

Question 1

Suppose the production possibilities for two countries, producing either food or clothing, are shown in the above figure. They can each produce any linear combination as well. Suppose each country is in competitive equilibrium prior to free trade being allowed. Once free trade is allowed, the price of food will be

- A) two times the price of clothing.
- B) equal to the price of clothing.
- C) one-half the price of clothing.
- D) somewhere between one-half the price of clothing and the price of clothing, depending upon the relative bargaining power of the two countries.

Answer: <https://biology-forums.com/index.php?topic=785532>

Question 2

Explain why it is unwise to bid more than your valuation of the good in a sealed bid second-price auction.

Answer: <https://biology-forums.com/index.php?topic=786019>

Question 3

Suppose the production possibilities for two countries, producing either food or clothing, are shown in the above figure. They can each produce any linear combination as well. Once free trade is allowed, Canada will produce

- A) no clothing.
- B) 10 units of clothing.
- C) 20 units of clothing.
- D) 5 units of clothing.

Answer: <https://biology-forums.com/index.php?topic=785533>

Question 4

One reason car dealerships might move away from perfect price discrimination to uniform pricing?

- A) Perfect price discrimination doesn't work.
- B) Transaction costs erode the profit of perfect price discrimination.
- C) Consumers are ill-informed and tend to complain too much.
- D) Uniform pricing is always more profitable and more fair as well.

Answer: <https://biology-forums.com/index.php?topic=785734>

Question 5

Decreasing returns to scale may occur as increasing the amount of inputs used

- A) increases specialization.
- B) always increases the amount of output produced.
- C) may cause coordination difficulties.
- D) increases efficiency.

Answer: <https://biology-forums.com/index.php?topic=785071>

Question 6

What happens to the equilibrium price and quantity of coffee when there is a leftward shift of the supply curve for tea? Explain.

Answer: <https://biology-forums.com/index.php?topic=784615>

Question 7

Suppose firms A and B each make T-shirts. Firm A's production function is $q = L \cdot K$. Firm B's production function is $q = 1.2 \cdot L \cdot K$. If the two firms each hire the same amounts of capital and labor, compare the two firms in terms of APL and MPL.

Answer: <https://biology-forums.com/index.php?topic=785115>

Question 8

Provide a graph and an explanation to show that the production function $Q = L \cdot K$ has diminishing marginal product of labor but has constant returns to scale.

Answer: <https://biology-forums.com/index.php?topic=785099>

Question 9

Why do many people choose to not read the manuals included with their new computer?

- A) They perceive that learning by doing decreases costs faster than learning by reading.
- B) They perceive that learning by doing is more enjoyable than learning by reading.
- C) They perceive that learning by reading is not sophisticated.

D) They perceive that learning by doing is better than learning by reading.

Answer: <https://biology-forums.com/index.php?topic=785216>

Question 10

No clearly defined socially preferred outcome may result when majority voting on outcomes because

- A) often voters don't understand the outcomes.
- B) voting may violate the independence of irrelevant alternatives.
- C) voting may lead to incomplete preferences.
- D) voting may lead to non-transitive preference.

Answer: <https://biology-forums.com/index.php?topic=785557>

Question 11

Two-part tariffs allow the monopoly firm to capture all of the potential consumer surplus generated by the sale of its product.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785788>

Question 12

The profitability of the second mover in a Stackelberg model is

- A) guaranteed to be negative.
- B) smaller than that of the first mover.
- C) greater than that of the first mover.
- D) greater than the Cournot profits.

Answer: <https://biology-forums.com/index.php?topic=785878>

Question 13

Before entering, fixed cost associated with the industry in question are sunk costs for

- A) the incumbent firm.
- B) the outside firm.
- C) both firms.
- D) neither firm.

Answer: <https://biology-forums.com/index.php?topic=785989>

Question 14

Behavioral economics under uncertainty documents that

- A) people's behavior often differs from what standard expected utility theory predicts.
- B) people's behavior can change with their circumstances.
- C) people might put considerable weight on certain outcomes.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=786308>

Question 15

Empirical studies have found that the labor supply curves for most parts of the population are

- A) backward-bending.
- B) upward-sloping.
- C) downward-sloping.
- D) nearly vertical.

Answer: <https://biology-forums.com/index.php?topic=784976>

Question 16

The price of leisure

- A) is the same for everyone.
- B) depends on the number of hours worked.
- C) is measured as foregone earnings.
- D) is immeasurable.

Answer: <https://biology-forums.com/index.php?topic=784973>

Question 17

Consider the demand function $Q_d = 150 - 2P$. The effects of other determinants of Q_d is reflected in

- A) the intercept of the function.

- B) the slope of the function.
- C) neither the slope nor the intercept of the function.
- D) in both the slope and the intercept of the function.

Answer: <https://biology-forums.com/index.php?topic=784522>

Question 18

Suppose the production possibilities for two countries, producing either food or clothing, are shown in the above figure. They can each produce any linear combination as well. If production occurs at the kink on the joint production possibility frontier,

- A) the U.S. will specialize in food and Canada will specialize in clothing.
- B) the U.S. will specialize in clothing and Canada will specialize in food.
- C) each country will devote half of its resources to each industry.
- D) joint output is minimized.

Answer: <https://biology-forums.com/index.php?topic=785531>

Question 19

Economic growth can be depicted as a

- A) shift in the contract curve.
- B) a change in the dimensions of the Edgeworth box.
- C) a change in the preference curves of individuals.
- D) a change in the number of people in the Edgeworth box.

Answer: <https://biology-forums.com/index.php?topic=785543>

Question 20

If a society only cares about efficiency and not equity, then

- A) all points on the contract curve yield the same level of social welfare.
- B) it will not rely on competitive markets to allocate goods.
- C) it will maximize the utility of its worst-off member.
- D) an equitable outcome is impossible.

Answer: <https://biology-forums.com/index.php?topic=785559>

Question 21

Purchasing a season pass to the local symphony

- A) is an example of first degree price discrimination.
- B) is an example of second degree price discrimination.
- C) is an example of third degree price discrimination.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785743>

Question 22

Sports announcers often refer to a batter in a hitting slump as "being due." If they are correct, then it must be the case that

- A) a batter's hits are randomly distributed.
- B) a batter's at-bats are related to each other.
- C) a batter's at-bats are independent of each other.
- D) baseball players are acting irrationally.

Answer: <https://biology-forums.com/index.php?topic=786306>

Question 23

If bad drivers can usually avoid being ticketed by the police, then insurance companies will

- A) use one's driving record as a signal.
- B) use one's driving record as a screening device.
- C) not be able to use one's driving record as a screening device.
- D) request driving records directly from the police and not from the individual applicant.

Answer: <https://biology-forums.com/index.php?topic=786464>

Question 24

Which of the following is a form of outsourcing?

- A) changing your own oil
- B) washing your clothes
- C) grocery shopping
- D) studying for your economics exam

Answer: <https://biology-forums.com/index.php?topic=785197>

Question 25

Suppose the market for grass seed can be expressed as

Demand: $Q_D = 100 - 2p$

Supply: $Q_S = 3p$

Price elasticity of supply is constant at 1. If the demand curve is changed to $Q = 10 - .2p$, price elasticity of demand at any given price is the same as before. Yet, the incidence of a tax falling on consumers will be higher. Why?

Answer: <https://biology-forums.com/index.php?topic=784775>

Question 26

A market

A) always involves the personal exchange of goods for money.

B) allows interactions between consumers and firms.

C) always takes place at a physical location.

D) has no influence on prices.

Answer: <https://biology-forums.com/index.php?topic=784479>

Question 27

The more block prices a monopoly can set instead of setting a single price, the

A) smaller the deadweight loss.

B) the more producer surplus.

C) the larger the total welfare.

D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785742>

Question 28

In NASCAR, there are several primary sponsors who seem to be duopolists, such as Home Depot and Lowes, and UPS and FedEx. What can explain this form of advertising?

A) a prisoner's dilemma

B) a Stackelberg model

C) a Bertrand price-setting game

D) false information

Answer: <https://biology-forums.com/index.php?topic=785815>

Question 29

Why can't all goods be inferior?

Answer: <https://biology-forums.com/index.php?topic=784925>

Question 30

What is the intuition that an expansion of an individual's budget set represents a gain?

A) More options are preferred to less.

B) Money is the root of all happiness.

C) Information is power.

D) Scarcity is avoidable with prosperity.

Answer: <https://biology-forums.com/index.php?topic=784838>

Question 31

If two goods, "x" and "y", are perfect substitutes, then which of the following best represents the utility function for the two goods?

A) $U = x + y$

B) $U = x * y$

C) $U = x^2 + y^2$

D) Any of the above.

Answer: <https://biology-forums.com/index.php?topic=784814>

Question 32

Many used car owners and used car dealers describe their different cars for sale in the local newspapers and list their asking price. Many people shopping for a used car consider the different choices listed in the paper. The market for used cars could be described as

A) relatively competitive.

- B) perfectly competitive.
- C) non-competitive.
- D) having high transaction costs.

Answer: <https://biology-forums.com/index.php?topic=785240>

Question 33

Suppose the production possibilities for two countries, producing either food or clothing, are shown in the above figure. They can each produce any linear combination as well. Assuming free trade between these two countries, Canada will produce food

- A) as long as any positive amount of food is demanded.
- B) as long as more than 10 units of food are demanded.
- C) as long as people are willing to give up at least 1 unit of clothing to get a unit of food.
- D) as long as people are willing to give up more than 1/2 unit of clothing to get a unit of food.

Answer: <https://biology-forums.com/index.php?topic=785530>

Question 34

If the demand for a monopoly's output shifts rightward, the change in quantity produced is

- A) positive.
- B) negative.
- C) zero.
- D) not predictable.

Answer: <https://biology-forums.com/index.php?topic=785603>

Question 35

The producer surplus to a monopolist must be

- A) less than zero or the firm is in violation of anti-trust statutes.
- B) at least as great as the producer surplus in a competitive market.
- C) positive, otherwise why would the monopoly produce?
- D) the same as for a competitive market.

Answer: <https://biology-forums.com/index.php?topic=785652>

Question 36

For a theme park a two-tier tariff can include a positive admission price and a zero per-ride fee.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785789>

Question 37

Explain how long-run economic profits are linked to entry in monopolistic competition and perfect competition.

Answer: <https://biology-forums.com/index.php?topic=785832>

Question 38

Which of the following market models results in the highest level of consumer surplus assuming a fixed number of firms with identical costs and a given demand curve?

- A) Cournot
- B) Stackelberg
- C) Monopoly
- D) Cartel

Answer: <https://biology-forums.com/index.php?topic=785887>

Question 39

If an incumbent threatens to retaliate against entry, but its profits are greater under accommodated entry than under the proposed threat, potential entrants will ignore the threat.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786002>

Question 40

In a market where one unit of labor produces one unit of output, consumers prefer

- A) a competitive labor market and a monopoly output market.
- B) a competitive output market and a monopoly labor market.
- C) a monopoly output market and a monopoly labor market.

D) None of the above—they are indifferent between A and B.

Answer: <https://biology-forums.com/index.php?topic=786060>

Question 41

The expression "increase in quantity supplied" is illustrated graphically as a

- A) leftward shift in the supply curve.
- B) rightward shift in the supply curve.
- C) movement up along the supply curve.
- D) movement down along the supply curve.

Answer: <https://biology-forums.com/index.php?topic=784560>

Question 42

Rent seeking in the form of lobbying for an increase in import tariffs by domestic producers

- A) increases consumer surplus.
- B) increases total welfare.
- C) increases the deadweight loss.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=785466>

Question 43

Assume Congress holds a hearing on the impact of gasoline prices on the price of corn. Most likely, this hearing will be

- A) a partial equilibrium analysis.
- B) a general equilibrium analysis.
- C) about consumer rather than producer surplus.
- D) an analysis of efficiency.

Answer: <https://biology-forums.com/index.php?topic=785479>

Question 44

The effects of a price change are always understated by a partial-equilibrium analysis when compared to a general-equilibrium analysis.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785482>

Question 45

If only two people are trading their endowments and no production is possible, then the equilibrium they reach will

- A) be on their contract curve.
- B) result in unequal marginal rates of substitution for the two people.
- C) result in one person being worse off than with his or her endowment.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785489>

Question 46

Consider a society consisting of just a farmer and a tailor. The farmer has 10 units of food but no clothing. The tailor has 20 units of clothing but no food. Suppose each has the utility function $U = F * C$. The price of clothing is always \$1. If the price of food is \$3, does a competitive equilibrium exist? If not, what will happen to the price of food?

Answer: <https://biology-forums.com/index.php?topic=785523>

Question 47

Suppose a society's PPF for food (F) and clothing (C) can be written as $25 = F^2 + C^2$. If all consumers have the same endowment and the same utility function $U_i = F_i * C_i$, what is the efficient product mix of food and clothing?

Answer: <https://biology-forums.com/index.php?topic=785548>

Question 48

The longer a patent lasts

- A) the greater the potential economic profits available to an innovator.
- B) the lower the deadweight loss.
- C) the lower the average costs of production.
- D) the less innovation there will be.

Answer: <https://biology-forums.com/index.php?topic=785677>

Question 49

A firm's advertising can help rivals

- A) if it focuses on a general problem that the product addresses.
- B) if it focuses on a secret ingredient that only this firm possesses.
- C) if rivals do not advertise.
- D) if rivals advertise.

Answer: <https://biology-forums.com/index.php?topic=785806>

Question 50

The Stackelberg model is more appropriate than the Cournot model in situations where

- A) there are more than two firms.
- B) all firms enter the market simultaneously.
- C) one firm makes its output decision before the other.
- D) firms will be likely to collude.

Answer: <https://biology-forums.com/index.php?topic=785870>

Question 51

If savers require a 2% return and inflation is expected to be 3%, what approximate rate will banks offer savers?

- A) 1%
- B) 3.2%
- C) 5%
- D) 6%

Answer: <https://biology-forums.com/index.php?topic=786120>

Question 52

During the Iraq War, the U.S. government continued to borrow funds and yet the interest rate was steady or slightly declined. What could explain this?

- A) The U.S. crowded out private saving.
- B) The U.S. crowded out private borrowing.
- C) The supply of loanable funds increased by a greater proportion than demand increased.
- D) The supply of loanable funds increased by a smaller proportion than demand increased.

Answer: <https://biology-forums.com/index.php?topic=786199>

Question 53

Positive externalities are created when

- A) other consumers reduce their demand for coffee and price thereby declines.
- B) farmers spray pesticide in their fields and it washes into the local river after the first rainstorm.
- C) your neighbor plants beautiful trees and flowers in her yard.
- D) you purchase the "Mona Lisa" and lock it in a vault.

Answer: <https://biology-forums.com/index.php?topic=786314>

Question 54

Some companies subject their applicants to extensive tests. Why?

- A) to reduce the informational asymmetry between the firm and the applicant
- B) to screen the applicant to avoid the problem of adverse selection
- C) to gather more information about the applicant
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=786462>

Question 55

If the utility for two goods "x" and "y" can be measured as $U = y$, then it can be concluded that

- A) "x" and "y" are perfect complements.
- B) "x" is a "bad".
- C) the indifference curves on the x,y graph are upward sloping where "x" is measured on the horizontal axis.
- D) the indifference curves on the x,y graph are horizontal where "x" is measured on the horizontal axis.

Answer: <https://biology-forums.com/index.php?topic=784813>

Question 56

In the case of a specific tax, tax incidence is independent of who pays

- A) only when supply and demand elasticities are not constant.
- B) only when the tax is collected from consumers.
- C) in most but not all cases.
- D) in all cases.

Answer: <https://biology-forums.com/index.php?topic=784763>

Question 57

In the mid 1980s, the salaries of accounting professors with Ph.D.s increased dramatically. This resulted in an increase in enrollments in Ph.D. accounting programs. Since a Ph.D. degree in accounting may take at least four years to complete, the short-run elasticity of supply of accounting professors is

- A) greater than the long-run-elasticity of supply.
- B) less than the long-run elasticity of supply.
- C) equal to the long-run elasticity of supply.
- D) equal to the short-run elasticity of demand.

Answer: <https://biology-forums.com/index.php?topic=784738>

Question 58

The number of vehicle types available in the United States has increased dramatically over the past thirty years. Everything else equal, this would make

- A) the demand for individual vehicle types to become less elastic.
- B) the demand for individual vehicle types to become more elastic.
- C) the demand for all vehicle types to become unitary elastic.
- D) the demand for low quality vehicle types to become less elastic.

Answer: <https://biology-forums.com/index.php?topic=784711>

Question 59

Suppose there are 100 identical firms in the rag industry, and each firm is willing to supply 10 rags at any price. The market supply curve will be a(n)

- A) vertical line where $Q = 10$.
- B) vertical line where $Q = 100$.
- C) vertical line where $Q = 1000$.
- D) horizontal line where $Q = 1000$.

Answer: <https://biology-forums.com/index.php?topic=784559>

Question 60

Economists tend to judge a model based upon

- A) the reality of its assumptions.
- B) the accuracy of its predictions.
- C) its simplicity.
- D) its complexity.

Answer: <https://biology-forums.com/index.php?topic=784493>

Question 61

A monopoly's output decision depends only on the shape of its marginal cost curve.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785611>

Question 62

Suppose all individuals are identical, and their monthly demand for Internet access from a certain leading provider can be represented as $p = 5 - (1/2)q$ where p is price in \$ per hour and q is hours per month. The firm faces a constant marginal cost of \$1. The profit maximizing two-part tariff results in the firm selling

- A) 4.5 hours.
- B) 10 hours.
- C) 5 hours.
- D) 8 hours.

Answer: <https://biology-forums.com/index.php?topic=785783>

Question 63

The demand for an input used in a fixed proportions technology

- A) is identical to the demand for the other inputs.
- B) is greater than the demand for the end product itself.

- C) lies below the demand for the end product itself.
D) is the same as the demand for the end product itself.

Answer: <https://biology-forums.com/index.php?topic=786039>

Question 64

How does a competitive firm's demand for labor react to a specific tax on each unit of output it sells?

Answer: <https://biology-forums.com/index.php?topic=786046>

Question 65

If extraction technology continues to improve over time,

- A) the price of crude oil can continue to fall or stay steady.
B) the price of crude oil will increase despite any attempts to stem demand.
C) the price of crude oil will only fall if sufficient government taxation is implemented.
D) the price of crude oil will only fall if sufficient demand declines are arranged.

Answer: <https://biology-forums.com/index.php?topic=786179>

Question 66

Explain how continuing technical progress may cause the price of scarce, exhaustible resources to fall over time.

Answer: <https://biology-forums.com/index.php?topic=786185>

Question 67

Searching the internet for information to help select a product that is more reliable is most likely to be done by a

- A) risk-averse person.
B) risk-neutral person.
C) risk-preferring person.
D) This cannot be determined with the information provided.

Answer: <https://biology-forums.com/index.php?topic=786262>

Question 68

In general, an externality is created when

- A) people are affected (other than by price) by a transaction which they were not part of.
B) when firms produce a product of low quality and consumers don't like it.
C) When firms have to pay for pollution the environment.
D) When the government subsidizes education.

Answer: <https://biology-forums.com/index.php?topic=786317>

Question 69

Which of the following is not a common property?

- A) a city park
B) a main street
C) a public beach
D) a movie screening

Answer: <https://biology-forums.com/index.php?topic=786391>

Question 70

Newspaper accounts of the U.S. labor market often point out that many people are working more hours than their parents did. What might explain this phenomenon?

- A) the substitution effect
B) the endowment effect
C) bounded rationality
D) the income effect

Answer: <https://biology-forums.com/index.php?topic=784986>

Question 71

Suppose a graph is drawn to show a consumer's preferences for football tickets and basketball tickets. The quantity of football tickets is measured on the horizontal axis. If the price-consumption curve is horizontal when the price of football tickets changes, then

- A) football tickets are an inferior good.
B) the demand for football tickets is perfectly elastic.
C) the demand for football tickets is unit elastic.

D) the demand curve for football tickets will be horizontal.

Answer: <https://biology-forums.com/index.php?topic=784902>

Question 72

Economists assume consumers select a bundle of goods that maximizes their well-being subject to

- A) their budget constraint.
- B) their income.
- C) relative prices.
- D) their marginal rate of substitution.

Answer: <https://biology-forums.com/index.php?topic=784843>

Question 73

If the utility for two goods "x" and "y" can be measured as $U = x$, then it can be concluded that

- A) "x" and "y" are perfect complements.
- B) "y" is a "bad".
- C) the indifference curves on the x,y graph are upward sloping where "x" is measured on the horizontal axis.
- D) the indifference curves on the x,y graph are vertical where "x" is measured on the horizontal axis.

Answer: <https://biology-forums.com/index.php?topic=784812>

Question 74

Which of the following is an example of an ad valorem tax?

- A) 5% of price.
- B) 5% of quantity sold.
- C) \$0.50 per unit sold.
- D) Government regulation.

Answer: <https://biology-forums.com/index.php?topic=784767>

Question 75

In the case of a specific tax the resulting price received by producers depends on

- A) who pays the tax.
- B) the price elasticity of supply.
- C) the price elasticity of demand.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784765>

Question 76

One reason the U.S. government might subsidize research of an alternative to crude-oil based gasoline?

- A) More substitutes will reduce the price of crude-oil based gasoline.
- B) More substitutes will increase the elasticity of crude-oil based gasoline.
- C) More substitutes will reduce the impact of supply shocks on the price of crude-oil based gasoline.
- D) Any or all of the above.

Answer: <https://biology-forums.com/index.php?topic=784712>

Question 77

If two firms produce the same product but have different supply curves

- A) this would indicate that some other variable differs across the two firms.
- B) this would indicate that all variables are the same across the two firms.
- C) this would indicate that one or both of the firm's managers are misinformed.
- D) this would indicate a need for government regulation.

Answer: <https://biology-forums.com/index.php?topic=784565>

Question 78

Mary purchased a stuffed animal toy for \$5. After a few weeks, someone offered her \$100 for the toy. Mary refused. One can conclude that Mary's consumer surplus from the toy is

- A) less than \$5.
- B) at least \$95.
- C) at least \$100.
- D) \$105.

Answer: <https://biology-forums.com/index.php?topic=785355>

Question 79

Which of the following is not a potential result of a price floor?

- A) Excess supply.
- B) Price greater than free-market equilibrium price.
- C) Lower quality inputs are used which increases marginal cost
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785444>

Question 80

Suppose that the minimum wage covers all sectors of the economy; however, for unionized laborers, the minimum wage is ineffective. That is, the union wage is already above the minimum wage. Analyze the impact of an increase in the minimum wage on both the unionized and non-unionized labor markets. (Assume that the higher minimum wage is still ineffective in the unionized sector and that union and nonunion labor are substitutable.)

Answer: <https://biology-forums.com/index.php?topic=785484>

Question 81

When considering trade of two goods between two people, if one person has all the endowment of both goods this allocation

- A) is never on a contract curve.
- B) will result in trade so each person has all of one good.
- C) will result in trade to a equal division of goods between the two people.
- D) is Pareto efficient.

Answer: <https://biology-forums.com/index.php?topic=785497>

Question 82

Suppose the production possibilities for two countries, producing either food or clothing, are shown in the above figure. They can each produce any linear combination as well. Measuring food on the horizontal axis, the joint production possibility frontier has a horizontal intercept of

- A) 10.
- B) 20.
- C) 30.
- D) 50.

Answer: <https://biology-forums.com/index.php?topic=785535>

Question 83

A cake is to be shared by two people. Both desire the largest piece possible. One of the two will cut the cake. Under which of the following situations will the cutter adopt a Rawlsian social welfare function?

- A) The person cutting the cake chooses the first piece.
- B) The person not cutting the cake chooses the first piece.
- C) The two individuals will bid for the right to cut the cake and choose first.
- D) The two individuals will toss a coin for the right to cut the cake and choose first.

Answer: <https://biology-forums.com/index.php?topic=785555>

Question 84

If a firm is a profit maximizer and faces positive marginal costs

- A) there is a natural limit to the size of the firm, where $MR=0$.
- B) there is no natural limit to the size of the firm, it can be as large as it wants to be.
- C) there is a natural limit to the size of the firm, where $MR>0$.
- D) there is no natural limit to the size of the firm, hence the need for government regulation.

Answer: <https://biology-forums.com/index.php?topic=785595>

Question 85

Which of the following is most likely the most beneficial form of monopoly advantage?

- A) better production methods
- B) input hoarding
- C) decreasing returns to scale
- D) government protection

Answer: <https://biology-forums.com/index.php?topic=785668>

Question 86

Patents

- A) will create a profit incentive to do research.
- B) might be welfare reducing if granted for too long a period.
- C) serve as a barrier to entry.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785674>

Question 87

A perfect-price-discriminating monopoly maximizes social welfare as measured by the sum of producer surplus plus consumer surplus.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785735>

Question 88

What is the aspect of imperfect competition that is most distinct from perfect competition?

- A) Free entry/exit
- B) Perfect information
- C) Differentiated Products
- D) Zero profits.

Answer: <https://biology-forums.com/index.php?topic=785828>

Question 89

Game theory shows that cartels

- A) should be expected.
- B) allow firms to maximize joint profits.
- C) allow firms to overcome the less desired outcome consistent with the prisoner's dilemma.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785838>

Question 90

How can a firm be made better off by limiting its options?

Answer: <https://biology-forums.com/index.php?topic=786006>

Question 91

A monopoly's demand curve for labor

- A) is below that of a competitive market.
- B) is the same as that of a competitive market.
- C) is above that of a competitive market.
- D) equals $p * MPL$.

Answer: <https://biology-forums.com/index.php?topic=786052>

Question 92

Which of the following is most likely to cause the savings supply curve in the market for loanable funds to shift leftward?

- A) Government borrows to finance a war.
- B) All firms project higher future revenue streams for all of their projects.
- C) All firms project lower future revenue streams for all of their projects.
- D) Government institutes a high tax on savings.

Answer: <https://biology-forums.com/index.php?topic=786192>

Question 93

If a recession were to reduce the demand for loans, ceteris paribus,

- A) the interest rate will increase.
- B) the interest rate will not change.
- C) the interest rate will decrease.
- D) the number of loans will increase.

Answer: <https://biology-forums.com/index.php?topic=786198>

Question 94

A physical examination is not a good screening device for life insurance companies if

- A) life-threatening diseases are usually undetected.
- B) doctors cannot be easily bribed to write a good report.

C) medical history is a good predictor of life expectancy.
D) one's current state of health is a good predictor of life expectancy.
Answer: <https://biology-forums.com/index.php?topic=786465>

Question 95

Inflation over time necessarily makes consumers worse off.
True or False? Provide an explanation.
Answer: <https://biology-forums.com/index.php?topic=784970>

Question 96

Max has allocated \$100 toward meats for his barbecue. His budget line and an indifference map are shown in the above figure. If the price of burger increases,
A) Max will buy less burger and more chicken.
B) Max will buy less burger and the same quantity of chicken.
C) Max will buy less of both meats.
D) More information is needed to answer the question.
Answer: <https://biology-forums.com/index.php?topic=784853>

Question 97

Draw the indifference curves for rock concerts and food for each of the following:
(a) a typical 17-year-old
(b) a typical 75-year-old
Answer: <https://biology-forums.com/index.php?topic=784800>

Question 98

Suppose the market for grass seed can be expressed as
Demand: $QD = 200 - 5p$
Supply: $QS = 40 + 5p$
If the government collects a \$5 specific tax from sellers, how much will the quantity demanded change from the amount demanded before the tax? What price will consumers pay after the tax? What price will sellers receive after the tax? What is the tax revenue?
Answer: <https://biology-forums.com/index.php?topic=784776>

Question 99

Some environmental groups are on record suggesting that the price of gasoline should be much higher than it was in the early 1990s. Why might they say this?
A) They own stock in oil companies.
B) They anticipate that the longer the price is high, the more elastic the response by consumers will be.
C) They anticipate that the longer the price is high, the less elastic the response by consumers will be.
D) They anticipate that higher prices will reduce the price elasticity of supply of oil.
Answer: <https://biology-forums.com/index.php?topic=784745>

Question 100

If a competitive firm has to pay a lump sum tax it will produce less.
True or False? Provide an explanation.
Answer: <https://biology-forums.com/index.php?topic=785304>

Question 101

Explain why a government would impose an import tariff when domestic consumers suffer more than producers gain?
Answer: <https://biology-forums.com/index.php?topic=785471>

Question 102

Suppose the production possibilities for two countries, producing either food or clothing, are shown in the above figure. They can each produce any linear combination as well. Measuring food on the horizontal axis, the joint production possibility frontier will have a slope of -1
A) only when 20-30 units of food are produced.
B) only when 10-20 units of food are produced.
C) only when 10-20 units of clothing are produced.
D) throughout the entire PPF.
Answer: <https://biology-forums.com/index.php?topic=785537>

Question 103

- A profit maximizing monopolist
- A) is guaranteed to lose money because of a lack of competition.
 - B) is not guaranteed to make a positive profit.
 - C) is guaranteed to make a positive profit, hence the desire to be a monopolist.
 - D) is guaranteed to make a non-negative profit, otherwise government would step in to assist.

Answer: <https://biology-forums.com/index.php?topic=785598>

Question 104

- If the demand for a monopoly's output shifts rightward, the change in quantity produced is not predictable because
- A) the monopoly is a profit maximizer.
 - B) the monopoly is a price taker.
 - C) the monopoly has no supply curve.
 - D) the monopoly's marginal cost curve might not be upward sloping.

Answer: <https://biology-forums.com/index.php?topic=785604>

Question 105

- Which of the following DOES NOT contribute to the market power of a firm?
- A) Number of available substitutes.
 - B) The color of the product.
 - C) Legal protections.
 - D) The number of firms in the market.

Answer: <https://biology-forums.com/index.php?topic=785632>

Question 106

- When attempting price regulation a government faces what problem(s)?
- A) limited information
 - B) bribes
 - C) uncooperative firms
 - D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785685>

Question 107

- Assume a firm is a monopoly and enjoys \$10,000,000 profits per year. The firm lobbies to have a moratorium passed by Congress on new firms in its market for the next 25 years. If there is no discount rate, how much would the firm be willing to pay to deter entry?
- A) \$250 million
 - B) \$25 million
 - C) \$100 million
 - D) \$250 billion

Answer: <https://biology-forums.com/index.php?topic=785999>

Question 108

- If an asset has a future value of \$120, a present value of \$30, and an interest rate of 4%, how many periods of compounding are there?
- A) 45 periods
 - B) 35 periods
 - C) 28 periods
 - D) 100 periods

Answer: <https://biology-forums.com/index.php?topic=786128>

Question 109

- If global warming began to cause random world-wide damage to crops, insurance companies
- A) would insure against specific crop failures.
 - B) would not insure against specific crop failures.
 - C) would be indifferent between insuring or not.
 - D) would find themselves facing prosecution for ignoring the problem for so long.

Answer: <https://biology-forums.com/index.php?topic=786278>

Question 110

What is one reason a gambler might bet \$1,000 that a sixteenth seed team will win the NCAA basketball tournament?

- A) irrationality
- B) overconfidence
- C) exuberance
- D) gambler's fallacy

Answer: <https://biology-forums.com/index.php?topic=786307>

Question 111

Markets tend to produce too little of an excludable public good because

- A) transaction costs are high.
- B) of the lack of rivalry.
- C) these goods are depletable.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=786430>

Question 112

A tax cut will unambiguously lower income-tax revenue.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784989>

Question 113

By selecting a bundle where $MRS = MRT$, the consumer is

- A) achieving a corner solution.
- B) reaching the highest possible indifference curve she can afford.
- C) not behaving in an optimal way.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784846>

Question 114

Suppose the market for grass seed is expressed as

Demand: $QD = 100 - 2p$

Supply: $QS = 3p$

Price elasticity of supply is constant at 1. If the supply curve is changed to $Q = 8p$, price elasticity of supply is still constant at 1. Yet, with the new supply curve, consumers pay a larger share of a specific tax. Why?

Answer: <https://biology-forums.com/index.php?topic=784774>

Question 115

As more people quit smoking in the United States, what is expected to happen to the price elasticity of demand for cigarettes?

- A) It will decrease as those who are most price insensitive stay in the market.
- B) It will increase as those who are least price insensitive exit the market.
- C) It might increase or decrease.
- D) It will not change.

Answer: <https://biology-forums.com/index.php?topic=784743>

Question 116

If on Tuesday the perceived price of studying for an exam is \$4 per hour but on Saturday the perceived price of studying for an exam is \$10, the law of demand predicts

- A) more studying on Saturday and less on Tuesday.
- B) more studying on Tuesday and less on Saturday.
- C) the same amount of studying on Tuesday and Saturday.
- D) no studying on Tuesday or Saturday.

Answer: <https://biology-forums.com/index.php?topic=784538>

Question 117

If a firm cannot earn profits in the short run, it will shut down.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785302>

Question 118

If everyone's utility is given equal weight and a change in resource allocation results in one person's gain exceeding another person's loss, we can say that the new allocation

- A) is Pareto superior to the original one.
- B) increases social welfare.
- C) decreases social welfare.
- D) is efficient.

Answer: <https://biology-forums.com/index.php?topic=785558>

Question 119

Which of the following markets is closest to a monopoly?

- A) a firm with 90% market share
- B) the only gas station for 100 miles
- C) cable television
- D) garbage disposal

Answer: <https://biology-forums.com/index.php?topic=785591>

Question 120

Suppose all individuals are identical, and their monthly demand for Internet access from a certain leading provider can be represented as $p = 5 - (1/2)q$ where p is price in \$ per hour and q is hours per month. The firm faces a constant marginal cost of \$1. Potential consumer surplus equals

- A) \$4.
- B) \$8.
- C) \$16.
- D) \$32.

Answer: <https://biology-forums.com/index.php?topic=785781>

Question 121

Which of the following models results in the greatest deadweight loss assuming a fixed number of firms with identical costs and a given demand curve?

- A) Cournot
- B) Stackelberg
- C) Monopoly
- D) Perfect competition

Answer: <https://biology-forums.com/index.php?topic=785888>

Question 122

During the Black Plague, capital became worth less. What can explain this?

- A) Capital's marginal product fell because there was less labor.
- B) Capitalists died off at a greater rate than the workers.
- C) Capital's marginal product increased but the marginal product of labor decreased.
- D) Workers forgot how to use the capital.

Answer: <https://biology-forums.com/index.php?topic=786041>

Question 123

The demand for a monopoly's output is $p = 100 - Q$. The firm's production function is $Q = 2L$. Which of the following is the firm's demand for labor?

- A) $w = 200 - 8L$
- B) $w = 200 - 4L$
- C) $w = 100 - L$
- D) $w = 2L$

Answer: <https://biology-forums.com/index.php?topic=786056>

Question 124

Which of the following statements is CORRECT?

- A) Compared to stocks Bonds have a higher return.
- B) Compared to stocks Bond returns have a higher standard deviation.
- C) Compared to Bonds Stock returns have a lower standard deviation.
- D) Compared to Bonds Stock returns have a higher standard deviation.

Answer: <https://biology-forums.com/index.php?topic=786294>

Question 125

If a large number of people decide to major in economics, the supply and demand model has little to say about the future wages of economists.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784654>

Question 126

In the Primary Metals industry, it is estimated that the elasticity of output with respect to labor is 0.51 and the elasticity of output with respect to capital is 0.73. These two measures indicate that the primary metals industry is characterized by

- A) decreasing returns to scale.
- B) constant returns to scale.
- C) increasing returns to scale.
- D) no returns to scale.

Answer: <https://biology-forums.com/index.php?topic=785092>

Question 127

The rate at which a consumer must give up y to get one more x is equal to

- A) $-P_x/P_y$.
- B) $-P_y/P_x$.
- C) $-MU_x/MU_y$.
- D) MU_y/MU_x .

Answer: <https://biology-forums.com/index.php?topic=784828>

Question 128

Suppose the following information is known about a market:

1. Sellers will not sell at all below a price of \$2.
2. At a price of \$10, any given seller will sell 10 units.
3. There are 100 identical sellers in the market.

Assuming a linear supply curve, use this information to derive the market supply curve.

Answer: <https://biology-forums.com/index.php?topic=784571>

Question 129

If the price of gasoline were \$5, many people would stop buying gasoline while others would continue to do so. This would indicate

- A) those who are buying gasoline value it at least \$5 per gallon.
- B) those who are not buying gasoline value it more than \$5 per gallon.
- C) only those who are extremely wealthy are buying gasoline.
- D) the price of gasoline needs to be regulated by the Federal Government.

Answer: <https://biology-forums.com/index.php?topic=784541>

Question 130

Technological efficiency is

- A) a necessary and sufficient condition for profit maximization.
- B) a sufficient but not necessary condition for profit maximization.
- C) a necessary but not sufficient condition for profit maximization.
- D) a theoretical construct with little connection to the real world.

Answer: <https://biology-forums.com/index.php?topic=785001>

Question 131

Explain why individual firms in competitive markets face more elastic demand curves than the market as a whole.

Answer: <https://biology-forums.com/index.php?topic=785258>

Question 132

Suppose that for each firm in the competitive market for potatoes, long-run average cost is minimized at \$0.20 per pound when 500 pounds are grown. The demand for potatoes is $Q = 10,000/p$. If the long-run supply curve is horizontal, then how many firms will this industry sustain in the long run?

- A) 0
- B) 100
- C) 50,000
- D) There is not enough information to answer.

Answer: <https://biology-forums.com/index.php?topic=785321>

Question 133

If an economist states that not enough of a good is being produced, she usually means that

- A) not everyone can afford the good.
- B) price exceeds marginal cost.
- C) consumer surplus equals zero.
- D) at equilibrium, some people who still wish to sell the good cannot find a buyer.

Answer: <https://biology-forums.com/index.php?topic=785398>

Question 134

The general equilibrium analysis of a minimum wage applied to only some sectors of the economy suggests that

- A) workers in all sectors will face increased wages.
- B) some workers in the covered sectors will lose their jobs and remain unemployed.
- C) some workers originally employed in the covered sectors will move to the uncovered sectors, driving down wages in the uncovered sectors.
- D) all workers will be worse off.

Answer: <https://biology-forums.com/index.php?topic=785475>

Question 135

Explain the logic behind the First Theorem of Welfare Economics.

Answer: <https://biology-forums.com/index.php?topic=785522>

Question 136

Suppose the production possibilities for two countries, producing either food or clothing, are shown in the above figure. They can each produce any linear combination as well. Measuring food on the horizontal axis, the joint production possibility frontier

- A) will have a slope of $-3/4$ over the entire frontier.
- B) will have a slope of -2 when less than 20 units of food are produced.
- C) will have a slope of -1 when less than 20 units of food are produced.
- D) will have a slope of $-1/2$ when less than 20 units of food are produced.

Answer: <https://biology-forums.com/index.php?topic=785529>

Question 137

If the government sets a specific tax and an ad valorem tax so that they raise the same amount of tax revenue, why does the ad valorem tax reduce output less than the specific tax?

Answer: <https://biology-forums.com/index.php?topic=785663>

Question 138

If a firm faces a flat demand curve,

- A) it cannot engage in price discrimination.
- B) it can only engage in two-part tariffs.
- C) it can only engage in perfect price discrimination.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=785712>

Question 139

Firms price discriminate to maximize total revenue.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785714>

Question 140

Declining-block quantity discrimination makes sense if

- A) buyers of smaller quantities are more price sensitive than buyers of larger quantities.
- B) buyers of smaller quantities are less price sensitive than buyers of larger quantities.
- C) demand for the good is perfectly elastic.
- D) the lower price for larger quantities encourages all consumers to purchase the larger quantity.

Answer: <https://biology-forums.com/index.php?topic=785741>

Question 141

In a duopoly, if advertising only takes customers from rivals rather than attracting new customers, then

- A) the Nash equilibrium maximizes the joint payoff.
- B) firms must collude to maximize the joint payoff.
- C) the Nash equilibrium is that neither firm advertises.
- D) there is no dominant strategy.

Answer: <https://biology-forums.com/index.php?topic=785810>

Question 142

In a duopoly, if advertising only takes customers from rivals rather than attracting new customers, the two firms would prefer

- A) the Nash equilibrium level of advertising.
- B) to advertise more than the current level.
- C) to not change the level of advertising.
- D) an advertising ban.

Answer: <https://biology-forums.com/index.php?topic=785812>

Question 143

Under what conditions would firms be likely to support an industry-wide advertising ban?

Answer: <https://biology-forums.com/index.php?topic=785819>

Question 144

In comparing monopolistic competition to perfect competition, one can conclude that the lack of free entry is the key to having the ability to set price. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785829>

Question 145

As in all other competitive markets price equals marginal cost in a market for a scarce, non-renewable resource that is traded in a competitive market. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786183>

Question 146

Which of the following is most likely to cause the demand curve in the capital market to shift leftward?

- A) Government borrows to finance a war.
- B) All firms project higher future revenue streams for all of their projects.
- C) All firms project lower future revenue streams for all of their projects.
- D) Government institutes a high tax on savings.

Answer: <https://biology-forums.com/index.php?topic=786193>

Question 147

The price of pie increases. Some people who purchased pie before the price increase no longer purchase pie. This is

- A) a positive externality.
- B) a negative externality.
- C) a positive externality for some consumers and a negative externality for others.
- D) not an externality.

Answer: <https://biology-forums.com/index.php?topic=786316>

Question 148

If a life insurance company does not require a medical exam of its policyholders, it is most likely that the company

- A) charges above-average premiums.
- B) charges below-average premiums.
- C) charges no premiums.
- D) has only very healthy policyholders.

Answer: <https://biology-forums.com/index.php?topic=786458>

Question 149

The returns to scale of the production function $Q = 50 L^{0.4} K^{0.2}$ are

- A) 50.
- B) .6.
- C) .8.
- D) 500.6.

Answer: <https://biology-forums.com/index.php?topic=785089>

Question 150

Which of the following is the geometric mean of 4 and 9?

- A) 6.5

- B) 6
- C) 36
- D) 3.6

Answer: <https://biology-forums.com/index.php?topic=784969>

Question 151

The assumption of completeness means that

- A) the consumer can rank all possible consumption bundles.
- B) more of a good is always better.
- C) the consumers can rank all affordable consumption bundles.
- D) all preferences conditions are met.

Answer: <https://biology-forums.com/index.php?topic=784778>

Question 152

When import restrictions are placed on a good, and as a result the price of the good increases, the demand curve for that good will

- A) shift rightward.
- B) shift leftward.
- C) become steeper.
- D) be unaffected.

Answer: <https://biology-forums.com/index.php?topic=784606>

Question 153

The law of demand

- A) was passed by the 102nd U.S. Congress
- B) is a natural law, much like the law of gravity.
- C) is considered a "law" in economics because of the overwhelming empirical evidence that supports its logic.
- D) is considered a "law" in economics in order to force economic models to operate fully.

Answer: <https://biology-forums.com/index.php?topic=784537>

Question 154

Suppose that for each firm in the competitive market for potatoes, long-run average cost is minimized at \$0.20 per pound when 500 pounds are grown. The demand for potatoes is $Q = 10,000/p$. If the long-run supply curve is horizontal, then how much will consumers spend, in total, on potatoes?

- A) \$0
- B) \$500
- C) \$10,000
- D) \$50,000

Answer: <https://biology-forums.com/index.php?topic=785322>

Question 155

When comparing partial equilibrium effects to general equilibrium effects one can conclude that

- A) general equilibrium effects are always larger.
- B) partial equilibrium effects are always larger.
- C) the effects are of equal size.
- D) one cannot determine before the fact which effect is greater.

Answer: <https://biology-forums.com/index.php?topic=785476>

Question 156

How does competition ensure that the efficient product mix is attained?

Answer: <https://biology-forums.com/index.php?topic=785550>

Question 157

A monopoly faces the following demand function: $Q = 100 - p + \sqrt{A}$, where A equals the dollar amount spent on advertising. If the cost function is $A + 10 + 2Q$, what are the profit-maximizing levels of price, output, and advertising? Compare this outcome to the case where the firm does not advertise at all.

Answer: <https://biology-forums.com/index.php?topic=785818>

Question 158

Mergers may result in

- A) anticompetitive behavior.

- B) more efficient production.
- C) fewer firms in a market.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785843>

Question 159

Product differentiation

- A) may allow firms to price above a competitive level.
- B) generates value as consumers value more choices.
- C) depends on perceived differences between products.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785906>

Question 160

In the Stackelberg model, the leader has a first-mover advantage because it

- A) has lower costs than the follower.
- B) commits to producing a larger quantity.
- C) reacts to the follower's decision.
- D) differentiates its output.

Answer: <https://biology-forums.com/index.php?topic=785981>

Question 161

For a monopoly, the value of the next worker equals

- A) $MR * MPL$.
- B) $p * MPL$.
- C) MPL .
- D) w/MPL .

Answer: <https://biology-forums.com/index.php?topic=786054>

Question 162

If a firm takes the wage as given, then the supply curve of labor to that firm is

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

Answer: <https://biology-forums.com/index.php?topic=786081>

Question 163

Alchemy was the attempt to discover a process by which base metals, such as lead, could be turned into gold. If an alchemist had been successful,

- A) all the lead in the world would have been added to the world's gold supply.
- B) all the lead in the world would have replaced the world's gold supply.
- C) all the lead in the world would only have been added to the world's gold supply when it was converted to gold.
- D) the alchemist would likely have been killed by the owners of real gold.

Answer: <https://biology-forums.com/index.php?topic=786182>

Question 164

Life insurance companies often give applicants a physical examination to prevent

- A) the person from dying before obtaining the policy.
- B) signaling.
- C) adverse selection.
- D) profit maximization.

Answer: <https://biology-forums.com/index.php?topic=786461>

Question 165

The requirement that all drivers must carry auto insurance reduces

- A) moral hazard.
- B) the effectiveness of signaling.
- C) adverse selection.
- D) the chance of auto accidents.

Answer: <https://biology-forums.com/index.php?topic=786463>

Question 166

Under which one of the following contracts does an agent have the least incentive to behave opportunistically?

- A) The agent pays a fixed fee to the principal for the right to all future payoffs.
- B) The agent works for the principal on an hourly basis.
- C) The agent receives a share of the profit.
- D) The agent works for the principal on a per unit basis.

Answer: <https://biology-forums.com/index.php?topic=786581>

Question 167

Sarah earns \$40,000 per year working for a large corporation. She is thinking of quitting this job to work full time in her own business. She will invest her savings of \$50,000 (which currently has an annual 10% rate of return) into the business. Her annual opportunity cost of this new business is

- A) \$0.
- B) \$40,000.
- C) \$45,000.
- D) \$90,000.

Answer: <https://biology-forums.com/index.php?topic=785119>

Question 168

One reason the supply and demand model might not be appropriate to the health-care industry?

- A) Consumers do not have full information.
- B) Providers do not know the demand for health-care services.
- C) Consumers do not know how to value their own health.
- D) The costs of finding a doctor are too low.

Answer: <https://biology-forums.com/index.php?topic=784650>

Question 169

A tax cut that raises the after-tax wage rate will most likely result in more hours worked if

- A) tax rates were low already.
- B) the relevant portion of the labor supply curve is upward sloping.
- C) the relevant portion of the labor supply curve is downward sloping.
- D) workers can be easily fooled.

Answer: <https://biology-forums.com/index.php?topic=784979>

Question 170

Max has allocated \$100 toward meats for his barbecue. His budget line and an indifference map are shown in the above figure. What happens if Max's mother gives him 30 pounds of burger?

- A) Max would have preferred receiving the dollar value of the burger.
- B) Max is indifferent between this gift and the dollar value of the burger.
- C) Max prefers this gift to the dollar value of the burger.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=784855>

Question 171

If the price of one good increases while the price of the other good and the consumer's income remain unchanged, what will happen to the budget line?

- A) The budget line rotates inward from the intercept on the axis of the good that did not change in price.
- B) The budget line rotates outward from the intercept on the axis of the good that did not change in price.
- C) The budget line shifts inward without a change in slope.
- D) The budget line shifts outward without a change in slope.

Answer: <https://biology-forums.com/index.php?topic=784830>

Question 172

Government revenue from an excise tax of a given amount is greater when demand is relatively inelastic than when it is relatively elastic. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784769>

Question 173

Municipalities that have adopted the policy of "rent control" typically set the rentals on certain apartments well below equilibrium. As a result,

- A) landlords have a difficult time finding tenants.
- B) prospective tenants have a difficult time finding available apartments.
- C) there is a surplus of apartments.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784618>

Question 174

The Law of Supply ensures that supply curves slope upward.

Answer: <https://biology-forums.com/index.php?topic=784570>

Question 175

If the supply curve of a product changes so that sellers are now willing to sell 2 additional units at any given price, the supply curve will

- A) shift leftward by 2 units.
- B) shift rightward by 2 units.
- C) shift vertically up by 2 units.
- D) shift vertically down by 2 units.

Answer: <https://biology-forums.com/index.php?topic=784561>

Question 176

Learning by doing is represented by

- A) a decrease in the average total cost curve.
- B) an increase in the average total cost curve.
- C) no change in the average total cost curve.
- D) an increase in the average total cost curve and a decrease in the marginal cost curve.

Answer: <https://biology-forums.com/index.php?topic=785215>

Question 177

If firms are producing efficiently, but consumers can reallocate goods amongst themselves,

- A) the equilibrium is not efficient.
- B) the equilibrium is efficient.
- C) the consumers are behaving irrationally.
- D) the firms are too greedy.

Answer: <https://biology-forums.com/index.php?topic=785478>

Question 178

Which of the following conditions can help prolong the life of a cartel?

- A) There are only a few firms in the market and they all belong to the cartel.
- B) There are many firms in the market that are not members of the cartel.
- C) It is difficult to know what price any cartel member is actually charging.
- D) The cartel has no ability to punish members who cheat on the cartel.

Answer: <https://biology-forums.com/index.php?topic=785842>

Question 179

One firm previously operated as a monopoly. Now, one potential entrant exists. Consumers would prefer

- A) entry, and the firms to split the output equally.
- B) no entry, and for the incumbent to produce the Stackelberg leader level of output.
- C) entry, and for the incumbent to produce the Stackelberg leader level of output.
- D) no entry, and the monopoly to continue.

Answer: <https://biology-forums.com/index.php?topic=785986>

Question 180

An investment is profitable as long as its internal rate of return is equal to the rate of interest.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786161>

Question 181

Economic efficiency entails

- A) producing a given amount of output with the most expensive mix of inputs.
- B) producing a given amount of output with the least number of inputs.

- C) producing a given amount of output with the most inputs.
- D) producing a given amount of output with the cheapest mix of inputs.

Answer: <https://biology-forums.com/index.php?topic=785124>

Question 182

Suppose each worker must use only one shovel to dig a trench, and shovels are useless by themselves. In the short run, an increase in the price of shovels will result in

- A) fewer shovels being purchased.
- B) more workers being hired.
- C) a decrease in the firm's output.
- D) no change in the firm's output.

Answer: <https://biology-forums.com/index.php?topic=785154>

Question 183

Max has allocated \$100 toward meats for his barbecue. His budget line and an indifference map are shown in the above figure. Which bundle will Max choose?

- A) a
- B) b
- C) c
- D) d

Answer: <https://biology-forums.com/index.php?topic=784851>

Question 184

The indifference curves for left shoes and right shoes would most likely be

- A) upward sloping and concave to the origin.
- B) downward sloping and convex to the origin.
- C) downward sloping and straight lines.
- D) L-shaped.

Answer: <https://biology-forums.com/index.php?topic=784791>

Question 185

For all goods, the long run demand curve is always more elastic than the short run demand curve. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784748>

Question 186

Why is the supply of oil more price elastic in the long run?

- A) New deposits are found.
- B) Better extraction technology.
- C) Ability of firms to change the amount of all inputs.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784737>

Question 187

If the demand curve for a good is horizontal and the price is positive, then a leftward shift of the supply curve results in

- A) a price of zero.
- B) an increase in price.
- C) a decrease in price.
- D) no change in price.

Answer: <https://biology-forums.com/index.php?topic=784658>

Question 188

A microeconomic model CANNOT be used to

- A) evaluate the impact of a price change on a firm's revenue.
- B) predict the impact of an increase in the minimum wage on unemployment.
- C) evaluate the fairness of a proposal to nationalize health insurance.
- D) evaluate the effect of an increase in stadium size on the price of a sport team's tickets.

Answer: <https://biology-forums.com/index.php?topic=784511>

Question 189

Suppose the production function for T-shirts can be represented as $q = K$. Show that the production function has constant returns to scale.
Answer: <https://biology-forums.com/index.php?topic=785098>

Question 190

Firms that exhibit price-taking behavior

- A) wait for other firms to set price, take it as given, and charge a higher price.
- B) have outputs that are too small to influence market price and thus take it as given.
- C) take pricing behavior in their own hands.
- D) are independently capable of setting price.

Answer: <https://biology-forums.com/index.php?topic=785233>

Question 191

If all conditions for a perfectly competitive market are met

- A) firms face sunk cost when entering the market.
- B) firms demand curves are horizontal.
- C) the market demand curve is horizontal.
- D) the firms' demand curves are downward-sloping.

Answer: <https://biology-forums.com/index.php?topic=785238>

Question 192

In a competitive market, one would expect to see

- A) no advertising.
- B) false advertising.
- C) advertising only in the Sunday papers.
- D) minimal advertising.

Answer: <https://biology-forums.com/index.php?topic=785253>

Question 193

There are currently N identical firms in a market. If it is a perfectly competitive market, the short-run market supply curve at any given price is

- A) N times the supply of an individual firm.
- B) $N - 1$ times the supply of an individual firm.
- C) N plus the supply of an individual firm.
- D) It cannot be determined from the information provided.

Answer: <https://biology-forums.com/index.php?topic=785301>

Question 194

Suppose that for each firm in the competitive market for potatoes, long-run average cost is minimized at \$0.20 per pound when 500 pounds are grown. The demand for potatoes is $Q = 10,000/p$. If the long-run supply curve is horizontal, then how many pounds of potatoes will be consumed in total?

- A) 0
- B) 500
- C) 10,000
- D) 50,000

Answer: <https://biology-forums.com/index.php?topic=785323>

Question 195

When two people trade their initial endowments to a point on the contract curve, only the level of the endowments will determine the new allocation. True or False? Provide an explanation.
Answer: <https://biology-forums.com/index.php?topic=785504>

Question 196

Suppose the production possibilities for two countries, producing either food or clothing, are shown in the above figure. The U.S. has a comparative advantage in producing

- A) food.
- B) clothing.
- C) food and clothing.
- D) neither good.

Answer: <https://biology-forums.com/index.php?topic=785528>

Question 197

If MRS's are equal across all consumers, then the efficient product mix has been achieved.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785545>

Question 198

Suppose all individuals are identical, and their monthly demand for Internet access from a certain leading provider can be represented as $p = 5 - (1/2)q$ where p is price in \$ per hour and q is hours per month. The firm faces a constant marginal cost of \$1. If the firm will charge a monthly access fee plus a per hour rate, the monthly access fee will equal

- A) \$1.
- B) \$5.
- C) \$8.
- D) \$16.

Answer: <https://biology-forums.com/index.php?topic=785784>

Question 199

Each identical consumer has the following demand for golf, $q = 100 - p$, where q is the number of rounds of golf played per year and p is the price per round. The only golf course in an isolated town incurs a marginal cost of \$10 per round of golf. It wishes to charge a membership fee and a fee per round of golf. What price will it set for each fee?

Answer: <https://biology-forums.com/index.php?topic=785790>

Question 200

A firm that holds a monopoly in both goods stands to gain from a tie-in sale.

- A) True.
- B) False.
- C) True, which is why anti-trust laws exist.
- D) False, there are no dual monopolies.

Answer: <https://biology-forums.com/index.php?topic=785796>

Question 201

In a duopoly, if advertising only takes customers from rivals rather than attracting new customers, then

- A) neither firm will advertise.
- B) there is no dominant strategy.
- C) the result is similar to the prisoners' dilemma.
- D) only one firm will advertise.

Answer: <https://biology-forums.com/index.php?topic=785808>

Question 202

In Dutch or first-price sealed-bid auctions, participants will bid less than their highest valuation.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786018>

Question 203

At age 40, Joe is considering quitting his job and going back for a college degree. He needs two more years full-time. Tuition is \$10,000 per year. He earns \$30,000 per year. A college degree would raise his annual income by \$10,000 per year. He will retire at age 70. His benefit of a degree would be

- A) $10,000 \times \frac{1}{r}$
- B) $10,000 \times \frac{1}{r^2}$
- C) $10,000/r$
- D) $10,000 \times \frac{1}{r^2}$

Answer: <https://biology-forums.com/index.php?topic=786150>

Question 204

If an exhaustible resource is priced at marginal cost that remains constant over time, then

- A) all owners of that resource earn rent.
- B) the price will stay constant over time.
- C) the percent price increase each year equals the rate of interest.
- D) the good is relatively scarce.

Answer: <https://biology-forums.com/index.php?topic=786169>

Question 205

A consumer is likely to avoid adverse selection and get a high-quality lunch at

- A) a snack bar at a traveling carnival.
- B) a vendor who parks her cart at a different location every noon.
- C) a restaurant in the center of a business district.
- D) a restaurant located next door to Disneyland.

Answer: <https://biology-forums.com/index.php?topic=786478>

Question 206

Suppose a plaintiff hires a lawyer to represent her in a court case. Under which of the following contracts is efficiency in risk bearing assured?

- A) The lawyer is paid by the hour.
- B) The lawyer receives a share of the settlement.
- C) The lawyer receives a fixed fee.
- D) It is impossible to determine without the degree of risk aversion for each.

Answer: <https://biology-forums.com/index.php?topic=786582>

Question 207

If increasing returns to scale are present, the long-run average cost increases as more output is produced.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785198>

Question 208

Suppose a firm can only vary the quantity of labor hired in the short run. An increase in the cost of capital will

- A) increase the firm's marginal cost.
- B) decrease the firm's marginal cost.
- C) have no effect on the firm's marginal cost.
- D) More information is needed to answer the question.

Answer: <https://biology-forums.com/index.php?topic=785139>

Question 209

Returns to scale is a concept that operates

- A) only in the short run.
- B) only in the long run.
- C) in both the long run and the short run.
- D) in either the long run or the short run but never both.

Answer: <https://biology-forums.com/index.php?topic=785082>

Question 210

An optimum that occurs as a corner solution

- A) includes only one good.
- B) cannot be an equilibrium.
- C) cannot exhaust the budget constraint.
- D) includes the exact same amounts of each good.

Answer: <https://biology-forums.com/index.php?topic=784844>

Question 211

The principle that "More is better" results in indifference curves

- A) sloping down.
- B) not intersecting.
- C) reflecting greater preferences the further they are from the origin.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784780>

Question 212

Wealthy people tend to have vertical labor supply curves

- A) only if their income effect just offsets their substitution effect.
- B) only if their income effect is greater than their substitution effect.

C) only if their income effect is less than their substitution effect.

D) only if they don't have an income effect.

Answer: <https://biology-forums.com/index.php?topic=784988>

Question 213

If the supply curve of cigarettes shifts to the left, quantity demanded for cigarettes

A) will decrease substantially.

B) will increase substantially.

C) will slightly increase.

D) will slightly decrease.

Answer: <https://biology-forums.com/index.php?topic=784664>

Question 214

A vertical demand curve for a particular good implies that consumers are

A) sensitive to changes in the price of that good.

B) not sensitive to changes in the price of that good.

C) irrational.

D) not interested in that good.

Answer: <https://biology-forums.com/index.php?topic=784662>

Question 215

Which of the following cultural events likely increased the demand for the associated product?

A) The banning of cigarette advertising on television.

B) The inclusion of Reeses Pieces in the movie E.T.

C) Increased environmental awareness about the impacts of sport utility vehicles (SUVs).

D) Concerns over "Mad Cow" disease in beef.

Answer: <https://biology-forums.com/index.php?topic=784536>

Question 216

Governments do not respond to prices.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784488>

Question 217

Many universities have either a top football program OR a top basketball program. Very few have both. These results suggest the presence of

A) economies of scope.

B) diseconomies of scope.

C) returns to scale.

D) the law of diminishing marginal returns.

Answer: <https://biology-forums.com/index.php?topic=785220>

Question 218

A market's structure is described by

A) the number of firms in the market.

B) the ease with which firms can enter and exit the market.

C) the ability of firms to differentiate their product.

D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785232>

Question 219

If a society relies on competitive markets to allocate goods, then

A) an equitable distribution is assured.

B) an equitable distribution is certain to not occur.

C) the competitive equilibrium will be Pareto superior to any other.

D) social welfare as measured by consumer surplus plus producer surplus will equal zero.

Answer: <https://biology-forums.com/index.php?topic=785560>

Question 220

In a duopoly, if advertising only takes customers from rivals rather than attracting new customers, then

- A) the Nash equilibrium does not maximize the joint payoff.
- B) the Nash equilibrium maximizes the joint payoff.
- C) firms need not collude to maximize their joint payoff.
- D) there is no dominant strategy.

Answer: <https://biology-forums.com/index.php?topic=785809>

Question 221

In a duopoly, if advertising only takes customers from rivals rather than attracting new customers, joint profits are maximized when

- A) both firms advertise.
- B) neither firm advertises.
- C) the Nash equilibrium is achieved.
- D) each firm plays its dominant strategy.

Answer: <https://biology-forums.com/index.php?topic=785811>

Question 222

Advertising that has the fine print "professional driver on a closed course,"

- A) are likely engaged in persuasive advertising.
- B) are likely engaged in informative advertising.
- C) are likely engaged in strategic advertising.
- D) are likely engaged in false advertising.

Answer: <https://biology-forums.com/index.php?topic=785814>

Question 223

At age 40, Joe is considering quitting his job and going back for a college degree. He needs two more years full-time. Tuition is \$10,000 per year. He earns \$30,000 per year. A college degree would raise his annual income by \$10,000 per year. He will retire at age 70. If these are real amounts (adjusted for inflation), then the discount rate to be used should be

- A) the nominal rate of interest.
- B) the real rate of interest.
- C) the rate of inflation.
- D) zero.

Answer: <https://biology-forums.com/index.php?topic=786151>

Question 224

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 225

Which of the following goods has the property of rivalry?

