topic=784868>

Question 16

With asymmetric information firms might be reluctant to improve the quality of their products because

- A) it costs them more to produce the better quality product.
- B) they are not able to completely capture the benefits of the improvement.
- C) consumers do not value the better product.

D) consumers are better informed about the product and value the new product less.

Answer: <https://biology-forums.com/index.php?topic=786480>

Question 17

Assume a country agrees to a free-trade act with another country. In the process, some individuals are displaced from their jobs, thus the free-trade act results in a negative externality.

A) False.

B) True.

C) Only if those who were displaced are not compensated with another job or income transfer.

D) Only if those who were displaced were compensated with another job or income transfer.

Answer: <https://biology-forums.com/index.php?topic=786340>

Question 18

Consumers who are more sensitive to changes in price suffer a greater loss of consumer surplus from any given price increase.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785373>

Question 19

In the short run, the expansion path is

A) horizontal.

B) vertical.

C) diagonal.

D) indeterminate.

Answer: <https://biology-forums.com/index.php?topic=785212>

Question 20

As other firms enter a monopoly's market, the monopoly's market power

A) is unaffected.

B) declines.

C) increases.

D) increases according to the Lerner Index but decreases according to the price/marginal cost ratio.

Answer: <https://biology-forums.com/index.php?topic=785626>