- A) national defense
- B) a highway
- C) air to breathe
- D) an outdoor movie screening

Answer: <https://biology-forums.com/index.php?topic=786427>

Question 226

If a bank offers mortgages that do not require the normal 20% down payment, the bank encourages

- A) people who know they might not pay off the mortgage.
- B) people who can't afford the down payment but can pay off the mortgage.
- C) people who know that they are going to pay off the mortgage.
- D) people who know they can't pay off the mortgage but who can afford the down payment.

Answer: <https://biology-forums.com/index.php?topic=786451>

Question 227

A production function tells the firm

- A) the maximum it can expect to produce with a given mix of inputs.
- B) the average it can expect to produce with a given mix of inputs.

C) the minimum it can expect to produce with a given mix of inputs.

D) the average level of production for other firms in the industry.

Answer: <https://biology-forums.com/index.php?topic=785010>

Question 228

With respect to production, the short run is best defined as a time period

A) lasting about six months.

B) lasting about two years.

C) in which all inputs are fixed.

D) in which at least one input is fixed.

Answer: <https://biology-forums.com/index.php?topic=785005>

Question 229

Suppose that the interest rate paid to savers increases. As a result, Tom wishes to save more. This suggests that, for Tom,

A) the substitution effect is greater than the income effect.

B) the income effect is greater than the substitution effect.

C) utility maximization is not occurring.

D) future consumption is a luxury.

Answer: <https://biology-forums.com/index.php?topic=784947>

Question 230

If the utility function (U) between food (F) and clothing (C) can be represented as $U =$, the marginal rate of substitution of clothing for food equals

A) $-C/F$.

B) $-F/C$.

C) $-$.

D) $-$.

Answer: <https://biology-forums.com/index.php?topic=784806>

Question 231

Suppose the market for grass seed can be expressed as

Demand: $QD = 100 - 2p$

Supply: $QS = 3p$

If government imposes a 10% ad valorem tax to be collected from sellers, what is the price consumers will pay? How much tax revenue is collected?

Answer: <https://biology-forums.com/index.php?topic=784773>

Question 232

Electricity accounts for almost 20% of the cost of making steel. A 10% increase in electricity prices results in steel firms decreasing production and thereby demanding 5% less electricity. Over many years, technological innovations can change the way steel firms make steel and reduce the industry's energy requirements. This suggests that the steel industry's short-run elasticity of demand for electricity is probably

A) less than one in absolute terms in the short run.

B) less than its long-run elasticity of demand for electricity.

C) Both A and B above.

D) Neither A nor B above.

Answer: <https://biology-forums.com/index.php?topic=784736>

Question 233

If the price of orange juice rises 10%, and as a result the quantity demanded falls by 10%, then one can conclude that the demand for orange juice

A) is perfectly elastic.

B) is inelastic.

C) has a unitary elasticity.

D) has a constant elasticity.

Answer: <https://biology-forums.com/index.php?topic=784697>

Question 234

Legislators argue that a minimum wage law is instituted to help poor people. Economists can attack the minimum wage law on two fronts. First, some argue that government should not help the poor. Second, some argue that minimum wage laws actually hurt the poor because it creates unemployment. Which argument is normative and which is positive?

Answer: <https://biology-forums.com/index.php?topic=784508>

Question 235

If a competitive firm is in short-run equilibrium, then

- A) profits equal zero.
- B) it will not operate at a loss.
- C) an increase in its fixed cost will have no effect on profit.
- D) an increase in its fixed cost will have no effect on output.

Answer: <https://biology-forums.com/index.php?topic=785291>

Question 236

Which of the following is a potential result of a price ceiling?

- A) Excess supply.
- B) Long lines.
- C) Higher quality output.
- D) Higher marginal costs.

Answer: <https://biology-forums.com/index.php?topic=785445>

Question 237

Suppose the production possibilities for two countries, producing either food or clothing, are shown in the above figure. They can each produce any linear combination as well. Assuming that consumers place equal value on both of these goods and that free trade between these two countries is possible, gains from trade

- A) are not possible.
- B) exist because food is more expensive to produce in Canada than in the U.S.
- C) exist because food is more expensive to produce in the U.S. than in Canada.
- D) do not exist because the consumers in each country have set their marginal rate of substitution equal to their country's marginal rate of transformation.

Answer: <https://biology-forums.com/index.php?topic=785534>

Question 238

Two identical firms that share a market and produce a homogenous good will find the Bertrand Oligopoly LEAST attractive because

- A) Cartels generate the highest joint profit.
- B) a Cournot Oligopoly will generate more profit than a Bertrand Oligopoly.
- C) they want to avoid a price war that leads to profit erosion and $P=MC$.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785908>

Question 239

In monopolistically competitive markets

- A) price is greater than it would be in perfect competition.
- B) price is less than it would be in perfect monopoly.
- C) quantity is greater than it would be in perfect monopoly.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785923>

Question 240

If the interest rate received in Mexico is greater than that obtained in the United States,

- A) the interest rate will decrease in the United States in the future.
- B) the interest rate will increase in the United States in the future.
- C) the interest rate will increase in Mexico in the future.
- D) the interest rate will not change in either country.

Answer: <https://biology-forums.com/index.php?topic=786202>

Question 241

Insurance companies do not cover losses that would

- A) happen to all of the policyholders at once.
- B) happen with a very low probability.
- C) happen to just a handful of policyholders.
- D) happen with uncertainty.

Answer: <https://biology-forums.com/index.php?topic=786272>

Question 242

Which of the following can justify a business license fee?

- A) public infrastructure
- B) police protection
- C) fire protection
- D) All or Any of the above

Answer: <https://biology-forums.com/index.php?topic=785163>

Question 243

If workers are in the backward-bending section of their labor supply curves, then an increase in the income tax rate will

- A) increase the tax revenue and increase the number of hours worked.
- B) increase the tax revenue and decrease the number of hours worked.
- C) decrease the tax revenue and increase the number of hours worked.
- D) decrease the tax revenue and decrease the number of hours worked.

Answer: <https://biology-forums.com/index.php?topic=784980>

Question 244

By selecting a bundle where $MRS = MRT$, the consumer is saying

- A) "I value my last unit of each good equally."
- B) "I am willing to trade one good for the other at the same rate that I am required to do so."
- C) "I will equate the amounts spent on all goods consumed."
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784847>

Question 245

If a consumer's budget line for food (F) and shelter (S) is represented as $F = 250 - 5S$, we know that

- A) the consumer's income is 250.
- B) the price of shelter is 5.
- C) the price of shelter is 5 times the price of food.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784837>

Question 246

If the utility for two goods "x" and "y" is measured as $U = x + y$, then it can be concluded that

- A) "x" and "y" are perfect substitutes.
- B) "x" and "y" are perfect complements.
- C) "x" and "y" are both bads.
- D) the indifference curves on the x,y graph will be upward sloping.

Answer: <https://biology-forums.com/index.php?topic=784811>

Question 247

If the utility function (U) between food (F) and clothing (C) can be represented as $U = \dots$, the marginal utility of food equals

- A) .
- B) .
- C) $1/2$.
- D) $1/2$.

Answer: <https://biology-forums.com/index.php?topic=784804>

Question 248

The statement "There is no accounting for taste" implies

- A) individuals all have the same preferences.
- B) individuals all have different cardinal preferences but the same ordinal preferences.
- C) individuals all have different ordinal preferences but the same cardinal preferences.
- D) individuals all have different ordinal and cardinal preferences.

Answer: <https://biology-forums.com/index.php?topic=784792>

Question 249

If the government decides to levy an ad valorem tax on product with a perfectly inelastic supply. The consumers tax incidence will be

- A) 0
- B) 1
- C) .5
- D) Cannot be determined.

Answer: <https://biology-forums.com/index.php?topic=784764>

Question 250

The duration of the "short-run"

- A) is one year.
- B) is the same for all goods.
- C) depends on the relative short-run elasticity of demand and supply for the good.
- D) depends on how long it takes consumers or firms to adjust for a particular good.

Answer: <https://biology-forums.com/index.php?topic=784735>

Question 251

The market demand for wheat is $Q = 100 - 2p + 1 p_b$ where p_b is the price of barley. If the price of wheat is \$2, the price elasticity of demand

- A) equals $(-4/46)$.
- B) equals (-46) .
- C) equals (-1) .
- D) cannot be calculated without more information.

Answer: <https://biology-forums.com/index.php?topic=784702>

Question 252

Suppose the demand function for a good is expressed as $Q = 100 - 4p$. If the good currently sells for \$10, then the price elasticity of demand equals

- A) -1.5.
- B) -0.67.
- C) -4.
- D) -2.5.

Answer: <https://biology-forums.com/index.php?topic=784685>

Question 253

Consider the following products. Which of them has the flattest demand curve?

- A) insulin
- B) alcohol
- C) cigarettes
- D) butter

Answer: <https://biology-forums.com/index.php?topic=784663>

Question 254

A vertical demand curve results in

- A) no change in quantity when the supply curve shifts.
- B) no change in price when the supply curve shifts.
- C) no change in the supply curve being possible.
- D) no change in quantity when the demand curve shifts.

Answer: <https://biology-forums.com/index.php?topic=784661>

Question 255

Suppose the market for potatoes can be expressed as follows:

Supply: $Q_S = -20 + 10p$

Demand: $Q_D = 400 - 20p$

Suppose the government restricts the quantity to 100 units. What will be the price of potatoes?

Answer: <https://biology-forums.com/index.php?topic=784641>

Question 256

Suppose the demand for a particular product can be expressed as $Q = 100/p$. Calculate the total amount spent on this good when $p = 10, 20,$ and 50 . Can you make a generalization about the mathematical form of this demand curve and consumer behavior in this market?

Answer: <https://biology-forums.com/index.php?topic=784554>

Question 257

Short-run average cost exceeds long-run average cost only when there are economies of scale.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785217>

Question 258

Many car owners and car dealers describe their different cars for sale in the local newspapers and list their asking price. Many people shopping for a used car consider the different choices listed in the paper. The absence of which condition prohibits this market from being described as perfectly competitive?

- A) Buyers and sellers know the prices.
- B) Firms freely enter and exit.
- C) Transaction costs are low.
- D) Consumers believe all firms sell identical products.

Answer: <https://biology-forums.com/index.php?topic=785241>

Question 259

Which is an important aspect of the perfectly competitive market that leads to long run equilibrium?

- A) perfect information
- B) freedom of entry and exit
- C) price taking behavior
- D) homogeneous products

Answer: <https://biology-forums.com/index.php?topic=785325>

Question 260

In economics, welfare analysis is useful to

- A) gauge the validity of "mend it, don't end it."
- B) determine who should receive income transfers.
- C) determine who gains and who loses in a particular policy option.
- D) prove which policy option is "best."

Answer: <https://biology-forums.com/index.php?topic=785417>

Question 261

General equilibrium analysis is the study of

- A) how an equilibrium is determined in all markets simultaneously.
- B) how an equilibrium is determined in all closely related markets.
- C) the effects of a change in a market, and all spillover effects in all related markets.
- D) Any of the above.

Answer: <https://biology-forums.com/index.php?topic=785472>

Question 262

A general equilibrium analysis of a price change in the corn chip market would include an investigation of the impacts in

- A) the television market.
- B) the coffee market.
- C) the salsa market.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785474>

Question 263

The so-called "death tax" might

- A) aim to alter endowments so as to attain an inefficient outcome.
- B) aim to alter endowments consistent with the first theorem of welfare economics.
- C) aim to alter endowments consistent with the second theorem of welfare economics.
- D) aim to alter prices consistent with the first theorem of welfare economics.

Answer: <https://biology-forums.com/index.php?topic=785517>

Question 264

True or false? The Edgeworth box version of inter-personal trade requires the individuals to be in close proximity of one another.

- A) True, that way they can see each other's endowments and prices.
- B) False, being in close proximity is not required for mutually beneficial trade to occur in the Edgeworth box.
- C) True, the Edgeworth box only works when there folks see "eye-to-eye".
- D) False, although prices are only valid if they are communicated in person.

Answer: <https://biology-forums.com/index.php?topic=785518>

Question 265

Suppose the production possibilities for two countries, producing either food or clothing, are shown in the above figure. They can each produce any linear combination as well. Measuring food on the horizontal axis, the joint production possibility frontier has a vertical intercept of

- A) 10.
- B) 20.
- C) 30.
- D) 50.

Answer: <https://biology-forums.com/index.php?topic=785536>

Question 266

Suppose the production possibilities for two countries, producing either food or clothing, are shown in the above figure. They can each produce any linear combination as well. Measuring food on the horizontal axis, the joint production possibility frontier has a kink because

- A) each country has a constant marginal rate of transformation that differs from the other country.
- B) each country has a marginal rate of transformation that varies with the product mix.
- C) all production possibility frontiers have kinks.
- D) the two countries have the same marginal rate of transformation.

Answer: <https://biology-forums.com/index.php?topic=785538>

Question 267

Explain how it is possible for one of two people in a two-good economy to have an absolute advantage in producing both goods, but trade can still benefit both people.

Answer: <https://biology-forums.com/index.php?topic=785547>

Question 268

In general, the quantity that maximizes revenue for the monopolist

- A) is greater than the quantity that maximizes profit.
- B) is less than the quantity that maximizes profit.
- C) is the same as the quantity that maximizes profit.
- D) is illegal according to anti-trust statutes.

Answer: <https://biology-forums.com/index.php?topic=785599>

Question 269

If a monopoly's demand curve shifts to the right the monopoly

- A) will charge a higher price.
- B) will charge a lower price.
- C) will sell more.
- D) decision cannot be determined.

Answer: <https://biology-forums.com/index.php?topic=785601>

Question 270

Explain why advertising that results in spuriously differentiated products may result in a deadweight loss to total welfare.

Answer: <https://biology-forums.com/index.php?topic=785820>

Question 271

Which of the following market models results in the highest price assuming a fixed number of firms with identical costs and a given demand curve?

- A) Cournot
- B) Stackelberg
- C) Monopoly
- D) Price is the same in all three markets.

Answer: <https://biology-forums.com/index.php?topic=785886>

Question 272

Which of the following models results in the greatest total profit, assuming a fixed number of firms with identical costs and a given demand curve?

- A) Cournot
- B) Stackelberg
- C) Monopoly
- D) Perfect competition

Answer: <https://biology-forums.com/index.php?topic=785889>

Question 273

If two firms behave as Cournot duopolists, the level of social welfare is lower than if the same firms act as a cartel.
True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785892>

Question 274

With regard to preventing entry, if identical firms act simultaneously,

- A) they cannot credibly threaten each other.
- B) they will all incur losses.
- C) only one firm will enter the market.
- D) none of them will enter the market.

Answer: <https://biology-forums.com/index.php?topic=785980>

Question 275

If the price of a competitive firm's output increases, the firm responds in the short run by demanding more labor.
True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786042>

Question 276

If you agree to a long-term loan at a specified nominal rate of interest and inflation turns out to be higher than was anticipated,

- A) the nominal rate of interest falls.
- B) the nominal rate of interest rises.
- C) the real rate of interest falls.
- D) the real rate of interest rises.

Answer: <https://biology-forums.com/index.php?topic=786125>

Question 277

In reality prices of non-renewable resources have not increased continually according to the model developed in Section 16.3 because

- A) abundance of the resource.
- B) technological Progress changing marginal cost.
- C) changing market power of producers.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=786172>

Question 278

A government policy that lets individuals put away money for retirement tax-free will

- A) shift the demand curve for loanable funds rightward.
- B) crowd out private investment.
- C) shift the supply curve of loanable funds to the right.
- D) induce people to save less at any interest rate.

Answer: <https://biology-forums.com/index.php?topic=786196>

Question 279

If an agent is risk neutral and a principal is risk averse, which of the following contracts would be efficient in risk bearing?

- A) A fixed fee is paid to the agent.
- B) A fixed fee is paid to the principal.
- C) An hourly rate is paid to the agent.
- D) The agent enjoys a share of the profit.

Answer: <https://biology-forums.com/index.php?topic=786585>

Question 280

One of the biggest benefits of the internet auction site eBay

- A) is its control over prices.
- B) it increases the supply of products.
- C) it increases the demand for products.
- D) it reduces transaction costs for both sellers and buyers.

Answer: <https://biology-forums.com/index.php?topic=784649>

Question 281

The power of the supply and demand model lies in its ability

- A) to generally predict how price and quantity will change with supply and demand shocks.
- B) to precisely predict the impact of government regulations on quantity and price.
- C) to precisely determine the difference between price ceilings and price floors.
- D) to generally predict how profit motive impacts the distribution of goods and services.

Answer: <https://biology-forums.com/index.php?topic=784651>

Question 282

The Marginal Product of Labor is

- A) the change in total product resulting from an extra unit of labor, holding other factors constant.
- B) the ratio of output to the number of workers used to produce that output.
- C) the amount of output that can be produced by a given amount of labor.
- D) equal to the marginal product of labor when the average product is increasing.

Answer: <https://biology-forums.com/index.php?topic=785022>

Question 283

Suppose the short-run production function is $q = 10 * L$. If the wage rate is \$10 per unit of labor, then AFC equals

- A) 0.
- B) 1.
- C) $10/q$.
- D) It cannot be determined from the information provided.

Answer: <https://biology-forums.com/index.php?topic=785148>

Question 284

Cash may be preferred to food stamps because additional cash

- A) rotates the budget constraint.
- B) shifts out the budget constraint at every point.
- C) provides a smaller opportunity set.
- D) allows the purchase of more food.

Answer: <https://biology-forums.com/index.php?topic=784862>

Question 285

If the prices of both goods and income increase by the same percentage, what will happen to the budget line?

- A) The budget line rotates inward from the intercept on the axis of the good that did not change in price.
- B) The budget line rotates outward from the intercept on the axis of the good that did not change in price.
- C) The budget line shifts outward without a change in slope.
- D) Nothing.

Answer: <https://biology-forums.com/index.php?topic=784833>

Question 286

Explain why a tax increase on cigarettes in one state might not lead to a substantial price increase for all consumers in that state.

Answer: <https://biology-forums.com/index.php?topic=784770>

Question 287

The National Association of Business Schools recently required that all business schools must hire three additional people with Ph.D. degrees in English literature. What is the immediate effect on the salaries of people with Ph.D.s in English literature? What will be the effect after ten years?

Answer: <https://biology-forums.com/index.php?topic=784751>

Question 288

If the cross price elasticity of two goods is -3.5, then

- A) these two products are relatively elastic substitutes.
- B) these two products are relatively inelastic substitutes.
- C) these two products are relatively elastic complements.
- D) these two products are relatively inelastic complements.

Answer: <https://biology-forums.com/index.php?topic=784713>

Question 289

During a mild winter, the price of home heating oil is expected to be less than it would be during a normal winter.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784614>

Question 290

If a yet-to-be released video game receives a positive review in a popular gaming magazine,

- A) the demand curve is expected to shift to the right.
- B) the demand curve is expected to shift to the left.
- C) the demand curve is not expected to change.
- D) for those who read the review, demand shifts to the left. For those who don't read the review, demand shifts to the right.

Answer: <https://biology-forums.com/index.php?topic=784535>

Question 291

If a city government enacts a maximum price on rent

- A) quantity supplied will decrease.
- B) quantity demanded will increase.
- C) allocational problems develop.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785425>

Question 292

The above figure depicts the Edgeworth box for two individuals, Al and Bruce. Point a is not Pareto efficient because

- A) Al's MRS exceeds Bruce's MRS.
- B) the point is not near the center of the box.
- C) Al's indifference curve is not far enough away from the origin.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785495>

Question 293

Explain why Robin Hood's practice of stealing from the rich to give to the poor is never Pareto efficient.

Answer: <https://biology-forums.com/index.php?topic=785521>

Question 294

Economic growth can be depicted as

- A) a change in the country's MRS.
- B) a change in the country's MR.
- C) a shift of the country's production possibilities frontier to the right.
- D) a shift of the country's production possibilities frontier to the left.

Answer: <https://biology-forums.com/index.php?topic=785542>

Question 295

If the inverse demand function for a monopoly's product is $p = a - bQ$, then the firm's marginal revenue function is

- A) a.
- B) $a - (1/2)bQ$.
- C) $a - bQ$.
- D) $a - 2bQ$.

Answer: <https://biology-forums.com/index.php?topic=785580>

Question 296

Explain why a monopoly that knows the demand curve of identical consumers can set a two-part tariff with the lump sum tariff equal to the total amount of potential consumer surplus.

Answer: <https://biology-forums.com/index.php?topic=785791>

Question 297

Since a monopoly faces no competitors, it need not advertise.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785816>

Question 298

A typical firm in a cartel will hold which of the following attitudes?

- A) If everyone cheats, I'm better off, and so is everyone in the cartel.
- B) If I alone cheat, I'm better off; if everyone cheats, I'm worse off.
- C) I can never do better for myself than following agreed-upon cartel rules.
- D) If I suspect others are planning to cheat, I'll do best for myself by deciding not to cheat.

Answer: <https://biology-forums.com/index.php?topic=785845>

Question 299

Because firms selling a homogenous product set price in response to the (perceived) pricing decision of other firms in the Bertrand Model of oligopoly in equilibrium price exceeds marginal cost.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785909>

Question 300

Fixed costs of entry create an advantage for potential entrants since incumbents have already made these expenditures while potential entrants can avoid these costs.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786003>

Question 301

Company towns are often decried as monopsonists. Why was it unlikely that another employer would move into a company town?

- A) The marginal workers available in the company town had low marginal revenue product.
- B) The existing monopsonist had a first-mover advantage.
- C) The marginal workers available in the company town would demand a wage higher than that obtained at the existing monopsonist.
- D) Any of the above.

Answer: <https://biology-forums.com/index.php?topic=786095>

Question 302

If an asset has a present value of \$50 and appreciates at an interest rate of 4%, what is the asset's future value in 47 compounding periods?

- A) Approximately \$400
- B) Approximately \$316
- C) Approximately \$137
- D) Approximately \$1143

Answer: <https://biology-forums.com/index.php?topic=786129>

Question 303

What is the internal rate of return on a new \$2,000 heater that would reduce your heating costs by \$200 a year forever? Under what conditions would you make the purchase?

Answer: <https://biology-forums.com/index.php?topic=786166>

Question 304

If fair insurance is offered to a risk-averse person, she will

- A) buy enough insurance to eliminate all risk.
- B) not buy any insurance because it is overpriced.
- C) not buy any insurance since the marginal utility of the amount of the payment is positive.
- D) buy enough insurance to cover about half of the possible loss.

Answer: <https://biology-forums.com/index.php?topic=786270>

Question 305

If a student achieves a high SAT score, this

- A) sends a signal to a college that the applicant will be a good college student.
- B) does not act as a screening device.
- C) is a moral hazard.
- D) provides a college with no information.

Answer: <https://biology-forums.com/index.php?topic=786460>

Question 306

A windfall profit tax imposed on oil companies would shift the firms?

- A) marginal tax rate

- B) marginal cost curve
- C) average cost curve
- D) the firm's production function

Answer: <https://biology-forums.com/index.php?topic=785162>

Question 307

Consider Johnson Mechanical is the only seller in its particular regional market. On the other hand, Amato Mechanical is one of twenty sellers in its particular regional market. All else equal, we would expect

- A) Johnson Mechanical to be relatively more productive than Amato Mechanical.
- B) Amato Mechanical to be relatively more productive than Johnson Mechanical.
- C) no difference in productivity between the two firms.
- D) Amato Mechanical might be more productive than Johnson Mechanical, but only if management for Amato Mechanical is a sole proprietorship.

Answer: <https://biology-forums.com/index.php?topic=785110>

Question 308

In the long run, all factors of production are

- A) variable.
- B) fixed.
- C) materials.
- D) rented.

Answer: <https://biology-forums.com/index.php?topic=785006>

Question 309

What do we mean by efficient production?

Answer: <https://biology-forums.com/index.php?topic=785003>

Question 310

Only corporations benefit from limited liability.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785002>

Question 311

Using the CPI to compensate workers for inflation is appropriate because, in the face of a change in relative prices, people should be allowed to purchase the same bundle as they did before the price changes.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784971>

Question 312

When John was in college and his income was low, he drank "Red Ribbon" beer. As his income increased, he purchased better-quality beer and less "Red Ribbon." Which graph in the above figure best represents John's Engel curve for "Red Ribbon" beer?

- A) Graph A
- B) Graph B
- C) Graph C
- D) Graph D

Answer: <https://biology-forums.com/index.php?topic=784920>

Question 313

When John's income was low, he could not afford to dine out and would respond to a pay raise by purchasing more frozen dinners. Now that his income is high, a pay raise causes him to dine out more often and buy fewer frozen dinners. Which graph in the above figure best represents John's Engel curve for dining out?

- A) Graph A
- B) Graph B
- C) Graph C
- D) Graph D

Answer: <https://biology-forums.com/index.php?topic=784917>

Question 314

An interior solution to a consumer's utility maximization problem implies

- A) consuming a positive amount of all goods.

- B) consuming negative amounts of all goods.
- C) consuming less than optimal amounts of all goods.
- D) consuming more than an optimal amount of at least one good.

Answer: <https://biology-forums.com/index.php?topic=784863>

Question 315

An indifference curve represents bundles of goods that a consumer

- A) views as equally desirable.
- B) ranks from most preferred to least preferred.
- C) refers to any other bundle of goods.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784777>

Question 316

The rising price of oil has made it feasible to extract oil out of oily sand in Canada. Concerning the oil market this is an example of

- A) a higher price elasticity of supply in the long run.
- B) a higher price elasticity of supply in the short run.
- C) a higher price elasticity of demand in the short run.
- D) an inelastic long-run supply of oil.

Answer: <https://biology-forums.com/index.php?topic=784739>

Question 317

Equilibrium is defined as a situation in which

- A) neither buyers nor sellers want to change their behavior.
- B) no government regulations exist.
- C) demand curves are perfectly horizontal.
- D) suppliers will supply any amount that buyers wish to buy.

Answer: <https://biology-forums.com/index.php?topic=784572>

Question 318

Once an equilibrium is achieved, it can persist indefinitely because

- A) shocks that shift the demand curve or the supply curve cannot occur.
- B) shocks to the demand curve are always exactly offset by shocks to the supply curve.
- C) the government never intervenes in markets at equilibrium.
- D) in the absence of supply/demand shocks no one applies pressure to change the price.

Answer: <https://biology-forums.com/index.php?topic=784573>

Question 319

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 320

Most modern financial centers use computers to match buyers and sellers. This absence of personal contact contradicts the definition of a market. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784487>

Question 321

If a firm goes out of business because of negative economic profits, its books

- A) might indicate a positive accounting profit.
- B) might indicate that opportunity costs were zero.
- C) might indicate that taxes are too high.
- D) might suggest a mistaken value of explicit costs.

Answer: <https://biology-forums.com/index.php?topic=785273>

Question 322

Policies that restrict supply could generate an increase in social welfare because the increase in producer surplus could exceed the decrease in consumer surplus.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785420>

Question 323

The above figure depicts the Edgeworth box for two consumers, Al and Bruce. Explain why point "a" cannot be a competitive equilibrium.

Answer: <https://biology-forums.com/index.php?topic=785524>

Question 324

Every point on the joint production possibilities frontier represents

- A) an initial endowment.
- B) inefficient production.
- C) the marginal rate of substitution of goods for each producer.
- D) at least one producer specializing in production.

Answer: <https://biology-forums.com/index.php?topic=785539>

Question 325

Suppose in a democratic society, all voters prefer choice G over choice B; however, when the two choices are presented along with a third choice, R, B wins the election. This violates the assumption of

- A) transitivity.
- B) non-dictatorship.
- C) independence of irrelevant alternatives.
- D) completeness.

Answer: <https://biology-forums.com/index.php?topic=785556>

Question 326

At a given point in time, the Rawlsian welfare function gives equal weight to each individual's utility.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785568>

Question 327

Equity and efficiency can be achieved simultaneously through competition.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785569>

Question 328

A monopoly does not have a supply curve.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785610>

Question 329

What is one reason patents are required?

- A) Information concerning innovation is private and secure.
- B) Human nature is corrupt.
- C) Information concerning innovation is generally not private and secure.
- D) The patent only makes things better in the short-run.

Answer: <https://biology-forums.com/index.php?topic=785679>

Question 330

The SSS Co. has a patent on a particular medication. The medication sells for \$1 per daily dose and marginal cost is estimated to be a constant at \$0.20. Assuming linear demand and marginal cost curves, use this information to estimate the deadweight loss from monopoly pricing if the firm currently sells 1,000 doses per day. Can this loss be justified?

Answer: <https://biology-forums.com/index.php?topic=785681>

Question 331

The government forcing a monopoly telecommunications company to allow other firms to use its cables is an attempt to

- A) regulate prices.
- B) decrease the monopoly market power by eliminating a natural monopoly.

- C) decrease the monopoly market power by increasing competition.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=785684>

Question 332

- Two-part tariffs offer a mechanism whereby the firm can
- A) charge two different prices to distinct groups of customers.
 - B) collect two times as much from consumers as a single-price monopoly can.
 - C) capture some or all of the consumer surplus.
 - D) reduce some of its fixed costs.

Answer: <https://biology-forums.com/index.php?topic=785777>

Question 333

- A surprising outcome of the Rock-Paper-Scissors game is that
- A) it is a clear example of a first mover advantage.
 - B) there is no pure-strategy Nash equilibrium.
 - C) it is best not to play the game.
 - D) it is a good way to determine who goes first in a sequential move game.

Answer: <https://biology-forums.com/index.php?topic=785966>

Question 334

- If a Cournot duopolist announced that it will double its output, the other firm does not view the announcement as credible because
- A) the announcing firm's profits will fall if it carries out the threat.
 - B) the other firm's profits will fall if the announcing firm carries out the threat.
 - C) the other firm's profits will rise if the announcing firm carries out the threat.
 - D) the other firm will double output also.

Answer: <https://biology-forums.com/index.php?topic=785983>

Question 335

- Assume an industry, currently dominated by one firm, experiences a large decline in fixed costs. This will
- A) make entry of other firms more likely.
 - B) make entry of other firms less likely.
 - C) serve as higher barrier to entry.
 - D) induce the incumbent firm to exit the industry.

Answer: <https://biology-forums.com/index.php?topic=785990>

Question 336

- An incumbent announces it will significantly increase output in the next period, but only has contracts for the amount produced this period. The announcement is a
- A) credible threat.
 - B) non-credible threat.
 - C) commitment.
 - D) mixed strategy.

Answer: <https://biology-forums.com/index.php?topic=785991>

Question 337

- If the competitive firm maximizes profit by selecting labor rather than output, it will earn greater economic profit.
True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786043>

Question 338

- At age 40, Joe is considering quitting his job and going back for a college degree. He needs two more years full-time. Tuition is \$10,000 per year. He earns \$30,000 per year. A college degree would raise his annual income by \$10,000 per year. He will retire at age 70. His cost of going back to college is
- A) $10,000 \times .$
 - B) $20,000 \times .$
 - C) $30,000 \times .$
 - D) $40,000 \times .$

Answer: <https://biology-forums.com/index.php?topic=786149>

Question 339

Investment demand is downward sloping because

- A) an increase in investment demand causes interest rates to fall.
- B) at lower interest rates, firms will undertake more investment.
- C) at lower interest rates, firms will undertake less investment.
- D) none of the above.

Answer: <https://biology-forums.com/index.php?topic=786187>

Question 340

Usury laws result in banks making less credit available to lower-income households because

- A) higher-income households will pay a higher interest rate than lower-income households.
- B) loans made to higher-income households have no risk.
- C) loans to lower-income households are riskier than loans to higher-income households.
- D) the regulated interest rate does not adequately compensate the bank for the risk of the loan to a lower-income household.

Answer: <https://biology-forums.com/index.php?topic=786297>

Question 341

In professional golf, a tournament winner might win, say, \$1 million, whereas second place wins only \$600,000. Why might golf have a 40% reduction in prize money from first and second place?

- A) To ensure that there is enough money to pay those who finish near last.
- B) To motivate golfers to take risks they might not otherwise take.
- C) To motivate golfers to not take risks they might otherwise take.
- D) The Professional Golfers Association is a cartel.

Answer: <https://biology-forums.com/index.php?topic=786547>

Question 342

Consumers and firms are known as price takers only if

- A) no market exists to determine the equilibrium price.
- B) they can set the market price.
- C) they cannot unilaterally affect the market price.
- D) excess demand exists.

Answer: <https://biology-forums.com/index.php?topic=784646>

Question 343

Suppose the total cost of producing T-shirts can be represented as $TC = 50 + 2q$. The average cost of the 5th T-shirt is

- A) 2.
- B) 12.
- C) 52.
- D) 60.

Answer: <https://biology-forums.com/index.php?topic=785141>

Question 344

In the long run, fixed costs are

- A) sunk.
- B) avoidable.
- C) larger than in the short run.
- D) not included in production decisions.

Answer: <https://biology-forums.com/index.php?topic=785172>

Question 345

The implementation of the assembly line is an example how

- A) changes in the organization of production improve productivity.
- B) neutral technical change improves productivity.
- C) non-neutral technical change can decrease productivity.
- D) labor saving technical change increases economy-wide unemployment.

Answer: <https://biology-forums.com/index.php?topic=785107>

Question 346

Suppose $MPL = 0.5 * (q/L)$ and $MPK = 0.5 * (q/K)$. In the long run, the firm will hire equal amounts of capital and labor

- A) all of the time.
- B) only when $w = r$.
- C) only when $w = 0.5 * r$.
- D) at no point in time.

Answer: <https://biology-forums.com/index.php?topic=785183>

Question 347

Both Sally and Sam receive a 10% raise in a single year. Sally increases her demand for ground beef whereas Sam decreases his demand for ground beef.

- A) This is impossible.
- B) This is only possible if Sally considers ground beef an inferior good, and Sam views it as a normal good.
- C) This is only possible if Sally has lower income than Sam.
- D) This is only possible if Sally considers ground beef a normal good and Sam views it as an inferior good.

Answer: <https://biology-forums.com/index.php?topic=784918>

Question 348

If two bundles are on the same indifference curve, then

- A) the consumer derives the same level of utility from each.
- B) the consumer derives the same level of ordinal utility from each but not the same level of cardinal utility.
- C) no comparison can be made between the two bundles since utility cannot really be measured.
- D) the MRS between the two bundles equals one.

Answer: <https://biology-forums.com/index.php?topic=784803>

Question 349

The market demand for wheat is $Q = 100 - 2p + 1 pb + 2Y$. If the price of wheat, p , is \$2, and the price of barley, pb , is \$3, and income, Y , is \$1000, the income elasticity of wheat is

- A) $2 * (1000/2099)$.
- B) 2.
- C) $1/2 * (1000/2099)$.
- D) cannot be calculated from the information provided.

Answer: <https://biology-forums.com/index.php?topic=784706>

Question 350

The market demand for wheat is $Q = 100 - 2p + 1 pb$, where pb is the price of barley. The cross price elasticity of demand for wheat with respect to barley

- A) cannot be calculated from just the information provided.
- B) is negative.
- C) suggests that wheat and barley are complements.
- D) equals 1.

Answer: <https://biology-forums.com/index.php?topic=784705>

Question 351

If the demand function for orange juice is expressed as $Q = 2000 - 500p$, where Q is quantity in gallons and p is price per gallon measured in dollars, then the demand for orange juice has a unitary elasticity when price equals

- A) \$0.
- B) \$1.
- C) \$2.
- D) \$4.

Answer: <https://biology-forums.com/index.php?topic=784687>

Question 352

When two goods are substitutes, a shock that raises the price of one good causes the price of the other good to

- A) remain unchanged.
- B) decrease.
- C) increase.
- D) change in an unpredictable manner.

Answer: <https://biology-forums.com/index.php?topic=784607>

Question 353

A rightward shift of the supply curve will lead to a(n)

- A) decrease in equilibrium price.
- B) excess supply at the old equilibrium price.
- C) increase in quantity demanded.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784604>

Question 354

If the price is \$5 and the quantity demanded is 100 units, then at a price of \$10, the quantity demanded will be

- A) less than or equal to 100 units.
- B) greater than or equal to 100 units.
- C) less than or equal to 1000 units.
- D) equal to 100 units.

Answer: <https://biology-forums.com/index.php?topic=784543>

Question 355

Most microeconomic models assume that decision makers wish to

- A) make themselves as well off as possible.
- B) act selfishly.
- C) make others as well off as possible.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=784477>

Question 356

If a pharmaceutical firm is researching ways to improve its heartburn medicine and discovers a technique that will improve its allergy medicine, one could conclude that economies of scope exist in that industry.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785229>

Question 357

An increase in the cost of an input will result in

- A) a leftward shift in the firm's supply curve.
- B) an upward shift of the firm's marginal cost curve.
- C) a leftward shift of the market supply curve.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785288>

Question 358

If in a market the last unit of output was sold at a price higher than marginal cost

- A) producer is better off producing more.
- B) consumers are better off if less of the product is sold.
- C) social welfare is not maximized.
- D) the unit increased total profit.

Answer: <https://biology-forums.com/index.php?topic=785395>

Question 359

The saying "what's that got to do with the price of tea?" reflects

- A) two markets where general equilibrium analysis would be most useful.
- B) two markets where general equilibrium analysis likely won't be very useful.
- C) two markets where the products are clearly closely related.
- D) two markets where firms are incredibly greedy.

Answer: <https://biology-forums.com/index.php?topic=785481>

Question 360

Employing a general equilibrium approach, describe the effect of a new law that prohibits steel imports.

Answer: <https://biology-forums.com/index.php?topic=785483>

Question 361

When two people are on the contract curve the allocation of goods

- A) cannot be improved.
- B) is pareto efficient.
- C) is such that neither individual can be made better off without making the other worse off.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785498>

Question 362

The monopolist's marginal revenue curve

- A) doesn't exist.
- B) lies below the demand curve.
- C) is identical to the demand curve.
- D) lies above the demand curve.

Answer: <https://biology-forums.com/index.php?topic=785592>

Question 363

A monopolist that chooses price

- A) necessarily produces less than a monopolist that chooses quantity, hence the laws against price fixing.
- B) produces the same amount as a monopolist that chooses quantity.
- C) produces more than a monopolist that chooses quantity, thus the irony of laws against price fixing.
- D) operates according to the Harvard tradition rather than the Chicago tradition.

Answer: <https://biology-forums.com/index.php?topic=785596>

Question 364

Consider a monopoly who posts an economic profit of \$10,000,000. All else equal, this monopolist should expect

- A) entry into its market, prices to fall, profits to fall.
- B) no entry into its market, prices to remain the same, profits to remain the same.
- C) exit from its market, prices to rise, profits to rise.
- D) entry into its market, the need to increase price, profits to remain the same.

Answer: <https://biology-forums.com/index.php?topic=785597>

Question 365

The loss associated with the fact that at the profit-maximizing quantity consumers value the goods more than it cost to produce them is called

- A) deadweight loss.
- B) comparative loss.
- C) Lerner Loss.
- D) Consumer Value Loss.

Answer: <https://biology-forums.com/index.php?topic=785640>

Question 366

The average cost for a typical electric-power-production firm is $AC = 100 - 10Q + Q^2$ where Q is measured in billion kilowatt hours per day. At the current regulated price, consumers demand 4 billion kilowatt hours per day. Is this market a natural monopoly? If demand increases to 10 billion kilowatt hours, is this market a natural monopoly? Explain.

Answer: <https://biology-forums.com/index.php?topic=785670>

Question 367

An exclusive right to sell a new and useful product, process, substance, or design for a fixed period of time is called a

- A) patent.
- B) barrier to entry.
- C) monopoly.
- D) research disincentive.

Answer: <https://biology-forums.com/index.php?topic=785672>

Question 368

Game theory shows that

- A) sometimes pursuing profit maximization will not yield the highest joint profit.
- B) interdependencies between firms have to be taken into account when few firms dominate the market.
- C) in an oligopolistic market firms are likely to collude.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785833>

Question 369

- Mergers are closely scrutinized by the government because
- A) they might allow the firms involved to dominate the market and act as a legalized cartel (monopoly).
 - B) they always result in a more efficient market.
 - C) the always result in lower joint profits of the firms involved.
 - D) all mergers are undesirable.

Answer: <https://biology-forums.com/index.php?topic=785844>

Question 370

- In a non-cooperative, imperfect information, simultaneous-choice, one-period game, a Nash equilibrium
- A) will never exist.
 - B) will always include dominant strategies.
 - C) will always result in both players taking the same action.
 - D) may not maximize the sum of the firms' profits.

Answer: <https://biology-forums.com/index.php?topic=785961>

Question 371

- Deterring entry might require a firm to
- A) price their product closer to the competitive price than to the monopoly price.
 - B) price their product closer to the monopoly price than to the competitive price.
 - C) dropping output almost to zero to show the consumers "who's boss."
 - D) dropping price almost to zero to get price below marginal cost.

Answer: <https://biology-forums.com/index.php?topic=785997>

Question 372

- In auctions, the winner always pays a price equal to the highest (his) bid.
True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786017>

Question 373

- To calculate the internal rate of return on a factory that would yield a perpetual future stream of income, one would divide
- A) the annual future payment by the cost of the factory.
 - B) the sum of the future payments by the cost of the factory.
 - C) the cost of the factory by the rate of interest.
 - D) the cost of the factory by the annual future payment.

Answer: <https://biology-forums.com/index.php?topic=786145>

Question 374

At age 40, Joe is considering quitting his job and going back for a college degree. He needs two more years full-time. Tuition is \$10,000 per year. He earns \$30,000 per year. A college degree would raise his annual income by \$10,000 per year. He will retire at age 70. From an investment standpoint, Joe will go back full-time if

- A) $10,000 \times = 40,000 \times$.
- B) $10,000/r > 10,000 \times$.
- C) $10,000 \times > 40,000 \times$.
- D) $10,000 \times > 40,000 \times$.

Answer: <https://biology-forums.com/index.php?topic=786152>

Question 375

At age 40, Joe is considering quitting his job and going back for a college degree. He needs two more years full-time. Tuition is \$10,000 per year. He earns \$30,000 per year. A college degree would raise his annual income by \$10,000 per year. He will retire at age 70. Which of the following makes it more likely that Joe will decide to go back to college full-time?

- A) The rate of interest increases.
- B) The rate of interest decreases.
- C) The government enacts mandatory retirement at age 60.
- D) Tuition increases.

Answer: <https://biology-forums.com/index.php?topic=786153>

Question 376

A financial services company offers to pay you \$1,000 a year for life in exchange for \$20,000 today. What factors affect your decision to take this offer?

Answer: <https://biology-forums.com/index.php?topic=786165>

Question 377

Which of the following losses to an individual would an insurance company NOT cover?

- A) The person's automobile is stolen.
- B) Fire destroys the person's home.
- C) The person's father dies.
- D) The person's country is invaded.

Answer: <https://biology-forums.com/index.php?topic=786271>

Question 378

Risk-averse individuals make risky investments

- A) never.
- B) when the investment's expected return exceeds the return on a non-risky investment.
- C) when the investment's expected return adequately compensates for the risk.
- D) only when they are feeling irrational.

Answer: <https://biology-forums.com/index.php?topic=786289>

Question 379

If one job applicant truthfully reveals that they subscribe to an industry publication, the job applicant is

- A) using the trade publication as a screening tool.
- B) using the trade publication as a signaling tool.
- C) using the trade publication as a form of statistical discrimination.
- D) using the trade publication for the wrong reasons.

Answer: <https://biology-forums.com/index.php?topic=786534>

Question 380

What is one potential problem with nationalized health care?

- A) It might not be efficient in risk bearing.
- B) It is guaranteed to solve the principal-agent problem.
- C) It would be efficient in risk bearing.
- D) It might cost too much.

Answer: <https://biology-forums.com/index.php?topic=786551>

Question 381

Rents for stores at shopping malls are usually tied to the profits of the store. Comment on how this arrangement affects the mall owner's income versus a fixed rent.

Answer: <https://biology-forums.com/index.php?topic=786570>

Question 382

Efficient production occurs if a firm

- A) cannot produce its current level of output with fewer inputs.
- B) given the quantity of inputs, cannot produce more output.
- C) maximizes profit.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784997>

Question 383

Before an uneven rise in prices Allan consumed 5 bread and 6 juice. After the price increase and with an increased welfare payment from the government Allan consumes 4 bread and 7 juice. Does the government payment represent a true cost-of-living adjustment (COLA)?

- A) Yes, if the two consumption bundles lie on the same indifference curve.
- B) Yes, if the second bundle yields more utility than the first.
- C) No, the first bundle is clearly preferred.
- D) Not enough information.

Answer: <https://biology-forums.com/index.php?topic=784963>

Question 384

Suppose a person's utility for leisure (L) and consumption (Y) can be expressed as $U = Y + L^{0.5}$. Show what happens to the person's labor supply curve when the income tax is cut from 70 percent to 30 percent. Denote hours worked as H and wage per hour as w.

Answer: <https://biology-forums.com/index.php?topic=784992>

Question 385

Max has allocated \$100 toward meats for his barbecue. His budget line and an indifference map are shown in the above figure. What happens if Max's mother gives him 10 pounds of burger?

- A) Max would have preferred receiving the dollar value of the burger.
- B) Max is indifferent between this gift and the dollar value of the burger.
- C) Max prefers this gift to the dollar value of the burger.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=784854>

Question 386

The slope of the budget line represents the rate at which the consumer is willing to trade one good for another at any given bundle.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784839>

Question 387

A horizontal demand curve for a good could arise because consumers

- A) are irrational.
- B) are not sensitive to price changes.
- C) view this good as identical to another good.
- D) have no equivalent substitutes for this good.

Answer: <https://biology-forums.com/index.php?topic=784698>

Question 388

An individual who is only willing to pay a relatively low amount for a particular good

- A) would fall in the upper portion of the demand curve.
- B) would fall in the middle portion of the demand curve.
- C) would fall in the lower portion of the demand curve.
- D) would not be considered part of the demand curve.

Answer: <https://biology-forums.com/index.php?topic=784545>

Question 389

If an important assumption is omitted from an economic model

- A) the model's predictions will be accurate 50% of the time.
- B) the model's predictions will be inaccurate.
- C) the model will not predict anything.
- D) the model will be rejected by other economists.

Answer: <https://biology-forums.com/index.php?topic=784498>

Question 390

Desktop publishing software represents

- A) a neutral technological change.
- B) a non-neutral technological change.
- C) a breakthrough second only to the printing press.
- D) a complement to standard publishing technology.

Answer: <https://biology-forums.com/index.php?topic=785111>

Question 391

Einstein was quoted saying "Everything should be made as simple as possible, but not simpler." When it comes to economic models this means that

- A) models shouldn't be too complex.
- B) models shouldn't be too simple.
- C) models should have a level of abstraction appropriate to the topic investigated.
- D) all of the above

Answer: <https://biology-forums.com/index.php?topic=784491>

Question 392

Microeconomics is often called

- A) price theory.
- B) decision science.
- C) scarcity.
- D) resource theory.

Answer: <https://biology-forums.com/index.php?topic=784476>

Question 393

When the production of a good involves several inputs, an increase in the cost of one input will usually cause total costs to

- A) rise more than in proportion.
- B) rise less than in proportion.
- C) remain unchanged.
- D) rise by the exact amount of the input price increase.

Answer: <https://biology-forums.com/index.php?topic=785289>

Question 394

Baseball teams shut down in the winter. This is an example of

- A) permanently leaving the industry because price is less than average fixed cost.
- B) temporarily leaving the industry because price is less than average variable cost.
- C) temporarily leaving the industry because price is less than average fixed cost.
- D) permanently leaving the industry because price is less than average variable cost.

Answer: <https://biology-forums.com/index.php?topic=785324>

Question 395

Gains from trade can only occur when

- A) marginal rates of substitutions differ across people.
- B) marginal rates of substitution are equal across people.
- C) indifference curves are convex.
- D) people find themselves on the contract curve.

Answer: <https://biology-forums.com/index.php?topic=785487>

Question 396

If a firm that is able to influence its price,

- A) it is a monopoly.
- B) it has constant marginal revenue.
- C) it sells its output at a constant price.
- D) it faces a downward-sloping demand curve.

Answer: <https://biology-forums.com/index.php?topic=785578>

Question 397

Market power is illegal.

- A) True, no one is allowed to charge a price greater than marginal cost.
- B) False.
- C) True, no one is allowed to charge a price greater than average cost.
- D) False, because market power guarantees price equal to average cost.

Answer: <https://biology-forums.com/index.php?topic=785634>

Question 398

If the government imposes a specific tax on a monopoly the consumer's tax incidence

- A) can exceed 100%.
- B) will always be between 0-100%.
- C) may be negative.
- D) will be the same as when the tax is imposed on a perfectly competitive firm.

Answer: <https://biology-forums.com/index.php?topic=785651>

Question 399

If the government attempts to force a natural monopoly to charge a price equal to marginal cost

- A) the natural monopoly will shut down.
- B) the natural monopoly will still make high profits.
- C) the natural monopoly's marginal cost curve will shift up.

D) total welfare is maximized.

Answer: <https://biology-forums.com/index.php?topic=785686>

Question 400

Which of the following conditions must be true so that a firm can price discriminate?

- A) There are no other firms in the market.
- B) The good is a non-durable.
- C) The good cannot be easily resold.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785702>

Question 401

The effect on total market demand from the advertising of a specific brand will

- A) always be positive.
- B) always be negative.
- C) often be positive.
- D) often be negative.

Answer: <https://biology-forums.com/index.php?topic=785807>

Question 402

Assuming a homogeneous product, the Bertrand equilibrium price is

- A) independent of the number of firms.
- B) independent of the firm's marginal costs.
- C) equal to the Cournot equilibrium price.
- D) equal to the monopoly price.

Answer: <https://biology-forums.com/index.php?topic=785898>

Question 403

Two identical firms that share a market and produce a homogenous good will find which of the following market outcomes LEAST desirable?

- A) Bertrand Oligopoly
- B) Cournot Oligopoly
- C) Cartel
- D) All are equally preferable.

Answer: <https://biology-forums.com/index.php?topic=785907>

Question 404

Which of the following is NOT part of solving a game?

- A) Write down all possible combinations of strategies.
- B) Write down all possible payoffs and eliminate dominated strategies.
- C) Solve for any Nash Equilibrium.
- D) None of the above

Answer: <https://biology-forums.com/index.php?topic=785939>

Question 405

Suppose two firms, A and B, are simultaneously considering entry into a new market. If neither enters, both earn zero. If both enter, they both lose 100. If one firm enters, it gains 50 while the other earns zero. Set up the payoff matrix for this game and determine if any Nash equilibria exist. Can you predict the outcome? What if firm A gets to decide first?

Answer: <https://biology-forums.com/index.php?topic=785972>

Question 406

For a monopoly, the value of the next worker equals

- A) $MR * MPL$.
- B) $(price + the\ effect\ of\ increased\ output\ on\ price) * MPL$.
- C) $P(1+1/e) * MPL$
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=786055>

Question 407

An individual who wants to stop smoking but chooses not to

- A) reflects future bias.
- B) reflects present bias.
- C) reflects irrationality.
- D) reflects uncontrollable addiction.

Answer: <https://biology-forums.com/index.php?topic=786159>

Question 408

Suppose we know that 10 Spanish Galleons sunk in the Atlantic ocean carrying approximately 50 tons of gold, but the exact location of these shipwrecks is unknown. Would this gold add to the world reserve?

- A) Yes, we know it exists.
- B) No, we know it exists but we can't extract the gold.
- C) Yes, it's only a matter of time before the shipwrecks are discovered.
- D) No, there are no established property rights over the shipwreck so they cannot add to world reserves..

Answer: <https://biology-forums.com/index.php?topic=786180>

Question 409

Bob invests \$50 in an investment that has a 50% chance of being worth \$100 and a 50% chance of being worth \$0. From this information we can conclude that Bob is NOT

- A) risk loving.
- B) risk neutral.
- C) risk averse.
- D) rational.

Answer: <https://biology-forums.com/index.php?topic=786248>

Question 410

If adverse selection exists in a market,

- A) it increases consumer surplus but reduces producer surplus.
- B) it reduces consumer and producer surplus.
- C) it reduces producer surplus but has no impact on consumer surplus.
- D) it increases both consumer and producer surplus.

Answer: <https://biology-forums.com/index.php?topic=786452>

Question 411

One reason that lawyers might prefer a contingent contract when representing a plaintiff in a tort case is that

- A) lawyers are risk neutral.
- B) diversification of many cases allows lawyers to reduce risk.
- C) lawyers are typically confident about winning every case.
- D) hourly rates for lawyers are usually very low.

Answer: <https://biology-forums.com/index.php?topic=786583>

Question 412

A trade-off typically exists between incurring a moral hazard and making an adverse selection.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786647>

Question 413

Suppose the short-run production function is $q = 10 * L$. If the wage rate is \$10 per unit of labor, then MC equals

- A) q .
- B) $q/10$.
- C) $10/q$.
- D) 1.

Answer: <https://biology-forums.com/index.php?topic=785144>

Question 414

Returns to scale refers to the change in output when

- A) all inputs increase proportionately.
- B) labor increases holding all other inputs fixed.
- C) capital equipment is doubled.
- D) specialization improves.

Answer: <https://biology-forums.com/index.php?topic=785070>

Question 415

The Fisher index

- A) uses the arithmetic mean of the Paasche index and the Laspeyres index.
- B) uses the standard deviation of the Paasche index and the Laspeyres index.
- C) uses the geometric mean of the Paasche index and the Laspeyres index.
- D) uses the harmonic mean of the Paasche index and the Laspeyres index.

Answer: <https://biology-forums.com/index.php?topic=784968>

Question 416

A true cost-of-living adjustment (COLA) in response to a change in prices would compensate consumers so that they would be able to

- A) purchase the same bundle they purchased before prices changed.
- B) achieve the same level of utility they did before prices changed.
- C) face the same choices they did before prices changed.
- D) achieve an increase in utility that is equal to the rate of inflation.

Answer: <https://biology-forums.com/index.php?topic=784961>

Question 417

An increase in the price of a good causes

- A) a change in the slope of the budget line.
- B) an increase in the consumption of that good.
- C) a rightward shift of the demand curve for that good.
- D) a parallel rightward shift of the budget line.

Answer: <https://biology-forums.com/index.php?topic=784901>

Question 418

If $MRS > MRT$, then the consumer is better off than at equilibrium.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784871>

Question 419

Johnny has allocated \$30 toward coffee and tea and feels that coffee and tea are perfect substitutes. Due to differences in caffeine levels, his MRS of tea for coffee equals 2. If coffee and tea sell for the same price, Johnny will

- A) spend all \$30 on tea.
- B) spend all \$30 on coffee.
- C) spend \$20 on coffee and \$10 on tea.
- D) be indifferent between any bundle of coffee and tea costing \$30.

Answer: <https://biology-forums.com/index.php?topic=784850>

Question 420

With respect to consuming food and shelter, two consumers face the same prices and both claim to be in equilibrium. We therefore know that

- A) they both have the same marginal utility for food.
- B) they both have the same marginal utility for shelter.
- C) they both have the same MRS of food for shelter.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784849>

Question 421

Explain why most indifference curves are convex.

Answer: <https://biology-forums.com/index.php?topic=784799>

Question 422

Suppose the market for grass seed can be expressed as

Demand: $QD = 100 - 2p$

Supply: $QS = 3p$

At the market equilibrium, calculate the price elasticities of supply and demand. Use these numbers to predict the change in price resulting from a specific tax.

Answer: <https://biology-forums.com/index.php?topic=784771>

Question 423

A given supply curve has a zero intercept. At the current equilibrium price the price elasticity of supply equals

- A) 1.
- B) 0.
- C) 2.
- D) Not enough information.

Answer: <https://biology-forums.com/index.php?topic=784732>

Question 424

If the demand curve for orange juice is expressed as $Q = 2000 - 500p$, where Q is measured in gallons and p is measured in dollars, then at the price of \$3, elasticity equals

- A) -0.33.
- B) -3.
- C) -9.
- D) -17.

Answer: <https://biology-forums.com/index.php?topic=784688>

Question 425

Assume that the market for annual physical checkups is in equilibrium, and not everyone gets an annual physical checkup. What is the effect on price and quantity if a government regulation fixes price at the current level and requires everyone to get an annual physical checkup?

Answer: <https://biology-forums.com/index.php?topic=784643>

Question 426

Use supply-and-demand graphs to explain why parking is free at the suburban shopping mall but one typically must pay to park when shopping downtown.

Answer: <https://biology-forums.com/index.php?topic=784592>

Question 427

Technological innovation in the production of computers has led to

- A) a decrease in the quantity demanded for computers.
- B) a rightward shift of the supply curve for computers.
- C) a decrease in the quantity supplied of computers.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=784563>

Question 428

Supply curves

- A) slope upward.
- B) slope downward.
- C) are horizontal.
- D) can have many shapes.

Answer: <https://biology-forums.com/index.php?topic=784558>

Question 429

One million automobiles have a defect that could cause the car to explode; however, only one of those cars will actually explode. Nobody knows which one car it is. When the car does explode, the victim's family will sue the automaker for \$1 million and win. The defect costs \$2 per car to repair. What does economics predict about the automaker's decision to repair the defect?

Answer: <https://biology-forums.com/index.php?topic=784517>

Question 430

Describe in words the anatomy of an economic model.

Answer: <https://biology-forums.com/index.php?topic=784518>

Question 431

Every economic model should include money as a variable. This statement is

- A) true, because every transaction in the economy uses money.
- B) true, because the federal reserve is very important.
- C) false, because some transactions in the economy are accomplished without money.

D) false, because a model can get unnecessarily complex if it includes money.

Answer: <https://biology-forums.com/index.php?topic=784495>

Question 432

In the long run, competitive firms MUST be profit maximizers because if they do not maximize profits

- A) they will not survive.
- B) they will not be price takers.
- C) they will attract entry.
- D) the profits that they do earn will only cover variable costs.

Answer: <https://biology-forums.com/index.php?topic=785338>

Question 433

Ann and Bill each spend \$30 per month on cigarettes when the price is \$1 per pack. Draw a graph to illustrate that the consumer with the less elastic demand will suffer the greater loss of consumer surplus when the price of cigarettes increases. Explain and label the figure.

Answer: <https://biology-forums.com/index.php?topic=785375>

Question 434

Any point on the contract curve is Pareto efficient regardless of the initial endowment.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785502>

Question 435

A monopolist changes price from \$1 to \$2 and sells 10 fewer units. The marginal revenue is

- A) \$10
- B) impossible to determine with the information provided.
- C) -\$10
- D) \$0

Answer: <https://biology-forums.com/index.php?topic=785593>

Question 436

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 437

Since a monopoly can set any price it wants, it always makes a profit?

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785608>

Question 438

If the demand for a firm's output is perfectly elastic, then the firm's Lerner Index equals

- A) zero.
- B) one.
- C) infinity.
- D) one-half.

Answer: <https://biology-forums.com/index.php?topic=785619>

Question 439

Explain why the intersection of the best-response functions is the Cournot equilibrium.

Answer: <https://biology-forums.com/index.php?topic=785866>

Question 440

The outcome of the Stackelberg model is

- A) a Nash equilibrium.
- B) the same as the Cournot outcome.
- C) that the follower earns zero profit.
- D) that the follower cannot be on its best-response curve.

Answer: <https://biology-forums.com/index.php?topic=785871>

Question 441

If only one firm operates in a market, and a potential entrant is blockaded from entering the market, then the incumbent firm must

- A) have acted to prevent entry.
- B) be pricing where price equals marginal cost.
- C) be a natural monopoly.
- D) be the Stackelberg leader.

Answer: <https://biology-forums.com/index.php?topic=785978>

Question 442

As the baby boomer generation retires and takes money out of their retirement accounts, what is expected to happen to the interest rate, ceteris paribus?

- A) It will increase.
- B) It will not change.
- C) It will decrease.
- D) It will decrease because of demand-side shocks.

Answer: <https://biology-forums.com/index.php?topic=786197>

Question 443

On any given day, a salesman can earn \$0 with a 20% probability, \$100 with a 40% probability, or \$300 with a 20% probability. His expected earnings equal

- A) \$0.
- B) \$100 because that is the most likely outcome.
- C) \$100 because that is what he will earn on average.
- D) \$200 because that is what he will earn on average.

Answer: <https://biology-forums.com/index.php?topic=786215>

Question 444

On any given day, a salesman can earn \$0 with a 20% probability, \$100 with a 40% probability, or \$300 with a 20% probability. Calculate the expected value and variance of his earnings, and interpret.

Answer: <https://biology-forums.com/index.php?topic=786226>

Question 445

If a person willingly plays an unfair game that is not in his favor, he is risk loving.
True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786255>

Question 446

After Hurricane Katrina, there was considerable public outrage that many of the properties were not insured against flooding although they were insured against wind damage. What might explain these different approaches to insurance?

- A) The risk of wind damage is potentially diversifiable but the risk of flooding is not.
- B) The risk of flood damage is potentially diversifiable but the risk of wind damage is not.
- C) Predatory insurance policies.
- D) Neither the risk of wind damage or the risk of flooding is diversifiable.

Answer: <https://biology-forums.com/index.php?topic=786275>

Question 447

Politicians often highlight the plight of a single individual as a reason to support a particular project or agenda. In this case, politicians are often engaged in

- A) the Allais effect.
- B) the Byrd effect.
- C) framing.
- D) prospect theory.

Answer: <https://biology-forums.com/index.php?topic=786309>

Question 448

Cheap talk works at placing workers in the right job as long as

- A) the interests of the worker and the firm coincide.
- B) all workers want the most demanding jobs regardless of their abilities.

- C) workers have different ability levels that are unknown to firms.
D) firms are not profit maximizers.

Answer: <https://biology-forums.com/index.php?topic=786528>

Question 449

If a farmer produces 1000 bushels of corn using ten acres of land and one tractor and is able to produce 2000 bushels of corn using twenty acres of land and one tractor, the farmer has

- A) increasing returns to scale.
B) constant returns to scale.
C) decreasing returns to scale.
D) no returns to scale.

Answer: <https://biology-forums.com/index.php?topic=785090>

Question 450

An organization that converts inputs (like Labor, Capital etc.) into output can be a

- A) firm.
B) sole proprietorship.
C) corporation.
D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784996>

Question 451

Under which of the following conditions will there be no substitution bias in the CPI?

- A) Lower-priced goods increase in price by a greater percentage than do higher-priced goods.
B) Higher-price goods increase in price by a greater percentage than do lower-priced goods.
C) All goods change in price by the same amount.
D) All goods change in price by the same percentage.

Answer: <https://biology-forums.com/index.php?topic=784960>

Question 452

Which graph in the above figure best represents a good that is an inferior good at some income levels, and a normal good at other income levels?

- A) Graph A
B) Graph B
C) Graph C
D) Graph D

Answer: <https://biology-forums.com/index.php?topic=784921>

Question 453

Lisa consumes only pizzas and burritos. In equilibrium, her marginal utility of pizza is 20 and her marginal utility of a burrito is 10. The price of a pizza is \$4. What is the price of a burrito?

Answer: <https://biology-forums.com/index.php?topic=784879>

Question 454

Suppose a person's utility for leisure (L) and consumption (Y) can be expressed as $U = Y * L$ and this person has no non-labor income. Assuming a wage rate of \$10 per hour, show what happens to the person's labor supply when the person wins a lottery prize of \$100 per day.

Answer: <https://biology-forums.com/index.php?topic=784994>

Question 455

Joe's budget constraint equals $500 = 2F + 100S$, where \$500 is Joe's income, \$2 is the price of food (F) and \$100 is the price of shelter (S). How much food can Joe buy if he buys one unit of shelter?

- A) 2 units
B) 200 units
C) 250 units
D) 400 units

Answer: <https://biology-forums.com/index.php?topic=784824>

Question 456

Joe's income is \$500, the price of food (F) is \$2 per unit, and the price of shelter (S) is \$100. Which of the following represents his budget constraint?

- A) $500 = 2F + 100S$

- B) $F = 250 - 50S$
- C) $S = 5 - .02F$
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784821>

Question 457

The supply curve for tickets for a sporting event

- A) is perfectly inelastic.
- B) is vertical.
- C) has a price elasticity of zero.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784724>

Question 458

Suppose the market demand curve for pizza can be expressed as $QD = 100 - 2P + 3P_b$, where QD = is the quantity of pizza demanded, P is the price of pizza, and P_b is the price of a burrito. What is the relationship between burritos and pizza, from the point of view of consumers?

- A) They are independent
- B) They are complements
- C) They are substitutes
- D) Not enough information to answer the question.

Answer: <https://biology-forums.com/index.php?topic=784542>

Question 459

Technical and organizational change

- A) typically reduces prices by increasing the supply of the product, ceteris paribus.
- B) typically reduces prices by decreasing the demand for the product, ceteris paribus.
- C) typically increases prices by increasing the demand for the product, ceteris paribus.
- D) typically increases prices by decreasing the supply for the product, ceteris paribus.

Answer: <https://biology-forums.com/index.php?topic=785112>

Question 460

A production possibilities frontier that is a bowed-inward line implies

- A) economies of scale.
- B) diseconomies of scope.
- C) economies of scope.
- D) no economies of scope.

Answer: <https://biology-forums.com/index.php?topic=785226>

Question 461

In the absence of any government regulation on price, if a firm has no power to set price on its own, one can safely conclude

- A) the demand curve for the firm's product is horizontal.
- B) there aren't many firms in the industry.
- C) the market is in long-run equilibrium.
- D) the firms in this industry are not profitable.

Answer: <https://biology-forums.com/index.php?topic=785236>

Question 462

If a firm doesn't make an economic profit it will shut down.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785276>

Question 463

If a competitive firm cannot earn profit at any level of output during a given short-run period, then which of the following is LEAST likely to occur?

- A) It will shut down in the short run and wait until the price increases sufficiently.
- B) It will exit the industry in the long run.
- C) It will operate at a loss in the short run.
- D) It will minimize its loss by decreasing output so that price exceeds marginal cost.

Answer: <https://biology-forums.com/index.php?topic=785299>

Question 464

Suppose a firm has the following total cost function $TC = 100 + \dots$. If price equals \$20, what is the firm's output decision? What are its short-run profits?
Answer: <https://biology-forums.com/index.php?topic=785309>

Question 465

Suppose that for each firm in the competitive market for potatoes, long-run average cost is minimized at \$0.20 per pound when 500 pounds are grown. If the long-run supply curve is horizontal, then
A) some firms will enjoy long-run profits because they operate at minimum average cost.
B) the long-run price will be \$0.20 per pound.
C) each consumer will purchase \$100 worth of potatoes.
D) the long-run price will be set just above \$0.20 per pound.
Answer: <https://biology-forums.com/index.php?topic=785320>

Question 466

A per unit subsidy increases both consumer and producer surplus, but results in a deadweight loss.
True or False? Provide an explanation.
Answer: <https://biology-forums.com/index.php?topic=785447>

Question 467

The above figure depicts the Edgeworth box for two individuals, Al and Bruce. If the endowment is at point a, and Al has no ability to bargain, the final allocation will be at point
A) a.
B) b.
C) c.
D) d.
Answer: <https://biology-forums.com/index.php?topic=785494>

Question 468

Explain why having different marginal rates of substitution is necessary for trade to occur.
Answer: <https://biology-forums.com/index.php?topic=785505>

Question 469

In a competitive market, prices adjust until all consumers find themselves
A) maximizing utility.
B) on the contract curve.
C) happy with their original endowment.
D) with many opportunities to gain from additional exchange.
Answer: <https://biology-forums.com/index.php?topic=785516>

Question 470

If a market is controlled by one perfect price discriminator who is able to charge each consumer the highest price that consumer is willing to pay, the seller will produce output until the price paid by the last consumer is equal to the marginal cost of making the good. That is, the price of the last good equals the marginal cost of making the good. If welfare is measured as consumer surplus plus producer surplus, compare this market structure to a competitive market in terms of efficiency and equity.
Answer: <https://biology-forums.com/index.php?topic=785571>

Question 471

A profit-maximizing monopolist will never operate in the portion of the demand curve with price elasticity equal to
A) -3.
B) -1.
C) -1/3.
D) None of the above—the price elasticity does not matter.
Answer: <https://biology-forums.com/index.php?topic=785590>

Question 472

Assume a firm organizes all individuals by their willingness to pay (least to most). If the firm starts to perfectly price discriminate, what is likely to happen?
A) Consumers start to arbitrage amongst themselves.

- B) The firm's profits will be maximized.
- C) The firm's costs will be minimized.
- D) The firm starts to arbitrage with consumers.

Answer: <https://biology-forums.com/index.php?topic=785732>

Question 473

In a Bertrand model, graphically, the intersection of all firms' best-response curves determines

- A) the Nash equilibrium prices.
- B) the dominant strategy for each firm.
- C) the degree of product differentiation.
- D) the price of the market leader.

Answer: <https://biology-forums.com/index.php?topic=785900>

Question 474

If a firm takes the wage as given, then the firm's marginal expenditure on labor curve is

- A) above the labor supply curve.
- B) below the labor supply curve.
- C) the same as the labor supply curve.
- D) upward sloping.

Answer: <https://biology-forums.com/index.php?topic=786082>

Question 475

In using the Internal Rate of Return approach, one must first calculate the discount rate on the investment that makes

- A) the net present value equal zero.
- B) the interest rate equal zero.
- C) the interest rate equal the discount rate.
- D) the first year's return positive.

Answer: <https://biology-forums.com/index.php?topic=786143>

Question 476

At age 40, Joe is considering quitting his job and going back for a college degree. He needs two more years full-time. Tuition is \$10,000 per year. He earns \$30,000 per year. A college degree would raise his annual income by \$10,000 per year. He will retire at age 70. Which of the following makes it less likely that Joe will decide to go back to college full-time?

- A) The extra income due to a college degree rises.
- B) The rate of interest decreases.
- C) The government enacts mandatory retirement at age 60.
- D) Tuition decreases.

Answer: <https://biology-forums.com/index.php?topic=786154>

Question 477

If an exhaustible resource is scarce, has constant marginal cost over time, and is sold in a competitive market, then

- A) its price increases over time.
- B) its price will not be a function of the interest rate.
- C) its price moves independently of past prices.
- D) its price equals marginal cost.

Answer: <https://biology-forums.com/index.php?topic=786168>

Question 478

Johnny owns a house that would cost \$100,000 to replace should it ever be destroyed by fire. There is a 0.1% chance that the house could be destroyed during the course of a year. Johnny's utility function is $U = \dots$. How much would fair insurance cost that completely replaces the house if destroyed by fire? Assuming that Johnny has no other wealth, how much would Johnny be willing to pay for such an insurance policy? Why the difference?

Answer: <https://biology-forums.com/index.php?topic=786256>

Question 479

What role does a company like J.D. Power (which provides product satisfaction reviews) serve?

- A) It provides a screening test.
- B) It provides a signal of quality.
- C) It reduces moral hazard.
- D) It reduces costs of giving surveys.

Answer: <https://biology-forums.com/index.php?topic=786468>

Question 480

Suppose two owners of a store agree to split the profit equally regardless of the number of hours each spends working at the store. As a result,

- A) production efficiency is achieved.
- B) each enjoys only half the marginal benefit of an additional hour working in the store.
- C) one will work all of the time while the other works zero hours.
- D) each will work as many hours as if he or she were the sole owner.

Answer: <https://biology-forums.com/index.php?topic=786560>

Question 481

Suppose a plaintiff hires a lawyer to represent her in a court case. To which of the following contracts would a highly risk-averse plaintiff agree?

- A) The lawyer is paid by the hour.
- B) The lawyer receives a share of the settlement.
- C) The lawyer receives a fixed fee.
- D) The lawyer pays the client a fee for the right to the entire settlement.

Answer: <https://biology-forums.com/index.php?topic=786579>

Question 482

Costs that pertain to finding a trading partner and making a trade are called

- A) transaction costs.
- B) transgression costs.
- C) consumption costs.
- D) transaction taxes.

Answer: <https://biology-forums.com/index.php?topic=784647>

Question 483

Cobb-Douglas production functions can never possess varying returns to scale.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785095>

Question 484

Suppose a person's utility for leisure (L) and consumption (Y) can be expressed as $U = Y + L^{0.5}$. Assuming a wage rate of \$10 per hour, show what happens to the person's labor supply curve when the person wins a lottery prize of \$100 per day.

Answer: <https://biology-forums.com/index.php?topic=784993>

Question 485

What is the primary difference between the substitution and the income effect of a price change?

- A) The substitution effect holds income constant and the income effect holds utility constant.
- B) The substitution effect is always positive and the income effect is always negative.
- C) The substitution effect holds utility constant and the income effect holds prices constant.
- D) The substitution effect is always negative and the income effect is always positive.

Answer: <https://biology-forums.com/index.php?topic=784949>

Question 486

Max has allocated \$100 toward meats for his barbecue. His budget line and indifference map are shown in the above figure. If the price of burger increases, which of the following bundles are in Max's opportunity set?

- A) b, d, e
- B) d, e
- C) a, b, c, d, e
- D) None of the labeled points are in Max's opportunity set.

Answer: <https://biology-forums.com/index.php?topic=784859>

Question 487

Assume the price of beer is \$4, the price of pizza is \$10 and the consumer's income is \$250. Which consumption bundle will NOT be the consumers choice?

- A) 5 Beer, 5 Pizza
- B) 0 Beer, 25 Pizza
- C) 25 Beer, 15 Pizza

D) None of the bundle will be chosen.

Answer: <https://biology-forums.com/index.php?topic=784848>

Question 488

The short-run price elasticity of demand for refrigerators is relatively inelastic.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784749>

Question 489

The price elasticity of demand for gasoline is estimated to be -0.2. Two million gallons are sold daily at a price of \$3. Use this information to calculate a demand curve for gasoline assuming it is linear.

Answer: <https://biology-forums.com/index.php?topic=784719>

Question 490

If oranges were found to cure cancer,

- A) the equilibrium price of apples would likely fall.
- B) the equilibrium price of oranges would likely increase in the near term.
- C) the equilibrium quantity of oranges would likely increase.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784610>

Question 491

Suppose a market were currently at equilibrium. A rightward shift of the supply curve would cause a(n)

- A) increase in price but a decrease in quantity.
- B) decrease in price but an increase in quantity.
- C) increase in both price and quantity.
- D) decrease in both price and quantity.

Answer: <https://biology-forums.com/index.php?topic=784602>

Question 492

A market equilibrium occurs

- A) only with government regulation.
- B) only because of the profit motive of firms.
- C) only because of the complacency of consumers.
- D) through the interaction of self-interested consumers and producers.

Answer: <https://biology-forums.com/index.php?topic=784589>

Question 493

The supply and demand model does NOT assume

- A) that consumers know what the supply curve looks like.
- B) that producers know what the demand curve looks like.
- C) that consumers know what the market demand curve looks like.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784588>

Question 494

The supply curve is influenced by

- A) the income of consumers.
- B) the number of customers in the market.
- C) the prices of the inputs required to produce the product.
- D) whether the economy is free-market or command.

Answer: <https://biology-forums.com/index.php?topic=784566>

Question 495

Consumer groups tend to lobby for

- A) price floors
- B) price ceilings
- C) quantity quotas
- D) taxes

Answer: <https://biology-forums.com/index.php?topic=784632>

Question 496

Economic models are only useful in analyzing government policy.

- A) True, individuals are irrational and therefore economic models are useless.
- B) False, economic models can be used to predict individual and firm behavior.
- C) True, economists only model those questions for which they are hired.
- D) False, economic models are not even useful in analyzing government policy.

Answer: <https://biology-forums.com/index.php?topic=784514>

Question 497

Which of the following is not considered an ingredient to an economic model?

- A) Assumptions
- B) Logic
- C) Hypotheses
- D) Experience

Answer: <https://biology-forums.com/index.php?topic=784502>

Question 498

For which of the following pairs of goods would most people likely have convex indifference curves?

- A) nickels and dimes
- B) left shoes and right shoes
- C) movie tickets and concert tickets
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=784789>

Question 499

A small business owner earns \$50,000 in revenue annually. The explicit annual costs equal \$30,000. The owner could work for someone else and earn \$25,000 annually. The owner's business profit is _____ and the economic profit is _____.

- A) \$20,000, \$5,000
- B) \$20,000, -\$5,000
- C) \$25,000, -\$5,000
- D) \$45,000, -\$5,000

Answer: <https://biology-forums.com/index.php?topic=785261>

Question 500

If a profit-maximizing firm finds that, at its current level of production, $MR > MC$, it will

- A) earn greater profits than if $MR = MC$.
- B) increase output.
- C) decrease output.
- D) shut down.

Answer: <https://biology-forums.com/index.php?topic=785270>

Question 501

Explain why the competitive output maximizes welfare.

Answer: <https://biology-forums.com/index.php?topic=785407>

Question 502

Suppose anyone with a driver's license is capable of supplying one trip from the airport to the downtown business center on any given day. The long-run supply curve of such trips is horizontal at $p = \$50$, which is the average cost of such trips. Suppose daily demand is $Q = 1000 - 10p$. Calculate the change in consumer surplus, producer surplus and social welfare if the city government requires those people supplying such trips to possess a special license, and the government will issue only 300 licenses.

Answer: <https://biology-forums.com/index.php?topic=785422>

Question 503

By saying that $MRS = MRT$, an economist means that

- A) for all goods, the value that society places on the last unit produced equals the cost of making that unit.
- B) for all goods, the value that a consumer places on the last unit consumed equals the value that all consumers would place on that unit.
- C) society is able to produce more output of one good without reducing the output of any other good.

D) no other output mix is technically feasible.

Answer: <https://biology-forums.com/index.php?topic=785541>

Question 504

The ability of a monopoly to charge a price that exceeds marginal cost depends on

- A) the price elasticity of supply.
- B) price elasticity of demand.
- C) slope of the demand curve.
- D) shape of the marginal cost curve.

Answer: <https://biology-forums.com/index.php?topic=785615>

Question 505

Regulation is guaranteed to be more efficient than a monopoly.

- A) True, the government is able to internalize the dead weight loss of the monopoly.
- B) True, the consumers are better off if government provides the product rather than a private firm.
- C) False, the government does not always have sufficient information to provide a more efficient market outcome.
- D) False, the consumers are worse off under government regulation.

Answer: <https://biology-forums.com/index.php?topic=785690>

Question 506

In the early 1900s, U.S. Steel acted as a dominant firm with over sixty percent (60%) of the market. Many, including the Supreme Court in 1920, viewed U.S. Steel as a "good" monopolist since competitive fringe firms prospered under this arrangement. Graph the market for steel as it might have existed at this time showing that being a member of the competitive fringe can be profitable. Assume a linear market demand and linear MC and AC that slope upward.

Answer: <https://biology-forums.com/index.php?topic=785694>

Question 507

A weapons producer sells guns to two countries that are at war with each other. The guns can be produced at a constant marginal cost of \$10. The demand for guns from the two countries can be represented as:

$$Q_A = 100 - 2p$$

$$Q_B = 80 - 4p$$

Why is the weapons producer able to price discriminate?

What price will it charge to each country?

Answer: <https://biology-forums.com/index.php?topic=785774>

Question 508

Which of the following is a necessary condition for government subsidies to influence a firm to choose an output level as if it were a Stackelberg leader?

- A) The subsidy must be announced before the firms choose output levels.
- B) The subsidy must be equal to the firm's marginal cost.
- C) The subsidy must be equal to the firm's rival's marginal cost.
- D) The firm does not have any fixed costs.

Answer: <https://biology-forums.com/index.php?topic=785872>

Question 509

What happens in a duopoly if both firms try to act as the Stackelberg leader?

Answer: <https://biology-forums.com/index.php?topic=785884>

Question 510

An incumbent's threat to retaliate after a potential competitor enters the market will be taken seriously by potential competitors if

- A) the incumbent can still earn a profit after carrying out the threat.
- B) the incumbent earns greater profit carrying out the threat than by accommodating entry.
- C) the potential entrant cannot earn a profit if the threat is carried out.
- D) the potential entrant's profit exceeds the incumbent's if the threat is carried out.

Answer: <https://biology-forums.com/index.php?topic=785979>

Question 511

Two identical firms are considering entering a new market that currently has no suppliers. The demand is large enough for both firms to make a positive profit. There are no fixed costs to enter. Explain how a simultaneous decision to enter on the part of the two firms will lead to a different

outcome than a sequential entry decision.

Answer: <https://biology-forums.com/index.php?topic=786010>

Question 512

Firm A is a monopoly. The demand for its output is $p = 90 - Q$. Production is such that $Q = L$. Firm A hires only unionized labor. The marginal cost to the union is \$10 per unit of labor. The union will sell

- A) 20 units of labor at a wage of \$10.
- B) 20 units of labor at a wage of \$40.
- C) 20 units of labor at a wage of \$50.
- D) 20 units of labor at a wage of \$70.

Answer: <https://biology-forums.com/index.php?topic=786061>

Question 513

A monopsonist purchaser of labor that could negotiate a different wage for each worker could

- A) purchase less labor than a regular monopsonist.
- B) purchase more labor than a regular monopsonist.
- C) rotate the marginal expenditure curve to the left.
- D) shift the marginal expenditure curve to the left.

Answer: <https://biology-forums.com/index.php?topic=786089>

Question 514

An exhaustible resource with a very large known reserve will most likely exhibit

- A) a highly variable price in the near future.
- B) a decreasing price in the near future.
- C) an increasing price in the near future.
- D) a constant price in the near future.

Answer: <https://biology-forums.com/index.php?topic=786170>

Question 515

Investment demand is downward sloping because as the interest rate decreases

- A) each project's internal rate of return decreases.
- B) each project's internal rate of return increases.
- C) more projects will have an internal rate of return that exceeds the interest rate.
- D) more projects will have an internal rate of return that is less than the interest rate.

Answer: <https://biology-forums.com/index.php?topic=786188>

Question 516

If there are 10,000 people in your age bracket, and 10 of them died last year, an insurance company believes that the probability of someone in that age bracket dying this year would be

- A) 0.
- B) .001.
- C) .0001.
- D) 1,000.

Answer: <https://biology-forums.com/index.php?topic=786212>

Question 517

A risk-preferring person is willing to pay

- A) a risk premium.
- B) a fee to make a fair bet.
- C) to obtain decreasing marginal utility.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=786242>

Question 518

If a person is risk averse, then she has negative marginal utility of wealth.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786253>

Question 519

The Commons Problem arises because

- A) firms don't maximize profits.
- B) social and private incentives are not aligned and property rights are missing.
- C) social cost equals private cost and property rights are missing.
- D) social benefit equals private benefit and property rights are missing.

Answer: <https://biology-forums.com/index.php?topic=786394>

Question 520

Explain the externality generated when a shepherd grazes sheep in a field that is common property that several other shepherds use.

Answer: <https://biology-forums.com/index.php?topic=786397>

Question 521

A job advertised in an industry publication rather than a local newspaper is an attempt to

- A) use access to the industry publication as a screening mechanism.
- B) use access to the newspaper as a screening mechanism.
- C) use access to the industry publication as a means of statistical discrimination.
- D) use access to the newspaper as a screening mechanism.

Answer: <https://biology-forums.com/index.php?topic=786532>

Question 522

Two firms, A and B, are faced with a decision on making investments in safety. They each currently earn profit of \$500. A safety investment would cost \$100 paid by the firm that makes the investment and would lower both firms' labor costs by \$75 per firm. If both firms share the investment (\$50 each) their labor costs are lowered by \$100 per firm. Draw the payoff matrix for this game and determine the Nash equilibrium. Does it make sense for the firms in the industry to ask the government to force them to make the investment? Explain.

Answer: <https://biology-forums.com/index.php?topic=786537>

Question 523

Explain why the supply-and-demand model should not be used to analyze the market for jeans.

Answer: <https://biology-forums.com/index.php?topic=784655>

Question 524

If average cost is decreasing

- A) marginal cost equals average cost.
- B) marginal cost exceeds average cost.
- C) marginal cost is less than average cost.
- D) Not enough information

Answer: <https://biology-forums.com/index.php?topic=785145>

Question 525

If a firm buys a building so as to have office space for its workers, the monthly opportunity cost of the building is best measured as

- A) the monthly mortgage payment the firm must pay.
- B) the price the firm paid divided by twelve.
- C) zero.
- D) the rent the firm could earn if it rented the building to another firm.

Answer: <https://biology-forums.com/index.php?topic=785123>

Question 526

Suppose that each worker must use only one shovel to dig a trench, and shovels are useless by themselves. In the long run, the firm's cost function is

- A) $TC = (w/r) * q$.
- B) $TC = (w + r)/q$.
- C) $TC = (w + r)$.
- D) $TC = (w + r) * q$.

Answer: <https://biology-forums.com/index.php?topic=785186>

Question 527

Over a five-year span, the ABC Co. reduced the amount of labor it hired. At the same time, the marginal productivity of labor increased. Which of the following COULD explain this observation?

- A) the law of diminishing marginal returns
- B) labor saving technical change

- C) organizational innovation
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785106>

Question 528

Draw a graph with Goods Per Day on the vertical axis and Leisure Hours Per Day increasing from left to right on the horizontal axis. Show that a person who works can work fewer hours and increase utility when the wage rate increases.

Answer: <https://biology-forums.com/index.php?topic=784991>

Question 529

One way to explain the convexity of isoquants is to say that

- A) as labor increases and capital decreases, MPL rises while MPK falls.
- B) as labor increases and capital decreases, MPL falls while MPK rises.
- C) as labor increases and capital decreases, MPL and MPK both fall.
- D) as labor increases and capital decreases, MPL and MPK both rise.

Answer: <https://biology-forums.com/index.php?topic=785054>

Question 530

Evidence suggests that church attendance

- A) decreased after blue laws were repealed, because of lower opportunity cost of attending church.
- B) decreased after blue laws were repealed, because of higher opportunity cost of attending church.
- C) increased after blue laws were repealed.
- D) did not change after blue laws were repealed.

Answer: <https://biology-forums.com/index.php?topic=785127>

Question 531

What is one way to adjust the CPI for substitution bias?

- A) Use the Paasche index.
- B) Use the Laspeyres index.
- C) Multiply the Paasche Index and the Laspeyres index.
- D) Take the geometric mean of the Paasche index and the Laspeyres index.

Answer: <https://biology-forums.com/index.php?topic=784967>

Question 532

Using a Laspeyres index to calculate the Consumer Price Index (CPI)

- A) weights quantities with current prices.
- B) weights prices with base-year quantities.
- C) weights quantities with base-year prices.
- D) weights prices with current year quantities.

Answer: <https://biology-forums.com/index.php?topic=784965>

Question 533

Many manufacturers sell products labeled as having imperfections at a discount at their factory outlets but do not ship these imperfect goods to regular retail outlets. Why?

Answer: <https://biology-forums.com/index.php?topic=784955>

Question 534

Max has allocated \$100 toward meats for his barbecue. His budget line and an indifference map are shown in the above figure. Which of the following best describes Max's preferences?

- A) $d > b > e$
- B) $d = b = e$
- C) $a = b > c$
- D) $a = b > e$

Answer: <https://biology-forums.com/index.php?topic=784857>

Question 535

If a linear supply curve has a zero intercept, the elasticity of supply is always unitary. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784747>

Question 536

Consider the following short-run production function: $q = 5L^2 - 1/3L^3$. At what level of L do diminishing marginal returns begin? At what level of L do diminishing returns begin?

Answer: <https://biology-forums.com/index.php?topic=785045>

Question 537

If the demand for orange juice is expressed as $Q = 2000 - 500p$, where Q is measured in gallons and p is measured in dollars, then at the price of \$3, the demand curve

- A) is elastic.
- B) has a unitary elasticity.
- C) is inelastic.
- D) is perfectly inelastic.

Answer: <https://biology-forums.com/index.php?topic=784689>

Question 538

Government actions can cause a

- A) shift in the supply curve.
- B) shift in the demand curve.
- C) reaction from firms in other countries.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784617>

Question 539

When measuring the substitution effect one uses the change along

- A) the old indifference curve.
- B) the new indifference curve.
- C) either the old or the new indifference curve.
- D) the budget constraint.

Answer: <https://biology-forums.com/index.php?topic=784944>

Question 540

At equilibrium, quantity sold equals the quantity bought. This implies that

- A) to sell more, producers require more in payment than consumers are willing to pay.
- B) government regulation is necessary.
- C) to sell less would require a lower price but would yield greater profit.
- D) those who don't buy have been treated unfairly.

Answer: <https://biology-forums.com/index.php?topic=784586>

Question 541

Which of the following would not change demand?

- A) the price of the product
- B) information about the product's health effects
- C) the income of the consumers
- D) the price of related products

Answer: <https://biology-forums.com/index.php?topic=784539>

Question 542

If a demand curve shifts left, it implies

- A) as a group, consumers are willing and able to pay less for the product.
- B) as a group, consumers are willing and able to pay more for the product.
- C) government has regulated how many people can purchase the product.
- D) the profit motive of the firms is making the price too high.

Answer: <https://biology-forums.com/index.php?topic=784540>

Question 543

Economic models are most useful in

- A) predicting changes in one variable due to a change in one or more other variables.
- B) predicting the direction of the stock market.

- C) explaining the future with the past.
- D) generating untestable hypotheses.

Answer: <https://biology-forums.com/index.php?topic=784499>

Question 544

Which of the following is an example of a normative statement?

- A) A higher price for a good causes people to want to buy less of that good.
- B) A lower price for a good causes people to want to buy more of that good.
- C) To make the good available to more people, a lower price should be set.
- D) If you consume this good, you will be better off.

Answer: <https://biology-forums.com/index.php?topic=784494>

Question 545

In the food and kindred products industry, it is estimated that the elasticity of output with respect to labor is 0.43 and the elasticity of output with respect to capital is 0.48. These two measures indicate that the primary metals industry is characterized by

- A) decreasing returns to scale.
- B) constant returns to scale.
- C) increasing returns to scale.
- D) no returns to scale.

Answer: <https://biology-forums.com/index.php?topic=785093>

Question 546

Suppose capital and labor are perfect substitutes resulting in a production function of $q = K + L$. That is, the isoquants are straight lines with a slope of -1. Derive the long-run total cost function $TC = C(q)$ when the wage rate is w and the rental rate on capital is r .

Answer: <https://biology-forums.com/index.php?topic=785209>

Question 547

Even if two products have different characteristics, such as color, the products are only considered heterogeneous if consumers

- A) consider the two products as perfect complements.
- B) consider the two products as perfect substitutes.
- C) consider the two products as imperfect substitutes.
- D) consider the two products as imperfect complements.

Answer: <https://biology-forums.com/index.php?topic=785249>

Question 548

If a firm makes zero economic profit, then the firm

- A) has total revenues greater than its economic costs.
- B) must shut down.
- C) can be earning positive business profit.
- D) must have no fixed costs.

Answer: <https://biology-forums.com/index.php?topic=785260>

Question 549

If a firm traded on the New York Stock Exchange posts an accounting profit of \$10 million, then the firm is making a positive economic profit

- A) only if the Securities and Exchange Commission (SEC) approves the accounting report.
- B) only if the firm's opportunity cost is less than \$10 million.
- C) only if the firm's opportunity benefit is more than \$10 million.
- D) only if the firm's management receives stock compensation.

Answer: <https://biology-forums.com/index.php?topic=785272>

Question 550

When the production of a good involves several inputs and inputs are used in fixed proportions, an increase in the cost of one input will usually cause total costs to

- A) rise more than in proportion.
- B) rise less than in proportion.
- C) remain unchanged.
- D) rise by the exact amount of the input price increase.

Answer: <https://biology-forums.com/index.php?topic=785290>

Question 551

If a market produces a level of output below the competitive equilibrium, then

- A) social welfare is not maximized.
- B) consumer surplus might still be maximized.
- C) the actual price will be below the equilibrium price.
- D) social welfare might still be enhanced if a price ceiling keeps price below the competitive price.

Answer: <https://biology-forums.com/index.php?topic=785394>

Question 552

Suppose a consumer advocacy group has convinced legislators that vitamin pills should be free to consumers. Such a policy would enhance the health of the citizenry, they argue. Assuming a downward-sloping linear demand curve and a horizontal long-run supply curve, determine the resulting output and social welfare from such a policy. Compare this result to the competitive equilibrium.

Answer: <https://biology-forums.com/index.php?topic=785408>

Question 553

If a city decides to restrict the number of pizza parlors

- A) the price of pizza will increase.
- B) pizza parlors will make higher profits.
- C) total welfare will decrease.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785415>

Question 554

The above figure depicts the Edgeworth box for two individuals, Al and Bruce. The contract curve can be found by connecting points

- A) a and b.
- B) a and c.
- C) b and d.
- D) c and d.

Answer: <https://biology-forums.com/index.php?topic=785490>

Question 555

The above figure depicts the Edgeworth box for two individuals, Al and Bruce. Point c is Pareto efficient because

- A) the MRS's are equal.
- B) the indifference curves are tangent.
- C) no mutual gains from trade exist.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785496>

Question 556

Gains from trade will be possible as long as

- A) people have different endowments.
- B) people place different values on some goods.
- C) marginal rates of substitution are equal across individuals.
- D) excess supply equals excess demand.

Answer: <https://biology-forums.com/index.php?topic=785499>

Question 557

Assume a government likes a particular equilibrium along the contract curve. It can achieve that equilibrium through competition and income redistribution.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785520>

Question 558

If the inverse demand function for a monopoly's product is $p = 100 - 2Q$, then the firm's marginal revenue function is

- A) -2.
- B) $100 - 4Q$.
- C) $200 - 4Q$.
- D) $200 - 2Q$.

Answer: <https://biology-forums.com/index.php?topic=785581>

Question 559

If the government wants to regulate a natural monopoly it will force the firm to set price equal to

- A) average cost.
- B) marginal cost.
- C) marginal revenue.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=785687>

Question 560

Explain Microsoft Windows' monopoly positions in terms of network externalities.

Answer: <https://biology-forums.com/index.php?topic=785701>

Question 561

What is one reason consumers might demand a discount for quantity purchases?

- A) higher storage costs
- B) lower marginal cost
- C) lower marginal benefit
- D) price gouging

Answer: <https://biology-forums.com/index.php?topic=785745>

Question 562

Price discrimination reveals

- A) the inherent greed of Western culture.
- B) the inability for regulators to stop unethical practices.
- C) that individuals have different willingness to pay.
- D) that individuals have the same willingness to pay.

Answer: <https://biology-forums.com/index.php?topic=785763>

Question 563

If a firm sells to two distinct identifiable markets and resale is impossible, why is price discrimination more profitable than setting a single price?

Answer: <https://biology-forums.com/index.php?topic=785775>

Question 564

Stores such as Costco and Sam's Club require an annual membership before you can shop there. This is a form of

- A) two part tariff.
- B) price gouging.
- C) tie-in sale.
- D) anti-competitive behavior.

Answer: <https://biology-forums.com/index.php?topic=785787>

Question 565

Strategic trade policy might work if

- A) trade decisions are made simultaneously by two countries.
- B) trade decisions are made sequentially by two countries.
- C) trade decisions entail response by a trading partner.
- D) trade decisions are made in a random fashion.

Answer: <https://biology-forums.com/index.php?topic=785879>

Question 566

The term prisoners' dilemma refers to a game in which

- A) there are no Nash equilibria.
- B) there are no dominant strategies.
- C) the payoff from playing the dominant strategy is the same for each player.
- D) the payoff from playing the dominant strategy is not the highest payoff possible.

Answer: <https://biology-forums.com/index.php?topic=785962>

Question 567

The profit maximizing condition for a firm selling its output in a competitive market and buying its resources in a competitive market is

- A) $P = MC$ only.
- B) $MRP = \text{wage}$ only.
- C) Both A and B.
- D) Neither A nor B.

Answer: <https://biology-forums.com/index.php?topic=786032>

Question 568

If workers are homogeneous and face a monopsonist, they are likely to

- A) want to form a union.
- B) want to negotiate one-on-one with their employer.
- C) half will want to form a union, half will not.
- D) move to another town.

Answer: <https://biology-forums.com/index.php?topic=786091>

Question 569

Suppose a new cost-saving device will forever generate \$1,000 net savings per year to a firm. The device costs \$10,000. Using the Internal Rate of Return approach, the firm will make the investment

- A) definitely.
- B) definitely not.
- C) if the interest rate exceeds 10%.
- D) if the interest rate is less than 10%.

Answer: <https://biology-forums.com/index.php?topic=786142>

Question 570

In the later part of the twentieth century, the price of crude oil began to increase after decades of relatively steady prices, which of the following could explain this phenomenon?

- A) Worldwide reserves have been increasing.
- B) Worldwide demand has been increasing.
- C) Global warming.
- D) Extraction technology has been degrading.

Answer: <https://biology-forums.com/index.php?topic=786178>

Question 571

Suppose coal sells for \$50 per ton and can be mined at a constant marginal cost of \$20 per ton. Forecasters predict that the price of coal next year will be \$55. If your marginal cost next year will still be \$20 and the interest rate is 10%, do you sell coal today?

Answer: <https://biology-forums.com/index.php?topic=786186>

Question 572

In developed industries, the interest rate tends to be lower than in newer industries. What could explain this?

- A) greater demand for loans in the developed industry
- B) greater supply for loans in the new industry
- C) greater demand for loans in the new industry
- D) lower supply for loans in the developed industry

Answer: <https://biology-forums.com/index.php?topic=786203>

Question 573

Explain why the variance of an investment is a useful measure of the risk associated with it.

Answer: <https://biology-forums.com/index.php?topic=786227>

Question 574

The rate of return on bonds is lower than on stocks over time because

- A) bond holders cannot diversify.
- B) bonds have a lower standard deviation in returns.
- C) stocks have less non-diversifiable risks than bonds.
- D) bonds are subject to more random risks than stocks.

Answer: <https://biology-forums.com/index.php?topic=786293>

Question 575

In a market with positive externalities,
A) the efficient level of production is less than what competition will obtain.
B) the efficient level of production is equal to what competition will obtain.
C) the efficient level of production is more than what competition will obtain.
D) there cannot be an efficient level of production.

Answer: <https://biology-forums.com/index.php?topic=786339>

Question 576

Explain what may occur when a buyer and a seller have unequal amounts of limited information. Describe two different types of problems that may arise when asymmetric information exists.

Answer: <https://biology-forums.com/index.php?topic=786454>

Question 577

How can a warranty at the seller's expense signal that a product is of high quality?

Answer: <https://biology-forums.com/index.php?topic=786471>

Question 578

Explain why some people who are applying for a job at a bank dress up, arrive early, and have their paperwork neatly completed for the job interview.

Answer: <https://biology-forums.com/index.php?topic=786472>

Question 579

Auto insurance rates are lower for young women relative to young men. An unusually reckless young woman driver benefits from this

- A) statistical discrimination.
- B) signal.
- C) screening.
- D) majority voting.

Answer: <https://biology-forums.com/index.php?topic=786529>

Question 580

If a person attends a public college and is not hired because the boss went to a private college, this might be an example of

- A) statistical discrimination.
- B) racial discrimination.
- C) screening.
- D) moral hazard.

Answer: <https://biology-forums.com/index.php?topic=786531>

Question 581

Production inefficiency is most likely to occur when the principal has more information about work performance than the agent does.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786552>

Question 582

Sue offers to pay Al \$50 for each painting of his that she sells in her gallery. Each painting sells for \$75. The cost to Al of producing each painting is \$55. Which of the following statements is true about this contract?

- A) This contract is efficient.
- B) This contract maximizes joint profit.
- C) Al will not participate in this contract.
- D) This is a fixed-fee contract.

Answer: <https://biology-forums.com/index.php?topic=786561>

Question 583

The slope of the isocost line tells the firm how much

- A) capital must be reduced to keep total cost constant when hiring one more unit of labor.
- B) capital must be increased to keep total cost constant when hiring one more unit of labor.
- C) more expensive a unit of capital costs relative a unit of labor.
- D) the isocost curve will shift outward if the firm wishes to produce more.

Answer: <https://biology-forums.com/index.php?topic=785173>

Question 584

Explain why the marginal cost curve intersects a U-shaped average cost curve at its minimum point.

Answer: <https://biology-forums.com/index.php?topic=785171>

Question 585

Which entity produces the greatest proportion of U.S. gross national product?

- A) government
- B) non-profit organizations such as hospitals
- C) firms
- D) universities

Answer: <https://biology-forums.com/index.php?topic=785000>

Question 586

Jennifer is the only employee of her sole proprietorship. She is entertaining the idea of hiring an additional employee. She knows that on her own she can produce 100 units per day. Jennifer figures that Applicant A will help her produce 175 units per day whereas Applicant B will help her produce 155 units per day. Which of the following statements is most accurate?

- A) Applicant B has a marginal product of 75 units.
- B) Applicant B has an average product of 77.5 units.
- C) Applicant A has a marginal product of 75 units.
- D) Applicant A has an average product of 87.5 units.

Answer: <https://biology-forums.com/index.php?topic=785034>

Question 587

When the price of a good changes, the income effect can be found by comparing the equilibrium quantities purchased

- A) on the old budget line and the new budget line.
- B) on the original indifference curve when faced with the original prices and when faced with the new prices.
- C) on the new budget line and a hypothetical budget line that is a shift back to the original indifference curve parallel to the new budget line.
- D) on the new indifference curve.

Answer: <https://biology-forums.com/index.php?topic=784933>

Question 588

Max has allocated \$100 toward meats for his barbecue. His budget line and indifference map are shown in the above figure. If Max is currently at point d,

- A) the absolute value of his MRS is larger than the trade-off offered by the market.
- B) he is willing to give up more chicken than he has to given market prices.
- C) he is not maximizing his utility.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784861>

Question 589

Max has allocated \$100 toward meats for his barbecue. His budget line and an indifference map are shown in the above figure. What happens if Max receives a \$100 cash grant to buy either meat or chicken?

- A) Max will double his consumption of both meats.
- B) Max will spend it all on burger. Because of its lower price, he can buy more of it.
- C) Max will take advantage of the gift by buying all chicken because it is the more expensive meat.
- D) There is not enough information to answer the question.

Answer: <https://biology-forums.com/index.php?topic=784856>

Question 590

Joe's income is \$500, the price of food (F) is \$2 per unit, and the price of shelter (S) is \$100. Which of the following represents his marginal rate of transformation of food for shelter?

- A) -5
- B) -50
- C) -.02
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=784822>

Question 591

Which good would you expect to have a greater price elasticity: a gallon of gasoline sold at a specific gasoline station on Main Street in Phoenix, a gallon of gasoline sold in Phoenix, or a gallon of gasoline sold in Arizona? Why?

Answer: <https://biology-forums.com/index.php?topic=784718>

Question 592

Downward sloping long-run supply curves occur in markets

- A) with learning-by-doing.
- B) with increasing returns to scale.
- C) with constant returns to scale.
- D) Either A or B

Answer: <https://biology-forums.com/index.php?topic=785328>

Question 593

Giving presents of Christmas does NOT generate a deadweight loss if

- A) all gift are money.
- B) everybody gets exactly what she wants.
- C) nobody can be made better off by returning the gift and purchasing a different one.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785400>

Question 594

What is one reason activists might lobby the government for regulation limiting the production of a product to less than would normally be in a perfectly competitive market?

- A) They value consumer surplus more than producer surplus.
- B) They value producer surplus more than consumer surplus.
- C) They seek to avoid future regulation.
- D) They seek to minimize total surplus.

Answer: <https://biology-forums.com/index.php?topic=785403>

Question 595

A minimum wage is an example of a

- A) price floor.
- B) price ceiling.
- C) quantity quota.
- D) free market equilibrium.

Answer: <https://biology-forums.com/index.php?topic=785446>

Question 596

The welfare loss of a tariff equals that of an import quota that leads to the same level of imports.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785468>

Question 597

The above figure depicts the Edgeworth box for two individuals, Al and Bruce. Considering only the labeled points, point c is a possible equilibrium

- A) only if it is the endowment.
- B) only if point a is the endowment.
- C) if either point a or b is the endowment.
- D) only if point d is the endowment.

Answer: <https://biology-forums.com/index.php?topic=785493>

Question 598

Gains from trade will be possible as long as

- A) levels of utility differ.
- B) utility functions differ.
- C) marginal rates of substitution differ.
- D) endowments differ.

Answer: <https://biology-forums.com/index.php?topic=785500>

Question 599

The fact that a monopoly has to take the shapes of marginal cost AND marginal revenue into account when making decisions is reflected in the fact that

- A) monopolies don't have a supply curve.

- B) monopolies don't have a demand curve.
- C) monopolies have the same supply curve as perfectly competitive firms.
- D) monopolies maximize profit.

Answer: <https://biology-forums.com/index.php?topic=785602>

Question 600

Mouthwash is sold in 24 oz bottles for \$2.40 and in 12 oz. bottles for \$1.20. This represents

- A) price differentiation.
- B) price discrimination.
- C) marginal cost pricing.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=785711>

Question 601

If you purchase one pound of apples the price is \$1.50 per pound. If you buy a five pound bag of apples, the cost is \$5.00. This is most likely an example of

- A) quantity discounts.
- B) lower marginal cost.
- C) lower marginal benefit.
- D) price gouging.

Answer: <https://biology-forums.com/index.php?topic=785744>

Question 602

Cartels are inherently self-destructive because each member firm has the incentive to cheat on the cartel agreement.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785847>

Question 603

Which of the following models results in the highest level of output assuming a fixed number of firms with identical costs and a given demand curve?

- A) Cournot
- B) Stackelberg
- C) Monopoly
- D) Cartel

Answer: <https://biology-forums.com/index.php?topic=785885>

Question 604

Suppose the demand for Pepsi-Cola is $q_p = 54 - 2p_p + 1p_c$. The demand for Coca-Cola is $q_c = 54 - 2p_c + 1p_p$. Each firm faces a constant marginal cost of zero. Determine the Bertrand equilibrium prices. What happens to the Bertrand equilibrium prices and profits if increased differentiation causes the demand for Pepsi-Cola to become $q_p = 104 - 2p_p + 1p_c$ while the demand for Coca-Cola remains unchanged?

Answer: <https://biology-forums.com/index.php?topic=785910>

Question 605

In a Bertrand duopoly with product differentiation, explain how a change in one firm's marginal cost can have an effect on the price charged by the other firm.

Answer: <https://biology-forums.com/index.php?topic=785912>

Question 606

A mixed strategy may

- A) be part of a Nash equilibrium.
- B) be a set of probabilities of selecting each possible action.
- C) lead identical firms to choose different actions.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785943>

Question 607

A private auction is an auction in which

- A) individuals know their own value of the good and everyone else's valuation, too.
- B) individuals have their own valuation of the good but don't know everyone else's.
- C) many auctions are auctioned off at the same time.

D) only one good is auctioned off.

Answer: <https://biology-forums.com/index.php?topic=786013>

Question 608

After Hurricane Katrina destroyed much of the infrastructure of the United States Gulf Coast,

- A) labor became more valuable.
- B) labor became less valuable because of the capital that had been destroyed.
- C) labor became less valuable because FEMA's response wasn't timely.
- D) labor became more valuable because of the rebuilding effort.

Answer: <https://biology-forums.com/index.php?topic=786040>

Question 609

Monopolies in successive markets result in

- A) a double markup for consumers.
- B) more output than if the input market is competitive.
- C) a lower output price than if the input market is competitive.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=786064>

Question 610

If inflation turns out to be higher than was anticipated, debtors are helped because

- A) the real present value of their payments increases.
- B) the real present value of their payments decreases.
- C) the nominal present value of their payments increases.
- D) the nominal present value of their payments decreases.

Answer: <https://biology-forums.com/index.php?topic=786124>

Question 611

Suppose that your college offers you two payment plans for your last two years of college. You may either pay tuition of \$20,000 per year at the beginning of each of the next two years, or pay just \$38,000 before the start of freshman year. What would the interest rate have to be for you to be indifferent between these two deals? Explain.

Answer: <https://biology-forums.com/index.php?topic=786164>

Question 612

On any given day, a salesman can earn \$0 with a 30% probability, \$100 with a 20% probability, or \$300 with a 50% probability. His expected earnings equal

- A) \$0.
- B) \$100.
- C) \$150.
- D) \$170.

Answer: <https://biology-forums.com/index.php?topic=786216>

Question 613

A risk-averse investor will decide whether or not to invest by determining if the expected value of the investment is positive.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786300>

Question 614

Assume Health Insurance is provided universally by the government. This would

- A) eliminate the problems of adverse selection.
- B) result in adverse selection.
- C) eliminate the problems of moral hazard.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=786459>

Question 615

If getting accepted into college is very difficult because of high standards of intelligence and ability, but students learn absolutely nothing while in college, it is most likely that

- A) they will not be hired upon graduation.

- B) attendance sends a signal to employers regarding ability.
- C) nobody will want to go to college.
- D) a college degree is not a credible signal.

Answer: <https://biology-forums.com/index.php?topic=786523>

Question 616

Which of the following was NOT a venue dedicated to Avant Garde jazz in the 1970s and 1980s?

- a. The Knitting Factory
- b. The Kitchen
- c. Studio Rivbea
- d. Village Vanguard

Answer: <https://biology-forums.com/index.php?topic=786965>

Question 617

One potential outcome of federal regulation is a

- A) relative loss in productivity.
- B) an absolute loss in productivity.
- C) an increase in productivity.
- D) Any of the above.

Answer: <https://biology-forums.com/index.php?topic=785109>

Question 618

Even though Mary's income is very low, she makes sure that she purchases enough milk for her family to drink. As her income rises, she does buy more milk. Which graph in the above figure best represents Mary's Engel curve for milk?

- A) Graph A
- B) Graph B
- C) Graph C
- D) Graph D

Answer: <https://biology-forums.com/index.php?topic=784919>

Question 619

Max has allocated \$100 toward meats for his barbecue. His budget line and indifference map are shown in the above figure. If Max is currently at point e,

- A) the absolute value of his MRS is less than the trade-off offered by the market.
- B) he is willing to give up more burger than he has to given market prices.
- C) he is not maximizing his utility.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784860>

Question 620

Lisa eats both pizzas and burritos. If the price of a pizza increases, Lisa's opportunity set

- A) becomes larger.
- B) becomes smaller.
- C) is unchanged.
- D) cannot be determined without more information.

Answer: <https://biology-forums.com/index.php?topic=784831>

Question 621

As more people quit smoking in the United States, what is expected to happen to the price elasticity of supply of cigarettes?

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

Answer: <https://biology-forums.com/index.php?topic=784744>

Question 622

The supply and demand model assumes

- A) no buyer or seller can unilaterally influence the price of the product.
- B) each unit sold is sold at the same price.
- C) suppliers and demanders know the price of the product.

D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784587>

Question 623

Which of the following is an example of a positive statement?

- A) Since this good is bad for you, you should not consume it.
- B) If this good is bad for you, you should not consume it.
- C) If you consume this good, you will get sick.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=784497>

Question 624

Short-run costs are never equal or lower than long-run cost.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785218>

Question 625

A competitive firm's supply curve is identical to its marginal cost curve.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785305>

Question 626

Suppose the production possibilities for two countries, producing either food or clothing, are shown in the above figure. They can each produce any linear combination as well. Measuring food on the horizontal axis, the joint production possibility frontier

- A) will kink away from the origin at 20 units of food.
- B) will kink toward the origin at 20 units of food.
- C) will kink toward the origin at 10 units of food.
- D) will kink away from the origin at 10 units of food.

Answer: <https://biology-forums.com/index.php?topic=785527>

Question 627

Which of the following total cost functions suggests the presence of a natural monopoly?

- A) $TC = 2Q$
- B) $TC = 100 + 2Q$
- C) $TC = 100 + 2Q^2$
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785665>

Question 628

A dominant firm's residual demand curve is

- A) the horizontal difference between the market demand curve and the supply curve of the fringe firms.
- B) the vertical difference between the market demand curve and the supply curve of the fringe firms.
- C) the demand curve left for the fringe firms after the dominant firm has determined an output level.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=785688>

Question 629

If two markets have the same price elasticity of demand at every price, a monopoly will not practice multimarket price discrimination.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785713>

Question 630

Collusion is more successful in a game that will continue forever or in a game with an uncertain ending time than in a game with a known ending time.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785848>

Question 631

As the number of firms increases in a market, the differences between the Cournot, Stackelberg, and price-taking market structures

- A) decreases.

- B) increases.
- C) remains the same.
- D) cannot be determined.

Answer: <https://biology-forums.com/index.php?topic=785890>

Question 632

In a Bertrand model with identical firms and a non-differentiated product, price will increase in response to

- A) an increase in the number of firms.
- B) a decrease in the number of firms.
- C) an increase in marginal cost.
- D) a decrease in marginal cost.

Answer: <https://biology-forums.com/index.php?topic=785903>

Question 633

If a Cournot duopolist announced that it will double its output

- A) it becomes the leader.
- B) the other firm does not view the announcement as credible.
- C) the other firm will shut down.
- D) the other firm will double output also.

Answer: <https://biology-forums.com/index.php?topic=785982>

Question 634

If an incumbent cannot commit and faces an identical potential entrant with relatively high fixed costs that are below the level where entry is blockaded, the incumbent will

- A) produce the Cournot duopolist level of output.
- B) produce the Stackelberg leader level of output.
- C) set price equal to marginal cost.
- D) produce a level of output that is greater than the Stackelberg leader level of output.

Answer: <https://biology-forums.com/index.php?topic=785985>

Question 635

In the short run, the competitive firm will hire more labor if

- A) the wage rate increases.
- B) the price the firm receives for the output increases.
- C) the price the firm receives for the output decreases.
- D) a specific tax is imposed on the output.

Answer: <https://biology-forums.com/index.php?topic=786024>

Question 636

In a perfectly competitive resource market the labor supply curve facing the single firm is

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

Answer: <https://biology-forums.com/index.php?topic=786034>

Question 637

Firm A is a monopoly. The demand for its output is $p = 90 - Q$. Production is such that $Q = L$. Firm A hires labor in a competitive market where the wage is \$10. Firm A will hire

- A) 10 units of labor.
- B) 20 units of labor.
- C) 30 units of labor.
- D) 40 units of labor.

Answer: <https://biology-forums.com/index.php?topic=786062>

Question 638

The steeper the labor supply curve

- A) the higher the wage the monopsonist pays.
- B) the lower the wage the monopsonist pays.
- C) the smaller the difference between the wage and the marginal expenditure on labor.

D) the better off workers are.

Answer: <https://biology-forums.com/index.php?topic=786080>

Question 639

Individuals who lease a new car

- A) have a higher discount rate than those who buy.
- B) have a lower discount rate than those who buy.
- C) have the same discount rate as those who buy.
- D) behave irrationally and are taken advantage of by car companies.

Answer: <https://biology-forums.com/index.php?topic=786130>

Question 640

If a person is entertained by gambling, then

- A) she is not risk averse.
- B) she does not understand the concept of a fair game.
- C) she may gamble even if it is an unfair game.
- D) she will definitely not buy automobile insurance.

Answer: <https://biology-forums.com/index.php?topic=786241>

Question 641

If a production process creates positive externalities, a competitive market produces too few positive externalities because the producer

- A) does not pay all the costs of the externalities.
- B) does not receive compensation for the externalities.
- C) Both A and B.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=786325>

Question 642

Adverse selection occurs when an agreement encourages undesirable behavior.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786453>

Question 643

Very few players are drafted into the NFL when they play at Division II or Division III schools whereas more players are drafted in the MLB from these schools. What can explain this?

- A) Attending a Division II or Division III school sends a stronger signal of future and present quality in the NFL.
- B) Attending a Division II or Division III school sends a weaker signal of future and present quality in the MLB.
- C) A signal of future and present quality is more important in the MLB than in the NFL.
- D) Attending a particular school is like a screening test for life insurance.

Answer: <https://biology-forums.com/index.php?topic=786530>

Question 644

Assume Congress decides that Social Security taxes must increase in order to fund the system. This would

- A) shift up the marginal cost curve for any firms that hire labor.
- B) guarantee a decrease in profits.
- C) shift up the average fixed cost curve for any firms that hire labor.
- D) guarantee an increase in tax revenues.

Answer: <https://biology-forums.com/index.php?topic=785166>

Question 645

Which of the following does NOT represent a possible shape of the long-run average cost curve?

- A) downward-sloping
- B) upward-sloping
- C) U-shaped
- D) vertical

Answer: <https://biology-forums.com/index.php?topic=785174>

Question 646

The Nifty Gum Co. has purchased a large parcel of land for \$1 million. The company recently discovered that the land is contaminated and is

worthless to all possible buyers. The opportunity cost of the land is

- A) \$0.
- B) \$1 million.
- C) some amount greater than \$0 but less than \$1 million.
- D) equal to the cost of the factory that was planned to be built there.

Answer: <https://biology-forums.com/index.php?topic=785120>

Question 647

Suppose the production function for T-shirts can be represented as $q = L^{0.25} K^{0.75}$. Show that the isoquants for this function are convex.

Answer: <https://biology-forums.com/index.php?topic=785067>

Question 648

When the isocost line is tangent to the isoquant, then

- A) $MPL = MPK$.
- B) the firm is producing that level of output at minimum cost.
- C) the firm has achieved the right economies of scale.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785179>

Question 649

Suppose the typical consumer only purchases food and clothing, and her utility can be expressed as $U = F * C$. Currently, food costs \$5 per unit and clothing costs \$2 per unit. Her income is \$70. If the price of food increases to \$6, compare the resulting Laspyre's price index with a true cost of living index.

Answer: <https://biology-forums.com/index.php?topic=784972>

Question 650

The Consumer Price Index (CPI) measures inflation for every individual.

- A) True, the weights used in calculating the CPI are adjusted for every individual in the country.
- B) True, people all face the same prices and therefore face the same inflation.
- C) False, the CPI uses weights based on how much each product represents in the typical household budget.
- D) False, the CPI doesn't measure inflation.

Answer: <https://biology-forums.com/index.php?topic=784964>

Question 651

Max has allocated \$100 toward meats for his barbecue. His budget line and an indifference map are shown in the above figure. Which of the following bundles are in Max's opportunity set?

- A) a, b, c
- B) b, d, e
- C) a, b, d
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=784858>

Question 652

Indifference curves for perfect substitutes must be parallel lines with a slope of negative one.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784796>

Question 653

Diminishing marginal rate of substitution can be seen when indifference curves

- A) cross.
- B) are convex.
- C) are downward sloping.
- D) become flatter as we move down and to the right.

Answer: <https://biology-forums.com/index.php?topic=784788>

Question 654

If marginal productivity is decreasing as more labor is hired, then average productivity must be decreasing as well.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785041>

Question 655

An increase in the price of oil will

- A) shift the supply curve of oil to the left.
- B) shift the supply curve of oil to the right.
- C) leave the supply curve of oil unchanged.
- D) not enough information to answer the question.

Answer: <https://biology-forums.com/index.php?topic=784556>

Question 656

The change in price that results from a rightward shift in demand will be greater if

- A) the supply curve is horizontal than if the supply curve is upward sloping.
- B) the supply curve is relatively steep than if the supply curve is relatively flat.
- C) the supply curve is upward sloping than if the supply curve is vertical.
- D) the supply curve is horizontal than if the supply curve is vertical.

Answer: <https://biology-forums.com/index.php?topic=784657>

Question 657

A production possibilities frontier that is a downward-sloping straight line implies

- A) economies of scale.
- B) diseconomies of scale.
- C) economies of scope.
- D) no economies of scope.

Answer: <https://biology-forums.com/index.php?topic=785225>

Question 658

Suppose an industry has no fixed costs. Draw two graphs side by side for the industry. In the left graph draw a U-shaped average cost curve and the corresponding marginal cost curve. In the right graph, draw a downward sloping market demand curve. Also in the right graph, draw a short-run supply curve that would generate positive profit, and the long-run supply curve that would result in.

Answer: <https://biology-forums.com/index.php?topic=785334>

Question 659

What is one reason it might be difficult to dissuade people from pirating music off the internet?

- A) Consumer surplus is very high when music is pirated.
- B) In general, consumers get a rush from "stealing."
- C) Consumers mistakenly believe that the internet is public domain.
- D) Producer surplus is very low when music is pirated.

Answer: <https://biology-forums.com/index.php?topic=785370>

Question 660

While producing less than the competitive output decreases social welfare, the same cannot be said about producing more than the competitive output.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785406>

Question 661

The total welfare associated with a market that includes a government sales tax equals

- A) consumer surplus plus producer surplus.
- B) consumer surplus plus producer surplus minus government tax revenue.
- C) consumer surplus plus producer surplus plus government tax revenue.
- D) the government tax revenue.

Answer: <https://biology-forums.com/index.php?topic=785424>

Question 662

If two grade-school children willingly trade their lunches with one another, we can conclude that at least one of them preferred the other's lunch to his own.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785503>

Question 663

The First Theorem of Welfare Economics can be expressed as

- A) the competitive equilibrium results only when no transactions costs exist.
- B) the competitive equilibrium does not involve reallocation of endowments.
- C) any efficient allocations can be achieved by competition.
- D) the competitive equilibrium is efficient.

Answer: <https://biology-forums.com/index.php?topic=785508>

Question 664

Explain why a monopolist has no supply curve.

Answer: <https://biology-forums.com/index.php?topic=785614>

Question 665

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 666

If wages for a certain type of labor were higher in one market than in another, then

- A) the differential would exist into the long run.
- B) labor would move from the high wage market to the low wage market until wages were equal.
- C) labor would move from the low wage market to the high wage market until wages were equal.
- D) firms would not be acting as profit maximizers.

Answer: <https://biology-forums.com/index.php?topic=786029>

Question 667

For a competitive firm the marginal revenue product of labor is usually downward sloping.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786044>

Question 668

Assume that the market demand for a good is $p = 100 - Q$. Assume that the marginal product of labor is 1 and the firm can get all the labor it needs at a wage equal to 5. Compare the quantity of labor hired if the output market is competitive with the quantity hired if the output market is a monopoly.

Answer: <https://biology-forums.com/index.php?topic=786069>

Question 669

Interest rates are positive because inflation makes purchases more expensive in the future than today.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786133>

Question 670

You sign a contract to pay \$1000 next year for the refrigerator you bought today. The rate of inflation is 10% and the real interest rate is 7%. Alternatively, you could pay \$875 today. What should you do to save the most money?

Answer: <https://biology-forums.com/index.php?topic=786138>

Question 671

If a bond's coupon adjusts to pay a constant real rate of return, then an increase in inflation would cause

- A) the nominal coupon payment to rise.
- B) the nominal coupon payment to fall.
- C) the nominal coupon payment to remain unchanged.
- D) the bond's price to fluctuate wildly.

Answer: <https://biology-forums.com/index.php?topic=786147>

Question 672

If a firm needs one machine to produce a product, and must replace the machine when it wears out, then the firm should pick a durability level of the machine that

- A) minimizes the expense today.
- B) minimizes the present discounted cost of having the machine forever.
- C) maximizes the future value of the machine.
- D) minimizes the future value of the machine.

Answer: <https://biology-forums.com/index.php?topic=786148>

Question 673

Technological improvements in coal mining will

- A) increase the price of coal.
- B) decrease the price of coal.
- C) increase the interest rate.
- D) decrease the interest rate.

Answer: <https://biology-forums.com/index.php?topic=786174>

Question 674

Suppose an astronomer discovers gold on the moon. Would this gold add to the world reserves?

- A) Yes, we know it exists and we could recover it.
- B) No, we know it exists but we can't extract the gold.
- C) No, there are no established property rights over the moon so they cannot add to world reserves..
- D) Yes, but only if the astronomer is the resident of a developed country with well-established property rights.

Answer: <https://biology-forums.com/index.php?topic=786181>

Question 675

On any given day we know a salesman can earn \$0 with a 30% probability, \$100 with a 20% probability or \$300 with 40% probability. His expected earnings equal

- A) \$0.
- B) \$140.
- C) \$300.
- D) It cannot be determined from the available information.

Answer: <https://biology-forums.com/index.php?topic=786217>

Question 676

Prospect theory can explain why

- A) people tend to gamble on long odds with small expected utility.
- B) people tend to sell their losing stocks and keep their winning stocks.
- C) people should only sell their losing stocks.
- D) people should never play the lottery.

Answer: <https://biology-forums.com/index.php?topic=786310>

Question 677

If the market interest rate is 5% and a bank advertises loans at 12%, the bank will receive

- A) no applications.
- B) applications from mostly low-risk borrowers.
- C) applications from mostly high-risk borrowers.
- D) a moral hazard.

Answer: <https://biology-forums.com/index.php?topic=786457>

Question 678

Many people tend to buy multiple cars from the same manufacturer because

- A) doing so reduces the asymmetric information problem; consumers have better knowledge of quality.
- B) doing so reduces the asymmetric information problem; consumers have better knowledge of prices.
- C) doing so doesn't change the asymmetric information problem but consumers have more information.
- D) doing so increases the consumers brand loyalty.

Answer: <https://biology-forums.com/index.php?topic=786482>

Question 679

Understanding the supply and demand model facilitates

- A) greed.
- B) charity.
- C) happiness.
- D) prediction.

Answer: <https://biology-forums.com/index.php?topic=784652>

Question 680

A specific tax of \$1 per unit of output will affect a firm's

- A) average total cost, average variable cost, average fixed cost, and marginal cost.
- B) average total cost, average variable cost, and average fixed cost.
- C) average total cost, average variable cost, and marginal cost.
- D) marginal cost only.

Answer: <https://biology-forums.com/index.php?topic=785158>

Question 681

Suppose the production of VCRs can be represented by the following production function: $q = L^{0.4} K^{0.4}$. The firm currently produces q units. If all inputs doubled, the new level of output will equal

- A) $20.4 q^1$.
- B) $20.8 q^1$.
- C) $0.8 q^1$.
- D) $1.6 q^1$.

Answer: <https://biology-forums.com/index.php?topic=785081>

Question 682

When buying a piece of equipment, it is always best for the firm to pay cash instead of borrowing the funds since this renders the equipment less costly.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785129>

Question 683

Joe's income is \$500, the price of food (F) is \$2, and the price of shelter (S) is \$100. Which of the following bundles is in Joe's opportunity set?

- A) 50 units of food, 5 units of shelter
- B) 200 units of food, 2 units of shelter
- C) 100 units of food, 1 unit of shelter
- D) 150 units of food, 3 units of shelter

Answer: <https://biology-forums.com/index.php?topic=784825>

Question 684

Why might someone respond with "I don't care" to the general question "Where do you want to eat?"

- A) The individual does not have two options to compare.
- B) The individual is not able to compare all restaurants in the area.
- C) The individual is lazy and won't compare all restaurants in the area.
- D) The individual has no preferences.

Answer: <https://biology-forums.com/index.php?topic=784793>

Question 685

The actual time length of the short run is determined by when diminishing marginal returns start.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785040>

Question 686

Which of the following is most likely to be true?

- A) Income elasticity of demand for fur coats exceeds that of oatmeal.
- B) Income elasticity of demand for oatmeal exceeds that of fur coats.
- C) Income elasticity of demand for fur coats equals that of oatmeal.
- D) It is not possible to make any prediction about relative income elasticities.

Answer: <https://biology-forums.com/index.php?topic=784699>

Question 687

Normative analysis offers decision makers the most valuable information when choosing among alternatives.
True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784504>

Question 688

Economic models are most often tested

- A) using computer simulations.
- B) using data from the distant past.
- C) using data from the real world.
- D) using logic alone.

Answer: <https://biology-forums.com/index.php?topic=784501>

Question 689

Economic modeling requires

- A) mathematics.
- B) logic.
- C) calculus.
- D) trigonometry.

Answer: <https://biology-forums.com/index.php?topic=784500>

Question 690

Under most circumstances, the application of taxes on goods will only affect who gets the goods.
True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784486>

Question 691

Suppose the cost of producing two goods, x and y , can be represented as $C = ax + by + cxy$. If there are economies of scope, then which of the following must be true?

- A) $c > 0$
- B) $a + b = -c$
- C) $c = 0$
- D) $c < 0$

Answer: <https://biology-forums.com/index.php?topic=785223>

Question 692

What is one possible reason a firm that produces balloons might outsource its accounting department?

- A) There is no longer economies of scale.
- B) There are now economies of scope.
- C) There is no longer economies of scope.
- D) There are now economies of scale.

Answer: <https://biology-forums.com/index.php?topic=785227>

Question 693

In a competitive market, if buyers did not know all the prices charged by the many firms,

- A) all firms still face horizontal demand curves.
- B) firms sell a differentiated product.
- C) demand curves can be downward sloping for some or all firms.
- D) the number of firms will most likely decrease.

Answer: <https://biology-forums.com/index.php?topic=785239>

Question 694

How can the market demand for a product be inelastic but the demand for a particular firm is elastic?

- A) There is no advertising.
- B) There is a sufficiently large number of sellers.
- C) There is only one or two sellers.
- D) Buyers do not have complete information.

Answer: <https://biology-forums.com/index.php?topic=785254>

Question 695

If the market price in a competitive market is below the minimum of average variable cost the firm will shut down. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785303>

Question 696

Suppose there are 1000 identical wheat farmers. For each, $TC = 10 + q^2$. Market demand is $Q = 600,000 - 100p$. Derive the short-run equilibrium Q , q , and p . Does the typical firm earn a short-run profit?

Answer: <https://biology-forums.com/index.php?topic=785312>

Question 697

Suppose an industry trade group has convinced legislators that a price floor should be used so that producer surplus is maximized in the market for milk. The group argues that such a policy would save the "family farm." Assuming a downward-sloping linear demand curve and a horizontal long-run supply curve, determine the resulting price, output and social welfare from such a policy. Compare this result to the competitive equilibrium.

Answer: <https://biology-forums.com/index.php?topic=785409>

Question 698

In economics, welfare analysis focuses on

- A) income transfer programs.
- B) food stamp programs.
- C) international aid programs.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=785416>

Question 699

The fact that any pareto efficient equilibrium can be achieved through competition by adjusting endowments is called

- A) the second welfare theorem.
- B) the first welfare theorem.
- C) the third welfare theorem.
- D) That is not possible.

Answer: <https://biology-forums.com/index.php?topic=785514>

Question 700

Economic growth can be obtained by

- A) government legislation.
- B) a change in the level of inputs or an improvement in technology.
- C) only through a change in the level of inputs, hence the desire for conquest throughout the history of the world.
- D) only through a change in technology, which explains the explosive growth of the United States.

Answer: <https://biology-forums.com/index.php?topic=785544>

Question 701

The more elastic the demand curve, a monopoly

- A) will have a larger Lerner Index.
- B) will face a lower marginal cost.
- C) will earn more profit.
- D) will lose more sales as it raises its price.

Answer: <https://biology-forums.com/index.php?topic=785621>

Question 702

The introduction of satellite television systems would cause the Lerner Index for cable television to

- A) become smaller.
- B) increase.
- C) change in accordance to the increase in market power of cable TV providers.
- D) be unchanged.

Answer: <https://biology-forums.com/index.php?topic=785622>

Question 703

The Lerner Index is derived from the profit-maximizing condition of a firm.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785636>

Question 704

When would a profit-maximizing monopolist that operates with no government intervention choose to produce the competitive level of output?

Answer: <https://biology-forums.com/index.php?topic=785637>

Question 705

The optimal patent length is equal to 20 years.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785680>

Question 706

Forcing a natural monopoly to charge $P=MC$ will not work.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785692>

Question 707

If a monopoly can advertise and as a result the demand curve will become more inelastic, the monopoly

- A) should always engage in the advertising.
- B) should engage in the advertising until the demand curve becomes more elastic.
- C) will earn higher gross profit if it advertises.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=785802>

Question 708

A firm advertising using an expensive, famous spokesperson is often

- A) aimed to raise rivals' costs.
- B) used to increase the total market demand.
- C) used to steal customers from rivals.
- D) used to focus on general problems the product addresses.

Answer: <https://biology-forums.com/index.php?topic=785813>

Question 709

If there are 2 identical firms in a market that choose the quantity they produce, total welfare is the highest when there is a cartel.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785881>

Question 710

One criticism of the Bertrand pricing model is that

- A) the model is implausible when there is product differentiation.
- B) when there is an oligopoly with no product differentiation, the model's prediction is inconsistent with reality.
- C) the model's predicted price is solely a function of demand conditions.
- D) the model's predicted price is dependent on the number of firms.

Answer: <https://biology-forums.com/index.php?topic=785899>

Question 711

Product differentiation allows a firm to charge a higher price because the residual demand curve facing the firm

- A) is more elastic than the residual demand curve without product differentiation.
- B) is less elastic than the residual demand curve without product differentiation.
- C) is horizontal.
- D) shifts to the left.

Answer: <https://biology-forums.com/index.php?topic=785905>

Question 712

In the first years of a professional athlete's career, the athlete is "under reserve," which means that he or she cannot negotiate with other teams. This implies that, everything else equal,

- A) the player's salary is probably higher than it otherwise would be.

- B) the player's salary is probably lower than it otherwise would be.
C) the player's salary is probably the same as it otherwise would be.
D) the player is not hired by the team.

Answer: <https://biology-forums.com/index.php?topic=786097>

Question 713

The spread between price and marginal cost of an exhaustible resource must grow by the rate of interest so that

- A) resource owners earn a profit.
B) resource owners are willing to sell some of the resource in the future.
C) the price of the resource remains constant in real terms.
D) the marginal cost of extracting the resource declines.

Answer: <https://biology-forums.com/index.php?topic=786176>

Question 714

Government policies that encourage savings

- A) reduce interest rates.
B) increase interest rates.
C) have no effect on interest rates.
D) lower the net present value of all investments.

Answer: <https://biology-forums.com/index.php?topic=786189>

Question 715

The ability of diversification to reduce risk

- A) is greater the more negatively correlated the two events are.
B) is greater the more positively correlated the two events are.
C) is greater the more uncorrelated the two events are.
D) is greater the more risk averse the individual is.

Answer: <https://biology-forums.com/index.php?topic=786266>

Question 716

A stock mutual fund's primary advantage is to allow

- A) investors to diversify away systematic risk.
B) investors to diversify away all risk.
C) investors to diversify away idiosyncratic risk.
D) the rich to avoid taxes.

Answer: <https://biology-forums.com/index.php?topic=786274>

Question 717

Assume a lawyer signs a contingency fee contract with a plaintiff. The case ends up settling for \$1 million, of which the plaintiff received \$800,000. It is obvious this contract was efficient?

- A) True, the plaintiff received some money.
B) False, it is not clear whether another lawyer would have settled for more.
C) False, it is not clear whether the plaintiff's lawyer is very smart.
D) True, the plaintiff and lawyer reached an agreement and both lived up to their end of the agreement.

Answer: <https://biology-forums.com/index.php?topic=786586>

Question 718

Which of the following is not the name of one of the Marsalis brothers?

- a. Wynton
b. Branford
c. Delfeayo
d. Herbie

Answer: <https://biology-forums.com/index.php?topic=786960>

Question 719

Explain what is meant by self-regulation.

Answer: <https://biology-forums.com/index.php?topic=786988>

Question 720

How relevant is inability to perform when considering whether a contract was breached?

Answer: <https://biology-forums.com/index.php?topic=787010>

Question 721

Which of the following will cause the average fixed cost curve of making cigarettes to shift?

- A) A \$5 million penalty charged to each cigarette maker.
- B) A \$1 per pack tax on cigarettes.
- C) A \$3 per hour wage increase.
- D) An increase in the demand for cigarettes.

Answer: <https://biology-forums.com/index.php?topic=785157>

Question 722

Variable costs are

- A) a production expense that does not vary with output.
- B) a production expense that changes with the quantity of output produced.
- C) equal to total cost divided by the units of output produced.
- D) the amount by which a firm's cost changes if the firm produces one more unit of output.

Answer: <https://biology-forums.com/index.php?topic=785136>

Question 723

If the demand curve for comic books is expressed as $Q = 10,000/p$, then demand has a unitary elasticity

- A) only when $p = 10,000$.
- B) only when $p = 100$.
- C) always.
- D) never.

Answer: <https://biology-forums.com/index.php?topic=784690>

Question 724

If a particular production process is subject to diminishing marginal returns to labor at every level of output, then at every level of output

- A) AC is upward sloping.
- B) MC exceeds AVC.
- C) AFC is constant.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=785153>

Question 725

An increase in unearned income always creates a disincentive to work

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784990>

Question 726

L-shaped isoquants imply that production requires that the inputs

- A) are perfect substitutes.
- B) are imperfect substitutes.
- C) cannot be used together.
- D) must be used together in a certain proportion.

Answer: <https://biology-forums.com/index.php?topic=785057>

Question 727

Suppose that the interest rate paid to savers increases. As a result, Tom wishes to save less. This suggests that, for Tom,

- A) the substitution effect is greater than the income effect.
- B) the income effect is greater than the substitution effect.
- C) utility maximization is not occurring.
- D) future consumption is a luxury.

Answer: <https://biology-forums.com/index.php?topic=784946>

Question 728

In the case of a normal good

- A) demand curves always slope downward.

- B) the income effect and substitution effect are in the same direction.
C) the Engel curve slopes upward.
D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784940>

Question 729

The substitution effect can be measured holding _____ constant.

- A) income
B) utility
C) the price of one good
D) the price of all goods

Answer: <https://biology-forums.com/index.php?topic=784934>

Question 730

When income increases by 1%, the quantity demanded of a good decreases by 2%. What is the income elasticity of the good? Is the good normal or inferior? Why?

Answer: <https://biology-forums.com/index.php?topic=784927>

Question 731

In behavioral economics, the term salience refers to

- A) relevance to the problem being investigated.
B) people only consider information when it is conveyed in a subtle manner.
C) how an experiment is designed.
D) people consider information when it is presented in an "eye grabbing" manner.

Answer: <https://biology-forums.com/index.php?topic=784888>

Question 732

Indifference curves are downward sloping because of the assumption of

- A) completeness.
B) transitivity.
C) more is better.
D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784782>

Question 733

In general,

- A) the marginal product curve never intersects the average product curve.
B) the marginal product curve "chases" the average product curve.
C) the average product curve "chases" the marginal product curve.
D) the average product curve is identical to the marginal product curve.

Answer: <https://biology-forums.com/index.php?topic=785036>

Question 734

Explain why short-run demand for frozen fish sticks may be more price elastic in the short run than in the long run.

Answer: <https://biology-forums.com/index.php?topic=784752>

Question 735

If a government wants to maximize revenues from a tax it should

- A) impose it on sellers.
B) impose it on consumers.
C) choose a good with a relatively elastic demand.
D) choose a good with a relatively inelastic demand.

Answer: <https://biology-forums.com/index.php?topic=784757>

Question 736

Consider Sam and Linda both drive a relatively inefficient sport utility vehicle (SUV). Sam has a lease that doesn't expire for three years whereas Linda owns her sport utility vehicle free and clear. If the price of gasoline was to increase by fifty percent, which of these statements is most likely true?

- A) Linda will have a less elastic response than Sam.
B) Sam will have a less elastic response than Linda.

C) Sam and Linda will have identically elastic responses.

D) Sam will have a more elastic response than Linda.

Answer: <https://biology-forums.com/index.php?topic=784746>

Question 737

What can explain the fact that DVD players decreased in price during the 1990s even as more DVD players were being sold?

A) The demand for DVDs was declining.

B) The supply of DVD players was decreasing.

C) The supply of DVD players was increasing more than the demand for DVD players.

D) The demand for DVD players was increasing more than the supply of DVD players.

Answer: <https://biology-forums.com/index.php?topic=784611>

Question 738

From the 1970s through the 1990s, the relative price of a college education has increased greatly. During the same time period, college enrollment has also increased. This evidence suggests that during this time period

A) the demand curve for a college education has shifted leftward.

B) the demand curve for a college education has shifted rightward.

C) the supply curve for a college education has shifted leftward.

D) the supply curve for a college education has shifted rightward.

Answer: <https://biology-forums.com/index.php?topic=784594>

Question 739

Producer groups tend to lobby for

A) price floors

B) price ceilings

C) quantity quotas

D) taxes

Answer: <https://biology-forums.com/index.php?topic=784633>

Question 740

An increase in the price of pork will lead to

A) a movement up along the demand curve.

B) a movement down along the demand curve.

C) a rightward shift of the demand curve.

D) a leftward shift of the demand curve.

Answer: <https://biology-forums.com/index.php?topic=784520>

Question 741

If a model fits reality but doesn't generate testable predictions, it is of little value to economists.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784505>

Question 742

Economists define a market to be competitive when the firms

A) spend large amounts of money on advertising to lure customers away from the competition.

B) watch each other's behavior closely.

C) are price takers.

D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785231>

Question 743

In a perfectly competitive market,

A) firms can freely enter and exit.

B) firms sell a differentiated product.

C) transaction costs are high.

D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785237>

Question 744

If a firm makes zero economic profit, then the firm

- A) has no incentive to stay in the industry.
- B) is better off exiting the industry.
- C) it is indifferent between staying and exiting the industry.
- D) it will shut down.

Answer: <https://biology-forums.com/index.php?topic=785259>

Question 745

Before the DVD, the VCR was a popular format for taping and replaying video. When the DVD was introduced, which of the following most accurately describes the long-run adjustment process in the VCR industry?

- A) Costs increased, price increased, demand decreased, quantity decreased, profit decreased.
- B) Demand increased, costs increased, price increased, quantity increased, profit decreased.
- C) Demand decreased, quantity decreased, price decreased, profit decreased.
- D) Demand decreased, price decreased, quantity decreased, profit decreased.

Answer: <https://biology-forums.com/index.php?topic=785349>

Question 746

In the long-run equilibrium in perfect competition, consumer surplus is

- A) positive.
- B) negative.
- C) zero.
- D) less than producer surplus.

Answer: <https://biology-forums.com/index.php?topic=785371>

Question 747

The domestic demand curve, domestic supply curve, and world supply curves for a good are given in the above figure. All the curves are linear. Initially, the country allows imports. Then imports are banned. Calculate how consumer and producer surplus change because of the ban. Is the country better off with the ban on imports? Why?

Answer: <https://biology-forums.com/index.php?topic=785470>

Question 748

Can consumption efficiency be achieved even if the efficient product mix is not achieved?

Answer: <https://biology-forums.com/index.php?topic=785549>

Question 749

Which of the following average cost functions suggests the presence of a natural monopoly?

- A) $AC = 2$
- B) $AC = 100/Q + 2$
- C) $TC = 100/Q + 2Q$
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785666>

Question 750

If the government regulates the price a monopoly can charge, and the price ceiling is set below what the competitive market price would be, then

- A) a shortage will exist.
- B) a surplus will exist.
- C) producer surplus is maximized.
- D) consumer surplus is maximized.

Answer: <https://biology-forums.com/index.php?topic=785683>

Question 751

The situation in which a person places greater value on a good as more and more people possess it is called

- A) Bandwagon Effect.
- B) Greater Value Effect.
- C) Snob Effect.
- D) Behavioral Effect.

Answer: <https://biology-forums.com/index.php?topic=785696>

Question 752

If a monopoly charges higher prices to consumers who buy smaller quantities than to consumers who buy larger quantities, then

- A) consumer surplus is larger than under single-price monopoly.
- B) social welfare is larger than under perfect competition.
- C) the monopoly's profits are larger than under single-price monopoly.
- D) the monopoly's profits are larger than under perfect price discrimination.

Answer: <https://biology-forums.com/index.php?topic=785739>

Question 753

Advertising for Milk and Beef is usually done by

- A) interest groups that represent the whole industry.
- B) a single firm in the market.
- C) a small set of firms in a market.
- D) It is not done because it doesn't pay to advertize homogenous products.

Answer: <https://biology-forums.com/index.php?topic=785804>

Question 754

If only two identical firms operate in a market, consumers prefer

- A) a Cournot equilibrium.
- B) a Stackelberg equilibrium.
- C) a collusive equilibrium.
- D) any equilibrium since they all result in the same consumer surplus.

Answer: <https://biology-forums.com/index.php?topic=785877>

Question 755

Suppose the demand for Pepsi-Cola is $q_p = 50 - 2p_p + 1p_c$. The firm faces a constant marginal cost of m , and p_c denotes the price of Coca-Cola. Assuming Bertrand behavior, derive Pepsi-Cola's best-response function and explain how the firm changes price in response to changes in its own marginal cost and changes in Coca-Cola's price.

Answer: <https://biology-forums.com/index.php?topic=785911>

Question 756

In the long run a monopolistic competitor

- A) set $MR = MC$.
- B) produces where $P = AC$.
- C) sets $P > MC$.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785917>

Question 757

In a simultaneous game where both players prefer doing the opposite of what the opponent does, a Nash equilibrium does not exist. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785969>

Question 758

The growth over time in the spread between price and marginal cost of an exhaustible resource is equal to

- A) zero.
- B) one.
- C) the interest rate.
- D) the present value of the reserves.

Answer: <https://biology-forums.com/index.php?topic=786175>

Question 759

What is one reason for the high interest rates for home loans offered to those with low credit ratings?

- A) Predatory lending practices.
- B) Those with lower credit ratings faced a restricted supply of loans, ceteris paribus.
- C) Those with lower credit ratings typically demand greater loans, ceteris paribus.
- D) Government regulation.

Answer: <https://biology-forums.com/index.php?topic=786200>

Question 760

You draw colored balls out of a bag. You draw a red ball 30% of the time and a blue ball 70% of the time. For each draw, the blue outcome and the red outcome are

- A) mutually exclusive.
- B) exhaustive.
- C) Both A and B.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=786211>

Question 761

Bob invests \$75 in an investment that has a 50% chance of being worth \$100 and a 50% chance of being worth \$0. From this information we can conclude that Bob is

- A) risk loving.
- B) risk neutral.
- C) risk averse.
- D) irrational.

Answer: <https://biology-forums.com/index.php?topic=786249>

Question 762

Concerning an investment project which of the following is TRUE?

- A) A risk-neutral individual is more likely to invest than a risk-averse individual.
- B) A risk-neutral individual is more likely to invest than a risk-loving individual.
- C) A risk-neutral individual is less likely to invest than a risk-averse individual.
- D) Not enough information is given.

Answer: <https://biology-forums.com/index.php?topic=786295>

Question 763

Assume health insurance is provided universally by the government. This would

- A) force every taxpayer to bear the costs of adverse selection.
- B) force every taxpayer to bear the costs of moral hazard.
- C) force the government to deal with adverse selection problems.
- D) force foreign governments to deal with moral hazard problems.

Answer: <https://biology-forums.com/index.php?topic=786466>

Question 764

Joe wants to achieve the highest position possible with the XYZ Co. During the interview, he tells them he is capable of performing many difficult tasks. The company feels there is a 10% chance he is lying. Given the payoff matrix in the above figure, what job level will the company offer to Joe? Why?

Answer: <https://biology-forums.com/index.php?topic=786538>

Question 765

Workers can reduce the chance of an employer lying by

- A) obtaining more information about the firm's performance.
- B) having a representative on the board of directors.
- C) requiring that employers share the cost of an economic downturn.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=786616>

Question 766

Show that increasing returns to scale can co-exist with diminishing marginal productivity.

Answer: <https://biology-forums.com/index.php?topic=785097>

Question 767

Albert's Pretzel Baking Company used to have four workers who were each in charge of making their own pretzels from start to finish. Now, one worker mixes the dough, another shapes it, the third puts the unbaked pretzels into the oven and the fourth removes the finished product. Output has doubled. This is an example of

- A) neutral technical change.
- B) labor-saving technical change.
- C) division of labor.
- D) economies of scale.

Answer: <https://biology-forums.com/index.php?topic=785105>

Question 768

A firm can experience increasing, constant and decreasing returns to scale for various levels of output. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785096>

Question 769

Consider two lottery winners, Tino who is 65 years old and Sasha who is 32 years old. Which of these two would be expected to have the larger income effect, all else equal?

- A) Sasha
- B) Tino
- C) Both would have no income effect.
- D) Both would have equal income effects.

Answer: <https://biology-forums.com/index.php?topic=784987>

Question 770

What might explain a professional baseball player having lower production the year after signing a multi-million dollar contract?

- A) The substitution effect.
- B) The endowment effect.
- C) Bounded rationality.
- D) The income effect.

Answer: <https://biology-forums.com/index.php?topic=784985>

Question 771

In response to an increase in the wage rate, the substitution effect will cause a person to

- A) supply fewer hours of labor.
- B) supply more hours of labor.
- C) supply the same hours of labor.
- D) have a backward bend in her labor supply curve.

Answer: <https://biology-forums.com/index.php?topic=784981>

Question 772

Employing a fixed-weight index like the Consumer Price Index to adjust a person's salary in response to inflation will overcompensate this person because doing so will allow this person to

- A) buy the same bundle of goods as he did before the inflation.
- B) achieve a higher level of utility than he did before the inflation.
- C) achieve the same level of utility as before the inflation.
- D) buy more of all goods.

Answer: <https://biology-forums.com/index.php?topic=784958>

Question 773

If average cost is positive

- A) marginal cost equals average cost.
- B) marginal cost exceeds average cost.
- C) marginal cost is less average cost.
- D) Not enough information is given.

Answer: <https://biology-forums.com/index.php?topic=785146>

Question 774

The vertical distance of the shift in supply from a specific tax of t amount on producers will

- A) equal t .
- B) be less than t .
- C) depend on the elasticity of supply.
- D) depend on the incidence of the tax.

Answer: <https://biology-forums.com/index.php?topic=784761>

Question 775

If a good has an income elasticity of demand greater than 1, one might classify that good as

- A) a necessity.

- B) a luxury.
- C) unusual.
- D) inelastic.

Answer: <https://biology-forums.com/index.php?topic=784701>

Question 776

Suppose the market demand curve for pizza can be expressed as $QD = 100 - 2P + 3P_b$, where QD is the quantity of pizza demanded, P is the price of a pizza, and P_b is the price of a burrito. What is the slope of this demand function, and what information does the slope provide?

Answer: <https://biology-forums.com/index.php?topic=784553>

Question 777

A firm can minimize cost by

- A) picking the bundle of inputs where the lowest isocost line touches the isoquant.
- B) picking the bundle of inputs where the isoquant is tangent to the isocost line.
- C) picking the bundle of inputs where the last dollar spent on one input gives as much extra output as the last dollar spent on any other input.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785178>

Question 778

Microeconomics can be used by governments to predict the impacts of a policy and suggest solutions to problems.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784516>

Question 779

Society faces trade-offs because of

- A) government regulations.
- B) profit motive.
- C) faceless bureaucrats.
- D) scarcity.

Answer: <https://biology-forums.com/index.php?topic=784478>

Question 780

If transaction costs are high, then it is more likely a firm's demand curve is downward sloping.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785257>

Question 781

If a firm is operating at an output level where losses are minimized the firm

- A) has no incentive to stay in the industry.
- B) is better off exiting the industry.
- C) is maximizing profits.
- D) will shut down

Answer: <https://biology-forums.com/index.php?topic=785264>

Question 782

Suppose when a market has four firms, average profit is \$1,000 per month. When the market has five firms, the average profit is -\$50 per month. This suggests that

- A) the long-run equilibrium number of firms is between four and five.
- B) the long-run equilibrium number of firms is four.
- C) the long-run equilibrium number of firms is five.
- D) there is no long-run equilibrium in this market as profits can never be zero.

Answer: <https://biology-forums.com/index.php?topic=785348>

Question 783

The change in total welfare from a 10% increase in price will depend only on the elasticity of demand.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785374>

Question 784

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 785

The United States and many other countries often impose trade sanctions on other countries. These sanctions

- A) decrease producer and consumer surplus in both the sanctioned and sanctioning countries.
- B) tend to increase total welfare.
- C) tend to decrease the deadweight loss.
- D) tend to decrease consumer and producer surplus only in the sanctioned country.

Answer: <https://biology-forums.com/index.php?topic=785467>

Question 786

Market power guarantees profit.

- A) True, which is why firm's locate as far away from each other as possible.
- B) False, market power guarantees price greater than marginal cost.
- C) True, market power guarantees price greater than average cost.
- D) False, market power guarantees price equal to average cost.

Answer: <https://biology-forums.com/index.php?topic=785633>

Question 787

Government actions that create monopolies

- A) spur product innovation by the monopoly.
- B) create deadweight loss.
- C) result in lower average costs of production.
- D) ensure that firms price at marginal cost.

Answer: <https://biology-forums.com/index.php?topic=785676>

Question 788

Which of the following helps a monopoly perfectly price discriminate?

- A) unit demand by each consumer
- B) the product is perishable
- C) the product is personalizable
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785731>

Question 789

If a monopoly charges higher prices to consumers who buy smaller quantities than to consumers who buy larger quantities, then

- A) consumers who buy larger quantities have a higher price elasticity of demand.
- B) consumers who buy larger quantities have a lower price elasticity of demand.
- C) consumers who buy smaller quantities have a lower price elasticity of demand.
- D) Both A and C.

Answer: <https://biology-forums.com/index.php?topic=785740>

Question 790

Strategic trade policy requires ALL of the following EXCEPT

- A) subsidies set before output levels.
- B) non-retaliation of the trading partner.
- C) credible actions on the part of the subsidizing government.
- D) incomplete information on the part of the government.

Answer: <https://biology-forums.com/index.php?topic=785880>

Question 791

A single-period duopoly firm can choose output level A or B. The firm decides it will produce level A regardless of what the other firm produces. This decision may occur because

- A) producing the output level A is a dominant strategy.

- B) this firm has simply decided to always produce at level A.
- C) Both A and B are possible.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=785960>

Question 792

Suppose an exhaustible resource can be sold only this period or next period. The resource owner is considering selling 100 tons of the resource this period. The future value of the resource when 100 tons are sold this period is less than the present value of the 100 tons sold this period multiplied by one plus the interest rate. What should the resource owner do?

- A) She should sell more than 100 tons this period.
- B) She should sell only 100 tons this period.
- C) She should sell less than 100 tons this period.
- D) She should not sell any of the resource in either period.

Answer: <https://biology-forums.com/index.php?topic=786173>

Question 793

The minor league system in professional baseball can be thought of as a

- A) screening tool.
- B) signaling tool.
- C) form of statistical discrimination.
- D) being used for the wrong reasons.

Answer: <https://biology-forums.com/index.php?topic=786535>

Question 794

The outcome of the state of nature effects the payoff to the agent under a

- A) fixed-fee contract.
- B) hire contract.
- C) contingent contract.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=786542>

Question 795

If there are diseconomies of scale within a given range of output, which of following is(are) TRUE?

- A) The short-run average cost curve must be upward sloping within that range of output.
- B) The long-run average cost curve must be upward sloping within that range of output.
- C) Long-run average cost must equal short-run average cost.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785195>

Question 796

Production occurs using the fixed-proportion combination of one worker for every one unit of capital. Draw the isoquants for this production function. After one unit of output is produced, does this production function exhibit constant, increasing, or decreasing returns to scale?

Answer: <https://biology-forums.com/index.php?topic=785101>

Question 797

Which graph in the above figure represents the isoquants where, as the amount of labor used increases and the amount of capital used decreases, the marginal product of labor rises when capital per day is on the vertical axis and labor per day is on the horizontal axis?

- A) Graph A
- B) Graph B
- C) Graph C
- D) Graph D

Answer: <https://biology-forums.com/index.php?topic=785052>

Question 798

Thomas Malthus' prediction of mass starvation resulting from diminishing marginal returns has not been fulfilled because

- A) the law of diminishing marginal returns did not hold in this case.
- B) Malthus ignored other factors like technological change.
- C) relative to Malthus' day, larger percentage of today's labor works in the agricultural sector.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785033>

Question 799

Limited liability is a benefit to

- A) sole proprietorships.
- B) partnerships.
- C) corporations.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784998>

Question 800

An isoquant represents levels of capital and labor that

- A) have constant marginal productivity.
- B) yield the same level of output.
- C) incur the same total cost.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785055>

Question 801

If inputs into production cannot be substituted for each other but have to be employed in fixed proportions isoquants are straight, downward-sloping lines.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785065>

Question 802

If Option A costs \$40 and yields 20 units of output and Option B costs \$50 and yields 30 units of output

- A) Option B and Option A are equally economically efficient.
- B) Option B is economically efficient relative to Option A.
- C) Option A is economically efficient relative to Option B.
- D) It is not possible to determine which option is more economically efficient.

Answer: <https://biology-forums.com/index.php?topic=785126>

Question 803

After Joyce and Larry purchased their first house, they made additional home improvements in response to increases in income. After a while, their income rose so much that they could afford a larger home. Once they realized they would be moving, they reduced the amount of home improvements. Their Engel curve for home improvements on their current home is

- A) negatively sloped.
- B) flat.
- C) positively sloped.
- D) backward bending.

Answer: <https://biology-forums.com/index.php?topic=784913>

Question 804

If the utility function (U) between food (F) and clothing (C) can be represented as $U = \dots$, the marginal utility of food

- A) is not positive.
- B) does not diminish as food increases.
- C) is not affected by the amount clothing.
- D) increases as one obtains more clothing.

Answer: <https://biology-forums.com/index.php?topic=784805>

Question 805

When the price of a good changes, the substitution effect can be found by comparing the equilibrium quantities purchased

- A) on the old budget line and the new budget line.
- B) on the original indifference curve when faced with the original prices and when faced with the new prices.
- C) on the new budget line and a hypothetical budget line that is a shift back to the original indifference curve parallel to the new budget line.
- D) on the new indifference curve.

Answer: <https://biology-forums.com/index.php?topic=784932>

Question 806

As the supply curve shifts to the right, the increase in quantity demanded will not depend on the shape of the demand curve.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784665>

Question 807

It is appropriate to use the supply-and demand-model if, in a market,

- A) everyone is a price taker with full information about the price and quality of the good.
- B) firms sell identical products.
- C) costs of trading are low.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784645>

Question 808

Usury laws place a ceiling on interest rates that lenders such as banks can charge borrowers. The interest rate is the price of a loan. Graph a binding usury law on the market for loans, and describe the effects of the law on the quantity of loans supplied and the quantity of loans demanded.

Answer: <https://biology-forums.com/index.php?topic=784640>

Question 809

If the demand for high definition televisions increases and the supply of high definition televisions increases, then

- A) it is clear that prices will increase, the change in the quantity of televisions sold is ambiguous.
- B) it is clear that prices will decrease, the change in the quantity of televisions sold is ambiguous.
- C) it is clear that quantity sold will increase, the change in the price of televisions is ambiguous.
- D) it is clear that quantity sold will decrease, the change in the price of televisions is ambiguous.

Answer: <https://biology-forums.com/index.php?topic=784613>

Question 810

Which philosophical statement is incompatible with economic modeling?

- A) Assume nothing.
- B) The early bird gets the worm.
- C) One must break some eggs to make an omelette.
- D) You cannot have your cake, and eat it too.

Answer: <https://biology-forums.com/index.php?topic=784512>

Question 811

Which of the following is a fundamental question addressed by microeconomics?

- A) Whether to provide a social safety net.
- B) Which goods to produce.
- C) The level of unemployment in the country.
- D) Whether to send a manned expedition to Mars.

Answer: <https://biology-forums.com/index.php?topic=784484>

Question 812

A market is perfectly competitive even if firms have the ability to set their own price as long as the price difference reflects differences in the product. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785256>

Question 813

If a market produces a level of output that exceeds the competitive equilibrium output, then

- A) social welfare will be higher.
- B) producer surplus will be higher.
- C) marginal cost will exceed price.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785397>

Question 814

The fact that at the competitive equilibrium nobody can be made better off without making someone else worse off implies that

- A) the equilibrium is pareto efficient.
- B) the equilibrium is not pareto efficient.
- C) the prices need to adjust further.
- D) further gains from trade are possible.

Answer: <https://biology-forums.com/index.php?topic=785512>

Question 815

At an output level of 100 a monopolist faces $MC=15$ and $MR=17$. At output level $q=101$ the monopolists $MC=16$ and $MR=15$. To maximize profits the firm

- A) should produce 100 units.
- B) should produce 101 units.
- C) cannot maximize profits.
- D) is not a monopoly.

Answer: <https://biology-forums.com/index.php?topic=785577>

Question 816

A monopoly always operates in the inelastic portion of its demand curve. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785609>

Question 817

Which is an ironic solution to the government protected monopoly?

- A) The government might try to "force" less competition in the market.
- B) The government might "do more" by "doing less," i.e., by removing the monopoly's protection.
- C) The dead weight loss goes to the government.
- D) The inherent unfairness of monopoly can only be solved by dictatorship.

Answer: <https://biology-forums.com/index.php?topic=785691>

Question 818

If a firm offers a senior citizen discount,

- A) the firm expects the average senior citizen to have a lower price elasticity of demand.
- B) the firm expects the average senior citizen to have a higher price elasticity of demand.
- C) senior citizens may be offended.
- D) it may be prosecuted for discrimination.

Answer: <https://biology-forums.com/index.php?topic=785767>

Question 819

If two firms playing Cournot are identical with decreasing average costs, how should the firms divide production to maximize joint profits?

Answer: <https://biology-forums.com/index.php?topic=785869>

Question 820

A strategy is dominant if

- A) it yields a greater payoff than any other player receives.
- B) it yields a payoff at least as large as that from any other strategy, regardless of the actions of other players.
- C) the player cannot gain by changing strategy, assuming that no other player changes strategy
- D) it is part of a Nash equilibrium.

Answer: <https://biology-forums.com/index.php?topic=785965>

Question 821

The increase in total revenue due to increasing the amount of labor employed by one unit is called the

- A) Marginal Product.
- B) Marginal Revenue Product.
- C) Average Revenue Product.
- D) Total Revenue Product.

Answer: <https://biology-forums.com/index.php?topic=786021>

Question 822

Suppose n identical Cournot firms purchase labor in a competitive labor market. How is the market demand for labor affected by the number of firms in the market?

Answer: <https://biology-forums.com/index.php?topic=786073>

Question 823

Suppose a new cost-saving device will generate \$1,000 net savings per year to a firm. The device costs \$10,000. Should the firm purchase the

device?

- A) Definitely.
- B) Absolutely not.
- C) The firm is indifferent between buying the device and not.
- D) More information is required to answer.

Answer: <https://biology-forums.com/index.php?topic=786141>

Question 824

Which of the following is most likely to cause interest rates to fall?

- A) Government borrows to finance a war.
- B) All firms project higher future revenue streams for all of their projects.
- C) All firms project lower future revenue streams for all of their projects.
- D) Government institutes a high tax on savings.

Answer: <https://biology-forums.com/index.php?topic=786191>

Question 825

The market for used cars is shown in the above figure. Buyers cannot tell whether any given car is a lemon. Ten percent (10%) of all cars are lemons.

Which of the following statements is true?

- A) All of the cars will be sold.
- B) No cars will be sold.
- C) Only lemons will be sold.
- D) Only good cars will be sold.

Answer: <https://biology-forums.com/index.php?topic=786473>

Question 826

Firms are able to price discriminate

- A) when all customers are uninformed about quality differences.
- B) when no customers are uninformed about quality differences.
- C) when some customers are uninformed about quality differences.
- D) when there is full information about quality available to all customers.

Answer: <https://biology-forums.com/index.php?topic=786491>

Question 827

If all consumers are uninformed about the quality of a product

- A) firms can increase product by selling the same product under a different name at a different price.
- B) firms will not be able to price discriminate.
- C) firms will price discriminate.
- D) firms will increase profits by charging different prices for the same product.

Answer: <https://biology-forums.com/index.php?topic=786493>

Question 828

A contingent contract can create production inefficiency; however, many principals accept this because

- A) inefficiency is inevitable.
- B) monitoring is costless.
- C) risk is reduced.
- D) profit will increase as a result.

Answer: <https://biology-forums.com/index.php?topic=786584>

Question 829

Assume a firm is run as a zero-profit enterprise. Which of the following would be true?

- A) There is a higher probability that wage reductions would outweigh layoffs.
- B) Those in charge would not act any different than regular owners, there would still be layoffs.
- C) Those not in charge would remain risk neutral.
- D) Wage reductions would be lower than they would be if the firm was run for profit.

Answer: <https://biology-forums.com/index.php?topic=786623>

Question 830

Which of the following vocalists was NOT known for recreating standards in a new way in the late 20th century?

- a. Sarah Vaughan
- b. Betty Carter

- c. Shirley Horn
- d. Abbey Lincoln

Answer: <https://biology-forums.com/index.php?topic=786980>

Question 831

The total cost of producing one unit is \$50. The total cost of producing two units is \$75. At a production level of two units, the cost function exhibits

- A) economies of scale.
- B) rising average costs.
- C) increasing marginal costs.
- D) constant returns to scale.

Answer: <https://biology-forums.com/index.php?topic=785196>

Question 832

The cost of waiting two months for health care to address a debilitating problem in Canada is most accurately described as

- A) an explicit cost.
- B) an accounting cost.
- C) no real cost.
- D) an opportunity cost.

Answer: <https://biology-forums.com/index.php?topic=785118>

Question 833

Which of the following will cause the marginal cost curve of making cigarettes to shift?

- A) A \$5 million penalty charged to each cigarette maker.
- B) A \$1 per pack tax on cigarettes.
- C) A \$1 million advertising campaign by the American Cancer Society.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785155>

Question 834

A backward-bending labor supply curve implies that

- A) the substitution effect dominates the income effect at higher wage rates but not at lower wage rates.
- B) the substitution effect dominates the income effect at lower wage rates but not at higher wage rates.
- C) leisure is an inferior good.
- D) workers are irrational.

Answer: <https://biology-forums.com/index.php?topic=784977>

Question 835

An inferior good exhibits

- A) a negative income elasticity.
- B) a downward sloping Engel curve.
- C) a decline in the quantity demanded as income rises.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784915>

Question 836

If both prices decreases by 50%

- A) budget constraint will be unchanged.
- B) slope of the budget constraint will increase.
- C) slope of the budget constraint will decrease.
- D) budget constraint will shift outward in a parallel fashion.

Answer: <https://biology-forums.com/index.php?topic=784836>

Question 837

Joe's income is \$500, the price of food (F) is \$2 per unit, and the price of shelter (S) is \$100. Which of the following represents his budget constraint?

- A) $500 = 100F + 2S$
- B) $500 = 2F + 100S$
- C) $S = 500 - 2F$
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784823>

Question 838

The absolute value of the slope of an indifference curve equals the ratio of the marginal utilities of the two goods involved. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784818>

Question 839

Suppose the demand curve for movie tickets has unitary price elasticity and the supply curve is perfectly price elastic. If 3 million tickets are currently sold at a price of \$5, approximately how much tax revenue could the government generate from a \$1 specific tax?

- A) \$18 million
- B) \$3 million
- C) \$2.7 million
- D) \$1.5 million

Answer: <https://biology-forums.com/index.php?topic=784762>

Question 840

If a consumer doubles her quantity of ice cream consumed when her income rises by 25%, then her income elasticity of demand for ice cream is

- A) 8.0.
- B) 4.0.
- C) .25.
- D) .08.

Answer: <https://biology-forums.com/index.php?topic=784700>

Question 841

Use a supply-and-demand graph to predict what happens to sheet steel prices in the United States after quotas on Japanese and European sheet steel expire.

Answer: <https://biology-forums.com/index.php?topic=784642>

Question 842

When a market is in disequilibrium consumers and producers change their behavior. As a result the market reaches equilibrium. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784590>

Question 843

Explain how a market helps determine which goods and services will be produced, how to produce them, and who gets them.

Answer: <https://biology-forums.com/index.php?topic=784489>

Question 844

The model of perfect competition is valuable for

- A) prediction.
- B) comparison to other markets.
- C) Either A or B
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=785255>

Question 845

Explain why shutting down and going out-of-business are different concepts.

Answer: <https://biology-forums.com/index.php?topic=785278>

Question 846

A firm should always shut down if its revenue is

- A) declining.
- B) less than its average fixed costs.
- C) less than its total costs.
- D) less than its avoidable costs.

Answer: <https://biology-forums.com/index.php?topic=785281>

Question 847

Economists claim that measuring society's welfare as CS + PS

- A) is inappropriate since ultimately everyone is a consumer.
- B) is valid only when the same person could be either a consumer or a producer.
- C) treats the gains to consumers and producers equally.
- D) is not commonly accepted.

Answer: <https://biology-forums.com/index.php?topic=785392>

Question 848

A competitive market maximizes social welfare because in a competitive market

- A) profits are zero.
- B) price equals marginal cost of the last unit produced.
- C) price equals average cost of the last unit produced.
- D) there is free entry and exit.

Answer: <https://biology-forums.com/index.php?topic=785396>

Question 849

A dictator is most likely to

- A) adopt a Rawlsian social welfare function.
- B) maximize her own utility.
- C) place equal weight on everyone's utility function.
- D) have nontransitive preferences.

Answer: <https://biology-forums.com/index.php?topic=785561>

Question 850

Cigarette companies favored a ban on cigarette advertising.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785817>

Question 851

In the short run a monopolistic competitor

- A) produces at minimum efficient scale.
- B) produces where $P = AC$.
- C) sets $P = MC$.
- D) sets $MR = MC$.

Answer: <https://biology-forums.com/index.php?topic=785916>

Question 852

The amount of labor a firm employs depends on

- A) the market wage.
- B) the market price for the good produced.
- C) Both A and B.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=786036>

Question 853

Explain why consumers benefit from a merger between a monopoly producer and its monopoly supplier of labor.

Answer: <https://biology-forums.com/index.php?topic=786072>

Question 854

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

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

Question 855

Assume a baseball player's development in the minor leagues yields -\$250,000 per year for four years. If the player were to have a single big league season and be paid \$350,000, how much revenue would the player need to generate to be considered a positive net present value project from the point of view of the team owner if the interest rate was 4%?

- A) \$1.45 million
- B) \$2.5 million
- C) \$350,000

D) \$250,000

Answer: <https://biology-forums.com/index.php?topic=786157>

Question 856

Explain how a specific tax equal to the marginal harm of pollution can increase or decrease total welfare in a monopoly market.

Answer: <https://biology-forums.com/index.php?topic=786361>

Question 857

Suppose 100 citizens each derive marginal benefit from submarines according to the function $MB = 10 - Q$. If subs cost \$100 each to produce, what is the efficient quantity of submarines?

Answer: <https://biology-forums.com/index.php?topic=786439>

Question 858

The market for used cars is shown in the above figure. Buyers cannot tell whether any given car is a lemon. Ten percent (10%) of all cars are lemons. Which of the following statements is true?

- A) Only lemons are sold for \$1,900.
- B) Only lemons are sold for \$1,000.
- C) Buyers of lemons will pay too much for their cars.
- D) Buyers of good cars will pay too much for their cars.

Answer: <https://biology-forums.com/index.php?topic=786477>

Question 859

Some software firms require that applicants have passed certain standardized certification tests before being hired. This policy is necessary when

- A) cheap talk does not provide a credible signal.
- B) cheap talk does provide a credible signal.
- C) the interests of the firm and the applicant converge.
- D) the applicant is honest about her abilities.

Answer: <https://biology-forums.com/index.php?topic=786519>

Question 860

Firms are not allowed to ask certain questions during job interviews, including marital status or how many children you have. Why is this the case?

- A) People with children are more productive, thus it is unfair if the firm knows this information.
- B) Firms might use the answers to these questions as a means of statistical discrimination.
- C) People with children are less productive, thus the firm has no right to this information.
- D) Such questions violate the privacy clause of the U.S. Constitution.

Answer: <https://biology-forums.com/index.php?topic=786533>

Question 861

Suppose the probability of an employee being caught shirking, q , is a function of the employer's monitoring, M , such that $q = M/100$. If workers must put up a \$1,000 bond and the gain to each worker from shirking is \$100, what is the employer's optimal level of monitoring that is just sufficient to discourage shirking?

Answer: <https://biology-forums.com/index.php?topic=786610>

Question 862

The supply-and-demand model may not be appropriate in markets with large transaction costs.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784653>

Question 863

Suppose the total cost of producing T-shirts can be represented as $TC = 50 + 2q$. Which of the following statements is TRUE at all levels of production?

- A) $MC = AVC$
- B) $MC = AC$
- C) $MC > AFC$
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785142>

Question 864

The production of cigarettes is highly automated; however, a worker is required to monitor each machine. Machines and workers do not interact with

one another. Given this information, there are most likely

- A) economies of scale.
- B) economies of scope.
- C) constant returns to scale.
- D) increasing returns to scale.

Answer: <https://biology-forums.com/index.php?topic=785188>

Question 865

Which of the following will cause the average cost curve of making cigarettes to shift?

- A) A \$5 million penalty charged to each cigarette maker.
- B) A \$1 per pack tax on cigarettes.
- C) A \$1 an hour wage increase paid to all cigarette production workers.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785156>

Question 866

Economists proclaim that competitive firms make zero economic profit in the long run. This shows how

- A) detached economists are from the real world.
- B) unrealistic economic theory is.
- C) firms cover all their cost, both monetary and non-monetary.
- D) firms cover only monetary cost when economic profits are zero.

Answer: <https://biology-forums.com/index.php?topic=785122>

Question 867

Richard receives government transfer payments and currently consumes 5 guns and 6 goose livers. Assume the price of guns decreases by 10% and the price of goose liver increases by 20%. The government raises Richard's transfer payments so he can still afford 5 guns and 6 goose livers. Does this constitute a true cost-of-living adjustment (COLA)?

- A) No. Richard is overcompensated.
- B) No. Richard is undercompensated.
- C) Yes. The payment just achieves the right level of compensation.
- D) Not enough information.

Answer: <https://biology-forums.com/index.php?topic=784962>

Question 868

If consumer income and prices increase by the same percentage

- A) the consumer will buy more of both goods.
- B) the consumer will buy more of both goods if they are both normal goods.
- C) the consumer will buy less of both goods if they are both inferior goods.
- D) the consumer's utility maximizing bundle stays the same.

Answer: <https://biology-forums.com/index.php?topic=784922>

Question 869

If both prices increases by 50%

- A) budget constraint will be unchanged.
- B) slope of the budget constraint stay the same.
- C) slope of the budget constraint will decrease.
- D) budget constraint will shift outward in a parallel fashion.

Answer: <https://biology-forums.com/index.php?topic=784835>

Question 870

Suppose the market for grass seed can be expressed as

Demand: $QD = 100 - 2p$

Supply: $QS = 3p$

If government imposes a \$5 specific tax to be collected from sellers, what is the price consumers will pay? How much tax revenue is collected? What fraction is paid by sellers?

Answer: <https://biology-forums.com/index.php?topic=784772>

Question 871

Consumers will always pay the entire amount of a specific tax whenever

- A) demand is perfectly inelastic.

- B) supply is perfectly elastic.
- C) Both A and B above.
- D) Either A or B above but not at the same time.

Answer: <https://biology-forums.com/index.php?topic=784756>

Question 872

Suppose society wants to increase the number of teachers in society but doesn't want to pay teachers any more in salary and benefits. This could only occur by

- A) making it more expensive to become a teacher, perhaps by raising college tuition rates.
- B) making it less expensive to become a teacher, perhaps by offering subsidies to college tuition.
- C) making computers more powerful.
- D) increasing the income of student parents.

Answer: <https://biology-forums.com/index.php?topic=784569>

Question 873

If consumers view the output of any firm in a market to be identical to the output of any other firm in the market, the demand curve for the output of any given firm

- A) will be identical to the market demand curve.
- B) will be horizontal.
- C) will be vertical.
- D) cannot be determined from the information given.

Answer: <https://biology-forums.com/index.php?topic=785234>

Question 874

If the shut down rule, $p < AVC$, is the same in the short run and the long run, explain why the shutdown prices may be different.

Answer: <https://biology-forums.com/index.php?topic=785331>

Question 875

If lower-income households spend a greater share of their income on cigarettes than do higher-income households, then a tax that raises the price of cigarettes will

- A) cause lower-income households to incur a greater loss of consumer surplus than that incurred by higher-income households.
- B) cause higher-income households to incur a greater loss of consumer surplus than that incurred by lower-income households.
- C) raise consumer surplus among higher-income households.
- D) cause consumer surplus to decline among smokers, but the relative impact cannot be determined from the given information.

Answer: <https://biology-forums.com/index.php?topic=785363>

Question 876

What is one reason existing firms might lobby the government to increase regulation in their industry?

- A) It increases entry and exit costs, thereby reducing producer surplus to existing firms.
- B) It increases entry and exit costs, thereby potentially increasing producer surplus to existing firms.
- C) It increases entry and exit costs, but has no impact on producer surplus.
- D) Firms cannot be trusted to treat their customers fairly and ethically.

Answer: <https://biology-forums.com/index.php?topic=785418>

Question 877

A competitive equilibrium is not Pareto efficient if some members of society are unable to afford a necessary good.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785519>

Question 878

Any policy change that results in a Pareto-superior allocation

- A) will increase welfare under certain conditions.
- B) must increase welfare.
- C) will leave welfare unchanged.
- D) will have an unpredictable effect on welfare.

Answer: <https://biology-forums.com/index.php?topic=785554>

Question 879

What is one way firms can enforce tie-in sales?

- A) One of the goods has no close substitutes.
- B) Contractual arrangements.
- C) Information asymmetry.
- D) Any of the above.

Answer: <https://biology-forums.com/index.php?topic=785798>

Question 880

Firms in all types of market structures pay attention to current rival firms' behavior.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785830>

Question 881

Product differentiation

- A) can be actual or perceived.
- B) is only legal if it is perceived.
- C) is only important if it is perceived.
- D) is only important if it is actual.

Answer: <https://biology-forums.com/index.php?topic=785925>

Question 882

Which of the following is LEAST likely characterized by mixed strategies?

- A) the choice of whether to go to war or not
- B) the choice of which pitch to throw in baseball
- C) the choice of which play to run in football
- D) the choice of where to kick a soccer penalty shot

Answer: <https://biology-forums.com/index.php?topic=785934>

Question 883

Collusion is more likely to occur when

- A) there is fear of punishment for not colluding.
- B) there is a known finite time horizon.
- C) there are large gains to be made by cheating on an agreement.
- D) the game lasts only one period.

Answer: <https://biology-forums.com/index.php?topic=785963>

Question 884

Regarding fixed costs of entry,

- A) both incumbents and potential entrants are affected by them.
- B) potential entrants are affected by them while incumbents are not.
- C) neither incumbents nor potential entrants consider them.
- D) incumbent's decisions are affected by them, while the potential entrant ignores them.

Answer: <https://biology-forums.com/index.php?topic=785988>

Question 885

If a monopolist in the output market purchases its monopoly supplier of labor, consumers benefit.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786068>

Question 886

If the interest rate is positive, the future value of an interest bearing investment is always larger than the present value.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786132>

Question 887

With respect to events like global warming some economists suggest using falling discount rates because

- A) exponential discounting virtually gives no weight to (large) costs incurred far into the future.
- B) exponential discounting weights (large) costs incurred far into the future heavily.
- C) events far in the future do not affect us.
- D) we should not care about costs far in the future.

Answer: <https://biology-forums.com/index.php?topic=786156>

Question 888

In terms of the stock market systematic risk refers to the fact that

- A) some stocks have higher returns than others.
- B) some stocks' returns have a higher variance than others.
- C) all stock prices are correlated with the health of the economy.
- D) most stock prices are perfectly negatively correlated.

Answer: <https://biology-forums.com/index.php?topic=786265>

Question 889

Used car buyers will believe that a car is of good quality when the seller signals the car's high quality by offering a warranty when

- A) a warranty on a lemon is costly to the seller.
- B) warranties are offered on all cars.
- C) warranties are only offered on lemons.
- D) a warranty on a good car is a false signal.

Answer: <https://biology-forums.com/index.php?topic=786456>

Question 890

If the government provides universal health insurance, what screening process will the government need?

- A) It won't need a screening test.
- B) It will only give health insurance to non-smokers.
- C) It won't use screening tests but it will use statistical discrimination.
- D) It won't use screening tests but it will use signals.

Answer: <https://biology-forums.com/index.php?topic=786467>

Question 891

Government mandated safety standard within firms

- A) will always decrease efficiency.
- B) can increase efficiency by avoiding a prisoner's dilemma outcome.
- C) are unnecessary because of asymmetric information.
- D) will create unfair competition among firms.

Answer: <https://biology-forums.com/index.php?topic=786513>

Question 892

If an employer cannot distinguish the ability of workers a separating equilibrium will result.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786536>

Question 893

Dell computers has increased production efficiency by

- A) producing output with fewer inputs.
- B) expanding the amount of inputs used.
- C) outsourcing production.
- D) relying on decreasing returns to scale.

Answer: <https://biology-forums.com/index.php?topic=785108>

Question 894

Johnny has worked as a CPA for five years and wants to open his own public accounting practice. The cost of his college degree in accounting represents

- A) the opportunity cost of this endeavor.
- B) a sunk cost.
- C) an expense.
- D) a variable cost.

Answer: <https://biology-forums.com/index.php?topic=785121>

Question 895

Fixed costs are

- A) a production expense that does not vary with output.

- B) a production expense that changes with the quantity of output produced.
- C) equal to total cost divided by the units of output produced.
- D) the amount by which a firm's cost changes if the firm produces one more unit of output.

Answer: <https://biology-forums.com/index.php?topic=785135>

Question 896

An accountant may amortize the expense of a durable good by dividing the total amount spent on the good by the number of years the good is expected to last. An economist may amortize the expense of a durable and never fully account for the total expense.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785131>

Question 897

Suppose the short-run production function is $q = L^{0.5}$. If the marginal cost of producing the tenth unit is \$5, what is the wage per unit of labor?

- A) \$1
- B) \$0.5
- C) \$0.25
- D) It cannot be determined without more information.

Answer: <https://biology-forums.com/index.php?topic=785147>

Question 898

If the prices of all goods were to double and an individual's income doesn't change, their consumption possibilities

- A) will double.
- B) are cut in half.
- C) increase by ten percent.
- D) fall by twenty percent.

Answer: <https://biology-forums.com/index.php?topic=784948>

Question 899

Bounded rationality suggests that

- A) individuals might make "incorrect" decisions because they are unable to consider all possible options.
- B) individuals would rather have less choice to more choice.
- C) rational decisions can only be made when choices are restricted.
- D) individuals are happier when their choices are restricted or "bounded."

Answer: <https://biology-forums.com/index.php?topic=784890>

Question 900

Behavioral economists use which technique to test economic theory?

- A) Controlled experiments
- B) Price theory
- C) Environmental economics
- D) Lie detector tests

Answer: <https://biology-forums.com/index.php?topic=784881>

Question 901

In Spain, people are considered organ donors unless they explicitly indicate they do not want to be. In the United States, people are only considered organ donors if they explicitly indicate they wish to be. Behavioral economics would suggest that

- A) everything else equal, the opt-in system of Spain would generate more organ donors as a percentage of the adult population.
- B) everything else equal, the opt-in system of the United States would generate more organ donors as a percentage of the adult population.
- C) everything else equal, the opt-out system of Spain would generate more organ donors as a percentage of the adult population.
- D) everything else equal, the opt-out system of the United States would generate more organ donors as a percentage of the adult population.

Answer: <https://biology-forums.com/index.php?topic=784887>

Question 902

Max has allocated \$100 toward meats for his barbecue. His budget line and an indifference map are shown in the above figure. What is the price of chicken?

- A) \$0.80/lb
- B) \$1.25/lb
- C) \$4/lb
- D) \$5/lb

Answer: <https://biology-forums.com/index.php?topic=784852>

Question 903

The consumer is in equilibrium when

- A) $MRT = MRS$.
- B) $P_x/P_y = MU_x/MU_y$.
- C) the budget line is tangent to the indifference curve at the bundle chosen.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784845>

Question 904

Consider that the U.S. places a quota on imports of steel from South Korea, which of the following would NOT likely occur

- A) the price of steel in the United States would increase.
- B) the quantity of steel produced in the United States would increase or stay the same.
- C) the demand for steel in the United States will increase.
- D) the quantity demanded for steel in the United States will decrease.

Answer: <https://biology-forums.com/index.php?topic=784635>

Question 905

A restriction on the number of people allowed to be medical doctors in the United States would most likely

- A) increase doctors' fees.
- B) decrease the demand for doctors.
- C) decrease the demand for nurses.
- D) decrease the number of people who get sick.

Answer: <https://biology-forums.com/index.php?topic=784620>

Question 906

Suppose the production function is $q = 12 L^{0.25} K^{0.75}$. Determine the long-run capital-to-labor ratio (K/L) if the cost a unit of capital (r) is three times the cost of a unit of labor (w).

Answer: <https://biology-forums.com/index.php?topic=785207>

Question 907

Many auction sites, such as eBay, provide a reputation score by which previous customers can rate a seller. Which of the following characteristics of a competitive market is this policy trying to emulate?

- A) There is freedom of entry and exit.
- B) There are very low transaction costs.
- C) There are only one or two sellers.
- D) Buyers have more complete information.

Answer: <https://biology-forums.com/index.php?topic=785252>

Question 908

Suppose that once a well is dug, water flows out of it continuously without any additional effort. Customers collect their water and pay a per gallon fee when they leave the site of the well. In the short run, the competitive firm in this market

- A) will not shut down because variable costs are zero.
- B) has no fixed costs.
- C) faces diminishing marginal returns.
- D) can act as a price setter.

Answer: <https://biology-forums.com/index.php?topic=785297>

Question 909

Does a competitive long-run equilibrium require cost-minimization?

- A) Yes, if firms fail to be as efficient as their competitors they are driven out of the market.
- B) No, in the long-run firms make zero profits.
- C) Yes, if they didn't even less efficient firms would enter the industry.
- D) No, because competition ensures their survival.

Answer: <https://biology-forums.com/index.php?topic=785340>

Question 910

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, which of the following is most likely to occur?

- A) The supply curve of real estate brokers will shift to the left.
- B) The supply curve of real estate brokers will shift to the right.
- C) Social welfare will remain unchanged.
- D) The supply curve will remain unchanged.

Answer: <https://biology-forums.com/index.php?topic=785410>

Question 911

"Supporters of import restrictions and protectionist policies place greater weight on producer welfare than on consumer welfare." Comment.

Answer: <https://biology-forums.com/index.php?topic=785469>

Question 912

The situation where one person's demand for a good depends on the consumption of the good by others is called a

- A) network externality.
- B) network internality.
- C) consumption externality.
- D) production externality.

Answer: <https://biology-forums.com/index.php?topic=785695>

Question 913

Historically, price discrimination was considered illegal in all instances. More recently, antitrust authorities have discovered that

- A) price discrimination can increase the coverage of a market thereby increasing welfare.
- B) price discrimination limits the coverage of a market thereby increasing welfare.
- C) price discrimination limits the coverage of a market thereby decreasing welfare.
- D) price discrimination can increase the coverage of a market thereby increasing welfare.

Answer: <https://biology-forums.com/index.php?topic=785710>

Question 914

A specialized rice grower sells rice in two markets, the United States and Japan, and the marginal cost the same in both markets. The price elasticity of demand in the United States is -2.0, and the price elasticity of demand in Japan is -1.5. If the grower practices multimarket price discrimination, which country's consumers will pay a higher price and by how much?

Answer: <https://biology-forums.com/index.php?topic=785773>

Question 915

Suppose the demand for pizza in a small isolated town is $p = 10 - Q$. There are only two firms, A and B. Each has a cost function $TC = 2 + Q$. Determine the equilibrium quantities of each if firm A is the Stackelberg leader.

Answer: <https://biology-forums.com/index.php?topic=785882>

Question 916

Product differentiation

- A) is possibly welfare enhancing if new products match consumer preferences better.
- B) is welfare reducing even if new products match consumer preferences better.
- C) is welfare enhancing even if new products do not match consumer preferences better.
- D) is welfare reducing even if new products do not match consumer preferences better.

Answer: <https://biology-forums.com/index.php?topic=785924>

Question 917

If an incumbent faces an identical potential entrant with no costs of entry, the incumbent will

- A) produce the Cournot duopolist level of output.
- B) produce the Stackelberg leader level of output.
- C) set price equal to marginal cost.
- D) shut down.

Answer: <https://biology-forums.com/index.php?topic=785984>

Question 918

In the first years of a professional athlete's career, the athlete is "under reserve," which means that he or she cannot negotiate with other teams. After a specified amount of time, the player can become a free agent. This implies that, everything else equal,

- A) the player's salary is probably higher as a free agent than as a reserve player.
- B) the player's salary is probably lower as a free agent than as a reserve player.
- C) the player's salary is probably the same as a free agent and as a reserve player.

D) the free agent status is not granted to every player.

Answer: <https://biology-forums.com/index.php?topic=786098>

Question 919

Bob invests \$25 in an investment that has a 50% chance of being worth \$100 and a 50% chance of being worth \$0. From this information we can conclude that Bob is

- A) risk loving.
- B) risk neutral.
- C) risk averse.
- D) Any one of the three above.

Answer: <https://biology-forums.com/index.php?topic=786251>

Question 920

If insurance is fairly priced, a risk-averse individual will purchase enough insurance to cover the full amount of the possible loss.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786285>

Question 921

What is one of the most important benefits of the Internet?

- A) The Internet has increased asymmetric information.
- B) The Internet has reduced asymmetric information.
- C) The Internet has increased moral hazard.
- D) The Internet has increased transaction costs.

Answer: <https://biology-forums.com/index.php?topic=786450>

Question 922

The XYZ Co. is hiring salespersons. They will be paid a very attractive hourly rate that is independent of how much they sell. Describe an adverse selection that would take place. Describe a moral hazard that would take place.

Answer: <https://biology-forums.com/index.php?topic=786455>

Question 923

Suppose a plaintiff hires a lawyer to represent her in a court case. Under which of the following contracts is production efficiency assured?

- A) The lawyer is paid by the hour.
- B) The lawyer receives a share of the settlement.
- C) The lawyer receives a fixed fee.
- D) The lawyer pays the client a fee for the right to the entire settlement.

Answer: <https://biology-forums.com/index.php?topic=786578>

Question 924

Which of the following best describes the type of music found on Tzadik Records?

- a. Avant Garde, experimental ethnic jazz
- b. Traditional, hard bop jazz
- c. Big band swing
- d. Traditional, Dixieland jazz

Answer: <https://biology-forums.com/index.php?topic=786971>

Question 925

Standing offers are typically open for a short period.

T/F?

Answer: <https://biology-forums.com/index.php?topic=787025>

Question 926

What feature of the relationship between employers and employees led to the development of unions?

Answer: <https://biology-forums.com/index.php?topic=787079>

Question 927

Compliance with the general provincial occupational health and safety legislation is always enough to avoid contract and tort liability.

T/F?

Answer: <https://biology-forums.com/index.php?topic=787087>

Question 928

Suppose the production of paved roadways can be represented as $q = L^{0.5} + K^{0.5}$. Which of the following statements is (are) TRUE?

- A) Labor is subject to diminishing marginal productivity in the short run.
- B) Labor and capital are imperfect substitutes.
- C) The isoquants for paved roadways are convex.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785056>

Question 929

What is the benefit of understanding the income and the substitution effects?

- A) The income effect might run in the opposite direction of the substitution effect.
- B) The income effect always runs in the opposite direction of the substitution effect.
- C) The income and substitution effects just offset each other, which explains a lot.
- D) The income and substitution effects are proportional to each other.

Answer: <https://biology-forums.com/index.php?topic=784950>

Question 930

Suppose the production function for T-shirts can be represented as $q = L^{0.25} K^{0.75}$. Show that the marginal productivity of labor diminishes in the short run.

Answer: <https://biology-forums.com/index.php?topic=785047>

Question 931

Suppose the inverse demand curve for a good is expressed as $Q = 50 - 2p$. If the good currently sells for \$3, then the price elasticity of demand is

- A) $-3 * (2/50)$.
- B) $-2 * (50/3)$.
- C) $-2 * (3/44)$.
- D) $-3 * (44/2)$.

Answer: <https://biology-forums.com/index.php?topic=784682>

Question 932

Suppose a market were currently at equilibrium. A rightward shift of the demand curve would cause

- A) an increase in price but a decrease in quantity.
- B) a decrease in price but an increase in quantity.
- C) an increase in both price and quantity.
- D) a decrease in both price and quantity.

Answer: <https://biology-forums.com/index.php?topic=784601>

Question 933

According to the Law of Demand, the demand curve for a good will

- A) shift leftward when the price of the good increases.
- B) shift rightward when the price of the good increases.
- C) slope downward.
- D) slope upward.

Answer: <https://biology-forums.com/index.php?topic=784519>

Question 934

Economic models are only applicable to free-market countries.

- A) False. Economic models are applicable wherever there is scarcity.
- B) True. Economic models are applicable only when private citizens are free to make their own decisions.
- C) False. Economic models are applicable in all countries with more than one million people, regardless of political structure.
- D) True. Economic models are only applicable when government is small relative to the rest of the economy.

Answer: <https://biology-forums.com/index.php?topic=784515>

Question 935

Which of the following is an example of a normative statement?

- A) Since this good is bad for you, you should not consume it.
- B) This good has bad health effects.
- C) If you consume this good, you will get sick.

D) People usually get sick after consuming this good.

Answer: <https://biology-forums.com/index.php?topic=784496>

Question 936

"If the wage rate paid to one form of labor is twice the cost of another form of labor, the first type of labor must be twice as productive." Comment.

Answer: <https://biology-forums.com/index.php?topic=785208>

Question 937

A new law applied to a competitive market that requires laid off workers be paid a large severance payment will

- A) not generate a deadweight loss.
- B) increase total welfare.
- C) increase consumer surplus in the market.
- D) decrease consumer surplus in the market.

Answer: <https://biology-forums.com/index.php?topic=785414>

Question 938

At the competitive equilibrium quantity supplied equals quantity demanded in all markets.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785546>

Question 939

An alternative to patent protection might be

- A) dollar prizes for innovation.
- B) an appeal to altruism.
- C) granting of citizenship for innovation.
- D) forcing innovators to cede their innovations.

Answer: <https://biology-forums.com/index.php?topic=785678>

Question 940

One problem with trying to regulate a monopoly's price?

- A) The government needs information on the monopoly's marginal cost.
- B) The government needs information on the price people are willing to pay.
- C) The government needs to identify which firm is a monopolist.
- D) Anything that the government does is problematic.

Answer: <https://biology-forums.com/index.php?topic=785689>

Question 941

Explain why a firm can earn more profit by price discrimination than from setting a uniform price.

Answer: <https://biology-forums.com/index.php?topic=785715>

Question 942

A firm will increase its spending on advertising until

- A) it has monopolized the market.
- B) it has deterred all future entry.
- C) the marginal benefit of advertising is zero.
- D) the marginal benefit of advertising equals the marginal cost of advertising.

Answer: <https://biology-forums.com/index.php?topic=785803>

Question 943

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 944

Suppose two duopolists operate at zero marginal cost. The market demand is $p = a - bQ$. If firm 1 is the Stackelberg leader, what level of output will it choose?

- A) $q_1 = (a - bq_2)/2b$
- B) $q_1 = (a - 2bq_2)/2b$
- C) $q_1 = a/b$
- D) $q_1 = a/2b$

Answer: <https://biology-forums.com/index.php?topic=785874>

Question 945

In which of the following market structures with 2 identical firms do both firms produce more than the Cournot outcome?

- A) Stackelberg Oligopoly
- B) Cartel
- C) Perfect Competition
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=785875>

Question 946

Assuming a homogeneous product, the Bertrand duopoly equilibrium price is

- A) the same as the Cournot equilibrium price.
- B) less than the Cournot equilibrium price.
- C) greater than the Cournot equilibrium price.
- D) equal to the monopoly price.

Answer: <https://biology-forums.com/index.php?topic=785897>

Question 947

When neither player has a dominant strategy

- A) game theory will not provide information.
- B) no Nash-Equilibrium exists.
- C) at least one Nash-Equilibrium exists.
- D) the game cannot be analyzed.

Answer: <https://biology-forums.com/index.php?topic=785944>

Question 948

Why is collusion more likely in a repeated game?

Answer: <https://biology-forums.com/index.php?topic=785973>

Question 949

Explain why a decrease in an input price causes less of an increase in the quantity demanded of the factor if we assumed that product price remained constant.

Answer: <https://biology-forums.com/index.php?topic=786051>

Question 950

If a firm pays its workers \$10 per hour, the marginal product of labor is 5 units per hour, and the price of the firm's product is \$15 per unit, what is the price elasticity of demand facing the firm?

- A) -1.15
- B) -2.15
- C) -1.0
- D) -3.56

Answer: <https://biology-forums.com/index.php?topic=786053>

Question 951

For the monopsonist, marginal expenditure is greater than the wage rate because the monopsonist

- A) pays a wage higher than that paid in a competitive market.
- B) chooses the perfectly competitive quantity of labor.
- C) must increase the wage to all units of labor to attract more units of labor.
- D) must take the wage as given by the market.

Answer: <https://biology-forums.com/index.php?topic=786078>

Question 952

If the supply of labor to a monopsonist is everywhere unit elastic, then the wage will equal

- A) the marginal expenditure.

- B) one-half of the marginal expenditure.
- C) the marginal revenue product of labor.
- D) one.

Answer: <https://biology-forums.com/index.php?topic=786083>

Question 953

Using the Internal Rate of Return approach to investment, one would undertake an investment if the internal rate of return

- A) equals zero.
- B) equals the interest rate.
- C) exceeds the interest rate.
- D) is less than the interest rate.

Answer: <https://biology-forums.com/index.php?topic=786144>

Question 954

Sarah buys little stuffed animals for \$5 each. They come in different varieties. If the producer stops making (retires) a certain variety, a stuffed animal of that variety will be worth \$100; otherwise it is worth \$0. There is 25% chance that any variety will be retired. For the purchase of an individual animal, what is the value to Sarah of knowing ahead of time whether or not that variety will be retired?

Answer: <https://biology-forums.com/index.php?topic=786228>

Question 955

The gambler's fallacy suggests that what happened in the past will influence the present. This is most likely true in which of the following situations.

- A) Flipping cards from a single deck.
- B) Tossing a fair coin.
- C) The quality of play of a baseball team.
- D) Horse racing.

Answer: <https://biology-forums.com/index.php?topic=786305>

Question 956

If reckless drivers are more likely to buy automobile insurance than safe drivers are,

- A) a moral hazard has occurred.
- B) adverse selection has occurred.
- C) the market for insurance is efficient.
- D) then automobile insurance will be fairly priced.

Answer: <https://biology-forums.com/index.php?topic=786449>

Question 957

In NASCAR, a race winner might win, say, \$500,000, whereas second place wins \$450,000. Why might NASCAR have a 10% reduction in prize money from first and second place?

- A) To ensure that there is enough money to pay those who finish near last.
- B) To motivate drivers to take risks they might not otherwise take.
- C) To motivate drivers to not take risks they might otherwise take.
- D) NASCAR is a cartel.

Answer: <https://biology-forums.com/index.php?topic=786548>

Question 958

In the presence of asymmetric information, a contingent contract

- A) achieves production efficiency.
- B) can lead to opportunistic behavior on the part of the agent.
- C) is impossible to write.
- D) will result in the principal earning all of the profit.

Answer: <https://biology-forums.com/index.php?topic=786564>

Question 959

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 960

If information is asymmetric, explain why the hire contract is not efficient in production and a moral hazard exists, but the fixed fee to the principal contract is efficient and does not pose a moral hazard problem.

Answer: <https://biology-forums.com/index.php?topic=786571>

Question 961

Total Product is

- A) the change in total product resulting from an extra unit of labor, holding other factors constant.
- B) the ratio of output to the number of workers used to produce that output.
- C) the amount of output that can be produced by a given amount of labor.
- D) equal to the marginal product of labor when the average product is increasing.

Answer: <https://biology-forums.com/index.php?topic=785021>

Question 962

Joey cuts grass during the summer. He rents a lawn mower from his dad. Which of the following statements best illustrates the difference between the short run and the long run for Joey?

- A) Joey's friends say they will help him, but when he calls them, they say they have other things to do.
- B) When Joey acquires more customers, he responds by working more hours. Next year, he will buy a lawn mower and split the work with his brother.
- C) Some customers pay Joey immediately; others wait till the following week.
- D) Joey has had to turn away some customers because he is already too busy.

Answer: <https://biology-forums.com/index.php?topic=785008>

Question 963

When John's income was low, he could not afford to dine out and would respond to a pay raise by purchasing more frozen dinners. Now that his income is high, a pay raise causes him to dine out more often and buy fewer frozen dinners. Which graph in the above figure best represents John's Engel curve for frozen dinners?

- A) Graph A
- B) Graph B
- C) Graph C
- D) Graph D

Answer: <https://biology-forums.com/index.php?topic=784916>

Question 964

When deriving an Engel curve the prices of both goods

- A) are held constant.
- B) increase by the same percentage as income.
- C) decrease by the same percentage as income.
- D) can either decrease, increase or stay the same.

Answer: <https://biology-forums.com/index.php?topic=784909>

Question 965

In behavioral economics, the endowment effect refers to

- A) most people believe that most wealthy people inherit their wealth.
- B) many people would be indifferent between being endowed with money or knowledge.
- C) many people place a higher value on what they own than when they consider purchasing.
- D) most people respond to tax incentives to provide an endowment for their children.

Answer: <https://biology-forums.com/index.php?topic=784884>

Question 966

Betty consumes good x and good y. If the price of x = \$3 and the price of y = \$4, then

- A) an extra unit of x costs 4/3 units of y.
- B) an extra unit of y costs 4/3 units of x.
- C) an extra unit of x costs 3/4 units of y.
- D) Both B and C.

Answer: <https://biology-forums.com/index.php?topic=784829>

Question 967

The marginal rate of transformation of y for x represents

- A) the slope of the budget constraint.
- B) the rate at which the consumer must give up y to get one more x.
- C) $-P_x/P_y$.

D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784826>

Question 968

If two indifference curves were to intersect at a point, this would violate the assumption of

- A) transitivity.
- B) completeness.
- C) Both A and B above.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=784783>

Question 969

If the supply curve for orange juice is estimated to be $Q = 40 + 2p$, then, at a price of \$2, the price elasticity of supply is

- A) .01.
- B) .09.
- C) 1.
- D) 11.

Answer: <https://biology-forums.com/index.php?topic=784727>

Question 970

A "twinkie tax" on fatty foods would aim to

- A) reduce the consumption of fatty foods.
- B) reduce the production of fatty foods.
- C) raise tax revenues for other uses.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784485>

Question 971

If a firm operates at a loss, the loss is equal to $TC - TR$. If the firm shuts down instead, its loss is equal to FC . Given this, show that price must exceed AVC for the firm to operate at a loss and not shut down.

Answer: <https://biology-forums.com/index.php?topic=785308>

Question 972

Firms are _____ with an economic profit of zero, they will _____ in the industry if they _____ be better off in another industry.

- A) satisfied, stay, won't
- B) unsatisfied, leave, will
- C) satisfied, leave, will
- D) unsatisfied, stay, won't

Answer: <https://biology-forums.com/index.php?topic=785341>

Question 973

In a competitive marketplace, prices adjust until

- A) MRS's are equal to zero.
- B) excess supply equals excess demand equals zero in all markets.
- C) each consumer has maximized utility subject to his budget constraint.
- D) all firms earn zero profit.

Answer: <https://biology-forums.com/index.php?topic=785510>

Question 974

The Arrow impossibility theorem suggests

- A) democracies are doomed to fail in the long-run.
- B) dictatorships are impossible in the long-run.
- C) there is no universally applicable decision rule in a majority-rule democracy.
- D) there is no way to make democracy better than a dictatorship.

Answer: <https://biology-forums.com/index.php?topic=785566>

Question 975

One difference between a monopoly and a competitive firm is that

- A) a monopoly is a price taker.

- B) a monopoly maximizes profit by setting marginal revenue equal to marginal cost.
C) a monopoly faces a downward sloping demand curve.
D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=785579>

Question 976

Suppose a monopolist has $TC = 100 + 10Q + 2Q^2$, and the demand curve it faces is $p = 90 - 2Q$. What will be the price, quantity, and profit for this firm?

Answer: <https://biology-forums.com/index.php?topic=785613>

Question 977

It is a conventional practice among apparel retailers to set the retail price of clothing at twice the cost paid to the manufacturer. For example, if the retailer pays \$7 for a pair of jeans, the jeans will retail for \$14. What must the price elasticity of demand be for this practice to be profit maximizing?

Answer: <https://biology-forums.com/index.php?topic=785638>

Question 978

The monopoly can shift the demand for its product rightward by

- A) accommodating entry.
B) advertising new uses for its product.
C) moving along the learning curve.
D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785801>

Question 979

Incumbents are unaffected by fixed costs of entry while potential entrants are affected by them because

- A) for potential entrants the cost is avoidable, while for the incumbent, it is not.
B) fixed costs will be greater for the potential entrant than for the incumbent.
C) fixed costs are zero for the incumbent.
D) incumbents will act to prevent entry at all costs.

Answer: <https://biology-forums.com/index.php?topic=785987>

Question 980

If the supply of labor to a monopsonist is everywhere unit elastic, and the marginal expenditure equals \$1, then the wage will equal

- A) \$0.50.
B) \$0.75.
C) \$1.00.
D) \$2.00.

Answer: <https://biology-forums.com/index.php?topic=786084>

Question 981

Universities are able to act as monopsonists in the market for professors because

- A) a university usually does not consider hiring faculty members from another institution.
B) faculty members usually have to move to a different city when changing universities.
C) students like all of their professors.
D) senior faculty members are willing to move to a new university at any cost.

Answer: <https://biology-forums.com/index.php?topic=786086>

Question 982

A recent purchaser of a bond that agrees to pay an annual nominal amount would hope that interest rates do not rise.

Answer: <https://biology-forums.com/index.php?topic=786160>

Question 983

A fair game is a game in which the chances are 50-50 that you win or lose.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786254>

Question 984

Farmers who purchase insurance against crop failures tend to be pooled with farmers far away. Why might this be the case?

- A) The weather in a single geographic area represents idiosyncratic risk, which is diversifiable.

- B) The weather in a single geographic area represents systematic risk, which is not diversifiable.
C) The weather in far-flung geographic areas represents systematic risk, which is not diversifiable.
D) The weather in far-flung geographic areas are commonly positively correlated.

Answer: <https://biology-forums.com/index.php?topic=786276>

Question 985

If a market is subject to a positive externality

- A) the demand curve reflecting social benefit will be to the right of the demand curve representing private benefit.
B) there is only one demand curve.
C) the demand curve reflecting social benefit will be to the left of the demand curve representing private benefit.
D) private benefit will exceed social benefit.

Answer: <https://biology-forums.com/index.php?topic=786330>

Question 986

Explain why checks on principals might be necessary.

Answer: <https://biology-forums.com/index.php?topic=786629>

Question 987

A firm's cost curve is determined by

- A) congressional laws.
B) whether the firm hires engineers or not.
C) natural laws.
D) the firm's production function.

Answer: <https://biology-forums.com/index.php?topic=785161>

Question 988

Suppose that capital and labor must be kept in a fixed proportion to produce a particular good. For example, digging a trench requires one worker who has one shovel. What does this imply about returns to scale?

- A) There are constant returns to scale.
B) There are increasing returns to scale.
C) There are decreasing returns to scale.
D) Nothing.

Answer: <https://biology-forums.com/index.php?topic=785189>

Question 989

Explain how firms that each produce as efficiently as they can may not be equally productive.

Answer: <https://biology-forums.com/index.php?topic=785116>

Question 990

Joey's lawncutting service recently traded in its push mowers for gasoline-powered mowers. Joey still requires one worker per lawnmower; however, more grass is now cut in the same amount of time as before. This is an example of

- A) labor-saving technical change.
B) non-neutral technical change.
C) neutral technical change.
D) organizational change.

Answer: <https://biology-forums.com/index.php?topic=785102>

Question 991

Which situation is most likely to exhibit diminishing marginal returns to labor?

- A) a factory that obtains a new machine for every new worker hired
B) a factory that hires more workers and never increases the amount of machinery
C) a factory that increases the amount of machinery and holds the number of worker constant
D) None of these situations will result in diminishing marginal returns to labor.

Answer: <https://biology-forums.com/index.php?topic=785032>

Question 992

A Consumer Price Index (CPI) adjustment overcompensates for inflation because it ignores

- A) the income effect when relative prices change.
B) the substitution effect when relative prices change.

C) that some goods are inferior.
D) that the substitution effect may offset the income effect.
Answer: <https://biology-forums.com/index.php?topic=784957>

Question 993

Draw budget constraints, indifference curves, and the income consumption curve for a good that has an income elasticity that is perfectly inelastic.
Answer: <https://biology-forums.com/index.php?topic=784929>

Question 994

Suppose the quantity of x is measured on the horizontal axis. If the income consumption curve is vertical, then the income elasticity of demand for x is
A) 0.
B) 1.
C) -1.
D) There is not enough information to determine the income elasticity of demand for x.
Answer: <https://biology-forums.com/index.php?topic=784914>

Question 995

When a firm produces one unit, the variable cost is \$3. When the firm produces two units, the variable cost is \$6. What is the marginal cost associated with two units of production?
A) \$2
B) \$0.5
C) \$6
D) \$3
Answer: <https://biology-forums.com/index.php?topic=785149>

Question 996

Joe subscribes to an Internet provider that charges \$2 per hour. Draw his budget line for Internet access on the horizontal axis and money spent on all other goods on the vertical axis assuming he has \$100 per month to spend. Another company offers unlimited Internet access for a flat monthly fee of \$20. Draw this budget line.
Answer: <https://biology-forums.com/index.php?topic=784840>

Question 997

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 998

Indifference curves cannot ever be concave for two goods.
True or False? Provide an explanation.
Answer: <https://biology-forums.com/index.php?topic=784795>

Question 999

There is an indifference curve through every bundle because of the assumption of
A) transitivity.
B) completeness.
C) rationality.
D) nonsatiation.
Answer: <https://biology-forums.com/index.php?topic=784781>

Question 1000

When it comes to the supply curve of janitors and accountants
A) the supply curve of janitors is more elastic.
B) the supply curve of accountants is more elastic.
C) both supply curves are equally elastic.
D) More information is needed.
Answer: <https://biology-forums.com/index.php?topic=784729>

Question 1001

If an increase in income results in a rightward parallel shift of the demand curve, then at any given price, the price elasticity of demand will have

- A) increased in absolute terms.
- B) decreased in absolute terms.
- C) remained unchanged.
- D) increased, decreased or stayed the same. It cannot be determined.

Answer: <https://biology-forums.com/index.php?topic=784686>

Question 1002

A rightward shift of the demand curve will lead to a(n)

- A) increase in equilibrium price.
- B) excess demand at the old equilibrium price.
- C) increase in quantity supplied.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784603>

Question 1003

Explain why the long-run total cost curve, not the short-run total cost curve, shows the lowest cost of producing any level of output. Is there an exception?

Answer: <https://biology-forums.com/index.php?topic=785203>

Question 1004

Suppose a firm has the following total cost function: $TC = 100 + \dots$. What is the minimum price necessary for the firm to earn profit? Below what price will the firm shut down in the short run?

Answer: <https://biology-forums.com/index.php?topic=785279>

Question 1005

Suppose that once a well is dug, water flows out of it continuously without any additional effort. Customers collect their water and pay a per gallon fee when they leave the site of the well. In the short run, the competitive firm in this market

- A) has no variable costs.
- B) has no fixed costs.
- C) will shut down.
- D) can produce water at no cost.

Answer: <https://biology-forums.com/index.php?topic=785298>

Question 1006

Assuming a horizontal long-run market supply curve, which of the following statements is (are) TRUE about competitive firms in the long run?

- A) $p = MC$
- B) $p = AC$
- C) profit = 0
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785315>

Question 1007

Joe's demand for spring water can be represented as $p = 10 - Q$ (where p is measured in \$/gallon and Q is measured in gallons). He recently discovered a spring where water can be obtained free of charge. His consumer surplus from this water is

- A) \$0.
- B) \$50.
- C) \$100.
- D) unknown based upon the information provided.

Answer: <https://biology-forums.com/index.php?topic=785356>

Question 1008

Consumer surplus from a given purchase is the difference between what one was willing to pay for that purchase and what was actually paid. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785372>

Question 1009

The difference between producer surplus and profit is always the associated

- A) opportunity costs.
- B) total costs.
- C) variable costs.
- D) fixed costs.

Answer: <https://biology-forums.com/index.php?topic=785382>

Question 1010

The tax revenue that is generated by a government tax is counted towards total welfare.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785448>

Question 1011

Joe and Rita each have some cookies and milk. Joe is willing to trade 2 cookies for an additional ounce of milk. Rita is willing to trade 4 cookies for an additional ounce of milk. If trading is possible, which of the following is most likely to occur?

- A) Joe will give some milk to Rita in exchange for cookies.
- B) Rita will give some milk to Joe in exchange for cookies.
- C) No trade will take place since they both prefer to have more milk and fewer cookies.
- D) There is not enough information to make any predictions.

Answer: <https://biology-forums.com/index.php?topic=785485>

Question 1012

For a given set of prices, two consumers choose bundles that are off the contract curve. In a competitive market,

- A) prices will adjust until the consumers choose bundles that are on the contract curve.
- B) the indifference curves will shift back to the contract curve.
- C) the contract curve will shift to connect these bundles.
- D) no adjustments need to be made.

Answer: <https://biology-forums.com/index.php?topic=785515>

Question 1013

What strategic advantage compared to a Cournot Oligopoly results in the Stackelberg outcome?

- A) the ability to move first
- B) the ability to set price
- C) the ability to set quantity
- D) the ability to make independent decisions by the Stackelberg leader

Answer: <https://biology-forums.com/index.php?topic=785876>

Question 1014

The Bertrand model of price setting assumes that a firm chooses its price

- A) independently of what price other firms charge.
- B) subject to what price rival firms are charging.
- C) so that joint profits are maximized.
- D) without considering the shape of the demand curve.

Answer: <https://biology-forums.com/index.php?topic=785896>

Question 1015

The game rock-paper-scissors has

- A) a mixed strategy equilibrium.
- B) a dominant strategy equilibrium.
- C) no equilibrium.
- D) a pure strategy equilibrium.

Answer: <https://biology-forums.com/index.php?topic=785953>

Question 1016

In the short run, a competitive firm has a marginal product of labor, $MPL = 5L - 0.5$. The output price is \$10 per unit and the wage is \$7 per hour. The short-run labor demand curve for the firm is

- A) $5L - 0.5$.
- B) $15L - 0.5$.
- C) $35L - 0.5$.
- D) $50L - 0.5$.

Answer: <https://biology-forums.com/index.php?topic=786030>

Question 1017

Which of the following would be most able to act like a monopsonist?

- A) a hospital in a small isolated town
- B) a hospital in a very big city
- C) a law firm in Washington, D.C.
- D) a computer software firm in Silicon Valley

Answer: <https://biology-forums.com/index.php?topic=786085>

Question 1018

You grow poplar trees. The lumber yard purchases cut trees from you. The trees grow 1 foot per year. Assuming a constant real price per foot for poplar and a real interest rate of 3%, would you sell a 20-foot tree today?

Answer: <https://biology-forums.com/index.php?topic=786167>

Question 1019

For the utility function $U = \dots$, what values of "a" correspond to being risk averse, risk neutral, and risk loving?

Answer: <https://biology-forums.com/index.php?topic=786257>

Question 1020

The theory of expected utility theory

- A) predicts all actions involving uncertainty.
- B) predicts no actions involving uncertainty.
- C) predicts some, but not all, actions involving uncertainty.
- D) predicts only one in three actions involving uncertainty.

Answer: <https://biology-forums.com/index.php?topic=786304>

Question 1021

A common resource is best described as a resource where

- A) there is a positive externality in consumption.
- B) there is a negative externality in consumption.
- C) there is a positive externality in production.
- D) there is a negative externality in production.

Answer: <https://biology-forums.com/index.php?topic=786390>

Question 1022

The U.S. Federal government limits the ability for private firms to harvest timber on much government land. This, it is argued, increases the amount of fuel for wildfires which often burn out of control and cost money and manpower to control.

- A) This suggests that the policy addressing one positive externality might have created another positive externality.
- B) This suggests that those who harvest timber are prone to starting wildfires.
- C) This suggests that the policy addressing timber harvesting created a negative externality.
- D) This suggests that government policy is destined to fail.

Answer: <https://biology-forums.com/index.php?topic=786395>

Question 1023

In the case of a good that has no exclusion and no rivalry, private markets fail because

- A) of free-ridership.
- B) this is a natural monopoly.
- C) profit is driven down to zero.
- D) the quantity produced will exceed the social optimum.

Answer: <https://biology-forums.com/index.php?topic=786399>

Question 1024

A downtown diner daily serving the same business people will be more likely to serve a tasty lunch than a snack bar at a tourist attraction. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786486>

Question 1025

Selling the same product under different brand names allows a firm to price discriminate as long as

- A) customers know the products are identical.
- B) customers do not know the products are identical.
- C) the products really are not the same.
- D) the firm lets customers know that the products are identical.

Answer: <https://biology-forums.com/index.php?topic=786492>

Question 1026

If there is zero search cost, then in the presence of asymmetric information, competitive firms will

- A) charge the monopoly price.
- B) charge the competitive price.
- C) charge zero price.
- D) shut down.

Answer: <https://biology-forums.com/index.php?topic=786501>

Question 1027

In a competitive market with large search costs, many firms, and asymmetric information, why is the monopoly price the only possible single-price equilibrium?

Answer: <https://biology-forums.com/index.php?topic=786510>

Question 1028

Suppose the principal offers to share a percentage of the profit with the agent. Such a contract

- A) will yield the same income for the agent as a hire contract would.
- B) is incentive compatible.
- C) creates a production inefficiency.
- D) would not be acceptable to any agent.

Answer: <https://biology-forums.com/index.php?topic=786558>

Question 1029

Vocalese in jazz refers to which of the following?

- a. Putting lyrics to well-known recorded instrumental solos
- b. Acappella vocal jazz
- c. Harmonization of a melody
- d. The number of singers on a part

Answer: <https://biology-forums.com/index.php?topic=786978>

Question 1030

How are critical path activities defined?

Answer: <https://biology-forums.com/index.php?topic=787075>

Question 1031

Labour law is consistent throughout Canada.

T/F?

Answer: <https://biology-forums.com/index.php?topic=787078>

Question 1032

Generally employers have the right to sue employees for the mistakes they make that result in the employer having to pay damages to a third party.

T/F?

Answer: <https://biology-forums.com/index.php?topic=787082>

Question 1033

The marginal cost curve intersects the average fixed cost curve at its minimum.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785168>

Question 1034

Economists typically assume that the owners of firms wish to

- A) produce efficiently.
- B) maximize sales revenues.
- C) maximize profits.

D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784995>

Question 1035

Under which of the following conditions will there be no substitution bias in the CPI?

- A) Indifference curves are convex.
- B) Indifference curves are L-shaped.
- C) Indifference curves are linear.
- D) Indifference curves are downward sloping.

Answer: <https://biology-forums.com/index.php?topic=784959>

Question 1036

In the short run, the point at which diminishing marginal returns to labor begin is the point at which the marginal cost curve

- A) peaks.
- B) bottoms out.
- C) is upward sloping.
- D) is downward sloping.

Answer: <https://biology-forums.com/index.php?topic=785150>

Question 1037

The marginal rate of transformation of y for x represents

- A) the slope of the budget constraint.
- B) the rate at which the consumer must give up x to get one more y.
- C) $-P_y/P_x$.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784827>

Question 1038

If Fred's marginal utility of pizza equals 10 and his marginal utility of salad equals 2, then we know that

- A) his indifference curves are convex.
- B) his indifference curves are L-shaped.
- C) his indifference curves are linear.
- D) his indifference curves are downward sloping.

Answer: <https://biology-forums.com/index.php?topic=784810>

Question 1039

If a good is not produced, then there is no demand for it.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784548>

Question 1040

A downward sloping demand curve indicates that

- A) individuals all have the same valuation of the same product.
- B) individuals have different valuations of the same product.
- C) individuals have no valuations of a particular product.
- D) certain individuals are uninformed about certain aspects of the product.

Answer: <https://biology-forums.com/index.php?topic=784547>

Question 1041

Who or what is responsible for applying scarce resources to the production of most goods in the U.S.?

- A) the U.S. government
- B) the United Nations
- C) the Federal Reserve Bank
- D) markets and prices

Answer: <https://biology-forums.com/index.php?topic=784483>

Question 1042

What are the functions for MC and AC if $TC = 100q + 100$? Are the returns to scale increasing, decreasing, or constant?

Answer: <https://biology-forums.com/index.php?topic=785201>

Question 1043

If a competitive firm finds that it maximizes short-run profits by shutting down, which of the following must be true?

- A) $p < AVC$ for all levels of output.
- B) $p < AVC$ only for the level of output at which $p = MC$.
- C) $p < AVC$ only if the firm has no fixed costs.
- D) The firm will earn zero profit.

Answer: <https://biology-forums.com/index.php?topic=785282>

Question 1044

Figure 9.6 shows an individual's demand curve for time per month spent telecommunicating while driving (talking on the car phone.) A car phone is useless except for talking with somebody who is not in the car. If calls are priced at ten cents per minute, what is the consumer surplus derived from talking? What is the most this person would pay for the car phone? Explain.

Answer: <https://biology-forums.com/index.php?topic=785376>

Question 1045

Advocates of steel tariffs to protect U.S. steel firms realize that when imposing such tariffs the gains of firms are outweighed by the losses to consumers.. This implies that

- A) such advocates value producer surplus more than consumer surplus.
- B) want to help consumers.
- C) such advocates value consumer surplus more than producer surplus.
- D) such advocates value producer surplus and consumer surplus equally.

Answer: <https://biology-forums.com/index.php?topic=785393>

Question 1046

For profit-maximizing monopolies, explain why the boundaries on the Lerner Index are 0 and 1.

Answer: <https://biology-forums.com/index.php?topic=785639>

Question 1047

Suppose the marginal product of labor equals $1/L$. If the wage is \$1 per unit of labor, what is the short-run effect on the firm's labor demand if the price of output were to double?

- A) The firm will demand half as much labor.
- B) The firm will demand twice as much labor.
- C) The firm will demand the same quantity of labor.
- D) There is not enough information to determine.

Answer: <https://biology-forums.com/index.php?topic=786023>

Question 1048

Monopolization of either the labor market or the output market results in

- A) higher wages than when both are competitive.
- B) a higher output price than when both are competitive.
- C) a higher level of output than when both are competitive.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=786058>

Question 1049

Because the labor supply curve for a monopsonist is upward sloping, the monopsonist

- A) hires zero units of labor.
- B) chooses the perfectly competitive quantity of labor.
- C) must increase the wage to attract more units of labor.
- D) must take the wage as given by the market.

Answer: <https://biology-forums.com/index.php?topic=786075>

Question 1050

If inflation turns out to be higher than was anticipated,

- A) debtors are helped.
- B) debtors are hurt.
- C) debtors are neither helped nor hurt.
- D) the effect on debtors cannot be predicted.

Answer: <https://biology-forums.com/index.php?topic=786122>

Question 1051

If the government wanted to efficiently limit the emission of Carbon Monoxide by all firms to exactly 4 Million tons it could

- A) issue rights to pollute worth 4 Million tons and let the firms trade those rights in a market.
- B) appeal to firms' environmental conscience to pollute less.
- C) subsidize production.
- D) rely on the Coase Theorem.

Answer: <https://biology-forums.com/index.php?topic=786382>

Question 1052

A firm is more likely to adopt multiple brand names for the same product when the good is a non-durable.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786495>

Question 1053

The internet has made it possible to compare lots of prices without incurring a lot of cost. If internet access is unequally distributed throughout the population one would expect

- A) consumers with internet access to pay a higher price.
- B) consumers without internet access to pay a lower price.
- C) price discrimination against consumers without internet access.
- D) firms to charge the same price to all consumers.

Answer: <https://biology-forums.com/index.php?topic=786503>

Question 1054

If diplomas work efficiently in signaling productive capabilities to employers the resulting equilibrium

- A) will be a separating equilibrium.
- B) will be a pooling equilibrium.
- C) will always be inefficient.
- D) will never be efficient.

Answer: <https://biology-forums.com/index.php?topic=786521>

Question 1055

Production efficiency implies that

- A) joint profits are maximized.
- B) joint profits are minimized.
- C) joint profits are zero.
- D) joint profits can be increased.

Answer: <https://biology-forums.com/index.php?topic=786545>

Question 1056

Season tickets entail a certain amount of risk due to unpredictable team quality, injuries, weather, and so forth. Who is most likely to purchase season tickets?

- A) Sally who is a rabid fan and is not wealthy.
- B) Jim who is a rabid fan and is risk neutral.
- C) Roger who is a rabid fan but is risk averse.
- D) Jenn who is a fan and is very wealthy.

Answer: <https://biology-forums.com/index.php?topic=786550>

Question 1057

During the "computer revolution" of the 1980s and 1990s, many firms replaced old technology with new technology. What might explain why firms don't change technology as quickly today?

Answer: <https://biology-forums.com/index.php?topic=785069>

Question 1058

If the isoquants are straight lines or L-shaped, then a cost-minimizing firm will

- A) not be able to minimize costs.
- B) find the lowest isocost line touching the relevant isoquant.
- C) find the highest isocost line touching the relevant isoquant.

D) choose not to produce any output.

Answer: <https://biology-forums.com/index.php?topic=785181>

Question 1059

The steeper an isoquant is

- A) the greater is the marginal productivity of labor relative to that of capital.
- B) the greater is the substitutability between capital and labor.
- C) the greater is the need to keep capital and labor in fixed proportions.
- D) the greater is the level of output.

Answer: <https://biology-forums.com/index.php?topic=785061>

Question 1060

Behavioral economics extends traditional economic models by

- A) including insights from psychology and human cognition models.
- B) modeling behavior rather than prices.
- C) admitting that individuals are irrational.
- D) admitting that incentives are very important.

Answer: <https://biology-forums.com/index.php?topic=784880>

Question 1061

Joe's indifference map for lobster and soda is shown in the above figure along with his budget line. Will Joe choose point a? Explain your answer in terms both of MRS and the level of utility.

Answer: <https://biology-forums.com/index.php?topic=784874>

Question 1062

Explain why the price elasticity of demand changes along a linear demand curve.

Answer: <https://biology-forums.com/index.php?topic=784722>

Question 1063

In the labor market, if the government imposes a minimum wage that is below the equilibrium wage, then

- A) workers who wish to work at the minimum wage will have a difficult time finding jobs.
- B) firms will hire fewer workers than without the minimum wage law.
- C) some workers may lose their jobs as a result.
- D) nothing will happen to the wage rate or employment.

Answer: <https://biology-forums.com/index.php?topic=784625>

Question 1064

If a government-imposed price ceiling causes the observed price in a market to be below the equilibrium price,

- A) there will be excess demand.
- B) there will be excess supply.
- C) the curves will shift to make a new equilibrium at the regulated price.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=784624>

Question 1065

If government regulations increase the cost of producing gasoline while at the same time government regulations reduce the cost of driving a relatively inefficient sport utility vehicle (SUV),

- A) the supply of gasoline is expected to increase.
- B) the demand for gasoline is expected to decrease.
- C) the price of gasoline is expected to increase, whereas the total consumption of gasoline can increase, decrease, or stay the same.
- D) the supply of gasoline is expected to increase.

Answer: <https://biology-forums.com/index.php?topic=784612>

Question 1066

A small business owner earns \$60,000 in revenue annually. The explicit annual costs equal \$40,000. The owner could work for someone else and earn \$25,000 annually. The owner's accounting profit is _____ and owner's economic profit is _____.

- A) \$20,000, \$5,000
- B) \$20,000, -\$5,000
- C) \$25,000, -\$5,000

D) \$45,000, -\$5,000

Answer: <https://biology-forums.com/index.php?topic=785262>

Question 1067

In deciding whether to operate in the short run, the firm must be concerned with the relationship between price of the output and

- A) total cost.
- B) average variable cost.
- C) total fixed cost.
- D) the number of buyers.

Answer: <https://biology-forums.com/index.php?topic=785300>

Question 1068

Joe and Rita each have some milk and cookies (Milk on the horizontal axis). Joe's MRS of cookies for milk is 2. Rita's MRS of cookies for milk is 4. Which of the following statements is TRUE?

- A) No gains from trade are possible.
- B) Both Rita and Joe can be made better off if Rita gives Joe some cookies in exchange for milk.
- C) Rita and Joe are on the contract curve.
- D) Both Rita and Joe can be made better off if Joe gives Rita some cookies in exchange for milk.

Answer: <https://biology-forums.com/index.php?topic=785486>

Question 1069

The above figure depicts the Edgeworth box for two individuals, Al and Bruce. Points a and b

- A) are most likely to reflect the final endowments after trading.
- B) are least likely to reflect the final endowments after trading.
- C) are equally likely to reflect the final endowments after trading than other points on the contract curve.
- D) are definitely not the final endowments after trading.

Answer: <https://biology-forums.com/index.php?topic=785491>

Question 1070

The above figure depicts the Edgeworth box for two individuals, Al and Bruce. If the endowment is at point a, and trade is possible, which of the following points are possible equilibria?

- A) a and b
- B) a and c
- C) b and d
- D) c and d

Answer: <https://biology-forums.com/index.php?topic=785492>

Question 1071

If pizza is measured on the horizontal axis and pretzels are measured on the vertical axis, the slope of the production possibility frontier at a given combination reflects

- A) the total cost of producing that combination.
- B) the total cost of producing that quantity of pizza in terms of pretzels.
- C) the cost of making the last pizza in terms of pretzels.
- D) the cost of making the last pretzel in terms of pizza.

Answer: <https://biology-forums.com/index.php?topic=785525>

Question 1072

Most of the debates in the U.S. Congress center on

- A) efficiency concerns.
- B) equity concerns.
- C) equal time on efficiency and equity.
- D) market inefficiency.

Answer: <https://biology-forums.com/index.php?topic=785567>

Question 1073

The United States is the most inequitable country in the developed world.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785570>

Question 1074

The less elastic is the demand for a firm's product, the greater is that firm's market power. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785635>

Question 1075

A perfect price discriminator

- A) charges each buyer her reservation price.
- B) charges different prices to each customer based upon different costs of delivery.
- C) generates a deadweight loss to society.
- D) charges lower prices to customers who buy greater quantities.

Answer: <https://biology-forums.com/index.php?topic=785717>

Question 1076

In the Cournot model, if the products are differentiated,

- A) this reduces the pressure of one firm's decisions on the other.
- B) this increases the pressure of one firm's decisions on the other.
- C) there is no difference between this model and one with homogeneous goods.
- D) marginal costs are necessarily different.

Answer: <https://biology-forums.com/index.php?topic=785862>

Question 1077

Draw a graph that shows the effect on the equilibrium quantities if the government subsidizes one firm in a Cournot duopoly with a per-unit subsidy. Assume that the best-response functions are linear. Explain the new equilibrium quantities.

Answer: <https://biology-forums.com/index.php?topic=785868>

Question 1078

The number of firms in a monopolistically competitive market will be smaller if

- A) the market demand curve shifts rightward.
- B) minimum efficient scale is lower.
- C) fixed costs are smaller.
- D) fixed costs are larger.

Answer: <https://biology-forums.com/index.php?topic=785919>

Question 1079

Which of the following is a dynamic game?

- A) Rock-paper-scissors
- B) Flipping pennies
- C) Chess
- D) The card game "war"

Answer: <https://biology-forums.com/index.php?topic=785931>

Question 1080

A firm's demand for labor is downward sloping because of

- A) diminishing marginal productivity of labor.
- B) diminishing marginal utility.
- C) price pressure.
- D) workers' increased willingness to work at a higher wages.

Answer: <https://biology-forums.com/index.php?topic=786031>

Question 1081

If the labor market is competitive, a monopoly output market will result in

- A) a lower wage than that of a competitive output market.
- B) a higher wage than that of a competitive output market.
- C) less labor hired than in a competitive output market.
- D) more labor hired than in a competitive output market.

Answer: <https://biology-forums.com/index.php?topic=786057>

Question 1082

Suppose that your college offers you two payment plans. You may either pay tuition of \$10,000 per year at the beginning of each of the next four years, or pay just \$38,000 before the start of freshman year. If the interest rate is 10%, what would you do? If the interest rate were 2%, what would you do? Intuitively explain the difference in your answer.

Answer: <https://biology-forums.com/index.php?topic=786163>

Question 1083

Monopolizing the sale of liquor

- A) can lead to an increase total welfare.
- B) will decrease total welfare.
- C) results in a deadweight loss.
- D) is anti-competitive and thus lowers total welfare.

Answer: <https://biology-forums.com/index.php?topic=786355>

Question 1084

The market for used cars is shown in the above figure. Buyers cannot tell whether any given car is a lemon. Forty percent (40%) of all cars are lemons. Which of the following statements is true?

- A) All of the cars will be sold at \$1,600.
- B) No cars will be sold.
- C) Only lemons will be sold at \$1,600.
- D) Only lemons will be sold at \$1,000.

Answer: <https://biology-forums.com/index.php?topic=786475>

Question 1085

Sarah's demand for routine medical visits is $q = 10 - 0.2p$ when she is healthy and $q = 20 - 0.2p$ when she is sick. Medical visits cost \$50 each if Sarah has no medical insurance. She is sick 20% of the time. Sarah is considering two different insurance plans. One offers free medical visits; the other plan costs less up front but requires that Sarah pay \$5 per medical visit. Compare the two plans in terms of the trade-off between risk and moral hazard.

Answer: <https://biology-forums.com/index.php?topic=786593>

Question 1086

Suppose the production function for a certain device is $q = L + K$. If a labor-saving technical change has occurred, which of the following could be the new production function?

- A) $q = L + 5K$
- B) $q = 5 * (L + K)$
- C) $q = 5L + K$
- D) All of the above are possible.

Answer: <https://biology-forums.com/index.php?topic=785103>

Question 1087

Suppose the production function for a certain device is $q = L + K$. If neutral technical change has occurred, which of the following could be the new production function?

- A) $q = L + 5K$
- B) $q = 5 * (L + K)$
- C) $q = 5L + K$
- D) All of the above are possible.

Answer: <https://biology-forums.com/index.php?topic=785104>

Question 1088

The Average Product of Labor is

- A) the change in total product resulting from an extra unit of labor, holding other factors constant.
- B) the ratio of output to the number of workers used to produce that output.
- C) the amount of output that can be produced by a given amount of labor.
- D) equal to the marginal product of labor when the average product is increasing.

Answer: <https://biology-forums.com/index.php?topic=785020>

Question 1089

Why would you expect the demand for diamond jewelry to fall faster than plastic, costume jewelry when all incomes fall?

Answer: <https://biology-forums.com/index.php?topic=784928>

Question 1090

Those who criticize individuals who choose to drive a relatively inefficient sport utility vehicle (SUV) might mistakenly

- A) assume everyone faces the same relative prices.
- B) assume everyone has the same preference set.
- C) assume everyone has the same budget constraint.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784865>

Question 1091

Convexity of indifference curves implies that consumers are willing to

- A) give up more "y" to get an extra "x" the more "x" they have.
- B) give up more "y" to get an extra "x" the less "x" they have.
- C) settle for less of both "x" and "y".
- D) acquire more "x" only if they do not have to give up any "y".

Answer: <https://biology-forums.com/index.php?topic=784786>

Question 1092

Were it not for the law of diminishing marginal returns, we could grow the world's food supply from a flowerpot.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785038>

Question 1093

The cross price elasticity of demand for a good is the percentage change in the quantity demanded in response to a given percentage change in

- A) income.
- B) the price of that good.
- C) the price of another good.
- D) the quantity demanded of another good.

Answer: <https://biology-forums.com/index.php?topic=784704>

Question 1094

When "rent controls" result in a shortage of housing, landlords

- A) use criteria other than price to allocate housing.
- B) lower the price to allocate the housing.
- C) attempt to attract renters.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=784619>

Question 1095

Quotas are most often supported by

- A) foreign producers.
- B) foreign consumers.
- C) domestic consumers.
- D) domestic producers.

Answer: <https://biology-forums.com/index.php?topic=784634>

Question 1096

What links the decisions of consumers and firms in a market?

- A) the government
- B) prices
- C) coordination officials
- D) microeconomics

Answer: <https://biology-forums.com/index.php?topic=784480>

Question 1097

If a firm is currently in short-run equilibrium earning a profit, what impact will a lump-sum tax have on its production decision?

- A) The firm will decrease output to earn a higher profit.
- B) The firm will increase output but earn a lower profit.

C) The firm will not change output but earn a lower profit.
D) The firm will not change output and earn a higher profit.
Answer: <https://biology-forums.com/index.php?topic=785296>

Question 1098

Draw a graph that shows how the short-run shutdown price changes when an input price increases.
Answer: <https://biology-forums.com/index.php?topic=785310>

Question 1099

If a firm is in a perfectly competitive world but decides to charge a higher price than its competitors,
A) the firm's profits will be zero or negative and the firm will fail in the long-run.
B) the firm's profits will be zero or negative and the firm will fail in the short-run.
C) the firm's profits will be positive or negative and the firm will fail in the short-run.
D) the firm's profits will be positive or negative and the firm will fail in the long-run.
Answer: <https://biology-forums.com/index.php?topic=785345>

Question 1100

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 social welfare will most likely
A) not change but there will be a transfer from consumer to producer.
B) not change but there will be a transfer from producer to consumer.
C) decrease although producers are made better off.
D) decrease although consumers are made better off.
Answer: <https://biology-forums.com/index.php?topic=785413>

Question 1101

Any competitive equilibrium is Pareto efficient because, with a competitive equilibrium
A) the marginal rates of substitution are equal for all consumers.
B) the price line is the contract curve.
C) mutual gains from trade exist.
D) the slope of the price line equals the ratio of the MRS for all consumers.
Answer: <https://biology-forums.com/index.php?topic=785513>

Question 1102

The telephone is an example of a product with network externalities.
True or False? Provide an explanation.
Answer: <https://biology-forums.com/index.php?topic=785700>

Question 1103

Suppose two countries, A and B, are at war with each other. Country A is very wealthy; country B is very poor. The XYZ Co. produces tanks. Is XYZ able to set a different price for the tank sold to country A than the price for the tank sold to country B? Explain.
Answer: <https://biology-forums.com/index.php?topic=785716>

Question 1104

Which of the following is a simultaneous decision game?
A) Tic-tac-toe
B) Chess
C) Poker
D) Rock-paper-scissors
Answer: <https://biology-forums.com/index.php?topic=785929>

Question 1105

Monopolization of both the labor market and the output market results in
A) higher wages than when both are competitive.
B) a higher output price than when both are competitive.
C) a lower level of output than when both are competitive.
D) All of the above.
Answer: <https://biology-forums.com/index.php?topic=786059>

Question 1106

Jerry wishes to retire in 5 years with \$1 million in his bank account. If the account pays 4% and his current balance is \$500,000, how much must he deposit at the beginning of each of the next five years for his wish to come true? The amount must be the same each year.

Answer: <https://biology-forums.com/index.php?topic=786134>

Question 1107

Sarah buys little stuffed animals for \$5 each. They come in different varieties. If the producer stops making (retires) a certain variety, a stuffed animal of that variety will be worth \$100; otherwise it is worth \$0. There is 50% chance that any variety will be retired. What is the value to Sarah of knowing ahead of time whether a variety will be retired?

- A) \$50
- B) \$5
- C) \$2.50
- D) \$0

Answer: <https://biology-forums.com/index.php?topic=786220>

Question 1108

A person is betting a coin will come up heads or tails. The coin always lands on one of these two outcomes. This person can bet to

- A) eliminate only the systematic risk.
- B) eliminate only the random risk.
- C) eliminate all risk.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=786268>

Question 1109

Students who talk loudly with each other in class

- A) create an externality because other students cannot follow the lecture as well.
- B) disturb nobody.
- C) benefit the other students in class because they engage in conversation.
- D) only create an externality if they talk about something unrelated to class.

Answer: <https://biology-forums.com/index.php?topic=786313>

Question 1110

Which of the following statements about private and social costs is TRUE?

- A) Social costs include externalities.
- B) Private cost do not include externalities.
- C) Social costs are never smaller than private costs.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=786323>

Question 1111

Because a monopoly ignores external costs, it is possible that it will

- A) produce the socially optimal quantity of a good.
- B) produce more than the socially optimal quantity of a good.
- C) produce less than the socially optimal quantity of a good.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=786349>

Question 1112

A good salesperson can sell \$1,000,000 worth of goods, while a poor one can sell only \$100,000 worth of goods. Job applicants know if they are good or bad, but the firm does not. A firm will offer job applicants a choice between a fixed salary or 20% commission. Assuming risk-neutral salespersons and no opportunistic behavior, what level must the fixed salary be so that the firm can distinguish a prospective good salesperson from a poor one, and thereby avoid hiring a poor one?

Answer: <https://biology-forums.com/index.php?topic=786648>

Question 1113

A statement by an architect to a contractor may be sufficient to establish that the architect is the owner's agent.

T/F?

Answer: <https://biology-forums.com/index.php?topic=787017>

Question 1114

In which of the following relationships is there vicarious liability?

- a. employer–employee
- b. owner–contractor
- c. owner–architect
- d. all of the above

Answer: <https://biology-forums.com/index.php?topic=787049>

Question 1115

Suppose the short-run production function is $q = 10 * L$. If the wage rate is \$10 per unit of labor, then AVC equals

- A) q.
- B) $q/10$.
- C) $10/q$.
- D) 1.

Answer: <https://biology-forums.com/index.php?topic=785143>

Question 1116

Non-neutral technological change is more valuable to labor than neutral technological change.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785113>

Question 1117

Suppose Joe earns \$1,000 in Year 1 and \$0 in Year 2. Any amount he saves will earn interest at a rate of 10%. Draw Joe's budget line. (Hint: He can either consume all \$1000 this year or consume nothing this year and have \$1,100 next year.) Assuming convex indifference curves, show that an increase in the rate of interest can cause Joe's savings to either increase or decrease. Explain in terms of income and substitution effect.

Answer: <https://biology-forums.com/index.php?topic=784954>

Question 1118

An individual's demand curve for a good can be derived by measuring the quantities selected as

- A) the price of the good changes.
- B) the price of substitute goods changes.
- C) income changes.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784898>

Question 1119

If the price of orange juice rises 10%, and as a result the quantity demanded falls by 8%, the price elasticity of demand for orange juice is

- A) -1.25.
- B) elastic.
- C) Both A and B above.
- D) Neither A nor B above.

Answer: <https://biology-forums.com/index.php?topic=784695>

Question 1120

Explain why the equilibrium price is called the market clearing price.

Answer: <https://biology-forums.com/index.php?topic=784593>

Question 1121

The purpose of making assumptions in economic model building is to

- A) force the model to yield the correct answer.
- B) minimize the amount of work an economist must do.
- C) simplify the model while keeping important details.
- D) express the relationship mathematically.

Answer: <https://biology-forums.com/index.php?topic=784490>

Question 1122

One reason a gift card might be less desirable than cash?

- A) A gift card requires an individual to purchase from a particular store, which restricts the choice set.

- B) Cash requires an individual to purchase from a particular country, which restricts the choice set.
C) Cash and the gift card are equally desirable, there is no problem here.
D) Gift cards are easier to steal or lose relative to cash.

Answer: <https://biology-forums.com/index.php?topic=784869>

Question 1123

Suppose the cost of producing two goods, x and y , can be represented as $C = ax + by + cxy$. If there are diseconomies of scope, then which of the following must be true?

- A) $a = b$
B) $a + b = -c$
C) $c > 0$
D) $c < 0$

Answer: <https://biology-forums.com/index.php?topic=785224>

Question 1124

Which of the following are not characteristics of a competitive market?

- A) There is freedom of entry and exit.
B) There are zero transaction costs.
C) There are only one or two sellers.
D) Buyers and sellers have complete information.

Answer: <https://biology-forums.com/index.php?topic=785250>

Question 1125

The competitive firm's supply curve is equal to

- A) its marginal cost curve.
B) the portion of its marginal cost curve that lies above AC.
C) the portion of its marginal cost curve that lies above AVC.
D) the portion of its marginal cost curve that lies above AFC.

Answer: <https://biology-forums.com/index.php?topic=785286>

Question 1126

In the long run, profits will equal zero in a competitive market because of

- A) constant returns to scale.
B) identical products being produced by all firms.
C) the availability of information.
D) free entry and exit.

Answer: <https://biology-forums.com/index.php?topic=785314>

Question 1127

Since there are no close substitutes for the monopoly's product, the monopoly can charge any price it wishes.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785607>

Question 1128

The existence of a deadweight loss associated with a monopoly can be seen because

- A) consumers are willing to pay more for the last unit of output than it costs to produce.
B) the cost of the last unit produced is more than consumers are willing to pay for it.
C) the producer surplus is larger than in a competitive market.
D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=785647>

Question 1129

Optimal price regulation sets price equal to

- A) marginal cost.
B) average variable cost.
C) average cost.
D) minimum average cost.

Answer: <https://biology-forums.com/index.php?topic=785682>

Question 1130

The use of "introductory prices" suggests

- A) firms engaged in multi-period decision making.
- B) firms engaged in price gouging.
- C) firms engaged in anti-competitive behavior.
- D) firms engaged in single-period decision making.

Answer: <https://biology-forums.com/index.php?topic=785699>

Question 1131

Suppose all individuals are identical, and their monthly demand for Internet access from a certain leading provider can be represented as $p = 5 - (1/2)q$ where p is price in \$ per hour and q is hours per month. The firm faces a constant marginal cost of \$1. The profit-maximizing two-part tariff yields total revenue of

- A) \$24.
- B) \$40.
- C) \$16.
- D) \$32.

Answer: <https://biology-forums.com/index.php?topic=785782>

Question 1132

Monopolistic competition and monopoly have all of the following in common EXCEPT

- A) $P > MC$.
- B) firms are price setters.
- C) barriers to entry.
- D) $MR = MC$.

Answer: <https://biology-forums.com/index.php?topic=785825>

Question 1133

Suppose the demand for pizza in a small isolated town is $p = 10 - Q$. The only two firms, A and B, behave as Cournot duopolists. Each has a cost function $TC = 2 + Q$. If the government wants to subsidize firm A to raise its output to that of a Stackelberg leader, how large should the subsidy be?

Answer: <https://biology-forums.com/index.php?topic=785883>

Question 1134

If the payoff to the United States to pursuing nuclear weapons is 100 if the USSR does not pursue nuclear weapons and 50 if they do, and the payoff to the USSR to pursuing nuclear weapons is 80 if the USA doesn't pursue nuclear weapons and 30 if they do, what is the non-cooperative equilibrium?

- A) The USA pursues nuclear weapons, the USSR does not.
- B) The USA pursues nuclear weapons, the USSR pursues nuclear weapons.
- C) The USA does not pursue nuclear weapons, the USSR does not pursue nuclear weapons.
- D) The USA does not pursue nuclear weapons, the USSR does pursue nuclear weapons.

Answer: <https://biology-forums.com/index.php?topic=785967>

Question 1135

If you place \$100 in a bank account that pays 6% at the end of each year, and you leave your \$100 and all your interest in the bank, how much will you have in the bank at the end of 7 years with annual compounding?

- A) $(106)^7$
- B) $7 * (106)$
- C) $100 * (106)^7$
- D) $100 * (106)^7$

Answer: <https://biology-forums.com/index.php?topic=786112>

Question 1136

If your bank pays you 6% interest on a savings account and inflation is 2%, your approximate real rate of interest is

- A) 2%.
- B) 4%.
- C) 8%.
- D) 12%.

Answer: <https://biology-forums.com/index.php?topic=786121>

Question 1137

The result that, under certain circumstances, no government action is needed to control an externality because it can be eliminated by bargaining between the affected parties is called

- A) a Nash-Equilibrium.
- B) Coase Theorem.
- C) Bargaining Theorem.
- D) English Bargaining.

Answer: <https://biology-forums.com/index.php?topic=786364>

Question 1138

The efficient quantity of a public good occurs when the marginal cost of providing that good equals the sum of the marginal benefits to all individuals. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786436>

Question 1139

Explain how product liability laws can reduce adverse selection.

Answer: <https://biology-forums.com/index.php?topic=786490>

Question 1140

For much of its history, General Motors was characterized by having versions of the same car with different nameplates, e.g., Chevrolet vs. Cadillac. This business model has seemed less successful in recent years. What might explain this?

- A) Consumers have more information concerning costs and quality.
- B) Consumers have more information concerning costs but not quality.
- C) Sellers have more information concerning costs but consumers have more information about quality.
- D) Consumers have less information concerning costs and quality.

Answer: <https://biology-forums.com/index.php?topic=786498>

Question 1141

When consumers have asymmetric information and when search costs and the number of firms are large, a single-price equilibrium in a competitive market

- A) is impossible.
- B) occurs when price equals average cost.
- C) occurs when price equals marginal cost plus the search cost.
- D) occurs when the price is the price a monopoly would set.

Answer: <https://biology-forums.com/index.php?topic=786500>

Question 1142

The internet has made it possible to compare lots of prices without incurring a lot of cost. This

- A) has given firms added market power to price discriminate.
- B) has significantly reduced search cost and made markets more competitive.
- C) has enabled firms to charge higher prices to consumers with computers.
- D) has only affected technology markets.

Answer: <https://biology-forums.com/index.php?topic=786502>

Question 1143

With asymmetric information among consumers and positive search costs, a firm may

- A) raise its price above the monopoly price.
- B) price at the monopoly level.
- C) price at the full information competitive level.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=786505>

Question 1144

If low-quality workers are unable to obtain a college degree, then a separating equilibrium can occur if

- A) the cost of obtaining a degree is less than the wage premium paid to those who have obtained the degree.
- B) the cost of obtaining a degree is greater than the wage premium paid to those who have obtained the degree.
- C) the cost of obtaining a degree is zero.
- D) the wage premium paid to those who have obtained the degree is positive.

Answer: <https://biology-forums.com/index.php?topic=786524>

Question 1145

The price elasticity of demand

- A) depends on the units in which quantity is measured.
- B) depends on the units in which price is measured.
- C) depends on the units in which money is measured.
- D) is independent of the units in which quantity and price are measured.

Answer: <https://biology-forums.com/index.php?topic=784709>

Question 1146

If the marginal rate of technical substitution for a cost minimizing firm is 10, and the wage rate for labor is \$5, what is the rental rate for capital in dollars?

- A) .5
- B) 1
- C) 2
- D) 10

Answer: <https://biology-forums.com/index.php?topic=785182>

Question 1147

If the average productivity of labor equals the marginal productivity of labor, then

- A) the average productivity of labor is at a maximum.
- B) the marginal productivity of labor is at a maximum.
- C) Both A and B above.
- D) Neither A nor B above.

Answer: <https://biology-forums.com/index.php?topic=785019>

Question 1148

Which of the following statements best describes a production function?

- A) The maximum profit generated from given levels of inputs.
- B) The maximum level of output generated from given levels of inputs.
- C) All levels of output that can be generated from given levels of inputs.
- D) All levels of inputs that could produce a given level of output.

Answer: <https://biology-forums.com/index.php?topic=785004>

Question 1149

The marginal rate of technical substitution always equals

- A) the slope of the total product curve.
- B) minus the ratio of the marginal products of inputs.
- C) the change in output due to a change in the amount of one input.
- D) the distance between two isoquants.

Answer: <https://biology-forums.com/index.php?topic=785063>

Question 1150

Suppose that frozen dinners were once a normal good for John, but now frozen dinners are an inferior good for him. John's demand curve for frozen dinners

- A) has become steeper as a result.
- B) has become flatter as a result.
- C) has not changed as a result.
- D) has disappeared as a result.

Answer: <https://biology-forums.com/index.php?topic=784935>

Question 1151

Draw two graphs, one directly above the other. On the upper graph, label the vertical axis Good X and label the horizontal axis Good Y. On the lower graph, label the vertical axis the Price of good Y and label the horizontal axis Good Y. In the upper graph, show the income and substitution effects of a decrease in the Price of good Y when Y is a Giffen good. Draw the corresponding demand curve for Good Y in the lower graph.

Answer: <https://biology-forums.com/index.php?topic=784906>

Question 1152

If the demand curve for a good is unit price elastic and the supply curve is perfectly price elastic, a \$1 specific tax imposed on the sellers of this good

will

- A) shift the supply curve up vertically by \$1.
- B) shift the demand curve down vertically by \$1.
- C) not raise price at all.
- D) cause price to increase but by less than \$1.

Answer: <https://biology-forums.com/index.php?topic=784758>

Question 1153

The percentage change in the quantity supplied in response to a percentage change in the price is known as the

- A) slope of the supply curve.
- B) excess supply.
- C) price elasticity of supply.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784723>

Question 1154

If a one percent increase in the population leads to a five percent increase in the quantity sold, an economist would claim

- A) the good is elastic with respect to population.
- B) the good is inelastic with respect to population.
- C) the good is a fad.
- D) consumers are misinformed about the quality of the product.

Answer: <https://biology-forums.com/index.php?topic=784710>

Question 1155

When the marginal revenue curve cuts the horizontal axis

- A) demand is relatively elastic.
- B) demand is relatively inelastic.
- C) demand is perfectly elastic.
- D) demand is unitary elastic.

Answer: <https://biology-forums.com/index.php?topic=785594>

Question 1156

What is one reason suppliers might offer a discount for quantity purchases?

- A) reduced storage costs
- B) lower marginal cost
- C) lower marginal benefit
- D) price gouging

Answer: <https://biology-forums.com/index.php?topic=785746>

Question 1157

If a cartel is unable to monitor its members and punish those firms that violate the agreement, then

- A) the member firms will each act as price setters.
- B) the cartel will prosper in the long run.
- C) the market will become a monopoly.
- D) the cartel will fail.

Answer: <https://biology-forums.com/index.php?topic=785840>

Question 1158

In the long run, a monopolistically competitive firm

- A) earns zero economic profit.
- B) produces at minimum average cost.
- C) operates at full capacity.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785914>

Question 1159

The ability to set a price greater than marginal cost guarantees an economic profit for the monopolistic competitor (assuming $P > AC$).

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785927>

Question 1160

Assume a firm lowers price below marginal cost to deter entry.

- A) This strategy is not credible.
- B) This strategy is credible.
- C) This strategy is illegal.
- D) This strategy is immoral.

Answer: <https://biology-forums.com/index.php?topic=785998>

Question 1161

A sale in which property or a service is sold to the highest bidder is called a(n)

- A) auction.
- B) bidder sale.
- C) competitive market.
- D) austrian bundle.

Answer: <https://biology-forums.com/index.php?topic=786011>

Question 1162

If a competitive firm faces a competitive labor market, it will hire labor until

- A) $w = p$.
- B) $w = MPL$.
- C) $w = MPL * p$.
- D) $MPL = 0$.

Answer: <https://biology-forums.com/index.php?topic=786027>

Question 1163

If a firm buys its labor in a competitive market, then a short-run increase in the price of the firm's output will cause the firm to

- A) offer a higher wage.
- B) hire fewer workers.
- C) hire more workers.
- D) offer a lower wage.

Answer: <https://biology-forums.com/index.php?topic=786028>

Question 1164

If a firm buys some labor in a competitive market and some labor as a monopsonist, the firm is most likely to

- A) pay the same wage to both types of labor.
- B) pay a lower wage to the labor purchased in the competitive market.
- C) pay a higher wage to the labor purchased in the competitive market.
- D) not exercise any of its monopsony power.

Answer: <https://biology-forums.com/index.php?topic=786077>

Question 1165

For a given rate of interest, the total interest you receive from lending money

- A) increases with the frequency of compounding.
- B) decreases with the frequency of compounding.
- C) is independent of the frequency of compounding.
- D) is greatest when there is no compounding.

Answer: <https://biology-forums.com/index.php?topic=786114>

Question 1166

A government policy that makes investments prior to retirement tax exempt until retirement increases the amount saved at any given interest rate. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786206>

Question 1167

Suppose three neighbors must vote on the installation of a traffic light that costs \$210. The cost of the light will be shared by all three. Voter A values the light at \$50; voter B values the light at \$50; and voter C (who drives the most) values the light at \$200. If the voting rule is that the majority wins, does the light get purchased? Is it efficient to purchase the light?

Answer: <https://biology-forums.com/index.php?topic=786438>

Question 1168

The market for used cars is shown in the above figure. Buyers cannot tell whether any given car is a lemon. Forty percent (40%) of all cars are lemons. Which of the following statements is true?

- A) All of the cars will be sold.
- B) No cars will be sold.
- C) Only lemons will be sold.
- D) Ten percent of the used cars sold will be lemons.

Answer: <https://biology-forums.com/index.php?topic=786474>

Question 1169

Assume Congress decides that oil companies are making too much profit and decides to increase the tax on oil companies for each gallon of gasoline produced. This would

- A) guarantee a decrease in profits.
- B) guarantee an increase in profits.
- C) guarantee an increase in tax revenues.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=785165>

Question 1170

Assuming that w and r are both positive, if the long-run expansion path is horizontal, then

- A) $MPK = 0$.
- B) MRTS is a function of capital only.
- C) $w = r$.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785191>

Question 1171

Assume baseball player salaries are fully determined before the season starts. From the point of view of the baseball team owner, player salaries during the course of the season are then

- A) variable costs.
- B) marginal costs.
- C) fixed costs.
- D) average costs.

Answer: <https://biology-forums.com/index.php?topic=785159>

Question 1172

Suppose the production of VCRs can be represented by the following production function: $q = L^{0.4} K^{0.4}$. Which of the following statements is TRUE?

- A) The production function has decreasing returns to scale.
- B) The production function has increasing returns to scale.
- C) The production function has constant returns to scale.
- D) Returns to scale vary with the level of output.

Answer: <https://biology-forums.com/index.php?topic=785080>

Question 1173

Suppose that additional units of capital affect the marginal productivity of labor. This is not unrealistic. Word processors increase the marginal productivity of secretaries. On the other hand, robotic equipment can completely replace a worker and, thereby, lower the marginal productivity of labor. Given this possibility, determine the conditions under which isoquants will not be convex (i.e.: concave).

Answer: <https://biology-forums.com/index.php?topic=785066>

Question 1174

Explain what the slope of the income consumption curve shows about the income elasticity of demand.

Answer: <https://biology-forums.com/index.php?topic=784924>

Question 1175

Relative to the short-run demand for gasoline, the long-run demand for gasoline is

- A) probably more elastic since people need time to change automobiles and driving habits.
- B) probably less elastic since people need time to change automobiles and driving habits.
- C) probably more elastic because people can hoard this good.

D) probably less elastic because people cannot store this good.

Answer: <https://biology-forums.com/index.php?topic=784742>

Question 1176

The price elasticity of supply when the supply curve is $Q = 5$ is

- A) 5.
- B) perfectly inelastic.
- C) perfectly elastic.
- D) cannot be calculated from the information provided.

Answer: <https://biology-forums.com/index.php?topic=784733>

Question 1177

As prices change, the elasticity of supply describes the movement

- A) of a shift in the supply curve.
- B) of the equilibrium price.
- C) along the supply curve.
- D) from a necessity to a luxury good.

Answer: <https://biology-forums.com/index.php?topic=784725>

Question 1178

As the price of a good increases, the change in the quantity demanded can be shown by

- A) shifting the demand curve leftward.
- B) shifting the demand curve rightward.
- C) moving down along the same demand curve.
- D) moving up along the same demand curve.

Answer: <https://biology-forums.com/index.php?topic=784525>

Question 1179

Even though fixed costs do not affect the output decision, an increase in fixed costs results in a wider range of prices for which the firm operates at a loss.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785274>

Question 1180

Long-run economic rent or profit does not exist for fixed factors like land because

- A) bidding drives up the price of the factor until no economic rent exists.
- B) there is no market for such factors.
- C) these factors have L-shaped isoquants.
- D) these factors will earn economic profits.

Answer: <https://biology-forums.com/index.php?topic=785339>

Question 1181

Mister Jones was selling his house. The asking price was \$220,000, and Jones decided he would take no less than \$200,000. After some negotiation, Mister Smith purchased the house for \$205,000. Smith's consumer surplus is

- A) \$5,000.
- B) \$15,000.
- C) \$20,000.
- D) not able to be calculated from the information given.

Answer: <https://biology-forums.com/index.php?topic=785353>

Question 1182

The larger the U.S. imposed per unit import tariff on a good imported and produced in the U.S.

- A) the smaller the U.S. consumer surplus.
- B) the larger the U.S. producer surplus.
- C) the larger the government revenue.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785453>

Question 1183

If society were to maximize the utility of its worst-off member, the final allocation would most likely be

- A) relatively egalitarian.
- B) on the contract curve.
- C) Pareto efficient.
- D) one in which one person gets everything.

Answer: <https://biology-forums.com/index.php?topic=785562>

Question 1184

The deadweight loss represents the sum of additional consumer and producer surplus should the firm produce the quantity where $P=MC$ rather than where $MR=MC$.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785655>

Question 1185

Price discrimination is welfare reducing.

- A) False, price discrimination can increase the coverage of a market thereby increasing welfare.
- B) False, price discrimination limits the coverage of a market thereby increasing welfare.
- C) True, price discrimination limits the coverage of a market thereby increasing welfare.
- D) True, price discrimination can increase the coverage of a market thereby increasing welfare.

Answer: <https://biology-forums.com/index.php?topic=785709>

Question 1186

A monopoly will not be able to perfectly price discriminate if

- A) each consumer does not reveal her reservation price.
- B) demand is very elastic.
- C) the firm's marginal cost curve is upward sloping.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785730>

Question 1187

In a Bertrand model, market power is a function of

- A) marginal cost.
- B) the number of firms.
- C) price elasticity of supply.
- D) product differentiation.

Answer: <https://biology-forums.com/index.php?topic=785902>

Question 1188

In a perfectly competitive resource market the Marginal Revenue Product Curve is

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

Answer: <https://biology-forums.com/index.php?topic=786033>

Question 1189

To derive the labor market demand curve, the labor demand curves for each firm in the output market of interest are summed.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786045>

Question 1190

Firm A is a monopsonist that faces a labor supply elasticity of 2.4 whereas Firm B is a monopsonist that faces a labor supply elasticity of 1.4. Which of these monopsonists has a higher markup over wage?

- A) Firm A
- B) Firm B
- C) They both pay the same.
- D) It is impossible to tell which pays a higher wage.

Answer: <https://biology-forums.com/index.php?topic=786094>

Question 1191

If a non-renewable resource is scarce, has constant marginal cost of production and is sold in a competitive market

- A) its price will increase over time.
- B) its price will exceed marginal cost.
- C) its price will increase by the rate of interest.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=786171>

Question 1192

If a person is risk neutral, then she

- A) is indifferent about playing a fair game.
- B) will pay a premium to avoid a fair game.
- C) has a horizontal utility function.
- D) has zero marginal utility of wealth.

Answer: <https://biology-forums.com/index.php?topic=786243>

Question 1193

Which of the following games involving the roll of a single die is a fair bet?

- A) Bet \$1 and receive \$1 if 3 or 4 comes up.
- B) Bet \$1 and receive \$1 if 3, 4, or 5 comes up.
- C) Bet \$1 and receive \$4 if 6 comes up.
- D) None of the bets is a fair bet.

Answer: <https://biology-forums.com/index.php?topic=786245>

Question 1194

A risk-neutral person will invest in a project by examining if

- A) the expected utility associated with the project is positive.
- B) the marginal utility associated with the project is positive.
- C) the expected net present value is positive.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=786290>

Question 1195

The exclusive privilege to use an asset is called a(n)

- A) property right.
- B) exclusive use agreement.
- C) property privilege.
- D) right to work privilege.

Answer: <https://biology-forums.com/index.php?topic=786363>

Question 1196

With full information any contract will lead to production efficiency.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786568>

Question 1197

In the presence of asymmetric information,

- A) all contracts are efficient.
- B) efficiency in risk bearing cannot be achieved.
- C) a trade-off exists between risk-bearing efficiency and production efficiency.
- D) no contracting will take place.

Answer: <https://biology-forums.com/index.php?topic=786575>

Question 1198

Suppose a plaintiff hires a lawyer to represent her in a court case. She agrees to pay the lawyer a wage per hour. She knows precisely what the lawyer should do and how long each activity should take, and she can verify that the lawyer has correctly completed each activity. She can terminate the contract at any time. With this contract

- A) the lawyer bears all the risk.

- B) the risk is shared by the lawyer and the plaintiff.
C) production efficiency can be achieved.
D) production efficiency is impossible.

Answer: <https://biology-forums.com/index.php?topic=786577>

Question 1199

If a firm hires lazy employees,

- A) it must pay them differently or hard-working employees will engage in moral hazard.
B) it must pay them more or hard-working employees will engage in moral hazard.
C) it must fire them before their laziness spreads to hard-working employees.
D) the lazy employees make hard-working employees look good.

Answer: <https://biology-forums.com/index.php?topic=786644>

Question 1200

Which of the following used free improvisation, imagination, and reconstructing pop songs as platforms for his inventive melodic piano improvisations?

- a. John Zorn
b. Brad Mehldau
c. Greg Osby
d. Don Byron

Answer: <https://biology-forums.com/index.php?topic=786975>

Question 1201

What consequences result from tender documents that place risks on parties not well positioned to deal with those risks?

Answer: <https://biology-forums.com/index.php?topic=787026>

Question 1202

The length of the short-run is the same for all firms.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785012>

Question 1203

If a consumer is compensated for the income effect that occurs when the price of a good increases, then his demand curves can never slope upward.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784951>

Question 1204

One reason more sport utility vehicles (SUVs) are driven in the United States than in Europe is

- A) different marginal rates of substitution.
B) different marginal rates of transformation.
C) the United States hasn't had a recession since 2000-2001.
D) Either A or B

Answer: <https://biology-forums.com/index.php?topic=784864>

Question 1205

Explain the difference between the marginal rate of substitution and the marginal rate of transformation.

Answer: <https://biology-forums.com/index.php?topic=784842>

Question 1206

If two goods are perfect substitutes, then the indifference curves for those two goods would be

- A) upward sloping and concave to the origin.
B) downward sloping and convex to the origin.
C) downward sloping and straight.
D) L-shaped.

Answer: <https://biology-forums.com/index.php?topic=784790>

Question 1207

The short-run elasticity of supply is less than the long-run elasticity of supply

- A) because consumers' tastes and preferences change in the long run but not in the short run.
B) because producers can adjust the amount of machinery in the long run but not in the short run.

- C) only for durable goods.
- D) only for non-durable goods.

Answer: <https://biology-forums.com/index.php?topic=784741>

Question 1208

The fact that many people drive faster than the posted speed limit suggests that

- A) not all price floors are enforceable.
- B) not all price and quantity regulations are enforceable.
- C) individual drivers act irrationally.
- D) government regulation is utterly useless.

Answer: <https://biology-forums.com/index.php?topic=784637>

Question 1209

Agricultural price supports are

- A) price ceilings.
- B) price floors.
- C) quantity quotas.
- D) taxes.

Answer: <https://biology-forums.com/index.php?topic=784631>

Question 1210

An increase in the demand curve for orange juice would be illustrated as a

- A) leftward shift of the demand curve.
- B) rightward shift of the demand curve.
- C) movement up along the demand curve.
- D) movement down along the demand curve.

Answer: <https://biology-forums.com/index.php?topic=784529>

Question 1211

The flu vaccination example in Section 1.1 is an example of how policy makers may cope with

- A) scarcity of medical treatment.
- B) scarcity of patients.
- C) scarcity of policy makers.
- D) answering the question of how to produce.

Answer: <https://biology-forums.com/index.php?topic=784482>

Question 1212

Suppose the cost of producing two goods, x and y, can be represented as $C = ax + by + cxy$. If the measure of economies of scope, SC, is zero, then which of the following must be true?

- A) $a = b$
- B) $a + b = -c$
- C) $c = 0$
- D) $a = -b$

Answer: <https://biology-forums.com/index.php?topic=785222>

Question 1213

Producer surplus is equal to

- A) the area under the supply curve.
- B) the difference between price and average cost for all units sold.
- C) the difference between price and marginal cost for all units sold.
- D) the firm's profit when fixed costs exist.

Answer: <https://biology-forums.com/index.php?topic=785377>

Question 1214

A primary difference between rebates and coupons?

- A) Coupons allow individuals to sort themselves into the high-elasticity group after the sale.
- B) Neither coupons or rebates are redeemed in high numbers.
- C) Rebates allow individuals to sort themselves into the high-elasticity group after the sale.
- D) Coupons are legal and rebates are illegal.

Answer: <https://biology-forums.com/index.php?topic=785766>

Question 1215

Monopolistically competitive firms face downward sloping residual demand curves because these firms

- A) have relatively few rivals (compared to competition).
- B) sell differentiated products.
- C) A and/or B.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=785913>

Question 1216

Minimum efficient scale refers to the lowest level of output at which

- A) the firm can earn a profit.
- B) average cost is minimized.
- C) the firm will operate.
- D) the average cost curve is downward sloping.

Answer: <https://biology-forums.com/index.php?topic=785918>

Question 1217

Is it true that in the long run, a monopolistically competitive firm has market power but earns no profit? Explain.

Answer: <https://biology-forums.com/index.php?topic=785928>

Question 1218

If an individual wins a multimillion dollar lottery and chooses to receive annual payments equaling the total prize, this person has a

- A) relatively low discount rate.
- B) relatively high discount rate.
- C) discount rate of zero.
- D) It is impossible to tell.

Answer: <https://biology-forums.com/index.php?topic=786104>

Question 1219

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 1220

People in a certain group have a 0.3% chance of dying this year. If a person in this group buys a life insurance policy for \$3,300 that pays \$1,000,000 to her family if she dies this year and \$0 otherwise, what is the expected value of a policy to the insurance company?

- A) \$0
- B) \$300
- C) \$3,000
- D) \$3,300

Answer: <https://biology-forums.com/index.php?topic=786213>

Question 1221

For a risk-neutral person, the expected utility associated with various levels of wealth

- A) is above the person's utility function.
- B) is below the person's utility function.
- C) is equal to the person's utility function.
- D) does not exist.

Answer: <https://biology-forums.com/index.php?topic=786244>

Question 1222

One aspect of prospect theory is that people tend to

- A) be very risk averse to large gains.
- B) be very risk averse to losses.
- C) love losses more than gains.

D) hate gains regardless of potential losses.

Answer: <https://biology-forums.com/index.php?topic=786311>

Question 1223

To maximize welfare in a competitive market that has a negative externality in production, government should tax a pollution-generating good at a specific tax equal to the marginal cost of producing the good.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786341>

Question 1224

A tax on a previously untaxed monopoly-produced good will necessarily lower total welfare if

- A) the demand curve is relatively inelastic.
- B) the demand curve is relatively elastic.
- C) less than the socially optimum is produced before the tax.
- D) more than the socially optimum is produced before the tax.

Answer: <https://biology-forums.com/index.php?topic=786356>

Question 1225

Firms under-invest in safety because

- A) firms are not concerned with safety.
- B) firms do not want their plants to be safe.
- C) firms are risk averse.
- D) firms do not enjoy all of the benefits from investments in safety.

Answer: <https://biology-forums.com/index.php?topic=786512>

Question 1226

Under which one of the following conditions would a lawyer accept a case on a contingent basis?

- A) The lawyer is risk averse.
- B) The client is risk loving.
- C) The lawyer has several cases on a contingent basis with payoffs that are not perfectly positively correlated.
- D) The lawyer is more risk averse than the client is.

Answer: <https://biology-forums.com/index.php?topic=786580>

Question 1227

At the XYZ Co., a unit of capital costs 3 times as much as a unit of labor. If the isoquants are convex, and the firm does not change its input mix in the long run, we can conclude that

- A) $MPK = 3 * MPL$.
- B) the firm will not hire any capital.
- C) the firm will hire 3 times as much labor as capital.
- D) the firm will hire 3 times as much capital as labor.

Answer: <https://biology-forums.com/index.php?topic=785187>

Question 1228

Isoquants that are downward-sloping straight lines imply that the inputs

- A) are perfect substitutes.
- B) are imperfect substitutes.
- C) cannot be used together.
- D) must be used together in a certain proportion.

Answer: <https://biology-forums.com/index.php?topic=785058>

Question 1229

A specific tax on sellers will

- A) shift the demand curve to the right.
- B) shift the demand curve to the left.
- C) shift the supply curve to the right.
- D) shift the supply curve to the left.

Answer: <https://biology-forums.com/index.php?topic=784755>

Question 1230

How will a decrease in price affect a firm's revenues?

- A) It depends on the price elasticity of demand.
- B) Revenues will stay the same.
- C) Revenues will decrease.
- D) Revenues will increase.

Answer: <https://biology-forums.com/index.php?topic=784703>

Question 1231

Assume government policy increases the demand for corn.

- A) The consumer surplus of corn buyers will increase.
- B) The producer surplus of corn growers will decrease.
- C) The producer surplus of corn growers will increase.
- D) The producer surplus of corn growers will not change.

Answer: <https://biology-forums.com/index.php?topic=785387>

Question 1232

Which of the following is most necessary for a monopolist to survive in the long run?

- A) a legal protection from entry
- B) a perfect product
- C) a brilliant Chief Operating Officer
- D) an excellent marketing campaign

Answer: <https://biology-forums.com/index.php?topic=785600>

Question 1233

When firms price discriminate they turn _____ into _____.

- A) producer surplus, revenue
- B) consumer surplus, profit
- C) total cost, profit
- D) producer surplus, consumer surplus

Answer: <https://biology-forums.com/index.php?topic=785704>

Question 1234

If somebody posing as a vacationer were able to purchase large numbers of airline tickets from the airlines and later resell them to business travelers,

- A) multimarket price discrimination on the part of airlines would no longer be profitable.
- B) multimarket price discrimination on the part of airlines would no longer be profit maximizing.
- C) the airlines would respond by raising further the price charged to business flyers.
- D) this person would not earn any economic profit.

Answer: <https://biology-forums.com/index.php?topic=785758>

Question 1235

Suppose the demand for pizza in a small isolated town is $p = 10 - Q$. There are only two firms, A and B, and each has a cost function $TC = 2 + Q$.

Compare the firms' profits if they behave as Cournot duopolists with their profits if they form a cartel and share the market.

Answer: <https://biology-forums.com/index.php?topic=785893>

Question 1236

In a Bertrand model with differentiated products,

- A) firms can set price above marginal cost.
- B) firms set price at marginal cost.
- C) price is independent of marginal cost.
- D) firms set price independently of one another.

Answer: <https://biology-forums.com/index.php?topic=785904>

Question 1237

Firm A is a monopsonist that faces a labor supply elasticity of 2.4 whereas Firm B is a monopsonist that faces a labor supply elasticity of 1.4. Which of these monopsonists pays a higher wage?

- A) Firm A
- B) Firm B
- C) They both pay the same.
- D) It is impossible to tell which pays a higher wage.

Answer: <https://biology-forums.com/index.php?topic=786093>

Question 1238

When a government turns a deficit into a surplus we would expect

- A) interest rates to rise.
- B) interest rates to decrease.
- C) the demand curve for loanable funds to shift rightward.
- D) that more investment is crowded out.

Answer: <https://biology-forums.com/index.php?topic=786195>

Question 1239

One reason car insurance seems much cheaper than health insurance?

- A) Health insurance entails more idiosyncratic than systematic risk and therefore the gains to diversification are more dramatic.
- B) Car insurance entails more systematic than idiosyncratic risk and therefore the gains to diversification are more dramatic.
- C) Health insurance entails more systematic than idiosyncratic risk and therefore there are fewer gains to diversification.
- D) Health insurance is manipulated through market power and car insurance is not.

Answer: <https://biology-forums.com/index.php?topic=786284>

Question 1240

If a production process generates pollution, then a competitive market will

- A) produce more of the good than is socially optimal.
- B) produce less of the good than is socially optimal.
- C) produce the socially optimal quantity of that good.
- D) produce zero output.

Answer: <https://biology-forums.com/index.php?topic=786327>

Question 1241

Adverse selection occurs when

- A) a person takes more risks that are not known to the life insurance company because he has life insurance.
- B) a person buys life insurance because he has a risky lifestyle that is not known to the life insurance company.
- C) a person is a risk lover.
- D) pregnant women with health insurance make more doctor visits than uninsured pregnant women.

Answer: <https://biology-forums.com/index.php?topic=786447>

Question 1242

Competitive firms are able to set price above marginal cost when

- A) the markup is less than the cost of going to another store.
- B) the markup is greater than the cost of going to another store.
- C) all consumers have full information.
- D) consumers know what other stores are charging.

Answer: <https://biology-forums.com/index.php?topic=786499>

Question 1243

The type of contract selected depends on the information available to the parties.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786553>

Question 1244

If the principal has full information, production efficiency without supervision can occur with

- A) a fixed fee rental contract.
- B) a profit-sharing contract.
- C) an incentive-compatible contract.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=786559>

Question 1245

In the presence of asymmetric information, a piece-rate contract

- A) achieves production efficiency.
- B) can lead to agents producing more output than would occur under a fixed-rent-paid-to-the-principal contract.
- C) is impossible to write.

D) will result in the principal earning all of the profit.

Answer: <https://biology-forums.com/index.php?topic=786566>

Question 1246

Many art galleries keep 60% of the sale price of a painting. However, art galleries do not typically pay the artist while the painting hangs on the wall.

This form of contingency contract may be efficient if

- A) the artist is less risk averse than the gallery.
- B) the gallery is less risk averse than the artist.
- C) the artist is unable to diversify across galleries or paintings.
- D) the gallery is unable to diversify across artists of paintings.

Answer: <https://biology-forums.com/index.php?topic=786587>

Question 1247

The "Law of Diminishing Marginal Returns" could also be termed the "Law of Increasing Marginal Costs."

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785167>

Question 1248

What is one of the biggest differences between a sole proprietorship and a corporation?

- A) Sole proprietorships offer stock.
- B) Corporation shareholders elect the managers of the firm.
- C) Sole proprietorships have limited liability.
- D) Corporations are the only profitable firms.

Answer: <https://biology-forums.com/index.php?topic=784999>

Question 1249

Median household income is \$50,000 per year. The typical household spends about \$125 per year on milk, which has an income elasticity of about 0.07. From this information, we can conclude that

- A) milk is a luxury.
- B) milk is a Giffen good.
- C) the income effect from a change in the price of milk is very large.
- D) the income effect from a change in the price of milk is very small.

Answer: <https://biology-forums.com/index.php?topic=784930>

Question 1250

Suppose that left shoes and right shoes must be purchased separately. Ingrid needs an equal number of each type of shoe and has a budget of \$100 for shoes. Left shoes always cost \$1. If right shoes cost \$19 each, how many of each will Ingrid buy? If the price of right shoes increases to \$49 each, how will Ingrid react? Explain your answer by drawing the indifference curves-budget lines.

Answer: <https://biology-forums.com/index.php?topic=784876>

Question 1251

Lectures in microeconomics can be delivered either by an instructor (labor) or a movie (capital) or any combination of both. Each minute of the instructor's time delivers the same amount of information as a minute of the movie. Which graph in the above figure best represents the isoquants for lectures in microeconomics when capital per day is on the vertical axis and labor per day is on the horizontal axis?

- A) Graph A
- B) Graph B
- C) Graph C
- D) Graph D

Answer: <https://biology-forums.com/index.php?topic=785050>

Question 1252

A vertical supply curve exhibits

- A) a constant elasticity of supply.
- B) a perfectly inelastic supply curve.
- C) Both A and B are true.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=784731>

Question 1253

Suppose the market for potatoes can be expressed as follows:

Supply: $Q_S = -20 + 10p$

Demand: $Q_D = 400 - 20p$

If the government sets a maximum price of \$10 per unit, what will be the quantity demanded and quantity supplied?

Answer: <https://biology-forums.com/index.php?topic=784639>

Question 1254

Import quotas on steel tend to result in higher quantities of steel being sold at lower prices than would be observed in the absence of a quota.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784638>

Question 1255

Repealing a tariff will likely

A) increase the quantity produced domestically, increase the quantity purchased domestically, and reduce the price charged domestically.

B) reduce the quantity produced domestically, increase the quantity purchased domestically, and reduce the price charged domestically.

C) reduce the amount produced abroad, reduce the price domestically, and reduce the quantity purchased domestically.

D) increase the amount produced abroad, increase the price domestically, and reduce the quantity purchased domestically.

Answer: <https://biology-forums.com/index.php?topic=784636>

Question 1256

A drought in the Midwest will raise the price of wheat because of a

A) leftward shift in the supply curve.

B) rightward shift in the supply curve.

C) leftward shift in the demand curve.

D) rightward shift in the demand curve.

Answer: <https://biology-forums.com/index.php?topic=784608>

Question 1257

Explain the difference between fixed costs in the short run and fixed costs in the long run.

Answer: <https://biology-forums.com/index.php?topic=785200>

Question 1258

Learning by doing will result in

A) an upward sloping long-run average cost curve.

B) a larger long-run marginal cost than long-run average cost.

C) a rotation in the isocost curves.

D) lower long-run costs than short-run costs.

Answer: <https://biology-forums.com/index.php?topic=785214>

Question 1259

Suppose all firms in a competitive market are currently in both short-run and long-run equilibrium. What impact will a lump sum tax have on each firm in the short run? in the long run?

Answer: <https://biology-forums.com/index.php?topic=785335>

Question 1260

You enter a store and buy a bottle of soda. Do you usually receive consumer surplus?

A) Yes, because you wouldn't buy the soda if your willingness to pay would be less than the price.

B) Yes, because you are thirsty.

C) No, because you value other drinks more.

D) No, because you have less money after the transaction.

Answer: <https://biology-forums.com/index.php?topic=785354>

Question 1261

Sally is shopping for textbooks at the beginning of the semester. What is one reason she might decide to not purchase a textbook?

A) Her expected producer surplus is positive.

B) Her expected consumer surplus is negative.

C) Her expected consumer surplus is positive.

D) Her expected profits are positive.

Answer: <https://biology-forums.com/index.php?topic=785367>

Question 1262

In the short run, if a firm operates, it earns a profit of \$500. The fixed costs of the firm are \$100. This firm has a producer surplus of

- A) \$500.
- B) \$100.
- C) \$400.
- D) \$600.

Answer: <https://biology-forums.com/index.php?topic=785383>

Question 1263

The end of slavery in the United States represented

- A) a large wealth transfer from the South to the North.
- B) a large wealth transfer from the future to the present.
- C) a large wealth transfer from Southern slave-holders to newly freed slaves.
- D) a nominal wealth transfer from Southern slave-holders to newly freed slaves.

Answer: <https://biology-forums.com/index.php?topic=785565>

Question 1264

Many theme parks charge an entrance fee and a per-ride fee equal to zero. This is an example of

- A) bundling.
- B) a two-tier tariff.
- C) multi-market price discrimination.
- D) perfect price discrimination.

Answer: <https://biology-forums.com/index.php?topic=785780>

Question 1265

What is the counter-intuitive solution to a mixed strategy?

- A) Player A makes Player B indifferent between its strategy choices.
- B) Player A makes itself indifferent between its strategy choices.
- C) Player A changes the rules of the game.
- D) There are no mixed strategies in most games.

Answer: <https://biology-forums.com/index.php?topic=785935>

Question 1266

Suppose the marginal product of labor equals $1/L$. If the firm can sell its output for \$10 per unit, and the wage is \$1 per unit, how many units of labor will the firm hire?

- A) 0
- B) 1
- C) 10
- D) 100

Answer: <https://biology-forums.com/index.php?topic=786022>

Question 1267

Explain why baseball ticket prices may increase when a team pays a new player a large salary, but will remain unchanged when a current player gets a salary increase.

Answer: <https://biology-forums.com/index.php?topic=786071>

Question 1268

In the first years of a professional athlete's career, the athlete is "under reserve," which means that he or she cannot negotiate with other teams. This creates a de facto

- A) monopolist.
- B) monopsony.
- C) duopoly.
- D) unilateral monopoly.

Answer: <https://biology-forums.com/index.php?topic=786096>

Question 1269

Suppose a person has a discount rate of zero. This implies she

- A) places no value on the future.

- B) places no value on the present.
- C) values the present and the future equally.
- D) would not lend money at any positive interest rate.

Answer: <https://biology-forums.com/index.php?topic=786103>

Question 1270

If the interest rate is 10%, then \$1 received one year from now is worth how much today?

- A) \$1.10
- B) \$1.00
- C) \$0.91
- D) \$0.90

Answer: <https://biology-forums.com/index.php?topic=786115>

Question 1271

Sarah buys little stuffed animals for \$5 each. They come in different varieties. If the producer stops making (retires) a certain variety, a stuffed animal of that variety will be worth \$100; otherwise it is worth \$0. There is 50% chance that any variety will be retired. When Sarah buys her next stuffed animal, the expected profit is

- A) \$50.
- B) \$47.50.
- C) \$45.00.
- D) \$0.

Answer: <https://biology-forums.com/index.php?topic=786219>

Question 1272

Describe how the risk premium for a person with a convex utility function is determined.

Answer: <https://biology-forums.com/index.php?topic=786259>

Question 1273

Steven currently has wealth of \$10,000. He is risk averse about losing any of his wealth, but risk loving about adding to his wealth. Draw his utility function.

Answer: <https://biology-forums.com/index.php?topic=786261>

Question 1274

If two events are perfectly positively correlated, then

- A) diversification is not necessary since there is no risk.
- B) diversification eliminates all risk.
- C) diversification does not reduce risk at all.
- D) diversification only cuts the risk in half.

Answer: <https://biology-forums.com/index.php?topic=786267>

Question 1275

If children go to school and become productive members of society,

- A) a negative externality is created by the schools.
- B) a positive externality is created by the schools.
- C) no externality is created by the schools.
- D) an externality is created that may be positive or negative.

Answer: <https://biology-forums.com/index.php?topic=786312>

Question 1276

In the presence of a negative externality in production, a monopoly will produce

- A) more than the social optimum.
- B) less than the social optimum.
- C) the social optimum.
- D) All of the above are possible.

Answer: <https://biology-forums.com/index.php?topic=786348>

Question 1277

Explain why the social demand curve for a public good is the vertical sum of the demand curves of each individual.

Answer: <https://biology-forums.com/index.php?topic=786437>

Question 1278

An efficiency wage premium serves the same function as a bond because, just as with a bond, the premium represents

- A) the amount the employee loses if caught shirking.
- B) the expected value of the amount the employee loses if he shirks.
- C) the cost of monitoring the employee.
- D) the gain to the employee if he shirks.

Answer: <https://biology-forums.com/index.php?topic=786602>

Question 1279

If a professional sports athlete signs a new contract which defers compensation until years after she is retired, she is signaling

- A) that she does not plan to shirk in the future, regardless of whether she did so in the past.
- B) that she did shirk and she will do so in the future.
- C) that she did shirk but won't do so in the future.
- D) that she didn't shirk and she won't do so in the future.

Answer: <https://biology-forums.com/index.php?topic=786606>

Question 1280

Including an employee representative on the board of directors reduces the possibility of opportunistic employer behavior.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786627>

Question 1281

Firms that seek to avoid hiring lazy workers that assert they are hardworking are trying to avoid

- A) adverse selection.
- B) moral hazard.
- C) screening.
- D) signaling.

Answer: <https://biology-forums.com/index.php?topic=786634>

Question 1282

Which of the following was the first jazz composition to win the Pulitzer Prize in Music?

- a. Blood on the Fields
- b. The Majesty of the Blues
- c. J Mood
- d. Black Codes

Answer: <https://biology-forums.com/index.php?topic=786963>

Question 1283

Filing requirements for partnerships are generally less onerous than for corporations.

T/F?

Answer: <https://biology-forums.com/index.php?topic=787000>

Question 1284

A firm's marginal cost can always be thought of as the change in total cost if

- A) the firm produces one more unit of output.
- B) the firm buys one more unit of capital.
- C) the firm's average cost increases by \$1.
- D) the firm moves to the next highest isoquant.

Answer: <https://biology-forums.com/index.php?topic=785134>

Question 1285

If the Engel curve for a good is upward sloping, the demand curve for that good must be downward sloping.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784953>

Question 1286

Suppose Lisa spends all of her money on books and coffee. When the price of coffee decreases, the

- A) substitution effect on coffee is positive, and the income effect on coffee is positive.

- B) substitution effect on coffee is ambiguous, and the income effect on coffee is ambiguous.
C) substitution effect on coffee is positive, and the income effect on coffee is ambiguous.
D) substitution effect on coffee is ambiguous, and the income effect on coffee is positive.

Answer: <https://biology-forums.com/index.php?topic=784939>

Question 1287

Indifference curves that are thick violate

- A) the assumption of transitivity.
B) the assumption that more is better.
C) the assumption of completeness.
D) none of the assumptions.

Answer: <https://biology-forums.com/index.php?topic=784784>

Question 1288

If the price of orange juice rises 10%, and as a result the quantity demanded falls by 8%, the price elasticity of demand for orange juice is

- A) -1.25.
B) -80.0.
C) -0.80.
D) -10.0.

Answer: <https://biology-forums.com/index.php?topic=784696>

Question 1289

To determine the total demand for all consumers, sum the quantity each consumer demands

- A) at a given price.
B) at all prices and then sum this amount across all consumers.
C) Both A and B will generate the same total demand.
D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=784532>

Question 1290

A consumer buys food (F) and shelter (S). If the consumer's income rises and there is no change in the prices of F or S, the marginal rate of transformation of F for S will

- A) increase.
B) decrease.
C) stay the same.
D) change, but there is not enough information to know how.

Answer: <https://biology-forums.com/index.php?topic=784834>

Question 1291

Long-run average cost is never greater than short-run average cost because in the long run

- A) capital costs equal zero.
B) the firm can move to the lowest possible isocost curve.
C) wages always increase over time.
D) wages always decrease over time.

Answer: <https://biology-forums.com/index.php?topic=785210>

Question 1292

If a firm operates in a perfectly competitive market, then it will most likely

- A) advertise its product on television.
B) take the price of its product as determined by the market.
C) have a difficult time obtaining information about the market price.
D) have an easy time keeping other firms out of the market.

Answer: <https://biology-forums.com/index.php?topic=785243>

Question 1293

Producer surplus is the sum of the profits earned by all firms in a market.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785388>

Question 1294

Suppose the U.S. can produce 10 units of food and 5 units of clothing (or any such linear combination) and Canada can produce 6 units of food and 4 units of clothing (or any such linear combination). If trade occurs between these two countries, which should produce more food and which more clothing?

Answer: <https://biology-forums.com/index.php?topic=785553>

Question 1295

In spring 2008, the U.S. Congress proposed to tax oil companies because of their near-monopoly status. This could have the unintended consequence of

- A) increasing the equilibrium price by more than the tax.
- B) destroying the oil companies and leaving the United States without oil.
- C) increasing the profit of the best oil company.
- D) decreasing the power of the U.S. Congress.

Answer: <https://biology-forums.com/index.php?topic=785653>

Question 1296

If a firm in an industry experiences very high fixed costs and constant marginal cost it is a good candidate for a natural monopoly. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785669>

Question 1297

Coupons represent a form of price discrimination because they offer a low-cost way for firms to

- A) identify customers with apparently more elastic demand and offer them a lower price.
- B) retain loyal customers who are not price sensitive.
- C) offer discounts to consumers who buy larger quantities.
- D) perfectly price discriminate.

Answer: <https://biology-forums.com/index.php?topic=785760>

Question 1298

Suppose the demand for pizza in a small isolated town is $p = 10 - Q$. There are only two firms, A and B, and each has a cost function $TC = 2 + q$. Determine the Cournot equilibrium.

Answer: <https://biology-forums.com/index.php?topic=785865>

Question 1299

For a monopsonist, the labor supply curve is upward sloping because

- A) the monopsonist must compete with other industries for that labor.
- B) the monopsonist requires that the laborers are highly skilled.
- C) the monopsonist is the only buyer in that labor market.
- D) the monopsonist restricts the supply of labor.

Answer: <https://biology-forums.com/index.php?topic=786074>

Question 1300

As the interest rate increases, the present value of a future payment

- A) increases.
- B) decreases.
- C) does not change.
- D) approaches infinity.

Answer: <https://biology-forums.com/index.php?topic=786127>

Question 1301

Consider a wine maker who has put her wine in bottles. The question is whether to store the wine for a marginal cost of \$1 per year or to sell the wine today at a price of \$10. If the interest rate is 6%, how much must the price of the wine increase in the next year to justify storing it?

- A) \$1.66
- B) \$1.27
- C) \$0.72
- D) \$0.45

Answer: <https://biology-forums.com/index.php?topic=786177>

Question 1302

Although he is very poor, Al plays the million-dollar lottery everyday because he is certain that one day he will win. Al makes this calculation based upon

- A) the frequency of past outcomes.
- B) subjective probability.
- C) knowledge of all possible outcomes.
- D) tossing a coin.

Answer: <https://biology-forums.com/index.php?topic=786208>

Question 1303

Describe how a firm that sells only one brand of bleach may be able to increase its profit if it re-labels some of its bleach.

Answer: <https://biology-forums.com/index.php?topic=786497>

Question 1304

In the tourist-trap model, a consumer might pay more than marginal cost for a good sold in a competitive market if the cost of possibly finding the good cheaper is more than the markup over marginal cost.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786509>

Question 1305

In which of the following contracts is the agent's payment unaffected by his performance?

- A) fixed-fee contract
- B) hire contract
- C) contingent contract
- D) sharing contract

Answer: <https://biology-forums.com/index.php?topic=786541>

Question 1306

Suppose the total cost of producing T-shirts can be represented as $TC = 50 + 2q$. The marginal cost of the 5th T-shirt is

- A) 2.
- B) 10.
- C) 12.
- D) 60.

Answer: <https://biology-forums.com/index.php?topic=785140>

Question 1307

If a good is an inferior good, then its

- A) demand curve will be upward sloping.
- B) income effect reinforces the substitution effect.
- C) income elasticity is negative.
- D) Engel curve cannot be drawn.

Answer: <https://biology-forums.com/index.php?topic=784938>

Question 1308

Lisa has an income of \$100. She spends all of her income on pizza and burritos. A pizza costs \$10 and a burrito costs \$5. However, the store where Lisa buys her burritos has a special deal. After you've bought 6 burritos, then you can buy each burrito for \$2.50. Draw Lisa's opportunity set.

Answer: <https://biology-forums.com/index.php?topic=784841>

Question 1309

What is the difference between ordinal and cardinal measurement?

Answer: <https://biology-forums.com/index.php?topic=784819>

Question 1310

Utility is the set of numerical values that

- A) yields an absolute level of pleasure from a bundle of goods.
- B) reflects the relative ranking of various bundles of goods.
- C) describes how much more a consumer prefers one bundle to another.
- D) yields a cardinal ranking of bundles.

Answer: <https://biology-forums.com/index.php?topic=784802>

Question 1311

If a consumer prefers Apples to Bananas and prefers Bananas to Citrus Fruit, in order to satisfy assumptions about preferences she has to prefer

- A) Bananas to Apples.
- B) Citrus Fruit to Bananas.
- C) Apples to Citrus Fruit.
- D) Citrus Fruit to Apples.

Answer: <https://biology-forums.com/index.php?topic=784779>

Question 1312

The testing of economic models facilitates

- A) proving a model is false.
- B) proving a model is true.
- C) proving that one person's opinion is morally incorrect.
- D) proving that one society's legal structure is better than another country's.

Answer: <https://biology-forums.com/index.php?topic=784513>

Question 1313

Economies of scale and Increasing Returns to Scale are the same thing looked at from either the production or cost perspective. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785199>

Question 1314

Explain how a firm can have constant returns to scale in production and economies of scale in cost.

Answer: <https://biology-forums.com/index.php?topic=785202>

Question 1315

If marginal revenue equals marginal cost, the firm is maximizing profits as long as

- A) the resulting profits are positive.
- B) marginal cost exceeds marginal revenue for greater levels of output.
- C) the average cost curve lies above the demand curve.
- D) All of the above are required.

Answer: <https://biology-forums.com/index.php?topic=785263>

Question 1316

Suppose there are 1000 identical wheat farmers. For each, $TC = 10 + q^2$. Derive the market supply curve.

Answer: <https://biology-forums.com/index.php?topic=785311>

Question 1317

The long-run supply curve in a competitive market is upward-sloping. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785330>

Question 1318

A ban on imports, a tariff, or a quota raise the price to domestic consumers. This means that consumers will buy less of the product at a higher price. The loss associated with this is called

- A) production associated loss.
- B) productive consumption loss.
- C) consumption distortion loss.
- D) consumer misperception loss.

Answer: <https://biology-forums.com/index.php?topic=785454>

Question 1319

What is one reason online prices might be considerably lower than brick-and-mortar prices?

- A) Online retailers engage in more price discrimination.
- B) Brick-and-mortar retailers engage in more price discrimination.
- C) Brick and mortar retailers may have higher costs.
- D) Online retailers are more likely to have steep demand curves.

Answer: <https://biology-forums.com/index.php?topic=785768>

Question 1320

If identical firms sell an undifferentiated product, advertising is likely to be

- A) used to attack the rivals' products.
- B) collectively undertaken by the industry group.
- C) strategically aimed at deterring entry.
- D) focused on secret ingredients.

Answer: <https://biology-forums.com/index.php?topic=785805>

Question 1321

The Organization of Petroleum Exporting Countries (OPEC) is an example of a(n)

- A) oil monopoly.
- B) cartel.
- C) competitive arrangement.
- D) prisoner's dilemma.

Answer: <https://biology-forums.com/index.php?topic=785839>

Question 1322

The Cournot Model of Oligopoly assumes that

- A) firms decide what quantity to produce.
- B) firms make their decisions simultaneously.
- C) firms do not cooperate.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785852>

Question 1323

A capital gains tax acts to

- A) reduce the interest rate received by loan demanders.
- B) increase the interest rate received by loan demanders.
- C) increase the interest rate received by loan suppliers.
- D) reduce the interest rate received by loan suppliers.

Answer: <https://biology-forums.com/index.php?topic=786204>

Question 1324

If a product provides a positive externality, a duopoly

- A) will provide more social welfare than a monopoly.
- B) will provide less social welfare than a monopoly.
- C) will provide the same social welfare as a monopoly.
- D) introduces an interesting and untested twist to the externality story.

Answer: <https://biology-forums.com/index.php?topic=786357>

Question 1325

If you sell your DVD player on eBay you will be better informed about the quality of the product than any potential buyer. This is called

- A) adverse selection.
- B) asymmetric information.
- C) moral hazard.
- D) opportunistic behavior.

Answer: <https://biology-forums.com/index.php?topic=786442>

Question 1326

Which of the following reduces the effects of asymmetric information?

- A) Repeat purchases
- B) Warranties
- C) Building a reputation
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=786479>

Question 1327

A profit-maximizing firm that uses an efficiency wage and monitors will increase the wage it pays its workers until

- A) the worker requires no monitoring.
- B) the worker receives the market wage and requires full-time monitoring.
- C) the cost of monitoring the worker equals the efficiency wage.
- D) the change in the workers' productivity from being monitored times the per time unit cost of monitoring equals one.

Answer: <https://biology-forums.com/index.php?topic=786603>

Question 1328

A good may be inferior at some income levels and normal at others.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784952>

Question 1329

A movement upward along an upward sloping Engel curve corresponds to

- A) upward sloping indifference curves.
- B) crossing indifference curves.
- C) a rotation in the budget constraint.
- D) a parallel shift in the budget constraint.

Answer: <https://biology-forums.com/index.php?topic=784908>

Question 1330

Adrian's total utilities of two consumption bundles are 50 and 100. This implies that

- A) the consumer prefers the first bundle.
- B) the consumer prefers the second bundle.
- C) the consumer likes the second bundle twice as much.
- D) the consumer likes the first bundle twice as much.

Answer: <https://biology-forums.com/index.php?topic=784809>

Question 1331

If pizza and tacos are substitutes, a decrease in the price of tacos would lead to a

- A) decrease in the demand curve for pizza.
- B) decrease in the quantity demanded of pizza.
- C) decrease in the price of pizza.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784609>

Question 1332

During the winter of 1997-1998, the northeastern United States experienced warmer than usual conditions. The price of home heating oil was less than it was during the previous winter, but people bought less home heating oil. This contradicts the Law of Demand.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784551>

Question 1333

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 1334

If entry is limited due to a limited input, firms in that market earn long run economic profit.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785350>

Question 1335

The term "born with a silver spoon in his mouth" mistakenly implies

- A) only monetary endowments allow one to trade with others.
- B) only the wealthy are strong negotiators in trade.

- C) endowments are physical.
- D) endowments differ.

Answer: <https://biology-forums.com/index.php?topic=785501>

Question 1336

An initial allocation of goods is called a(n)

- A) endowment.
- B) inheritance.
- C) pareto set.
- D) general equilibrium goods set.

Answer: <https://biology-forums.com/index.php?topic=785509>

Question 1337

The Lerner Index is

- A) the ratio of the difference between price and marginal cost to price.
- B) equal to $(\text{Price} - \text{MC})/\text{Price}$
- C) a measure of market power.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785616>

Question 1338

Why do firms engage in price discrimination?

- A) to decrease cost
- B) to increase profits
- C) to increase consumer surplus
- D) to prohibit the resale of their products

Answer: <https://biology-forums.com/index.php?topic=785703>

Question 1339

Charging a higher price for a motel room to customers with dogs or cats than to customers with no pets is most likely an example of

- A) first-degree price discrimination.
- B) second-degree price discrimination.
- C) third-degree price discrimination.
- D) actual cost differences.

Answer: <https://biology-forums.com/index.php?topic=785708>

Question 1340

Why doesn't a firm price discriminate based on income levels?

- A) It would be nearly impossible to conveniently confirm any individual's income level.
- B) It is illegal to ask someone their income levels.
- C) It is immoral to price discriminate based on income levels.
- D) It is common practice for firms to price discriminate based on income.

Answer: <https://biology-forums.com/index.php?topic=785762>

Question 1341

While price discrimination is possible between two markets it is not possible in more than two.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785771>

Question 1342

Tie-in sales are most advantageous to the seller when

- A) the demands for the two goods are negatively correlated.
- B) the demands for the two goods are positively correlated.
- C) the demands for the two goods are unrelated.
- D) there are economies of scope.

Answer: <https://biology-forums.com/index.php?topic=785794>

Question 1343

If both Ben and Catherine value good X more than good Y, a firm can increase profits by bundling the two products.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785800>

Question 1344

If the interest rate is 10%, then \$1 today is worth how much one year from now?

- A) \$1.10
- B) \$1.00
- C) \$0.91
- D) \$0.90

Answer: <https://biology-forums.com/index.php?topic=786116>

Question 1345

In the presence of asymmetric information, the only contract that results in production efficiency and no moral hazard is the one in which

- A) the agent receives a fixed fee.
- B) the principal receives a fixed rent.
- C) profit is shared.
- D) revenue is shared.

Answer: <https://biology-forums.com/index.php?topic=786562>

Question 1346

In what context will it likely be most difficult to effectively organize workers into a union?

- a. schools (teaching)
- b. construction industry
- c. production-line-oriented assembly plant
- d. lumber mill work

Answer: <https://biology-forums.com/index.php?topic=787080>

Question 1347

Assume Congress decides that oil companies are making too much profit and decides to tax oil companies for each gallon of gasoline produced. This would

- A) shift the marginal cost curve up.
- B) shift the marginal cost curve down.
- C) shift the average fixed cost curve up.
- D) shift the average fixed cost curve down.

Answer: <https://biology-forums.com/index.php?topic=785164>

Question 1348

You have two career options. You can work for someone else for \$50,000 a year, or, you can run your own business, with an annual revenue of \$100,000, and explicit costs of \$40,000 annually. Explain which career option a profit-maximizer would select and why.

Answer: <https://biology-forums.com/index.php?topic=785133>

Question 1349

If the price-consumption curve is upward sloping when the price of the good measured on the horizontal axis changes, then the demand curve for that good will be upward sloping.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784905>

Question 1350

If the demand curve for a good always has unitary price elasticity, what does this imply about consumer behavior?

- A) Consumers do not react to a price change.
- B) Consumers will spend a constant total amount on the good.
- C) Consumers are irrational.
- D) Consumers do not obey the Law of Demand.

Answer: <https://biology-forums.com/index.php?topic=784691>

Question 1351

Suppose the market supply curve for wheat is shown in the above figure. Calculate the producer surplus when price is \$2 per bushel. If legislation mandates that the price be \$1 per bushel, what is the resulting loss in producer surplus?

Answer: <https://biology-forums.com/index.php?topic=785391>

Question 1352

As opposed to general equilibrium analysis, partial equilibrium analysis looks

- A) at an equilibrium and changes to it in a single, isolated market.
- B) at how changes all other markets effect a particular market.
- C) at how equilibrium is determined in all markets simultaneously.
- D) at either price or quantity movements.

Answer: <https://biology-forums.com/index.php?topic=785473>

Question 1353

Consider a society consisting of just a farmer and a tailor. The farmer has 10 units of food but no clothing. The tailor has 20 units of clothing but no food. Suppose each has the utility function $U = F * C$. Derive the contract curve.

Answer: <https://biology-forums.com/index.php?topic=785506>

Question 1354

A cartel is a group of firms that attempts to

- A) maximize joint revenue.
- B) maximize joint profit.
- C) behave independently.
- D) increase consumer surplus.

Answer: <https://biology-forums.com/index.php?topic=785837>

Question 1355

Repeated games are conducive to

- A) explicit cooperation.
- B) tacit cooperation.
- C) corruption.
- D) failing to have a Nash equilibrium.

Answer: <https://biology-forums.com/index.php?topic=785937>

Question 1356

Changing the price of a good will usually result in a negative externality.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786320>

Question 1357

The efficient quantity of a pure public good occurs when the marginal cost of producing that good equals the

- A) marginal benefit to the median voter.
- B) marginal benefit to each individual.
- C) sum of all individual marginal benefits.
- D) sum of all individual marginal benefits divided by the number of voters.

Answer: <https://biology-forums.com/index.php?topic=786433>

Question 1358

As long as there is asymmetric information among consumers and positive search cost, if price is below the monopoly price and the same across all firms, then a competitive firm

- A) can always profit from raising its price.
- B) can always profit from lowering its price.
- C) can profit from raising its price but by no more than the search cost.
- D) can profit from lowering its price but by no more than the search cost.

Answer: <https://biology-forums.com/index.php?topic=786504>

Question 1359

When relatively few workers have high ability,

- A) they will settle for the average wage.
- B) they will want to signal their ability.
- C) the premium for high ability is less than when most workers have high ability.
- D) they do not need to signal their ability.

Answer: <https://biology-forums.com/index.php?topic=786525>

Question 1360

Many professional sports athletes have incentive clauses in their contracts. These indicate that

- A) the team owner has asymmetric information.
- B) the athlete might engage in moral hazard, which the team owner wishes to avoid.
- C) the athlete might engage in adverse selection, which the team owner wishes to avoid.
- D) the athlete has stronger negotiators.

Answer: <https://biology-forums.com/index.php?topic=786546>

Question 1361

Socially inefficient outcomes are possible when

- A) uninformed parties want to avoid opportunistic behavior by informed parties.
- B) informed parties engage in opportunistic behavior against uninformed parties.
- C) those in charge are risk neutral.
- D) workers do not own the firm.

Answer: <https://biology-forums.com/index.php?topic=786624>

Question 1362

If a production function is represented as $q = LaKb$, the long-run average cost curve will be horizontal as long as

- A) $a + b = 0$.
- B) $a + b = 1$.
- C) $q > 0$.
- D) $L = K$.

Answer: <https://biology-forums.com/index.php?topic=785194>

Question 1363

If the price elasticity of demand for a good is greater than one in absolute value, economists characterize that demand as

- A) elastic.
- B) inelastic.
- C) perfect.
- D) vertical.

Answer: <https://biology-forums.com/index.php?topic=784692>

Question 1364

Government prohibition of advertising cigarettes on television would most likely result in

- A) a rightward shift in the demand curve for cigarettes.
- B) a leftward shift in the demand curve for cigarettes.
- C) a rightward shift in the demand curve for television advertising time.
- D) no change in the market for either cigarette or television advertising.

Answer: <https://biology-forums.com/index.php?topic=784626>

Question 1365

A local non-profit group prints a weekly newsletter. Professional typists earn \$10 per hour and can type 2 pages per hour. Unpaid volunteers can type only 1 page per hour. Measuring hours of professional typist services on the vertical axis and hours of unpaid volunteer typist services on the horizontal axis, draw the relevant isoquant and isocost curves if the newsletter is 10 pages long. What input mix is chosen by the non-profit group if they wish to minimize the cost of the newsletter? If the group will reimburse volunteers for expenses (lunch, driving), how much must the reimbursement be for your answer to change?

Answer: <https://biology-forums.com/index.php?topic=785204>

Question 1366

Why does a patent stimulate research?

- A) Patents give firms time to do research.
- B) Patents give firms the opportunity to recover research costs and thus a profit motive.
- C) Without patents firms would not research as much.
- D) They don't.

Answer: <https://biology-forums.com/index.php?topic=785675>

Question 1367

The internet auction site eBay is an example of a(n)

- A) Sealed Bid Auction.
- B) Second-Price Auction.
- C) English Auction.
- D) Both A and B.

Answer: <https://biology-forums.com/index.php?topic=786015>

Question 1368

One reason health insurance is very expensive is because

- A) it is likely a nearly fair insurance policy.
- B) it is subject to manipulation through market power.
- C) the government doesn't regulate the industry enough.
- D) it is likely an unfair insurance policy.

Answer: <https://biology-forums.com/index.php?topic=786283>

Question 1369

In the presence of a negative externality generated by producing a good, a competitive market will produce more of that good than is socially optimal. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786342>

Question 1370

Firms that are most likely to buy marketable pollution rights are those that produce the most pollution per unit of output produced.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786383>

Question 1371

The market for used cars is shown in the above figure. Buyers cannot tell whether any given car is a lemon. Ten percent (10%) of all cars are lemons. Which of the following statements is true?

- A) All of the cars sell for \$1,900.
- B) Only lemons are sold for \$1,900.
- C) Only lemons are sold for \$1,000.
- D) Only good cars will be sold for \$2,000.

Answer: <https://biology-forums.com/index.php?topic=786476>

Question 1372

The number of brands of identical products will most likely increase as

- A) the number of informed consumers increases.
- B) the cost of producing many brands decreases.
- C) the number of uninformed consumers decreases.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=786494>

Question 1373

If a college degree is used to signal high ability, but the cost of a college degree is relatively high,

- A) a separating equilibrium is achieved.
- B) a pooling equilibrium is achieved.
- C) even low-ability workers will attend college.
- D) the share of high-ability workers must be 1.

Answer: <https://biology-forums.com/index.php?topic=786526>

Question 1374

Suppose employees pay a bond of \$1,000 to an employer. The gain from shirking is \$400. Monitoring devices have been installed so that there is a 50% chance of being caught if you are shirking. The company is considering the installation of additional monitoring devices to increase the chance of catching a shirker to 100%. They feel this is needed to deter all shirking. What is your recommendation to the company? Explain.

Answer: <https://biology-forums.com/index.php?topic=786613>

Question 1375

If the food stamp program in the United States moved from coupons redeemable for food to cash payments

- A) everyone would buy less food and more of other goods.

- B) everyone would buy more food and less of other goods.
- C) some people might buy less food and obtain a higher level of utility.
- D) some people might buy less food and obtain a lower level of utility.

Answer: <https://biology-forums.com/index.php?topic=784866>

Question 1376

At low levels of production, marginal productivity of labor increases as labor increases. At high levels of production, marginal productivity of labor decreases as labor increases. Are these two statements contradictory? Explain.

Answer: <https://biology-forums.com/index.php?topic=785042>

Question 1377

Mister Jones was selling his house. The asking price was \$220,000, and Jones decided he would take no less than \$200,000. After some negotiation, Mister Smith purchased the house for \$205,000. Jones' producer surplus is

- A) \$5,000.
- B) \$15,000.
- C) \$20,000.
- D) not able to be calculated from the information given.

Answer: <https://biology-forums.com/index.php?topic=785379>

Question 1378

Assume the price of tomatoes increases. Which of the following cause would correspond to greater producer surplus?

- A) An increase in supply.
- B) An increase in costs.
- C) A decrease in supply.
- D) An increase in demand.

Answer: <https://biology-forums.com/index.php?topic=785384>

Question 1379

If society were to maximize the utility of its best-off member, the final allocation would be

- A) perfect equity.
- B) on the contract curve.
- C) Pareto efficient.
- D) one in which one person gets everything.

Answer: <https://biology-forums.com/index.php?topic=785563>

Question 1380

Humana Hospital's price/marginal cost ratio of 2.3 is most likely to decline if

- A) the number of nearby hospitals increases.
- B) the number of nearby hospitals decreases.
- C) the demand curve for hospital services shifts rightward.
- D) the demand curve for hospital services becomes steeper.

Answer: <https://biology-forums.com/index.php?topic=785625>

Question 1381

If the government's goal is to generate a certain amount of tax revenue, a specific tax and an ad valorem tax on a monopoly have the same impact on social welfare.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785654>

Question 1382

A photograph processing machine company requiring customers who buy a processing machine to purchase chemicals and photographic paper from it is an example of

- A) bundling.
- B) a requirement tie-in sale.
- C) quantity discrimination.
- D) a two-part tariff.

Answer: <https://biology-forums.com/index.php?topic=785795>

Question 1383

Perfect competition and monopolistic competition are similar in that firms in both types of market structure will

- A) act as price takers.
- B) produce a level of output where price equals marginal cost.
- C) earn zero profit in the long run.
- D) act as price setters.

Answer: <https://biology-forums.com/index.php?topic=785822>

Question 1384

A Nash equilibrium occurs when

- A) players choose their best strategy given the strategies chosen by others.
- B) the efficient allocation of resources is achieved by setting marginal revenue equal to marginal cost.
- C) a monopolist is forced to produce the efficient level of output.
- D) oligopolists cooperate with each other.

Answer: <https://biology-forums.com/index.php?topic=785964>

Question 1385

In the 1980s, the USA and the USSR negotiated a reduction in nuclear arms, this is an example of a

- A) non-cooperative equilibrium.
- B) cooperative outcome that may not be a Nash equilibrium.
- C) cooperative outcome that was a Nash equilibrium.
- D) a sub-game perfect equilibrium.

Answer: <https://biology-forums.com/index.php?topic=785968>

Question 1386

A change in the wage causes a shift in the supply curve for labor and a

- A) shift along the demand curve for labor.
- B) shift in the demand curve for labor.
- C) rotation in the demand curve for labor.
- D) It cannot be determined by the information provided.

Answer: <https://biology-forums.com/index.php?topic=786037>

Question 1387

Monopolization of the labor market restricts output because

- A) fewer workers offer their services.
- B) the higher wage raises the firm's marginal cost.
- C) monopolized workers are less productive.
- D) a monopolized labor market means there is also a monopolized output market.

Answer: <https://biology-forums.com/index.php?topic=786063>

Question 1388

Suppose the labor market is competitive, the supply curve of labor is upward sloping, and the amount of capital is fixed. If the output market changes from a competitive market to a monopoly, what is the effect on its demand for labor? Explain.

Answer: <https://biology-forums.com/index.php?topic=786070>

Question 1389

Because a monopoly will produce less of a good than a competitive market will, welfare is always greater under monopoly than under competition in the presence of a negative externality.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786358>

Question 1390

The benefit to employers of deferred payments is that

- A) adverse selection is eliminated.
- B) employers cannot engage in any opportunistic behavior.
- C) these payments raise the cost of being fired, so more monitoring is needed.
- D) these payments raise the cost of being fired, so less monitoring is needed.

Answer: <https://biology-forums.com/index.php?topic=786601>

Question 1391

If good salespeople are extremely risk averse, then a choice between a fixed-fee contract and a contingent contract

- A) avoids a moral hazard.
- B) will result in all job candidates choosing the contingent contract.
- C) will result in an efficient contract.
- D) may not be a good screening device.

Answer: <https://biology-forums.com/index.php?topic=786638>

Question 1392

Civil litigants have an automatic right of appeal to the Supreme Court of Canada.

T/F?

Answer: <https://biology-forums.com/index.php?topic=786984>

Question 1393

For what tactical reason may a professional choose to not have insurance?

Answer: <https://biology-forums.com/index.php?topic=787061>

Question 1394

The long run average cost curve may initially slope downward due to

- A) decreasing average fixed costs.
- B) increasing marginal returns.
- C) economies of scale.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785193>

Question 1395

A firm's production function for pretzels is shown in the above figure. If the firm's fixed cost equals \$100 per time period and the wage rate equals \$1 per unit of labor per time period, calculate the firm's MC, AVC, and AC schedules. Do these cost functions follow the general rules concerning the relationships between MC, AVC and AC?

Answer: <https://biology-forums.com/index.php?topic=785170>

Question 1396

In the apparel and textile products industry, it is estimated that the elasticity of output with respect to labor is 0.70 and the elasticity of output with respect to capital is 0.31. These two measures indicate that the primary metals industry is most closely characterized by

- A) weak decreasing returns to scale.
- B) nearly constant returns to scale.
- C) strong increasing returns to scale.
- D) no returns to scale.

Answer: <https://biology-forums.com/index.php?topic=785094>

Question 1397

The slope of an isoquant tells us

- A) how much output increases when both inputs are increased.
- B) the increase in MPL when capital increases.
- C) the decrease in capital necessary to keep output constant when labor increases by one unit.
- D) the decrease in capital necessary to keep MPL constant when labor increases by one unit.

Answer: <https://biology-forums.com/index.php?topic=785060>

Question 1398

On a linear demand curve, the lower the price,

- A) the less elastic is demand.
- B) the more elastic is demand.
- C) the elasticity equals -1.
- D) the elasticity equals zero.

Answer: <https://biology-forums.com/index.php?topic=784708>

Question 1399

Suppose an individual inverse demand curve is given as $P = 2 - 1/2 q_i$, where q_i is the quantity demanded by individual i . There are 50 individual consumers with this identical, individual inverse demand curve. Solve for the market demand curve.

Answer: <https://biology-forums.com/index.php?topic=784552>

Question 1400

Robinson starts out with 10 lobsters and 5 coconuts. Friday starts out with 10 lobsters and 15 coconuts. After trading, Robinson ends up with 8 lobsters and 10 coconuts. Robinson feels neither better nor worse off than when he started but cannot get Friday to agree to any more trades. Friday feels better off than when he started. Draw the Edgeworth box consistent with this story.

Answer: <https://biology-forums.com/index.php?topic=785507>

Question 1401

The ability to produce a good at a lower opportunity cost than someone else is called

- A) competitive production.
- B) comparative advantage.
- C) selective advantage.
- D) absolute advantage.

Answer: <https://biology-forums.com/index.php?topic=785526>

Question 1402

Assume you have four tickets to a U2 concert. You decide to sell each of them separately on an auction site such as Ebay. Your auctions represent

- A) price differentiation.
- B) perfect price discrimination amongst those who bid for your tickets.
- C) perfect price discrimination amongst all people who buy tickets for the concert.
- D) an illegal act, subject to state and federal prosecution.

Answer: <https://biology-forums.com/index.php?topic=785733>

Question 1403

When a firm uses a form of quantity discrimination that charges large purchasers less it is the high quantity purchasers that generate most profit. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785748>

Question 1404

Government borrowing may crowd out borrowing by private interests because

- A) funds are not available at any interest rate.
- B) the equilibrium interest rate increases.
- C) the supply curve shifts to the left.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=786194>

Question 1405

If the interest rate received in Mexico is greater than that obtained in the United States,

- A) the demand for loans will increase in Mexico.
- B) the supply of loans will decrease in the United States.
- C) the supply of loans will decrease in Mexico.
- D) the demand for loans will decrease in the United States.

Answer: <https://biology-forums.com/index.php?topic=786201>

Question 1406

What type of risk behavior does the person exhibit who is willing to pay \$5 for the chance to bet \$60 on a game where 20% of the time the bet returns \$100, and 80% of the time returns \$50? Explain.

Answer: <https://biology-forums.com/index.php?topic=786258>

Question 1407

A risk-neutral individual will make investment decisions purely based on net present value because

- A) she doesn't care about utility.
- B) because utility is a linear function of wealth.
- C) she loves to take risk.
- D) net present value is always more than expected utility.

Answer: <https://biology-forums.com/index.php?topic=786292>

Question 1408

Suppose that the market for steel is shown in the above figure. Is social welfare greater under monopoly or under competition?

Answer: <https://biology-forums.com/index.php?topic=786360>

Question 1409

Workers do not know the safety records at individual firms; they only know industry averages. As a result,

- A) each firm tries to outdo each other in making safety improvements.
- B) each firm has the incentive to be the safest in its industry.
- C) the equilibrium level of safety is less than optimal.
- D) the optimal level of safety is achieved.

Answer: <https://biology-forums.com/index.php?topic=786517>

Question 1410

Screening and signaling in the labor market are inefficient

- A) unless college costs are relatively low.
- B) unless they result in a better job match.
- C) because the benefits are spread out over many firms.
- D) because they raise the wage paid to all workers.

Answer: <https://biology-forums.com/index.php?topic=786527>

Question 1411

Describe the characteristics of an efficient contract between a principal and an agent.

Answer: <https://biology-forums.com/index.php?topic=786554>

Question 1412

In the presence of asymmetric information with costless monitoring and enforcement, a hire contract results in production efficiency.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786591>

Question 1413

When the isocost line is tangent to the isoquant, then

- A) $MRTS = -w/r$.
- B) the firm is producing that level of output at minimum cost.
- C) the last dollar spent on capital yields as much extra output as the last dollar spent on labor.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785177>

Question 1414

If an isocost line crosses the isoquant twice, a cost minimizing firm will

- A) use a different isocost line to select the bundle of inputs.
- B) use the input bundle associated with the intersection on the higher point of the isoquant.
- C) use the input bundle associated with the intersection on the lower point of the isoquant.
- D) Both B and C.

Answer: <https://biology-forums.com/index.php?topic=785176>

Question 1415

Economic costs of an input include

- A) only implicit costs.
- B) only explicit costs.
- C) both implicit and explicit costs.
- D) whatever management wishes to report to the shareholders.

Answer: <https://biology-forums.com/index.php?topic=785117>

Question 1416

Changing how production is organized cannot result in changes in productivity.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785114>

Question 1417

If the average cost of producing a good is increasing as a firm produces more of the good, then which of the following must be TRUE?

- A) AFC is falling.

- B) AVC is rising.
- C) $MC > AVC$.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785152>

Question 1418

To say that isoquants are convex is to say that

- A) the marginal rate of technical substitution falls as labor increases.
- B) capital and labor are perfect substitutes.
- C) labor, but not capital, is subject to the law of diminishing marginal returns.
- D) there are constant returns to scale.

Answer: <https://biology-forums.com/index.php?topic=785053>

Question 1419

If the marginal productivity of labor is constant for all levels of output, then the average productivity of labor

- A) is constant.
- B) equals the marginal productivity of labor.
- C) Both A and B above.
- D) Either A or B above but not both.

Answer: <https://biology-forums.com/index.php?topic=785024>

Question 1420

Unlike indifference curves, isoquants can intersect.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785064>

Question 1421

Assume the market demand for wheat may be written as

$$Q = 45 - 2p + 0.3Y + 1pb$$

where Y refers to income and pb refers to the price of barley. Assuming that wheat and barley both sell for \$1, and income is \$20, calculate the price elasticity, cross price elasticity and income elasticity for wheat.

Answer: <https://biology-forums.com/index.php?topic=784717>

Question 1422

Consider the demand functions: A) $Q_d = 250 - 2P$ B) $Q_d = 300 - 3P$.

Which of the demand functions reflects a higher level of consumer incomes?

- A) A
- B) B
- C) A and B reflect the same consumer incomes.
- D) More information is needed.

Answer: <https://biology-forums.com/index.php?topic=784523>

Question 1423

$2 + 2 = 5$ is

- A) a normative statement.
- B) a moral judgment.
- C) correct, given common assumptions.
- D) a positive statement.

Answer: <https://biology-forums.com/index.php?topic=784503>

Question 1424

Which of the following characteristics of a competitive market make auction sites such as eBay so popular?

- A) There is freedom of entry and exit.
- B) There are very low transaction costs.
- C) There are only one or two sellers.
- D) Buyers and sellers have complete information.

Answer: <https://biology-forums.com/index.php?topic=785251>

Question 1425

Suppose consumers of cigarettes can be classified into two groups: heavy users and light users. Heavy users purchase more cigarettes and are less sensitive to price changes relative to light users. To determine whether a heavy user suffers a greater loss of consumer surplus than a light user does when the price of cigarettes increases, one would need to know

- A) each group's average income.
- B) the actual quantities purchased by each.
- C) each individual's price elasticity of demand.
- D) no additional information.

Answer: <https://biology-forums.com/index.php?topic=785364>

Question 1426

Suppose the U.S. can produce 10 units of food and 5 units of clothing (or any linear combination) and Canada can produce 6 units of food and 3 units of clothing (or any linear combination). What type of trade will occur between these two countries? Explain.

Answer: <https://biology-forums.com/index.php?topic=785552>

Question 1427

A justification for patents is that without patents consumer surplus would be

- A) larger than with the patent.
- B) zero since the product would not be invented.
- C) only slightly smaller than with the patent.
- D) zero since the monopoly would be a revenue maximizer.

Answer: <https://biology-forums.com/index.php?topic=785673>

Question 1428

Monopolistic Competition and perfect competition differ because

- A) only monopolistically competitive firms will set $MR = MC$.
- B) only perfectly competitive firms will set $MR = MC$.
- C) only monopolistic competition allows for entry of other firms in the long run.
- D) only competitive firms take the price as given.

Answer: <https://biology-forums.com/index.php?topic=785826>

Question 1429

The difference between the marginal expenditure and the wage is greater when the supply curve of labor is

- A) less elastic at the monopsony optimum.
- B) more elastic at the monopsony optimum.
- C) more elastic than the demand curve.
- D) The difference does not depend on any elasticity.

Answer: <https://biology-forums.com/index.php?topic=786090>

Question 1430

Explain why a firm may rationally make an investment when its cash flow from the investment is not positive each year.

Answer: <https://biology-forums.com/index.php?topic=786162>

Question 1431

Catherine is risk-averse. When faced with a choice between a gamble and a certain level of wealth she will

- A) always prefer the gamble.
- B) always prefer the certain level of wealth.
- C) prefer the gamble if the expected utility from it is higher than the utility from the certain level of wealth.
- D) prefer the certain level of wealth if the expected utility from the gamble is higher than the utility of the certain level of wealth.

Answer: <https://biology-forums.com/index.php?topic=786250>

Question 1432

If an individual makes her investment decisions based solely on the Net Present Value criterion, one can conclude that she is

- A) risk averse.
- B) risk neutral.
- C) risk loving.
- D) extremely wealthy.

Answer: <https://biology-forums.com/index.php?topic=786291>

Question 1433

Why would a firm rather a company like J.D. Power (which provides product satisfaction reviews) review its product than doing it within the firm?

- A) J.D. Power provides less credibility.
- B) J.D. Power provides greater credibility.
- C) J.D. Power is more honest than the average firm.
- D) J.D. Power has a government monopoly in providing product satisfaction reviews.

Answer: <https://biology-forums.com/index.php?topic=786469>

Question 1434

Signals can help prevent adverse selection as long as a false signal is costly to the person sending it.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786470>

Question 1435

Why would a firm knowingly hire lazy employees?

- A) Lazy employees have positive marginal revenue product.
- B) Lazy employees have successfully sued firms in the past.
- C) The Americans with Disabilities Act mandates that laziness be considered a disability.
- D) Lazy employees make hard-working employees look good.

Answer: <https://biology-forums.com/index.php?topic=786643>

Question 1436

An increase in income (all else equal) will ALWAYS lead to a parallel shift of the budget line.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784923>

Question 1437

If the supply curve for orange juice is estimated to be $Q = 40 + 2p$, then

- A) supply is price elastic at all prices.
- B) supply is price inelastic at all prices.
- C) supply is elastic only at prices below 20.
- D) no general statements about price elasticity of supply can be made.

Answer: <https://biology-forums.com/index.php?topic=784728>

Question 1438

Assume the price of a movie is \$10. Jenna demands 2 movies per week, Sam demands 3 movies per week, and Jordan demands 8 movies per week.

From this information we can conclude that

- A) the market quantity demanded at a price of \$10 is at least 13 movies per week.
- B) Jordan is obviously more wealthy than either Sam or Jeanna.
- C) Sam is irrational compared to Jenna or Jordan.
- D) the movie industry is unprofitable.

Answer: <https://biology-forums.com/index.php?topic=784544>

Question 1439

If firms in a competitive market are not identical, then an increase in cost will

- A) shift marginal cost to the right.
- B) push the most inefficient firms out of the market.
- C) push the most efficient firms out of the market.
- D) Need more information.

Answer: <https://biology-forums.com/index.php?topic=785319>

Question 1440

Consumers often purchase products that, afterward, they regret purchasing. This can be explained by

- A) consumers trying products to determine if their consumer surplus increases.
- B) consumers trying products to determine if firm advertising is honest.
- C) consumers trying to minimize expenditures.
- D) consumers trying to maximize choice.

Answer: <https://biology-forums.com/index.php?topic=785369>

Question 1441

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 1442

Suppose the market supply curve is $p = 5 + Q$. At a price of 10, producer surplus equals

- A) 50.
- B) 25.
- C) 12.50.
- D) 10.

Answer: <https://biology-forums.com/index.php?topic=785380>

Question 1443

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 1444

A flour mill holding exclusive contracts to 95% of the wheat in a large geographic area may operate as a flour producing monopoly locally because

- A) the mill has a very inelastic supply curve.
- B) the mill is a natural monopoly.
- C) the mill controls a key input.
- D) the government will declare it a monopoly.

Answer: <https://biology-forums.com/index.php?topic=785664>

Question 1445

A firm that practices multimarket price discrimination will set the lower price in the market that has the most elastic demand.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785770>

Question 1446

A hotel with market power charges customers who check in before 5:00 pm more than those who check in after 5:00 pm. Those who check in early are much more likely to use the hotel's pool. Explain why this price difference may not be price discrimination.

Answer: <https://biology-forums.com/index.php?topic=785776>

Question 1447

Monopolistically competitive firms

- A) have market power because they can set price above marginal cost.
- B) have no market power because they earn zero economic profit.
- C) have no market power because of free entry.
- D) have no market power because price equals marginal cost.

Answer: <https://biology-forums.com/index.php?topic=785915>

Question 1448

A bond issuer agrees to pay a stated nominal amount each year. An increase in the nominal interest rate will cause

- A) the price of the bond to fall.
- B) the price of the bond to rise.
- C) the nominal value of the bond's coupon to rise.
- D) the nominal value of the bond's coupon to fall.

Answer: <https://biology-forums.com/index.php?topic=786146>

Question 1449

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 1450

Season ticket holders often purchase their tickets before a season begins. There is often a discount associated with season tickets. Why?

- A) Buying season tickets entails risk, which consumers are willing to bear if they are compensated for doing so.
- B) Buying season tickets is a way of guaranteeing a supply of tickets for the secondary market.
- C) Selling season tickets entails greater transactions costs which team owners hope to avoid.
- D) Sports teams are local monopolies.

Answer: <https://biology-forums.com/index.php?topic=786549>

Question 1451

Suppose an employer has monitoring devices established so that the probability of an employee being caught while shirking is 0.2. If the gain to the employee from shirking is \$1,000, how large a bond will deter shirking?

Answer: <https://biology-forums.com/index.php?topic=786612>

Question 1452

Which of the following jazz vocalists was known for incorporating Rhythm and Blues and pop in his work?

- a. Kevin Mahogany
- b. Tony Bennett
- c. Al Jarreau
- d. Jon Hendricks

Answer: <https://biology-forums.com/index.php?topic=786981>

Question 1453

Which of the following is good practice for an owner awarding a contract?

- a. seeking clarity from a bidder regarding an ambiguity in a bid before awarding the contract
- b. awarding the contract based on criteria not stated in the invitation for tenders
- c. accepting a bid that does not comply with all the mandatory criteria stated in the invitation for tenders
- d. refusing to negotiate with any bidders

Answer: <https://biology-forums.com/index.php?topic=787031>

Question 1454

What aspect of the employment standards dispute process is most different to litigating in court?

- a. filing the claim
- b. notifying the defendant of the claim
- c. proving the claim
- d. recovering of a judgment

Answer: <https://biology-forums.com/index.php?topic=787085>

Question 1455

Lisa views pizzas and burritos as goods. If she prefers a bundle of 4 burritos and 4 pizzas to a bundle of 4 burritos and 5 pizzas, which property of consumer preference is violated? What change in the assumptions could lead a rational consumer to prefer the first bundle?

Answer: <https://biology-forums.com/index.php?topic=784798>

Question 1456

If ethanol production is expected to increase the price of corn, U.S. farmers will likely

- A) shift the supply of corn to the left.
- B) shift the supply of corn to the right.
- C) reduce the production of corn by sliding down the corn supply curve, all else equal.
- D) increase the production of corn by sliding up the corn supply curve, all else equal.

Answer: <https://biology-forums.com/index.php?topic=784568>

Question 1457

Explain why in the case of economies of scope the production possibility frontier is bowed outward.

Answer: <https://biology-forums.com/index.php?topic=785230>

Question 1458

A horizontal demand curve for a firm implies that

- A) the firm is a monopoly.
- B) the market the firm is operating in is not competitive.
- C) the firm is selling in a competitive market.
- D) the products of that firm are very different from other firms' products.

Answer: <https://biology-forums.com/index.php?topic=785235>

Question 1459

The owners of sports franchises often complain that free-agency (open bidding for player services) threatens their profitability and thus their long-run viability. Given your knowledge of perfect competition, which of the following is correct?

- A) team owners might be correct in as much as free-agency bids up the price of players so that economic profits from those players equal zero.
- B) team owners might be correct in as much as free-agency bids up the price of players so that economic profits from those players is negative.
- C) team owners are lying, as free-agent salaries are still much too low.
- D) team owners are telling the truth, as free-agent salaries are much too high.

Answer: <https://biology-forums.com/index.php?topic=785346>

Question 1460

A monopoly sets a price of \$50 per unit for an item that has a marginal cost of \$10. Assuming profit maximization, the implicit demand elasticity is

- A) -0.2.
- B) -0.8.
- C) -1.25.
- D) -5.0.

Answer: <https://biology-forums.com/index.php?topic=785628>

Question 1461

A firm producing a relatively large quantity before any rivals have entered the market, is an example of first-mover advantage. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786001>

Question 1462

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 1463

Which of the following helps to reduce risk?

- A) Abstain from risk taking.
- B) Obtain more information.
- C) Diversify.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=786263>

Question 1464

Suppose a patent applicant approaches an insurance company and seeks to purchase an insurance policy that her patent will not net \$1m in the next three years. The insurance company

- A) will sell her an insurance policy because the proposal entails uncertainty not risk.
- B) will sell her an insurance policy because the proposal entails risk not uncertainty.
- C) will not sell her an insurance policy because the proposal entails uncertainty not risk.
- D) will not sell her an insurance policy because the proposal entails risk not uncertainty.

Answer: <https://biology-forums.com/index.php?topic=786280>

Question 1465

Suppose a plaintiff hires a lawyer to represent her in a court case. The lawyer will be paid a fixed fee. Under this contract

- A) production efficiency is achieved.
- B) the client bears all of the risk.
- C) the lawyer has an incentive to lie about his hours worked.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=786572>

Question 1466

Author A accepts a \$5,000 advance and a 10% royalty after 5,000 books are sold. Author B foregoes the advance and negotiates for a 15% royalty on all books sold. Author C decides to self publish his book and keep 50% of all sales revenue. In what order of risk aversion (from most to least) would you rank these authors?

- A) Author A, Author B, Author C
- B) Author A, Author C, Author B
- C) Author B, Author A, Author C
- D) Author C, Author B, Author A

Answer: <https://biology-forums.com/index.php?topic=786588>

Question 1467

As the price of a good rises, the consumer will experience

- A) a desire to consume a different bundle.
- B) a decrease in utility.
- C) a southern or western movement on the indifference map.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784899>

Question 1468

If Fred's marginal utility of pizza equals 10 and his marginal utility of salad equals 2, then

- A) he would give up 5 pizzas to get the next salad.
- B) he would give up 5 salads to get the next pizza.
- C) he will eat five times as much pizza as salad.
- D) he will eat five times as much salad as pizza.

Answer: <https://biology-forums.com/index.php?topic=784807>

Question 1469

When comparing elasticities between two different linear demand curves, the curve that is flatter has greater price elasticity at every given price.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784715>

Question 1470

In the case of a linear demand curve, demand becomes more price elastic as price increases.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784714>

Question 1471

The price of crude oil reached \$100 per barrel in early 2008. What would we expect to see happen to the supply of gasoline, which is produced using crude oil?

- A) The supply of gasoline will increase.
- B) The supply of gasoline will decrease.
- C) The supply of gasoline will stay the same because the government requires gasoline producers to meet statutory minimum production levels.
- D) The supply of gasoline will stay the same because of the profit motives of gasoline producers.

Answer: <https://biology-forums.com/index.php?topic=784567>

Question 1472

As the quantity produced of a good increases, the social welfare generated by that good increases.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785405>

Question 1473

Suppose that market demand can be represented as $p = 100 - 2Q$. There are 10 identical firms producing an undifferentiated product, each with the total cost function $TC = 50 + \dots$. Compare the competitive outcome with the cartel outcome. What is the individual firm's incentive to cheat on the cartel?

Answer: <https://biology-forums.com/index.php?topic=785849>

Question 1474

The Cournot model assumes that firm A maximizes its profit, holding firm B's output constant.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785864>

Question 1475

Today John says: "I will start working out tomorrow". Yet, as tomorrow arrives he doesn't. This is an example of

- A) time inconsistent preferences.
- B) time consistent preferences.
- C) exponential discounting.
- D) future-biased preferences.

Answer: <https://biology-forums.com/index.php?topic=786155>

Question 1476

Why is the price of a scarce exhaustible resource in a competitive market above the marginal cost of providing a unit of the resource?

Answer: <https://biology-forums.com/index.php?topic=786184>

Question 1477

John derives more utility from having \$1,000 than from having \$100. From this, we can conclude that John

- A) is risk averse.
- B) is risk loving.
- C) is risk neutral.
- D) has a positive marginal utility of wealth.

Answer: <https://biology-forums.com/index.php?topic=786246>

Question 1478

The Friedman-Savage utility function can explain why

- A) people buy automobile insurance.
- B) somebody becomes addicted to gambling.
- C) people become more risk averse as their wealth increases.
- D) people place small bets to have a chance at winning a large amount.

Answer: <https://biology-forums.com/index.php?topic=786252>

Question 1479

The XYZ Co. sells shirts. Shirts with the company label on the tag are perceived to be of higher quality than shirts with the store's label. Yet, shirts are of identical quality regardless of label. The demand for perceived high-quality shirts is $p_h = 50 - q_h$. The demand for perceived low-quality shirts is $p_l = 10 + p_h - q_l$. The firm can produce shirts at $TC = q_h + q_l$. How many shirts does the firm label as low quality and how many as high quality? What prices are charged?

Answer: <https://biology-forums.com/index.php?topic=786496>

Question 1480

Empirical studies conclude that advertising

- A) raises prices in all markets.
- B) can reduce the prices of many goods.
- C) reduces the prices on all goods.
- D) has no impact on prices.

Answer: <https://biology-forums.com/index.php?topic=786507>

Question 1481

Explain why high priced lawyers may support an industry ban on price advertising for lawyers.

Answer: <https://biology-forums.com/index.php?topic=786511>

Question 1482

Suppose the supply curve and the demand curve both have unitary elasticity at all prices. The price increase to consumers resulting from a specific tax of \$1 imposed on sellers will be

- A) \$1.
- B) 50 cents.
- C) zero.
- D) impossible to calculate without knowing the slope of the supply curve.

Answer: <https://biology-forums.com/index.php?topic=784753>

Question 1483

If the price of orange juice rises 10%, and as a result the quantity demanded falls by 8%, the price elasticity of demand for orange juice is

- A) -1.25.
- B) inelastic.
- C) Both A and B above.
- D) Neither A nor B above.

Answer: <https://biology-forums.com/index.php?topic=784694>

Question 1484

If the demand for oranges is written as $Q = 100 - 5p$, then the inverse demand function is

- A) $Q = 5p - 100$.
- B) $Q = 20 - .2p$.
- C) $p = 20 - 5Q$.
- D) $p = 20 - .2Q$.

Answer: <https://biology-forums.com/index.php?topic=784531>

Question 1485

If activists successfully lobbied government to force firms to produce more output than they normally would in a perfectly competitive market,

- A) consumer surplus would decline.
- B) producer surplus would increase.
- C) taxation would solve the problem.
- D) total surplus in the market would decline.

Answer: <https://biology-forums.com/index.php?topic=785402>

Question 1486

Moving away from the contract curve will

- A) harm both parties.
- B) harm only one of the parties.
- C) harm at least one of the parties.
- D) harm neither of the parties.

Answer: <https://biology-forums.com/index.php?topic=785488>

Question 1487

If the inverse demand curve a monopoly faces is $p = 100 - 2Q$, then profit maximization

- A) is achieved when 25 units are produced.
- B) is achieved by setting price equal to 25.
- C) is achieved only by shutting down in the short run.
- D) cannot be determined solely from the information provided.

Answer: <https://biology-forums.com/index.php?topic=785582>

Question 1488

Assuming Cournot behavior, what happens to the market output, the price of the output, and each firm's output as the number of firms in a market increases?

Answer: <https://biology-forums.com/index.php?topic=785867>

Question 1489

The Bertrand model is a more plausible model of firm behavior than the Cournot model

- A) when firms set the quantity to be sold.
- B) when firms sell a differentiated product.
- C) because firms that sell a non-differentiated product typically act as price takers.
- D) because the Bertrand model predicts that firms will price at marginal cost.

Answer: <https://biology-forums.com/index.php?topic=785895>

Question 1490

The ability to deter entry requires

- A) a credible threat that if entry occurs the firm is willing to produce more than they would otherwise.
- B) a credible threat that if entry occurs the firm will not produce more than they would otherwise.
- C) a good lawyer.
- D) a clever accounting department.

Answer: <https://biology-forums.com/index.php?topic=785996>

Question 1491

Which of the following has NOT been a part of the Jazz at Lincoln Center program?

- a. Competitions
- b. Commissions
- c. Educational Programs
- d. TV shows

Answer: <https://biology-forums.com/index.php?topic=786961>

Question 1492

Which vocalist is known for using his voice in unusual ways as well as using his body for percussion sounds?

- a. Tony Bennett
- b. Bobby McFerrin
- c. Jon Hendricks
- d. Frank Sinatra

Answer: <https://biology-forums.com/index.php?topic=786983>

Question 1493

SHORT ANSWER

8. Name the four persons (or groups) professionals owe ethical duties to.

Answer: <https://biology-forums.com/index.php?topic=786991>

Question 1494

Which of the following is the most common cause of client dissatisfaction?

- a. projects being completed behind schedule
- b. technical challenges
- c. failure to establish realistic client expectations by effective and continuous communication
- d. unforeseen difficulties

Answer: <https://biology-forums.com/index.php?topic=787057>

Question 1495

Why might a multiple holdback system result in practice even if the legislation only requires a single holdback system?

Answer: <https://biology-forums.com/index.php?topic=787073>

Question 1496

Suppose Joe's utility for lobster (L) and soda (S) can be represented as $U = L^{0.5} S^{0.5}$. Draw the indifference curve that yields a utility level of 9. Calculate the MUL , MUS , and MRS of L for S on that indifference curve when $S = 3$.

Answer: <https://biology-forums.com/index.php?topic=784820>

Question 1497

Suppose there are 20 competitive firms in a market. The supply curve of each firm is $q = 2p$. The market demand is $Q = 200 - 2p$. What is the residual demand curve facing a typical firm?

Answer: <https://biology-forums.com/index.php?topic=785277>

Question 1498

Firms in long-run perfect competition produce at

- A) increasing returns to scale.
- B) decreasing returns to scale.
- C) constant returns to scale.
- D) no returns to scale.

Answer: <https://biology-forums.com/index.php?topic=785327>

Question 1499

Suppose the market supply curve is $p = 5Q$. At a price of 10, producer surplus equals

- A) 50.
- B) 25.
- C) 12.50.
- D) 10.

Answer: <https://biology-forums.com/index.php?topic=785381>

Question 1500

If a firm enjoys producer surplus in perfectly competitive Market A of \$1000 and would enjoy producer surplus in perfectly competitive Market B of \$1200, the firm would consider moving to Market B if

- A) fixed costs are greater than \$100 in Market A.
- B) fixed costs are less than \$200 in Market B.
- C) fixed costs are less than \$300 but greater than \$200 in Market B.
- D) fixed costs in Market B are less than the fixed costs in Market A plus \$200

Answer: <https://biology-forums.com/index.php?topic=785386>

Question 1501

If two or more markets are closely related

- A) a partial equilibrium analysis will tend to overstate the price impact of a supply shock.
- B) a partial equilibrium analysis will tend to accurately predict the price impact of a supply shock.
- C) a partial equilibrium analysis will tend to understate the price impact of a supply shock.
- D) they should be analyzed concurrently but using partial equilibrium analysis alone.

Answer: <https://biology-forums.com/index.php?topic=785480>

Question 1502

Government debt increases the interest rate and private investment.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786205>

Question 1503

When majority rule voting is used to determine whether to purchase a public good,

- A) the efficient outcome is not assured.
- B) the median voter gets her way.
- C) the sum of the marginal benefits is ignored.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=786434>

Question 1504

The change in price that results from a leftward shift of the supply curve will be greater if

- A) the demand curve is relatively steep than if the demand curve is relatively flat.
- B) the demand curve is relatively flat than if the demand curve is relatively steep.
- C) the demand curve is horizontal than if the demand curve is vertical.
- D) the demand curve is horizontal than if the demand curve is downward sloping.

Answer: <https://biology-forums.com/index.php?topic=784656>

Question 1505

Rank-order the following three gifts in terms of potential utility: 1) A new video game; 2) A gift card to a video game store; 3) Cash.

- A) 1, 2, 3
- B) 2, 3, 1
- C) 3, 2, 1
- D) 1, 3, 2

Answer: <https://biology-forums.com/index.php?topic=784867>

Question 1506

A consumer's willingness to trade one good for another can be expressed by the consumer's

- A) indifference curve.
- B) marginal rate of substitution.
- C) Both A and B above.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=784785>

Question 1507

Suppose the production of VCRs can be represented by the following production function: $q = L^{0.4} K^{0.4}$. Which of the following statements is (are) TRUE?

- A) The production function has decreasing returns to scale.

- B) The marginal productivity of labor falls as labor increases in the short run.
C) Capital and labor can be substituted for one another.
D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785079>

Question 1508

The demand curve for an individual competitive firm faces is known as its

- A) excess demand curve.
B) market demand curve.
C) residual demand curve.
D) leftover demand curve.

Answer: <https://biology-forums.com/index.php?topic=785248>

Question 1509

In the long-run equilibrium in perfect competition

- A) producer surplus is positive.
B) producer surplus is negative.
C) producer surplus is greater than consumer surplus.
D) producer surplus is less than consumer surplus.

Answer: <https://biology-forums.com/index.php?topic=785385>

Question 1510

Suppose a profit-maximizing monopoly is able to employ multimarket price discrimination. The marginal cost of providing the good is constant and the same in both markets. The marginal revenue the firm earns on the last unit sold in the market with the lower price will be

- A) greater than the marginal revenue the firm earns on the last unit sold in the market with the higher price.
B) less than the marginal revenue the firm earns on the last unit sold in the market with the higher price.
C) equal to the marginal revenue the firm earns on the last unit sold in the market with the higher price.
D) greater than the marginal cost of the last unit.

Answer: <https://biology-forums.com/index.php?topic=785764>

Question 1511

Explain why gasoline stations across the street from each other with large signs displaying their prices may "legally" jointly set monopoly prices.

Answer: <https://biology-forums.com/index.php?topic=785850>

Question 1512

After analyzing his opponent, a tennis player decides to serve 10% of his serves to the left, 50% of his serves to the right, and 40% of his serves at the body of his opponent. This illustrates a

- A) deterministic strategy.
B) a dominant strategy.
C) mixed strategy.
D) non-game theoretic problem.

Answer: <https://biology-forums.com/index.php?topic=785942>

Question 1513

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 1514

Suppose a blackjack gambler approaches an insurance company and seeks to purchase an insurance policy that his next trip to Reno, NV will not net \$10,000. The insurance company

- A) will sell her an insurance policy because the proposal entails uncertainty not risk.
B) will sell her an insurance policy because the proposal entails risk not uncertainty.
C) will not sell her an insurance policy because the proposal entails uncertainty not risk.
D) will not sell her an insurance policy because the proposal entails risk not uncertainty.

Answer: <https://biology-forums.com/index.php?topic=786281>

Question 1515

Because demand curves slope downward according to the Law of Demand, the price elasticity of demand is a negative number. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784716>

Question 1516

Clifford lives by the motto "Eat, drink and be merry today, for tomorrow doesn't matter." If today's consumption is measured on the horizontal axis and tomorrow's consumption is measured on the vertical axis, Clifford's indifference curves

- A) are horizontal straight lines.
- B) are vertical straight lines.
- C) show decreasing utility as one moves upward.
- D) cannot be determined from the information given.

Answer: <https://biology-forums.com/index.php?topic=784816>

Question 1517

A typical professional National Football League team has three quarterbacks on its roster. One reason why they might not have a fourth quarterback?

- A) The fourth quarterback's marginal product is approximately zero.
- B) The fourth quarterback's marginal product is approximately ten.
- C) The fourth quarterback's marginal product is less than the first quarterback's marginal product.
- D) There is a law against carrying four quarterbacks on a team.

Answer: <https://biology-forums.com/index.php?topic=785037>

Question 1518

The tax incidence of a specific tax or ad valorem tax is influenced by

- A) who pays the tax.
- B) the amount of the tax.
- C) the price elasticities of supply and demand.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784766>

Question 1519

Suppose the demand curve is perfectly inelastic and the supply curve is upward sloping. The price sellers receive after a specific tax is imposed on sellers

- A) is less than before the tax.
- B) is higher than before the tax.
- C) is unchanged.
- D) depends on the supply elasticity.

Answer: <https://biology-forums.com/index.php?topic=784760>

Question 1520

As the demand for corn increases to provide input for ethanol production, what is expected to happen to the price elasticity of corn supply?

- A) It will decrease.
- B) It will become zero.
- C) it will increase.
- D) It will not change.

Answer: <https://biology-forums.com/index.php?topic=784734>

Question 1521

Suppose the demand curve for a good shifts rightward, causing the equilibrium price to increase. This increase in the price of the good results in

- A) a rightward shift of the supply curve.
- B) an increase in quantity supplied.
- C) a leftward shift of the supply curve.
- D) a downward movement along the supply curve.

Answer: <https://biology-forums.com/index.php?topic=784555>

Question 1522

A competitive equilibrium is Pareto efficient because at the competitive equilibrium

- A) prices have been allowed to adjust.

- B) there are no further gains from trade.
- C) the final outcome is different from the original inefficient endowment.
- D) all members of society can be made better off.

Answer: <https://biology-forums.com/index.php?topic=785511>

Question 1523

If a monopoly's Lerner Index exceeds 1, then

- A) it is earning maximum profit.
- B) it has ultimate market power.
- C) it must be pricing below marginal cost.
- D) marginal revenue is negative.

Answer: <https://biology-forums.com/index.php?topic=785630>

Question 1524

If the government desires to raise a certain amount of revenue by taxing a monopoly, an ad valorem tax will

- A) generate the same loss of consumer surplus as a specific tax.
- B) generate a greater loss of consumer surplus than a specific tax.
- C) generate a smaller loss of consumer surplus than a specific tax.
- D) generate no loss of consumer surplus.

Answer: <https://biology-forums.com/index.php?topic=785648>

Question 1525

Which of the following sellers is most able to perfectly price discriminate?

- A) a college or university
- B) the post office
- C) a clothing store
- D) a grocery supermarket

Answer: <https://biology-forums.com/index.php?topic=785719>

Question 1526

A good example of perfect price discrimination is

- A) selling concert tickets to individuals on the street corner.
- B) buying concert tickets at the ticket window.
- C) selling concert tickets at the ticket window.
- D) buying a concert ticket on the street corner.

Answer: <https://biology-forums.com/index.php?topic=785722>

Question 1527

If Ben values good X more than good Y and Catherine values good Y more than good X a firm can increase its profits by

- A) charging the same price for both goods.
- B) bundling the goods.
- C) selling the goods in a competitive market.
- D) charging one price per good.

Answer: <https://biology-forums.com/index.php?topic=785793>

Question 1528

Two firms sell 100% orange juice in 10 ounce bottles. The juice is only good for one week. The two firms have contracts for all the oranges produced in a large geographic area. Each firm decides how many bottles of juice to produce at the same time. This market is best described with a

- A) Bertrand model.
- B) Stackelberg model.
- C) monopolistic competition model.
- D) Cournot model.

Answer: <https://biology-forums.com/index.php?topic=785851>

Question 1529

Because of market power, wages are higher under monopsony than under competitive conditions.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786099>

Question 1530

John's utility from an additional dollar increases more when he has \$1,000 than when he has \$10,000. From this, we can conclude that John

- A) is risk averse.
- B) is risk loving.
- C) is risk neutral.
- D) has a negative marginal utility of wealth.

Answer: <https://biology-forums.com/index.php?topic=786247>

Question 1531

If consumers have limited information about price and search costs exist, then

- A) the result must be that all firms will charge the same price.
- B) the monopoly price must result.
- C) the full-information, competitive price is not an equilibrium.
- D) the difference in prices between firms will be greater than the search cost.

Answer: <https://biology-forums.com/index.php?topic=786508>

Question 1532

Efficiency in risk bearing implies that

- A) risk is completely eliminated.
- B) the least risk-averse party bears most of the risk.
- C) the most risk-averse party bears most of the risk.
- D) all of the risk is borne by just one of the parties regardless of the degree of risk aversion.

Answer: <https://biology-forums.com/index.php?topic=786544>

Question 1533

Suppose a plaintiff hires a lawyer to represent her in a court case. The lawyer will receive a share of the settlement if the plaintiff wins. Under this contract

- A) production efficiency cannot be achieved.
- B) the client bears all of the risk.
- C) the lawyer bears all of the risk.
- D) the risk is shared.

Answer: <https://biology-forums.com/index.php?topic=786576>

Question 1534

A patent defect is one which:

- a. would only be obvious to an expert
- b. could not be discovered until after the structure containing the defect had failed, at which point it would be obvious that there was a defect
- c. is an obvious defect that can be discovered upon a reasonable inspection
- d. none of the above

Answer: <https://biology-forums.com/index.php?topic=787048>

Question 1535

All insurance policies impose on the insurer the duty to defend and the duty to indemnify when the claim is within coverage.
T/F?

Answer: <https://biology-forums.com/index.php?topic=787059>

Question 1536

What test do courts apply to determine whether information is confidential?

Answer: <https://biology-forums.com/index.php?topic=787083>

Question 1537

A consumer purchases a book by driving across town to a bookstore, standing in line for five minutes to pay the cashier, and then pays \$5. The same book is purchased by another consumer who spends 2 minutes placing the order over the internet for \$10. The book necessarily cost the first consumer less.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785169>

Question 1538

If Option A costs \$40 and yields 20 units of output and Option B costs \$50 and yields 20 units of output

- A) Option B and Option A are equally economically efficient.
- B) Option B is economically efficient relative to Option A.
- C) Option A is economically efficient relative to Option B.
- D) It is not possible to determine which option is more economically efficient.

Answer: <https://biology-forums.com/index.php?topic=785125>

Question 1539

Let the production function be $q=ALaKb$. The function exhibits increasing returns to scale if

- A) $a + b = 1$.
- B) $a + b > 1$.
- C) $a + b < 1$.
- D) Cannot be determined with the information given.

Answer: <https://biology-forums.com/index.php?topic=785076>

Question 1540

In the late 1980s, the health benefits of oat bran were widely advertised. If the price of oats increased 50%, causing the quantity of oats supplied to increase by 40%, then the price elasticity of supply was

- A) 1.25.
- B) -1.25.
- C) -0.80.
- D) 0.80.

Answer: <https://biology-forums.com/index.php?topic=784726>

Question 1541

In the Cournot model, the output that a firm chooses to produce increases as

- A) the total output of other firms increases.
- B) the number of firms in the market increases.
- C) the number of firms in the market decreases.
- D) its marginal cost increases.

Answer: <https://biology-forums.com/index.php?topic=785861>

Question 1542

Firms A and B are identical, produce identical products, and are the only firms in a market. Firm A's output is higher than Firm B's. This means that Firm B is the

- A) Cartel leader.
- B) Stackelberg leader.
- C) Stackelberg follower.
- D) Cournot leader.

Answer: <https://biology-forums.com/index.php?topic=785891>

Question 1543

In a two-player simultaneous game, if player A has a dominant strategy and player B does not, player B will

- A) employ a mixed strategy.
- B) choose his best strategy assuming that player A plays her dominant strategy.
- C) not achieve a Nash equilibrium.
- D) assume that player A does not choose her dominant strategy.

Answer: <https://biology-forums.com/index.php?topic=785940>

Question 1544

The result that different auction styles in which the good goes to the winner with the highest valuation of the good generate the same amount of revenue is called

- A) Revenue Equivalence Theorem.
- B) Marginal Revenue Theory.
- C) Auction Revenue Theory.
- D) First Bid Revenue Theorem.

Answer: <https://biology-forums.com/index.php?topic=786016>

Question 1545

Many people do not fully insure against risk because

- A) they are risk averse.
- B) the insurance companies are all crooks.
- C) the insurance offered is less than fair.
- D) the insurance offered is more than fair.

Answer: <https://biology-forums.com/index.php?topic=786269>

Question 1546

Suppose twenty neighbors share a park. One of the neighbors, Al, leaves trash in the park. This bothers the other neighbors. According to Coase's Theorem, assigning the property rights to the park to Al

- A) will achieve the socially optimal quantity of trash.
- B) will result in zero trash being dumped in the park.
- C) might still not achieve the social optimum since coordinating the other nineteen neighbors can be costly.
- D) is unfair.

Answer: <https://biology-forums.com/index.php?topic=786369>

Question 1547

Which of the following statements is NOT true?

- A) $AC = AFC + AVC$
- B) $C = F + VC$
- C) $AVC = \text{wage}/MPL$
- D) $AFC = AC - AVC$

Answer: <https://biology-forums.com/index.php?topic=785137>

Question 1548

Four years after graduating from college you must decide if you want to go on as an accountant (your college major) or if you want to make a career change and become a singer. The cost of your education will matter for your decision.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785130>

Question 1549

Using a Paasche index to calculate the Consumer Price Index (CPI)

- A) weights quantities with current prices.
- B) weights prices with base-year quantities.
- C) weights quantities with base-year prices.
- D) weights prices with current year quantities.

Answer: <https://biology-forums.com/index.php?topic=784966>

Question 1550

Behavioral economists have discovered that

- A) transitivity of preferences always holds, even in animals.
- B) the law of demand does not hold in controlled experiments.
- C) transitivity of preferences does not always hold, especially for young people.
- D) reflexivity of preferences is not true.

Answer: <https://biology-forums.com/index.php?topic=784882>

Question 1551

Suppose the market for potatoes can be expressed as follows:

Supply: $Q_S = -20 + 10p$

Demand: $Q_D = 400 - 20p$

Solve for the equilibrium price and quantity.

Answer: <https://biology-forums.com/index.php?topic=784591>

Question 1552

Suppose $TC = 10 + (0.1 * q^2)$. If $p = 10$, the firm's profits will be

- A) 240.
- B) 250.
- C) 260.
- D) -10 because the firm will shut down.

Answer: <https://biology-forums.com/index.php?topic=785293>

Question 1553

What is one reason perfectly competitive firms wish to be ever more efficient?

- A) Individual firms are awarded by the tax code to be more efficient.
- B) Individual firms can more control their costs than the price they can charge.
- C) Individual firms can more control their costs than their output levels.
- D) Individual firms don't need to be efficient, government policies do not reward efficiency.

Answer: <https://biology-forums.com/index.php?topic=785347>

Question 1554

As the price of a good increases, the loss in consumer surplus is larger,

- A) the more elastic demand is.
- B) the more money previously spent on the good.
- C) the less money previously spent on the good.
- D) the smaller the price increase.

Answer: <https://biology-forums.com/index.php?topic=785362>

Question 1555

Sarah's demand curve for shoes has the same slope as Pete's; however, it lies to the right of Pete's. An increase in the price of shoes will cause

- A) Sarah to incur a greater loss of consumer surplus than Pete will.
- B) Pete to incur a greater loss of consumer surplus than Sarah will.
- C) Sarah and Pete to incur the same loss of consumer surplus.
- D) Sarah's demand curve to shift closer to Pete's.

Answer: <https://biology-forums.com/index.php?topic=785365>

Question 1556

At the current level of output a firm's marginal cost equals 16 and marginal revenue equals 10. The firm

- A) is producing the profit-maximizing amount.
- B) should produce more.
- C) should produce less.
- D) Not enough information.

Answer: <https://biology-forums.com/index.php?topic=785576>

Question 1557

The government prefers an ad valorem tax to a specific tax that reduces the monopoly output by the same amount because

- A) consumers are not harmed by the ad valorem tax.
- B) the monopoly prefers the ad valorem tax.
- C) consumers prefer the ad valorem tax.
- D) the ad valorem tax transfers more revenue from the monopoly to the government.

Answer: <https://biology-forums.com/index.php?topic=785649>

Question 1558

Monopolies tend to

- A) hire more labor than duopolists or competitive firms, hence they are inefficient.
- B) hire more labor than competitive firms but less than duopolists.
- C) hire less labor than competitive firms because they produce at an inefficient level.
- D) hire more labor because they produce at an inefficient level.

Answer: <https://biology-forums.com/index.php?topic=786065>

Question 1559

The existence of externalities is due mainly to the fact that

- A) monopolies tend to produce too little of a good anyway.
- B) the optimal level of pollution is zero.
- C) pollution is not a serious problem.
- D) property rights are poorly defined.

Answer: <https://biology-forums.com/index.php?topic=786362>

Question 1560

Two neighboring farmers must each decide whether to contribute to a fence that separates their properties. The fence costs a total of \$20. Both

farmers currently have a profit of \$30 each. With a fence to keep each farmer's animals from wandering onto the other's property, both farmers would experience a \$15 rise in profits. Draw the payoff matrix and discuss the possible outcomes.

Answer: <https://biology-forums.com/index.php?topic=786440>

Question 1561

Which of the following markets would reach long-run equilibrium fastest?

- A) online retail
- B) auto dealers
- C) oil extraction
- D) World Series tickets

Answer: <https://biology-forums.com/index.php?topic=785326>

Question 1562

A multimarket price discriminator sells its product in Florida for three times the price it sets in New York. Assuming the firm faces the same constant marginal cost in each market and the price elasticity of demand in New York is -2.0, the demand in Florida

- A) has an elasticity of -6.0.
- B) is more price elastic than the demand in New York.
- C) has an elasticity of -1.2.
- D) has an elasticity of -0.67.

Answer: <https://biology-forums.com/index.php?topic=785755>

Question 1563

Suppose \$100 is deposited in a bank account paying 5% compounded annually. If the interest earned is X after 5 years, then the interest earned will be 2X after 10 years.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786131>

Question 1564

Why do economists predict that investment increases when the real rate of interest falls?

Answer: <https://biology-forums.com/index.php?topic=786207>

Question 1565

Which jazz trombonist also used conch shells to create what was known as "open source" improvised music?

- a. Steve Coleman
- b. J.J. Johnson
- c. Steve Turre
- d. Paquito D'Rivera

Answer: <https://biology-forums.com/index.php?topic=786974>

Question 1566

You have the legal right to prevent your neighbour from building a tall house that obstructs your view of the ocean.

T/F?

Answer: <https://biology-forums.com/index.php?topic=786993>

Question 1567

If you are setting up a business and are not concerned about liability, but expect to be very successful, what disadvantage is there to operating as a sole proprietor?

Answer: <https://biology-forums.com/index.php?topic=787001>

Question 1568

What name is given to the process whereby the parties agree to arbitrate after the dispute has arisen, and agree that the arbitrator will make a final decision?

- a. mandatory binding arbitration
- b. voluntary binding arbitration
- c. mandatory non-binding arbitration
- d. voluntary non-binding arbitration

Answer: <https://biology-forums.com/index.php?topic=787052>

Question 1569

Which of the following will release the purchaser of a business from the obligations under the existing collective bargaining agreement?

- a. the previous owner was bankrupt at the time of the sale
- b. the business has moved to a new location
- c. the new owner closes down the business after a few weeks
- d. none of the above

Answer: <https://biology-forums.com/index.php?topic=787081>

Question 1570

Why is privacy legislation important for protecting citizens from misuse of their private information?

Answer: <https://biology-forums.com/index.php?topic=787101>

Question 1571

Measuring "y" on the vertical axis and "x" on the horizontal axis, convexity of indifference curves implies that the MRS of "y" for "x"

- A) is decreasing as "x" increases.
- B) is increasing as "x" increases.
- C) is constant as "x" increases.
- D) cannot be calculated for large levels of "x".

Answer: <https://biology-forums.com/index.php?topic=784787>

Question 1572

Which of the following goods probably has the lowest (absolute value) short-run price elasticity of demand?

- A) fresh fruit
- B) frozen dinners
- C) cars
- D) refrigerators

Answer: <https://biology-forums.com/index.php?topic=784740>

Question 1573

The supply of movie tickets at one theater's box office for this Saturday's 4:30 show of a new movie is

- A) perfectly elastic until all seats are filled.
- B) unit elastic.
- C) perfectly inelastic.
- D) elastic.

Answer: <https://biology-forums.com/index.php?topic=784730>

Question 1574

In 2007, the National Collegiate Athletic Association put a moratorium on new Football Bowl Series (formerly Division IA) teams. This policy will

- A) protect the producer surplus of existing football programs.
- B) ensure that when entry occurs, producer surplus will not be zero.
- C) ensure that when entry occurs, producer surplus will be positive.
- D) ensure that consumer surplus is greater in the future.

Answer: <https://biology-forums.com/index.php?topic=785419>

Question 1575

If the inverse demand curve a monopoly faces is $p = 100 - 2Q$, and MC is constant at 16, then profit maximization is achieved when the monopoly sets price equal to

- A) 16.
- B) 21.
- C) 25.
- D) 58.

Answer: <https://biology-forums.com/index.php?topic=785584>

Question 1576

Why don't we see firms tie-in the sales of fish filets with the sales of pencils?

- A) Because the demands for these two goods are positively correlated.
- B) Because the demands for these two goods are negatively correlated.
- C) Because the demands for these two goods are independent.
- D) It violates the Clean Food Act of 1908.

Answer: <https://biology-forums.com/index.php?topic=785797>

Question 1577

All else held constant, as the variance of a payoff increases, the

- A) expected value of the payoff increases.
- B) risk of the payoff increases.
- C) expected value of the payoff decreases.
- D) risk of the payoff decreases.

Answer: <https://biology-forums.com/index.php?topic=786223>

Question 1578

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 1579

One characteristic of a Giffen good is that it

- A) is a luxury good.
- B) is an inferior good.
- C) has an upward-sloping Engel curve.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784936>

Question 1580

If Johnny likes homework (H) but hates exercise (E), which of the following might best represent his utility function for homework and exercise?

- A) $U = H + E$
- B) $U = H/E$
- C) $U = H^2 +$
- D) $U = H^2 \times$

Answer: <https://biology-forums.com/index.php?topic=784815>

Question 1581

What is one reason activists might lobby the government to force firms to produce more output than they normally would in a perfectly competitive market?

- A) They value consumer surplus more than producer surplus.
- B) They value producer surplus more than consumer surplus.
- C) They seek to avoid future regulation.
- D) They seek to minimize total surplus.

Answer: <https://biology-forums.com/index.php?topic=785404>

Question 1582

An electric utility is going to use a block-pricing schedule. They plan to charge P_1 for the first Q_1 units and P_2 for the subsequent units. The units sold at P_2 are the total units sold, Q_2 , minus the total units sold at P_1 . The inverse demand curve is $P = \$100 - Q$, and the marginal and average cost is \$40. Use calculus to solve for P_1 , P_2 , Q_1 , Q_2 .

Answer: <https://biology-forums.com/index.php?topic=785749>

Question 1583

Suppose multimarket price discrimination is possible; however, a firm sets the same price in each market. As a result,

- A) price elasticity of demand is the same in each market.
- B) the price-inelastic market will buy zero units.
- C) marginal revenue in the more price-elastic market exceeds marginal revenue in the less price-elastic market.
- D) the deadweight loss is less than if the firm price discriminated.

Answer: <https://biology-forums.com/index.php?topic=785756>

Question 1584

One interesting feature of a prisoner's dilemma game is that

- A) non-cooperative behavior leads to lower payoffs than cooperative behavior.
- B) it was only valid before the industrial revolution.
- C) individuals behave irrationally when they behave non-cooperatively.
- D) cooperative behavior leads to lower payoffs than non-cooperative behavior.

Answer: <https://biology-forums.com/index.php?topic=785932>

Question 1585

In a two-player simultaneous game where neither player has a dominant strategy,

- A) there is never a Nash equilibrium.
- B) there is only one Nash equilibrium.
- C) the actual outcome is unpredictable.
- D) the actual outcome will not be a Nash equilibrium.

Answer: <https://biology-forums.com/index.php?topic=785941>

Question 1586

A firm operates and produces pollution that only harms an individual, Bob. The firm and Bob both know the costs and benefits of reducing pollution. Neither the firm nor Bob acts strategically while bargaining, and there are no transaction costs associated with bargaining. Explain how the efficient level of pollution occurs no matter whether the firm or Bob owns the property right to pollution.

Answer: <https://biology-forums.com/index.php?topic=786384>

Question 1587

Adverse selection occurs when there is

- A) full information.
- B) unobserved behavior.
- C) an unobserved characteristic.
- D) a worker who shirks because his boss does not watch him.

Answer: <https://biology-forums.com/index.php?topic=786448>

Question 1588

A perfect-price-discriminating monopoly's marginal revenue curve

- A) lies below the demand curve.
- B) is the demand curve.
- C) varies for each consumer.
- D) is the same as the monopolist's marginal revenue curve.

Answer: <https://biology-forums.com/index.php?topic=785718>

Question 1589

A monopsonist faces a constant elasticity of labor supply of 1.5. If the monopsonist pays \$15 per hour, its marginal expenditure equals

- A) \$15.
- B) \$25.
- C) \$7.
- D) 25%.

Answer: <https://biology-forums.com/index.php?topic=786092>

Question 1590

Suppose a monopoly producer is also a monopsonist in the labor market. Demand for the output is $p = 100 - Q$. The production function is $Q = L$, and the labor supply curve is $w = 10 + L$. How much labor does the firm hire? What wage is paid?

Answer: <https://biology-forums.com/index.php?topic=786101>

Question 1591

To alleviate the commons problem, the government can

- A) apply a tax.
- B) set a quota.
- C) assign property rights.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=786392>

Question 1592

Asymmetric information will always cause

- A) efficiency problems.
- B) equity problems.
- C) Both A and B.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=786481>

Question 1593

Ebay has a seller reputation system to provide

- A) consumers with a signal concerning seller quality.
- B) sellers a chance to signal other sellers concerning their quality.
- C) a reduction in monopoly power.
- D) improvements in investor relations.

Answer: <https://biology-forums.com/index.php?topic=786483>

Question 1594

Which of the following led the Tonight Show Band on NBC and founded the hip-hop inspired band Buckshot LeFonque?

- a. Wynton Marsalis
- b. Jeff "Tain" Watts
- c. Branford Marsalis
- d. Marcus Roberts

Answer: <https://biology-forums.com/index.php?topic=786964>

Question 1595

On a shopping mall construction project, which of the following best describes the extent of the subcontractor's insurable interest?

- a. the subcontractor's tools and other equipment
- b. the work performed by the subcontractor
- c. the work performed by the subcontractor and the contractor who employed the subcontractor
- d. the physical property of the entire site (i.e. the work done by all of the contractors and subcontractors)

Answer: <https://biology-forums.com/index.php?topic=787062>

Question 1596

Which of the following will likely constitute just cause warranting dismissal?

- a. the employee is late for work twice in one week
- b. the employee arrives at work hungover and leaves to go home early; this is the first alcohol-related absence for the employee
- c. the employer's business is struggling because of an economic downturn
- d. none of the above

Answer: <https://biology-forums.com/index.php?topic=787084>

Question 1597

A change in relative factor prices will always result in

- A) a change in the slope of the isoquants.
- B) a tangency between the new isocost line and a new isoquant.
- C) a rotation of the isocost lines.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785190>

Question 1598

Which of the following is least likely to be considered a capital input?

- A) A sewing machine.
- B) A tractor.
- C) A telephone.
- D) A ten dollar bill.

Answer: <https://biology-forums.com/index.php?topic=785009>

Question 1599

A firm operating with diminishing total returns cannot be profit maximizing.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785039>

Question 1600

Lectures in microeconomics can be delivered either by an instructor (labor) or a movie (capital) or any combination of both. Yet, it gets harder and harder to substitute more movies for an instructor the more movies are already used. Which graph in the above figure best represents the isoquants for lectures in microeconomics when capital per day is on the vertical axis and labor per day is on the horizontal axis?

- A) Graph A
- B) Graph B
- C) Graph C
- D) Graph D

Answer: <https://biology-forums.com/index.php?topic=785051>

Question 1601

Only in the case of perfectly inelastic demand will consumers pay the full amount of a specific tax or ad valorem tax. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784768>

Question 1602

A firm will shut down in the short run if

- A) total fixed costs are too high.
- B) total revenue from operating would not cover all costs.
- C) total revenue from operating would not cover variable costs.
- D) total revenue from operating would not cover fixed costs.

Answer: <https://biology-forums.com/index.php?topic=785285>

Question 1603

If the inverse demand curve a monopoly faces is $p = 100 - 2Q$, and MC is constant at 16, then profit maximization

- A) is achieved when 21 units are produced.
- B) is achieved by setting price equal to 21.
- C) is achieved only by shutting down in the short run.
- D) cannot be determined solely from the information provided.

Answer: <https://biology-forums.com/index.php?topic=785583>

Question 1604

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>

Question 1605

A monopoly will not be able to perfectly price discriminate if

- A) obtaining information about each buyer's reservation price is too costly.
- B) demand is very elastic.
- C) demand is very inelastic.
- D) resale is impossible.

Answer: <https://biology-forums.com/index.php?topic=785729>

Question 1606

Suppose a market with a Cournot structure has five firms and a market price elasticity of demand equal to -2. What is a Cournot firm's Lerner Index?

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

Answer: <https://biology-forums.com/index.php?topic=785863>

Question 1607

Suppose a monopolistically competitive industry evolved into a perfectly competitive industry. Which of the following statements is correct?

- A) The industry would produce more output and charge a lower price after the change.

- B) The industry would produce at decreasing returns to scale.
C) Elasticity of demand for the firm's product would remain the same after this change occurred.
D) This industry would produce the same level of output at lower prices in the long run than before the change.

Answer: <https://biology-forums.com/index.php?topic=785920>

Question 1608

If a firm has market power in the output market but buys labor in a competitive market, it will hire the same quantity of labor that a competitive firm will. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786067>

Question 1609

Wage reduction policies are less common than layoffs because

- A) workers never prefer wage reduction policies.
B) workers always trust the firm to tell the truth.
C) of asymmetric information.
D) of adverse selection problems.

Answer: <https://biology-forums.com/index.php?topic=786619>

Question 1610

- A deferred payment scheme is more likely to be accepted by a worker if
A) the firm has a reputation of not firing senior employees to save pension costs.
B) the worker is very young.
C) the worker is very old.
D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=786620>

Question 1611

Your company makes copper pipes. Over the years, you have collected a large inventory of raw copper. The production process involves melting the copper and shaping it into pipes. You also have a large stockpile of pennies. Suppose the price of copper rises so much that the copper in the penny becomes worth more than one cent. Should you melt down your pennies?

Answer: <https://biology-forums.com/index.php?topic=785132>

Question 1612

If the price of automobiles were to decrease substantially, the demand curve for public transportation would most likely

- A) shift rightward.
B) shift leftward.
C) remain unchanged.
D) remain unchanged while quantity demanded would change.

Answer: <https://biology-forums.com/index.php?topic=784528>

Question 1613

Marginal Revenue is

- A) the increase in total revenue from selling one more unit of output.
B) equal to $P(1+1/e)$
C) equal to P when the price elasticity of demand is infinite.
D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785575>

Question 1614

The sales of shoes that include shoelaces is a tie-in sale that most likely

- A) greatly increases the shoe producer's profit.
B) increases transactions costs.
C) increases efficiency.
D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=785792>

Question 1615

What is the primary difference between a mixed strategy and a pure strategy?

- A) Pure strategies are always dominated strategies.

- B) Mixed strategies call for randomizing over possible actions, pure strategies do not.
C) Pure strategies are much more common than mixed strategies.
D) Mixed strategies are not optimal whereas pure strategies are.

Answer: <https://biology-forums.com/index.php?topic=785933>

Question 1616

Bob's utility function is shown in the above figure. He currently has \$100 worth of property, but there is a 50% chance that all of it will be stolen. An insurance company offers to reimburse Bob for his loss if the money is stolen. What is the most that Bob would pay for such a policy? Explain.

Answer: <https://biology-forums.com/index.php?topic=786260>

Question 1617

Explain why state governments may charge a fee for beach access to address the commons problem.

Answer: <https://biology-forums.com/index.php?topic=786398>

Question 1618

Employers verify the facts of potential employees' resumes to avoid

- A) signaling.
B) screening.
C) cheap talk.
D) moral hazard.

Answer: <https://biology-forums.com/index.php?topic=786522>

Question 1619

John is indifferent between canned soup and fresh soup. Canned soup sells for \$1 per serving and fresh soup sells for \$2 per serving. Assuming that John has allocated \$4 toward soup, how will he spend it? Explain your answer by drawing John's budget line and indifference curves.

Answer: <https://biology-forums.com/index.php?topic=784875>

Question 1620

Joe subscribes to an Internet provider that charges \$2 per hour. He has \$100 per month to spend and is at equilibrium by buying 10 hours of Internet access and \$80 worth of other goods. Draw the indifference curve-budget line. If the company switches to a \$20 monthly fee for unlimited Internet access, is Joe better off?

Answer: <https://biology-forums.com/index.php?topic=784872>

Question 1621

Let the production function be $q = ALaKb$. Returns to scale are equal to

- A) $a * b$.
B) $a + b$.
C) $La + Kb$.
D) $A * L$.

Answer: <https://biology-forums.com/index.php?topic=785075>

Question 1622

Suppose market demand is $Q = 1000 - 4p$. If all firms have $LRAC = 50 - 5q + q^2$, how many identical firms will there be when this industry is in long-run equilibrium?

Answer: <https://biology-forums.com/index.php?topic=785336>

Question 1623

A stock mutual fund is generally

- A) less risky than buying individual stocks.
B) more risky than buying individual stocks.
C) just as risky as buying individual stocks.
D) a way for the rich to avoid taxes.

Answer: <https://biology-forums.com/index.php?topic=786273>

Question 1624

Negative externalities are created when

- A) an increase in the price of butterfat drives up the price of ice cream.
B) a driver leaves his car in a parking space after the meter expires and receives a ticket.
C) a driver drives recklessly on a busy highway.

D) a driver pulls over to help a stranded motorist fix a flat tire.

Answer: <https://biology-forums.com/index.php?topic=786315>

Question 1625

Which of the following won Grammy awards in both classical and jazz categories in the same year?

- a. Herbie Hancock
- b. Art Blakey
- c. Wynton Marsalis
- d. Branford Marsalis

Answer: <https://biology-forums.com/index.php?topic=786959>

Question 1626

Average productivity will fall as long as

- A) marginal productivity is falling.
- B) it exceeds marginal productivity.
- C) it is less than marginal productivity.
- D) the number of workers is increasing.

Answer: <https://biology-forums.com/index.php?topic=785023>

Question 1627

Production functions only apply to advanced economies.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785011>

Question 1628

If the cost of labor increases the isocost line will

- A) stay the same.
- B) shift outward in parallel fashion.
- C) rotate inward around the point where only capital is employed in production.
- D) shift inward in parallel fashion.

Answer: <https://biology-forums.com/index.php?topic=785180>

Question 1629

In the above figure, Graph D with Capital on the vertical axis and labor on the horizontal axis implies that

- A) the marginal product of labor is increasing as more labor is employed.
- B) the marginal product of labor is decreasing as more labor is employed.
- C) the capital and labor are perfect substitutes.
- D) capital and labor have to be employed in fixed proportions.

Answer: <https://biology-forums.com/index.php?topic=785049>

Question 1630

In the Cournot model, a firm maximizes profit by selecting

- A) its output, assuming that other firms keep their output constant.
- B) its price, assuming that other firms keep their price constant.
- C) its output, assuming that other firms will retaliate.
- D) its price, assuming that other firms will retaliate.

Answer: <https://biology-forums.com/index.php?topic=785860>

Question 1631

What is one reason the federal government might "bail out" farmers in flood prone areas of the country?

- A) Such flooding is not diversifiable and therefore only non-profit entities, such as the federal government, can cover the risks.
- B) Such flooding is diversifiable, but insurance company CEOs are more concerned with their stock-holder wealth than the well-being of farmers.
- C) Such flooding is diversifiable, but the market for such insurance policies cannot clear without the assistance of the International Community.
- D) Such flooding is known to happen on a regular basis and therefore there is no "risk" to be insured against.

Answer: <https://biology-forums.com/index.php?topic=786279>

Question 1632

The cost, c , of a college education that serves only as a signal of a high-quality worker is \$20,000. The wage of a known high-quality worker, w_h , is \$75,000. The wage for a known low-quality worker, w_l , is \$50,000. For what value of the share of the work force that is of high quality, t , is a pooling

equilibrium possible?

Answer: <https://biology-forums.com/index.php?topic=786540>

Question 1633

Sam hires an attorney to present a court case. If Sam wins the case, he will receive some money. This payoff is a function of the attorney's hours and which judge is assigned the case that day. Judge A is very understanding toward people in Sam's position, but judge B is very harsh toward people like Sam. Is it possible for Sam to get the attorney to deliver the optimal amount of effort and make the attorney bear all of the risk?

Answer: <https://biology-forums.com/index.php?topic=786592>

Question 1634

If an additional dollar spent on monitoring would reduce shirking by 10 minutes, then the firm will increase the worker's wage by \$1 if this caused

- A) shirking to increase by less than 10 minutes.
- B) shirking to decrease by more than 10 minutes.
- C) shirking to decrease by less than 10 minutes.
- D) monitoring to become unnecessary.

Answer: <https://biology-forums.com/index.php?topic=786604>

Question 1635

If a market is controlled by a perfect-price-discriminating monopoly, then

- A) a deadweight loss is generated.
- B) there is no consumer surplus.
- C) consumer surplus is the same as under perfect competition.
- D) output is less than that of a single-price monopoly.

Answer: <https://biology-forums.com/index.php?topic=785724>

Question 1636

The above figure depicts a short-run production function for Albert's Pretzels. The marginal productivity of labor

- A) rises then falls as the amount of capital increases.
- B) falls then rises as the amount of labor increases.
- C) is greater than or equal to the average productivity of labor for all amounts of labor.
- D) is less than or equal to the average productivity of labor for all amounts of labor.

Answer: <https://biology-forums.com/index.php?topic=785014>

Question 1637

If actual experience supports two competing theories, then both theories are proven to be true.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784506>

Question 1638

If a firm sets marginal revenue equal to marginal cost it will make an economic profit.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785275>

Question 1639

Firms seek to differentiate their product

- A) to avoid state and federal regulation.
- B) to create an illusion of value.
- C) to strengthen their demand and to make it more inelastic.
- D) to strengthen their demand and to make it more elastic.

Answer: <https://biology-forums.com/index.php?topic=785926>

Question 1640

Mutually Assured Destruction was a standing policy during the Cold War, in which the United States and the U.S.S.R. maintained and expanded nuclear arsenals beyond practical levels. What could explain such a phenomenon?

- A) insane public officials who were bent on world domination
- B) a prisoner's dilemma
- C) a leader-follower type game
- D) tacit collusion

Answer: <https://biology-forums.com/index.php?topic=785938>

Question 1641

If an upstream monopoly and a downstream monopoly vertically integrate into a profit-maximizing monopoly, then the total amount of deadweight loss in the industry

- A) will increase.
- B) will decrease.
- C) will remain unchanged.
- D) cannot be determined.

Answer: <https://biology-forums.com/index.php?topic=786066>

Question 1642

You are having a party and one of your guests lights up a cigar without asking. Explain why this creates an externality.

Answer: <https://biology-forums.com/index.php?topic=786321>

Question 1643

A director is considering buying a car for the corporation from a car dealership that is owned by his brother. To be absolutely safe, what should the director do before making the purchase?

- a. nothing, the corporation will be paying full price for the car, and the brother is not making any concession for the director
- b. disclose the director's relationship with the seller, and have the purchase approved by the shareholders
- c. disclose the director's relationship with the seller, and have the purchase approved by the independent directors on the board
- d. have his brother make a statutory declaration that the car was sold at fair market value

Answer: <https://biology-forums.com/index.php?topic=787003>

Question 1644

Which of the following is true for pay-if-paid clauses between contractors and subcontractors where the contractor is unpaid by the owner?

- a. in the absence of default by a subcontractor, they create the only possible excuse for a contractor who has not paid a subcontractor
- b. they are never enforced by the courts
- c. the triggering event for a pay-if-paid clause is a breach of contract between the contractor and the subcontractor
- d. none of the above

Answer: <https://biology-forums.com/index.php?topic=787022>

Question 1645

Supervision connotes a greater degree of involvement during the construction process than inspection.

T/F?

Answer: <https://biology-forums.com/index.php?topic=787055>

Question 1646

Which of the following is true regarding insurance contracts?

- a. the scope of coverage clause defines what claims are covered by the policy
- b. exclusion clauses reduce the scope of coverage
- c. exception clauses reduce the scope of exclusion clauses
- d. all of the above

Answer: <https://biology-forums.com/index.php?topic=787063>

Question 1647

The cross price elasticity of demand between two goods will be positive if

- A) the two goods are complements.
- B) the two goods are substitutes.
- C) the two goods are luxuries.
- D) one of the goods is a luxury and the other is a necessity.

Answer: <https://biology-forums.com/index.php?topic=784707>

Question 1648

Which of the following is an example for multi-market price discrimination?

- A) a BMW selling for more than a VW
- B) local residents receiving a discount at the local golf course
- C) the fact that a razor is cheap and blades are expensive
- D) a hotel charging more for a room if the customers bring pets

Answer: <https://biology-forums.com/index.php?topic=785752>

Question 1649

Which of the following statements best summarizes the law of diminishing marginal returns?

- A) In the short run, as more labor is hired, output diminishes.
- B) In the short run, as more labor is hired, output increases at a diminishing rate.
- C) In the short run, the amount of labor a firm will hire diminishes as output increases.
- D) As more labor is hired, the length of time that defines the short run diminishes.

Answer: <https://biology-forums.com/index.php?topic=785031>

Question 1650

In behavioral economics, salience is best exemplified by

- A) consumers responding differently when posted prices increase rather than when prices increase because of sales tax increases.
- B) consumers responding the same regardless of how prices change.
- C) the end of a controlled experiment.
- D) consumers responding differently when income increases permanently rather than temporarily.

Answer: <https://biology-forums.com/index.php?topic=784889>

Question 1651

Explain why when the demand curve for a good is elastic, a one percent reduction in the price of the good will increase a consumer's expenditure on the good.

Answer: <https://biology-forums.com/index.php?topic=784721>

Question 1652

Theatres charge lower prices for a matinee and usually don't accept coupons for the night showing of movies because

- A) consumers that attend the matinee have a higher price elasticity of demand.
- B) consumers that attend the night show have a lower price elasticity of demand.
- C) it increases profits compared to charging a single price.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785705>

Question 1653

Suppose market demand is $p = 10 - Q$. Firms have a fixed entry cost of 5 and no marginal cost. If firm A is the incumbent, can it deter the entry of its rival, firm B?

Answer: <https://biology-forums.com/index.php?topic=786008>

Question 1654

Investment in safety at the firm level poses a prisoners' dilemma because

- A) if each firm plays its dominant strategy, joint profits are maximized.
- B) if each firm plays its dominant strategy, joint profits are not maximized.
- C) neither firm has a dominant strategy.
- D) the Nash equilibrium is not achieved.

Answer: <https://biology-forums.com/index.php?topic=786518>

Question 1655

A firm that generates zero economic profit usually has

- A) negative business profit.
- B) zero business profit.
- C) positive business profit.
- D) business profit equal to half the total revenue.

Answer: <https://biology-forums.com/index.php?topic=785337>

Question 1656

Because of the doctrine of remoteness, damages will only be awarded for breach of contract if the loss was caused by the breach.
T/F?

Answer: <https://biology-forums.com/index.php?topic=787009>

Question 1657

Under a pay-when-paid clause, if the owner never pays the main contractor, when must the main contractor pay the subcontractors?

- a. on the date the owner was due to pay the main contractor

- b. a reasonable time after the payment was due
- c. when the subcontractor has completed work under the subcontract
- d. if the owner never pays, the main contractor is not required to pay the subcontractor

Answer: <https://biology-forums.com/index.php?topic=787021>

Question 1658

Because the securities guidelines issued by the Canadian Securities Administrators (CSA) do not create a cause of action for inadequate reporting, they are not relevant when claims of misrepresentation are made.

T/F?

Answer: <https://biology-forums.com/index.php?topic=787098>

Question 1659

Isoquants that are downward-sloping straight lines exhibit

- A) an increasing marginal rate of technical substitution.
- B) a decreasing marginal rate of technical substitution.
- C) a constant marginal rate of technical substitution.
- D) a marginal rate of technical substitution that cannot be determined.

Answer: <https://biology-forums.com/index.php?topic=785059>

Question 1660

Suppose the market for a good is expressed as follows:

Inverse demand: $P = 200 - 2Q$

Inverse supply: $P = 2Q$

What is the equilibrium if the government imposes a supply quota of 75 units?

What is the equilibrium if the government imposes a supply quota of 25 units?

Answer: <https://biology-forums.com/index.php?topic=784644>

Question 1661

Even if two competitive firms in the same market have different production technologies, they will each earn long-run zero profits. Why?

Answer: <https://biology-forums.com/index.php?topic=785352>

Question 1662

Consumers seek to

- A) maximize profits.
- B) maximize expected consumer surplus.
- C) minimize expenditures.
- D) maximize choice.

Answer: <https://biology-forums.com/index.php?topic=785368>

Question 1663

If a city decides to lift restrictions of how many taxi cabs can operate social welfare will increase.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785421>

Question 1664

The introduction of satellite television systems would cause the demand curve for cable television to be

- A) more elastic.
- B) less elastic.
- C) perfectly inelastic.
- D) unchanged.

Answer: <https://biology-forums.com/index.php?topic=785624>

Question 1665

Consider a car dealership advertises a three-year lease at \$250 per month. When you arrive to apply, you discover that the lease requires a downpayment of \$3600 dollars. You will undertake the lease if

- A) you value the lease at least \$350 per month.
- B) you value the lease at least \$250 per month, the \$3600 is a sunk cost.
- C) you value the lease less than \$350 per month.
- D) you value buying a new car at \$400 per month.

Answer: <https://biology-forums.com/index.php?topic=785785>

Question 1666

When shirking at the workplace occurs, increased monitoring of workers is the only effective way to reduce this behavior. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786608>

Question 1667

Lisa consumes only pizzas (P) and burritos (B). Her utility function is $U = P^{0.5} B^{0.5}$. The price of per pizza is \$10 and the price per burrito is \$5. In equilibrium, Lisa consumes 4 pizzas. Using Lisa's utility function, calculate how many burritos she consumes.

Answer: <https://biology-forums.com/index.php?topic=784878>

Question 1668

Indifference curves cannot intersect.

Answer: <https://biology-forums.com/index.php?topic=784794>

Question 1669

Let the production function be $q = A L^a K^b$. The function exhibits constant returns to scale if

- A) $a + b = 1$.
- B) $a + b > 1$.
- C) $a + b < 1$.
- D) Cannot be determined with the information given.

Answer: <https://biology-forums.com/index.php?topic=785078>

Question 1670

Consumers do not prefer gifts-in-kind to cash gifts.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784870>

Question 1671

Sarah and David both have linear demand curves for lemonade. Sarah's demand curve for lemonade intersects David's demand curve at a price of 50 cents per glass. Sarah's demand curve is more inelastic than David's. A change in the price of lemonade from 50 cents to 25 cents per glass will

- A) decrease Sarah's consumer surplus more than David's.
- B) decrease David's consumer surplus more than Sarah's.
- C) increase Sarah's consumer surplus more than David's.
- D) increase David's consumer surplus more than Sarah's.

Answer: <https://biology-forums.com/index.php?topic=785366>

Question 1672

Indifference curves on the same indifference map can have different shapes.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784797>

Question 1673

Assume Joe is only willing to pay \$5 for a Ferrari sports car.

- A) Joe is not considered part of the demand for Ferraris.
- B) Joe won't be sold a Ferrari.
- C) Joe is not considered rational.
- D) Joe's willingness to pay is not indicative of how much he values the Ferrari.

Answer: <https://biology-forums.com/index.php?topic=784546>

Question 1674

All the supply of peppermint oil is produced from mint plants grown in one county by several competitive growers (the number of growers is not limited). The quality of land in the county varies greatly. Would you expect the long-run market supply curve to slope upward, downward, or remain constant? Why?

Answer: <https://biology-forums.com/index.php?topic=785333>

Question 1675

Many college football teams require a "donation" in order to purchase season tickets. This is a(n)

- A) price gouging.
- B) tie-in sale.
- C) two part tariff
- D) anti-competitive behavior.

Answer: <https://biology-forums.com/index.php?topic=785786>

Question 1676

Moral hazard occurs when contracts are written in such a way that

- A) the interests of agent and principal converge.
- B) the interests of agent and principal diverge.
- C) agents will wish to maximize the principal's utility.
- D) production and risk-bearing efficiency are achieved.

Answer: <https://biology-forums.com/index.php?topic=786543>

Question 1677

A good salesperson can sell \$1,000,000 worth of goods, while a poor one can sell only \$100,000 worth of goods. Job applicants know if they are good or bad, but the firm does not. A firm will offer job applicants a choice between a fixed salary or a 20% commission. Assuming risk-neutral salespersons and no opportunistic behavior, what level must the fixed salary be so that the firm can determine a prospective good salesperson from a poor one?

- A) between \$0 and \$20,000
- B) between \$20,000 and \$200,000
- C) greater than \$200,000
- D) zero

Answer: <https://biology-forums.com/index.php?topic=786635>

Question 1678

Where federal and provincial statutes both deal with the same issue, the federal legislation will always apply and the provincial one will not. T/F?

Answer: <https://biology-forums.com/index.php?topic=787090>

Question 1679

Suppose the quantity of x is measured on the horizontal axis. If the price consumption curve is vertical when the price of x changes, then the demand for x is

- A) perfectly elastic.
- B) perfectly inelastic.
- C) unit elastic.
- D) There is not enough information to determine the price elasticity of demand for x.

Answer: <https://biology-forums.com/index.php?topic=784904>

Question 1680

The price of a good is

- A) always equal to the cost of producing the good.
- B) never affected by the number of buyers and sellers.
- C) usually determined in a market.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=784481>

Question 1681

Travel websites such as Travelocity tend to offer reservation services for multiple travel modes. This is because

- A) the firms have contractual obligations to offer reservations for airlines and railroads, for example.
- B) the firms have statutory obligations to offer reservations for airlines and railroads, for example.
- C) once the firm has the reservation technology for airlines, there are economies of scale in offering the same service for railroads.
- D) once the firm has the reservation technology for airlines, there are economies of scope in offering the same service for railroads.

Answer: <https://biology-forums.com/index.php?topic=785228>

Question 1682

Long-run market supply curves are upward sloping if

- A) firms are identical.
- B) the number of firms is restricted in the long run.
- C) input prices fall as the industry expands.

D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785316>

Question 1683

Which of the following characterizes long-run equilibrium in perfect competition?

- A) $P=MC=ATC$
- B) $P=MC<ATC$
- C) $P>MC=ATC$
- D) $P=MC>ATC$

Answer: <https://biology-forums.com/index.php?topic=785342>

Question 1684

Survivability in a perfectly competitive world requires that

- A) firms minimize average total cost.
- B) firms produce new and different products.
- C) firms maximize profit.
- D) firms maximize revenue.

Answer: <https://biology-forums.com/index.php?topic=785344>

Question 1685

In the long-run firms in a competitive market make zero economic profit. This induces most firms to leave the industry.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785351>

Question 1686

If the demand curve a monopolist faces is perfectly elastic, then the ratio of the firm's price to the marginal cost is

- A) 0.
- B) 1.
- C) 2.
- D) None of the above—the answer cannot be determined.

Answer: <https://biology-forums.com/index.php?topic=785620>

Question 1687

A perfect price discriminator receives a price equal to marginal revenue for each unit.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785736>

Question 1688

In the presence of asymmetric information, production efficiency is assured when the principal and agent share the profit.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786567>

Question 1689

The Slutsky equation shows that, holding the total effect constant, the income effect will be larger for goods that

- A) have a smaller substitution effect.
- B) make up a larger percentage of a household's budget.
- C) have perfectly inelastic demand curves.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784945>

Question 1690

Johnny has \$100 to spend on books and all other goods. Books cost \$20 each and Johnny is at equilibrium consuming 3 books and \$40 worth of other goods. Johnny's grandma wants to give Johnny either a book or \$20 for his birthday. Which gift does Johnny prefer? Explain using an indifference map and budget lines.

Answer: <https://biology-forums.com/index.php?topic=784877>

Question 1691

At Joey's Lawncutting Service, a lawn mower cannot cut grass without a laborer. A laborer cannot cut grass without a lawn mower. Which graph in the above figure best represents the isoquants for Joey's Lawncutting Service when capital per day is on the vertical axis and labor per day is on the

horizontal axis?

- A) Graph A
- B) Graph B
- C) Graph C
- D) Graph D

Answer: <https://biology-forums.com/index.php?topic=785048>

Question 1692

Suppose there is a linear downward-sloping demand curve and a linear upward-sloping supply curve for a good. The price of a substitute good increases and the price of an input to production also increases. Graph the original demand and supply curves, and the curves after the substitute good and input prices increase. How will the equilibrium price change after the substitute and input prices increase?

Answer: <https://biology-forums.com/index.php?topic=784616>

Question 1693

To dig a trench, each worker needs a shovel. Workers can use only one shovel at a time. Workers without shovels do nothing, and shovels cannot operate on their own. Graphically determine the number of shovels and workers used by a firm to dig 2 trenches when:

- (a) $w = 10$ and $r = 10$
- (b) $w = 10$ and $r = 5$

Answer: <https://biology-forums.com/index.php?topic=785206>

Question 1694

If firms in a competitive market are identical, the long-run market supply curve is horizontal.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785329>

Question 1695

For a given expected value, the smaller the standard deviation of the expected value, the larger the risk.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786225>

Question 1696

Let the production function be $q = ALaKb$. The function exhibits decreasing returns to scale if

- A) $a + b = 1$.
- B) $a + b > 1$.
- C) $a + b < 1$.
- D) Cannot be determined with the information given.

Answer: <https://biology-forums.com/index.php?topic=785077>

Question 1697

A perfect price discriminating equilibrium maximizes

- A) consumer surplus.
- B) the associated deadweight loss.
- C) the market inefficiency.
- D) total welfare.

Answer: <https://biology-forums.com/index.php?topic=785721>

Question 1698

If neither firm has a dominant strategy, a Nash equilibrium cannot exist.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785970>

Question 1699

Expected value represents the average of all outcomes if one were to undertake the risky event many times over and over again.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786224>

Question 1700

Which of the following was NOT a subscriber to the M-Base philosophy of improvisation?

- a. Geri Allen

- b. Greg Osby
- c. Cassandra Wilson
- d. Wynton Marsalis

Answer: <https://biology-forums.com/index.php?topic=786972>

Question 1701

The public-private partnership model is most similar to which other model?

- a. cost-plus
- b. alliance
- c. design-bid-build
- d. construction management

Answer: <https://biology-forums.com/index.php?topic=787037>

Question 1702

A contractor who builds a house and then sells it to the first owner will generally not be contractually liable to the second owner of the property for defective construction.

T/F?

Answer: <https://biology-forums.com/index.php?topic=787040>

Question 1703

Which of the following is a course of action a surety under a performance bond could take upon being notified by the owner of a default by the contractor?

- a. complete the construction contract himself
- b. pay the owner the face value of the performance bond
- c. do nothing, and wait to see if the owner sues the contractor to prove that the contractor was actually in default
- d. all of the above

Answer: <https://biology-forums.com/index.php?topic=787067>

Question 1704

A firm with a flat demand curve

- A) has no brand loyalty.
- B) has weak brand loyalty.
- C) has strong brand loyalty.
- D) isn't really worried about brand loyalty, flat demand curves guarantee zero profit.

Answer: <https://biology-forums.com/index.php?topic=785922>

Question 1705

Over-fishing of common fishing grounds happens because fishing grounds are a common property and social and private incentive are the same. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786396>

Question 1706

If all firms pay an efficiency wage, then

- A) there is no cost to shirking because the shirking worker can receive his high wage at another firm after being caught and fired.
- B) the macroeconomy would enjoy a prolonged period of near-zero unemployment.
- C) there is a cost to shirking because the efficiency wage is less than it would have been if only a few firms paid it.
- D) there is a cost to shirking because the shirking worker will spend a greater time unemployed after being caught and fired.

Answer: <https://biology-forums.com/index.php?topic=786605>

Question 1707

A Giffen good has

- A) a positive substitution effect.
- B) a negative income effect.
- C) a larger income effect than substitution effect.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784937>

Question 1708

Microeconomic Models are used to

- A) make predictions.
- B) explain real-life phenomena.
- C) evaluate policy alternatives.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784510>

Question 1709

Why does a monopsonist's marginal expenditure curve lie above the labor supply curve?

Answer: <https://biology-forums.com/index.php?topic=786100>

Question 1710

An employee was clearly wrongfully terminated by an employer, and then tried in vain for over a year to find a new job. Discuss the factors relevant to the employee's decision of whether to sue in court or to make a claim under the employment standards legislation.

Answer: <https://biology-forums.com/index.php?topic=787086>

Question 1711

The quantity of a good that consumers demand depends only on the price of the good.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784550>

Question 1712

Because people prefer name-brand pain-relieving drugs over store-brand pain-relieving drugs, demand curves do not slope downward for pain-relieving drugs.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784549>

Question 1713

If sellers of good cars and sellers of lemons both offer a warranty on their cars, consumers will then be able to tell which cars are the lemons.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786485>

Question 1714

If a monopoly can produce a good at zero marginal cost, then its Lerner Index is

- A) zero.
- B) one.
- C) infinity.
- D) undetermined.

Answer: <https://biology-forums.com/index.php?topic=785627>

Question 1715

If the price of business broadband is greater than that of residential broadband, all else equal,

- A) business has greater price elasticity than residential.
- B) residential has greater price elasticity than business.
- C) both have positive income elasticity.
- D) generally speaking, broadband is equally priced.

Answer: <https://biology-forums.com/index.php?topic=785753>

Question 1716

At the current price of a good Al's consumer surplus equals 15 and Ben's consumer surplus equals 15. By charging a two-part tariff a monopolist could increase his profit by

- A) 8.
- B) 16.
- C) 15.
- D) 30.

Answer: <https://biology-forums.com/index.php?topic=785779>

Question 1717

Suppose 10% of all workers are of high ability. If a firm knows a worker's ability, workers of low ability are paid \$20,000 and workers of high ability are paid \$30,000. A college degree can signal ability, and the cost of the degree is \$11,000. Will there be a pooling equilibrium or a separating

equilibrium?

Answer: <https://biology-forums.com/index.php?topic=786539>

Question 1718

A good salesperson can sell \$1,000,000 worth of goods, while a poor one can sell only \$100,000 worth of goods. Job applicants know if they are good or bad, but the firm does not. A firm will offer job applicants a choice between a fixed salary of \$25,000 or 20% commission. Assuming risk-neutral salespersons and the possibility of opportunistic behavior, will this choice of contracts allow the firm to distinguish between good salespersons and bad ones before the hiring decision is made?

Answer: <https://biology-forums.com/index.php?topic=786649>

Question 1719

Why is the monopoly total welfare lower than the competitive total welfare?

Answer: <https://biology-forums.com/index.php?topic=785657>

Question 1720

In a competitive market, a negative externality creates a deadweight loss because

- A) the cost of the externality is double counted.
- B) a harm is generated.
- C) price equals social marginal cost.
- D) price equals private marginal cost.

Answer: <https://biology-forums.com/index.php?topic=786338>

Question 1721

If Fred's marginal rate of substitution of salad for pizza equals 5, then

- A) he would give up 5 pizzas to get the next salad.
- B) he would give up 5 salads to get the next pizza.
- C) he will eat five times as much pizza as salad.
- D) he will eat five times as much salad as pizza.

Answer: <https://biology-forums.com/index.php?topic=784808>

Question 1722

One reason "micro-managers" might be less successful than so-called "delegators"?

- A) Delegators are smarter.
- B) Delegators enjoy increasing returns to scale.
- C) Micro-managers suffer decreasing returns to scale.
- D) Micro-managers have constant returns to scale.

Answer: <https://biology-forums.com/index.php?topic=785091>

Question 1723

If the demand for air travel were to change so that business travelers and vacationers have the same price elasticity of demand for air travel,

- A) airlines would charge the same price to each type of flyer.
- B) airlines would still charge business flyers a higher fare since the traveler's employer pays anyway.
- C) airlines would be driven out of business.
- D) airlines would counter by charging vacationers a higher fare.

Answer: <https://biology-forums.com/index.php?topic=785757>

Question 1724

In what circumstances might a professional be liable because her design is not perfect?

Answer: <https://biology-forums.com/index.php?topic=787056>

Question 1725

What type of environmental assessment would likely be required for a pipeline project that will cut through First Nations land and will disrupt the migratory path of three species of nearly extinct animals?

- a. screening
- b. comprehensive study
- c. mediation
- d. panel review

Answer: <https://biology-forums.com/index.php?topic=787093>

Question 1726

A monopoly incurs a marginal cost of \$1 for each unit produced. If the price elasticity of demand equals -2.0, the monopoly maximizes profit by charging a price of

- A) \$1.00.
- B) \$1.50.
- C) \$2.00.
- D) \$3.00.

Answer: <https://biology-forums.com/index.php?topic=785629>

Question 1727

If a model's predictions are correct, then

- A) its assumptions must have been correct.
- B) it is proven to be correct.
- C) Both A and B above.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=784492>

Question 1728

Producer surplus equals total revenue minus the sum of all marginal cost.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785389>

Question 1729

Assume a firm is a monopoly and enjoys \$10,000,000 profits per year. The firm lobbies to have a moratorium passed by Congress on new firms in its market for the next 25 years. If there is no discount rate, how much would any firm(s) arguing against the moratorium be willing to spend to block it?

- A) Something less than \$250 million
- B) \$250 million
- C) \$251 million
- D) \$250 billion

Answer: <https://biology-forums.com/index.php?topic=786000>

Question 1730

If a firm is a price taker in both the labor market and the output market, it will

- A) earn zero economic profit in the short run.
- B) hire labor until the marginal product of labor equals zero.
- C) hire labor until the marginal revenue product equals the output price.
- D) hire labor until the marginal revenue product equals the wage rate.

Answer: <https://biology-forums.com/index.php?topic=786020>

Question 1731

The market for used cars is shown in the above figure. Ten percent (10%) of all cars are lemons. A mechanic is offering to inspect a car for sale and certify that a car is not a lemon. If car sellers are risk neutral, what is the highest price that a car seller would pay for such a service? Who would buy this service?

Answer: <https://biology-forums.com/index.php?topic=786488>

Question 1732

If the price of automobiles were to decrease substantially, the demand curve for automobiles would most likely

- A) shift rightward.
- B) shift leftward.
- C) remain unchanged.
- D) become steeper.

Answer: <https://biology-forums.com/index.php?topic=784527>

Question 1733

Suppose a plaintiff hires a lawyer to represent her in a court case. The lawyer will be paid by the hour. Under this contract

- A) production efficiency is not achieved.
- B) the client bears all of the risk.
- C) the lawyer has an incentive to lie about his hours worked.

D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=786573>

Question 1734

If an owner wants to negotiate with bidders after bids have been submitted, what steps should be taken?

Answer: <https://biology-forums.com/index.php?topic=787027>

Question 1735

Which of the following models for project delivery would be inappropriate for a single residence project?

- a. design-bid-build
- b. design-build
- c. design-build-operate
- d. construction management

Answer: <https://biology-forums.com/index.php?topic=787032>

Question 1736

Which of the following may be a defence available to a surety who does not want to pay out under a performance bond?

- a. the surety did not review the obligations on the contractor under the construction contract
- b. the owner did not perform all the obligations under the construction contract
- c. the contractor made a misrepresentation to the surety before the surety agreed to provide the performance bond
- d. all of the above

Answer: <https://biology-forums.com/index.php?topic=787068>

Question 1737

Monitoring is often used by firms in an attempt to decrease

- A) shirking.
- B) piece rates.
- C) adverse selection.
- D) signaling.

Answer: <https://biology-forums.com/index.php?topic=786595>

Question 1738

In 2008, foreclosures reached a record high. Which of the following are not possible reasons for foreclosures?

- A) Many mortgages were initiated without a down payment.
- B) Many mortgages were initiated on secondary and investment homes.
- C) Some mortgages were adjustable rate mortgages which might have dramatically increased monthly payments for some.
- D) Property values were increasing too fast.

Answer: <https://biology-forums.com/index.php?topic=786607>

Question 1739

Behavioral economists have discovered that

- A) experimental design is important.
- B) experimental design doesn't matter for most questions.
- C) experimental design only matters when people have bounded rationality.
- D) experimental design doesn't matter when people have bounded rationality.

Answer: <https://biology-forums.com/index.php?topic=784886>

Question 1740

For a monopoly, marginal revenue is less than price because

- A) the firm is a price taker.
- B) the firm must lower price if it wishes to sell more output.
- C) the firm can sell all of its output at any price.
- D) the demand for the firm's output is perfectly elastic.

Answer: <https://biology-forums.com/index.php?topic=785573>

Question 1741

Oligopoly differs from monopolistic competition in that an oligopoly includes

- A) product differentiation.
- B) barriers to entry.

- C) no barriers to entry.
- D) downward-sloping demand curves facing the firm.

Answer: <https://biology-forums.com/index.php?topic=785824>

Question 1742

What is one reason drunk driving is held in such disrepute?

- A) Drunk driving imposes high potential costs on non-drunk drivers.
- B) Drunk driving destroys cars and telephone poles, causing disruption in essential services.
- C) Only drunk drivers cause automobile fatalities.
- D) Drunk drivers impose high potential costs on other drunk drivers.

Answer: <https://biology-forums.com/index.php?topic=786319>

Question 1743

A pooling equilibrium occurs when

- A) dissimilar workers are paid alike.
- B) firms can distinguish between workers of different qualities.
- C) workers of the same quality are paid different wages.
- D) all workers are overpaid equally.

Answer: <https://biology-forums.com/index.php?topic=786520>

Question 1744

Due to inflation, nominal prices are usually

- A) equal to real prices.
- B) smaller than real prices.
- C) larger than real prices.
- D) a constant proportion different from real prices.

Answer: <https://biology-forums.com/index.php?topic=784956>

Question 1745

At the current price of a good Al's consumer surplus equals 8 and Ben's consumer surplus equals 15. By charging a two-part tariff a monopolist could increase his profit by

- A) 8.
- B) 16.
- C) 15.
- D) 30.

Answer: <https://biology-forums.com/index.php?topic=785778>

Question 1746

When negative externalities from production exist, the deadweight loss from a competitive market may be larger than with a monopoly. True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=786359>

Question 1747

Which is the most common remedy for breach of construction contracts?

- a. specific performance
- b. damages
- c. declaratory order
- d. injunction

Answer: <https://biology-forums.com/index.php?topic=787012>

Question 1748

A sub-subcontractor would be covered by a one-tier labour and material payment bond.

T/F?

Answer: <https://biology-forums.com/index.php?topic=787018>

Question 1749

Which is the typical sequence in which dispute resolution options are tried?

- a. negotiation, mediation, arbitration
- b. mediation, negotiation, arbitration

c. negotiation, arbitration, mediation

d. arbitration, negotiation, mediation

Answer: <https://biology-forums.com/index.php?topic=787039>

Question 1750

A firm pays \$5 for each unit of capital. Labor costs \$5 per hour for the first 10 hours and \$10 per hour for every hour thereafter. Draw the isocost curves for total costs of \$50 and \$100.

Answer: <https://biology-forums.com/index.php?topic=785205>

Question 1751

Marginal cost is

A) positive or zero.

B) negative or zero.

C) positive or negative but not zero.

D) positive, negative, or zero.

Answer: <https://biology-forums.com/index.php?topic=785160>

Question 1752

Suppose Joe's utility for lobster (L) and soda (S) can be represented as $U = L^{0.5} S^{0.5}$. Joe walks into a restaurant with \$72. Lobsters cost \$18 each and sodas cost \$2 each. How much lobster and soda will Joe consume if he intends to spend all his money? (There are no tax and no tips.)

Answer: <https://biology-forums.com/index.php?topic=784873>

Question 1753

Suppose two neighbors share a park. One neighbor, Al, leaves trash in the park. This bothers the other neighbor, Bert. According to Coase's Theorem, the optimal level of trash in the park can be achieved if

A) Al is fined by the government.

B) Al has the right to leave trash and Bert cannot do anything about it.

C) Al has the right to leave trash and Bert can pay him to limit his dumping.

D) Bert moves.

Answer: <https://biology-forums.com/index.php?topic=786365>

Question 1754

Under deferred compensation packages,

A) a moral hazard occurs if a firm fires a good worker before the worker receives her deferred compensation.

B) a moral hazard occurs if workers decide not to shirk so as to receive the deferred compensation.

C) moral hazards are avoided.

D) workers' wages are below their marginal revenue product as they near retirement.

Answer: <https://biology-forums.com/index.php?topic=786614>

Question 1755

Why might a police officer not pull over someone speeding two miles over the speed limit?

A) The explicit costs of stopping the driver over are too high.

B) The opportunity costs of stopping the driver are too high.

C) The opportunity costs of stopping the driver are too low.

D) The explicit costs of stopping the driver are too low.

Answer: <https://biology-forums.com/index.php?topic=785128>

Question 1756

What is one potential problem with offering a choice of contracts to two different employees?

A) If Employee A is paid more than Employee B, Employee A might sue for discrimination.

B) Employee A might be paid less than Employee B, proving statistical discrimination.

C) The two employees might compare salaries without comparing risk-preferences, thereby running the risk of jealousy or claims of discrimination.

D) The two employees might compare risk preferences without comparing salaries, thereby running the risk of jealousy or claims of discrimination.

Answer: <https://biology-forums.com/index.php?topic=786640>

Question 1757

The owner insists that the contractor perform certain work that the contractor claims is not part of the contract. Which of the following is an appropriate course of action for the contractor?

a. perform the disputed work hoping the owner will later agree to pay

- b. stop work on the entire project unless the owner agrees to pay for the disputed work
- c. perform all contractual obligations apart from the disputed work
- d. none of the above

Answer: <https://biology-forums.com/index.php?topic=787011>

Question 1758

What steps should the obligee under a surety bond take regarding the safekeeping of documentation?

Answer: <https://biology-forums.com/index.php?topic=787066>

Question 1759

Suppose two neighbors share a park. One neighbor, Al, leaves trash in the park. This bothers the other neighbor, Bert. According to Coase's Theorem, the optimal level of trash in the park can be achieved if

- A) someone is assigned property rights to the park.
- B) government limits the use of the park.
- C) nobody catches Al leaving the trash.
- D) Bert moves.

Answer: <https://biology-forums.com/index.php?topic=786368>

Question 1760

Alvin's utility function is $U = W$. Barry's utility function is $U = W^2$. Carl's utility function is $U = W^{0.5}$. Each has wealth of only \$100. An investment of that \$100 has a 10% chance of netting \$1,000 and a 90% chance of netting a loss of that \$100. Who among the three will make the investment?

Answer: <https://biology-forums.com/index.php?topic=786301>

Question 1761

A monopoly can be formed by a bandwagon effect. Which of the following products would most closely match the bandwagon effect?

- A) the Atlanta Braves baseball club
- B) the Dell Computer
- C) the Apple iPod
- D) the Chevrolet Corvette

Answer: <https://biology-forums.com/index.php?topic=785698>

Question 1762

Consider a housing development built near an existing airport. After the houses are occupied, homeowners complain that the airport imposes a negative externality on them and it should be moved or otherwise limited. Is the airport a negative externality?

- A) No, the airport was there first.
- B) No, if the original property values reflect the costs imposed by the airport.
- C) No, airports are government entities and therefore don't impose costs on individuals.
- D) Yes, the airport's noise should be curtailed for the well-being of the homeowners.

Answer: <https://biology-forums.com/index.php?topic=786318>

Question 1763

A sub-game perfect Nash equilibrium is defined as

- A) a set of strategies that are a Nash equilibrium in every subgame of a static game.
- B) a set of strategies that are a Nash equilibrium in every subgame of a dynamic game.
- C) a set of strategies that are a Nash equilibrium in a single subgame of a dynamic game.
- D) the game within the game.

Answer: <https://biology-forums.com/index.php?topic=785936>

Question 1764

A monopoly faces an inverse demand curve of $P = 100 - 2Q$. The marginal cost curve is $MC = .5Q$. What government price ceiling would represent optimal price regulation?

Answer: <https://biology-forums.com/index.php?topic=785693>

Question 1765

Your friend Dimitre tells you that he thinks that his favorite basketball team has a 70% chance of winning the next game. This is an example of a(n)

- A) objective probability.
- B) subjective probability.
- C) risk-averse statement.
- D) of Friedman-Savage preferences.

Answer: <https://biology-forums.com/index.php?topic=786210>

Question 1766

What is one reason the Ebay seller reputation system is important?

- A) Ebay transactions tend to be isolated, one-off transactions.
- B) Ebay transactions tend to be repeat sales between the same seller and buyers.
- C) Ebay transactions often involve stolen products.
- D) Ebay transactions require a larger percentage than, say, Amazon transactions.

Answer: <https://biology-forums.com/index.php?topic=786484>

Question 1767

If a firm was owned by its employees,

- A) there is a higher probability that wage reductions would outweigh layoffs.
- B) those in charge would not act any differently than regular owners; there would still be layoffs.
- C) those not in charge would remain risk neutral.
- D) wage reductions would be lower than if the firm was run for profit.

Answer: <https://biology-forums.com/index.php?topic=786622>

Question 1768

Owners can increase price certainty in fixed-cost contracts by requiring the contractor to bear more risk.

T/F?

Answer: <https://biology-forums.com/index.php?topic=787035>

Question 1769

Long-run market supply curves are downward sloping if

- A) firms are identical.
- B) the number of firms is restricted in the long run.
- C) input prices fall as the industry expands.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=785317>

Question 1770

Suppose two neighbors share a park. One neighbor, Al, leaves trash in the park. This bothers the other neighbor, Bert. According to Coase's Theorem, one necessary condition to alleviate the externality is that

- A) Al is fined by the government.
- B) Al has the right to leave trash and Bert cannot do anything about it.
- C) Bert has the right to a clean park and Al cannot leave trash.
- D) Either Al or Bert owns the park.

Answer: <https://biology-forums.com/index.php?topic=786366>

Question 1771

Explain why a firm may hire managers to operate outlets near the firm's headquarters, but may sell franchise rights for the outlets located greater distances from the headquarters. (With a franchise, the firm sells a brand name and a method of doing business to someone who then owns and operates the outlet.)

Answer: <https://biology-forums.com/index.php?topic=786609>

Question 1772

The percentage change in the quantity demanded in response to a percentage change in the price is known as the

- A) slope of the demand curve.
- B) excess demand.
- C) price elasticity of demand.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=784667>

Question 1773

If a firm has established monitoring devices that have a 50% chance of detecting shirking, and an employee gains \$5,000 from shirking, the employer can deter shirking by having employees post a bond equal to

- A) \$2,500.
- B) \$5,000.

C) \$10,000.

D) \$50,000.

Answer: <https://biology-forums.com/index.php?topic=786594>

Question 1774

Relative to a single-price monopoly, the effect of multimarket price discrimination on social welfare is

A) beneficial.

B) detrimental.

C) neutral.

D) ambiguous.

Answer: <https://biology-forums.com/index.php?topic=785759>

Question 1775

Why is the name of fixed-price contracts somewhat misleading?

Answer: <https://biology-forums.com/index.php?topic=787036>

Question 1776

The deadweight loss generated by a perfect-price-discriminating monopoly

A) equals the deadweight loss of a single-price monopoly.

B) is greater than the deadweight loss of a single-price monopoly.

C) equals zero.

D) equals the sum of all lost consumer surplus.

Answer: <https://biology-forums.com/index.php?topic=785720>

Question 1777

Pizza joints often offer substantially lower prices for pizza picked up at the shop compared to delivered pizza prices. This may be an attempt at

A) perfect price discrimination.

B) multimarket price discrimination.

C) quantity discrimination.

D) second-degree price discrimination.

Answer: <https://biology-forums.com/index.php?topic=785765>

Question 1778

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 1779

Author A accepts a \$5,000 advance and a 10% royalty after 5,000 books are sold. Author B foregoes the advance and negotiates for a 15% royalty on all books sold. Author C decides to self publish his book and keep 50% of all sales revenue. Which of these authors expects to sell the fewest books?

A) Author A

B) Author C

C) Author B

D) They are all equally likely.

Answer: <https://biology-forums.com/index.php?topic=786590>

Question 1780

Ideas can be protected using:

a. copyright law

b. trademark law

c. trade secrets

d. industrial designs

Answer: <https://biology-forums.com/index.php?topic=786997>

Question 1781

When majority rule voting is used to determine whether to purchase a public good,

- A) the efficient outcome is assured.
- B) the median voter gets her way.
- C) the sum of the marginal benefits must equal marginal cost.
- D) the marginal benefit of the good to the median voter equals the good's marginal cost.

Answer: <https://biology-forums.com/index.php?topic=786435>

Question 1782

A lottery game pays \$500 with .001 probability and \$0 otherwise. The variance of the payout is

- A) 15.8.
- B) 249.50.
- C) 249.75.
- D) 499.

Answer: <https://biology-forums.com/index.php?topic=786222>

Question 1783

If the price elasticity of demand for a good is less than one in absolute value, economists would characterize consumers of this good

- A) as not very sensitive to price.
- B) as not very sensitive to the quantity they demand.
- C) as very sensitive to price.
- D) as elastic.

Answer: <https://biology-forums.com/index.php?topic=784693>

Question 1784

For most commonly used social welfare functions, an efficient allocation is

- A) always preferred over any inefficient allocation.
- B) not possible.
- C) usually preferred.
- D) never preferred.

Answer: <https://biology-forums.com/index.php?topic=785564>

Question 1785

Which of the following artists typified the approach of connecting an improvisational world without musical borders back to the bop mainstream?

- a. Wynton Marsalis
- b. David Murray
- c. Maria Schneider
- d. Art Blakey

Answer: <https://biology-forums.com/index.php?topic=786966>

Question 1786

Which legal right might cyber-squatting infringe?

- a. copyright
- b. trademark
- c. right to privacy
- d. freedom of contract

Answer: <https://biology-forums.com/index.php?topic=787105>

Question 1787

The slope of the isoquant tells the firm how much

- A) output increases when labor increases by one unit.
- B) output increases when capital and labor are doubled.
- C) capital must decrease to keep output constant when labor increases by one unit.
- D) a unit of capital costs relative to the cost of labor.

Answer: <https://biology-forums.com/index.php?topic=785175>

Question 1788

Joey's Lawncutting Service rents office space from Joey's dad for \$300 per month. Joey's dad is thinking of increasing the rent to \$400 per month. As a result Joey's marginal cost of cutting grass will

- A) increase by \$100 divided by the amount of grass cut.
- B) increase by \$100.
- C) decrease by \$100.

D) not change.

Answer: <https://biology-forums.com/index.php?topic=785138>

Question 1789

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 1790

A mail-order clothing company offers a discount if customers purchase two shirts instead of only one. This is necessarily an example of quantity discrimination.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=785747>

Question 1791

Television stations have seemingly synchronized their commercial breaks. This is likely an example of

- A) tacit collusion.
- B) explicit collusion.
- C) mixed strategies.
- D) pure strategies.

Answer: <https://biology-forums.com/index.php?topic=785846>

Question 1792

One way to prevent workers from shirking is to

- A) hire only workers who are predisposed toward shirking.
- B) hire only workers who are predisposed toward not shirking.
- C) reduce monitoring to zero.
- D) pay workers a fixed fee.

Answer: <https://biology-forums.com/index.php?topic=786632>

Question 1793

Suppose the production function for T-shirts can be represented as $q = L^{0.25} K^{0.75}$. When

$K = 1$ and $q = 2$, what is the slope of the isoquant? If there is insufficient information to answer the question, describe what information is needed.

Answer: <https://biology-forums.com/index.php?topic=785068>

Question 1794

Explain why the shape of the demand curve will determine how a shock to the market equilibrium affects price and quantity.

Answer: <https://biology-forums.com/index.php?topic=784666>

Question 1795

What is the primary difference between bundling and tie-ins?

- A) Bundling is typically a one-off purchase.
- B) Contractual arrangements.
- C) Tie-ins are one-off purchases.
- D) Bundling is illegal and tie-ins are legal.

Answer: <https://biology-forums.com/index.php?topic=785799>

Question 1796

Why is it advisable to record contracts in writing?

Answer: <https://biology-forums.com/index.php?topic=787005>

Question 1797

If the inverse demand curve a monopoly faces is $p = 100 - 2Q$, and MC is constant at 16, then the deadweight loss from monopoly equals

- A) \$21.
- B) \$441.

- C) \$882.
- D) \$1,764.

Answer: <https://biology-forums.com/index.php?topic=785650>

Question 1798

Suppose two people with the same level of income and wealth have different discount rates. Joe has a very high discount rate and Jim has a very low discount rate. Which one of the following is TRUE?

- A) Joe is more likely to borrow than Jim.
- B) Joe is less likely to borrow than Jim.
- C) Joe and Jim will borrow the same amount.
- D) Neither Joe nor Jim would be borrowers.

Answer: <https://biology-forums.com/index.php?topic=786105>

Question 1799

The situation in which a person places greater value on a good as fewer and fewer people possess it is called

- A) Bandwagon Effect.
- B) Greater Value Effect.
- C) Snob Effect.
- D) Behavioral Effect.

Answer: <https://biology-forums.com/index.php?topic=785697>

Question 1800

Which is a behavioral economics justification for limiting advertising directed towards children?

- A) Children have no money.
- B) Children pester their parents too much.
- C) Children have no memory.
- D) Children do not always have transitive preferences.

Answer: <https://biology-forums.com/index.php?topic=784883>

Question 1801

When the price of a good changes, the total effect of the price change on the quantities purchased can be found by comparing the quantities purchased

- A) on the old budget line and the new budget line.
- B) on the original indifference curve when faced with the original prices and when faced with the new prices.
- C) on the new budget line and a hypothetical budget line that is a parallel shift back to the original indifference curve.
- D) on the new indifference curve.

Answer: <https://biology-forums.com/index.php?topic=784931>

Question 1802

If the price of automobiles were to increase substantially, the demand curve for gasoline would most likely

- A) shift leftward.
- B) shift rightward.
- C) remain unchanged.
- D) become steeper.

Answer: <https://biology-forums.com/index.php?topic=784526>

Question 1803

Author A accepts a \$5,000 advance and a 10% royalty after 5,000 books are sold. Author B foregoes the advance and negotiates for a 15% royalty on all books sold. Author C decides to self publish his book and keep 50% of all sales revenue. Which of these authors is most likely to have 10 books published?

- A) Author A
- B) Author C
- C) Author B
- D) They are all equally likely.

Answer: <https://biology-forums.com/index.php?topic=786589>

Question 1804

Suppose two Cournot duopolist firms operate at zero marginal cost. The market demand is $p = a - bq$. Firm 1's best-response function is

- A) $q_1 = (a - bq_2)/2b$.
- B) $q_1 = (a - 2bq_2)/2b$.

C) $q_1 = a/b$.

D) $q_1 = a/2b$.

Answer: <https://biology-forums.com/index.php?topic=785858>

Question 1805

Normative statements are easily debated whereas positive statements are simply rhetorical.

True or False? Provide an explanation.

Answer: <https://biology-forums.com/index.php?topic=784507>

Question 1806

Suppose the demand curve for a good is downward sloping and the supply curve is upward sloping. At the market equilibrium, if demand is more elastic than supply in absolute value, a \$1 specific tax will

A) raise the price to consumers by 50 cents.

B) raise the price to consumers by less than 50 cents.

C) raise the price to consumers by more than 50 cents.

D) raise the price to consumers by \$1.

Answer: <https://biology-forums.com/index.php?topic=784759>

Question 1807

Joey cuts lawns during the summer. Let q equal the number of acres mowed per day, and let L equal the number of hours worked per day. Joey never works more than eight hours per day, and during that time his short-run production function is $q = 0.2 * L$. Which of the following statements is FALSE?

A) Joey's marginal productivity equals his average productivity.

B) Joey's marginal productivity diminishes by 0.2 for each additional hour worked.

C) Joey's average productivity is constant.

D) Joey's marginal productivity is constant.

Answer: <https://biology-forums.com/index.php?topic=785025>

Question 1808

Suppose a senior college football player approaches an insurance company and seeks to purchase an insurance policy against him receiving a career-ending injury. The insurance company

A) will sell him an insurance policy because the proposal entails uncertainty not risk.

B) will sell him an insurance policy because the proposal entails risk not uncertainty.

C) will not sell him an insurance policy because the proposal entails uncertainty not risk.

D) will not sell him an insurance policy because the proposal entails risk not uncertainty.

Answer: <https://biology-forums.com/index.php?topic=786282>

Question 1809

"A" mistakenly builds his farm boundary fence 5 cm beyond his property boundary such that it is on his neighbour's property. His neighbour, "B", sues for trespass. Will B's claim succeed? What remedy will the court likely grant to B? (Hint: consider public policy)

Answer: <https://biology-forums.com/index.php?topic=787045>

Question 1810

In a recent court case, an expert witness defined a monopoly as a firm that can "raise price without reducing its total revenue." What does this imply about the elasticity of demand? Would this definition hold for a profit-maximizing monopoly? Explain.

Answer: <https://biology-forums.com/index.php?topic=785612>

Question 1811

A game in economics is defined as

A) something that is shown on ESPN

B) competition in which strategic decision making is integral.

C) competition in general.

D) an actual strategy chosen by one or more economic agents.

Answer: <https://biology-forums.com/index.php?topic=785930>

Question 1812

Assume the following. In location A yearly temperatures range from -30°F to 100°F and in location B yearly temperatures range from 55°F to 75°F . In both locations the average yearly temperature equals 65°F . We can conclude that

A) temperature in location A has a higher variance.

B) temperature in location B has a higher standard deviation.

C) temperature in location A has a lower standard deviation.
D) temperatures in both locations have the same standard deviation but different variances.
Answer: <https://biology-forums.com/index.php?topic=786218>

Question 1813

Which of the following might explain the evidence of an endowment effect in behavioral economics?
A) government regulation
B) knowledge and experience
C) the federal tax code
D) class envy
Answer: <https://biology-forums.com/index.php?topic=784885>

Question 1814

As the probability of detecting shirking increases, the size of the bond necessary to deter shirking
A) also increases.
B) stays the same.
C) decreases.
D) increases at an exponential rate.
Answer: <https://biology-forums.com/index.php?topic=786596>

Question 1815

At any given point on the curve, the slope of the total product curve always equals
A) the ratio of the marginal product and the average product.
B) the change in input divided by the change in output.
C) the average product of the input.
D) the marginal product of the input.
Answer: <https://biology-forums.com/index.php?topic=785026>

Question 1816

At Albert's Pretzel Company, $MPL = 1/L$, and $MPK = 1/K$. The isoquant for 100 pounds of pretzels daily is shown in the above figure. Albert minimizes the cost of producing 100 pounds of pretzels daily by hiring 5 units of labor and 10 units of capital when $w = 50$ and $r = 25$. When r rises to 100, what is the minimum cost of producing 100 pounds of pretzels daily in the short run? in the long run?
Answer: <https://biology-forums.com/index.php?topic=785219>

Question 1817

If inflation is 10% and the nominal interest rate equals 16.6% the real interest rate is equal to
A) 6.6%.
B) 6%.
C) -6.6%.
D) zero.
Answer: <https://biology-forums.com/index.php?topic=786106>

Question 1818

Which of the following workers is most likely to be asked to post a bond?
A) construction contractor
B) fast food worker
C) sanitation worker
D) book author
Answer: <https://biology-forums.com/index.php?topic=786597>

Question 1819

Brand loyalty in monopolistically competitive markets manifests itself as
A) upward sloping marginal cost curves.
B) downward sloping demand curves.
C) downward sloping marginal cost curves.
D) upward sloping demand curves.
Answer: <https://biology-forums.com/index.php?topic=785921>

Question 1820

Explain why labor might not always be a variable input.

Answer: <https://biology-forums.com/index.php?topic=785013>

Question 1821

Reparations for slavery in the United States would

- A) be consistent with the Pareto principle.
- B) be inconsistent with the Pareto principle.
- C) have nothing to do with the Pareto principle.
- D) would be unconstitutional.

Answer: <https://biology-forums.com/index.php?topic=785477>

Question 1822

Suppose $TC = 10 + (0.1 * q^2)$. If there are 100 identical firms in the market, the market supply curve is

- A) $Q = 1000 * p$.
- B) $Q = 500 * p$.
- C) $Q = 100 * p$.
- D) $Q = 10$.

Answer: <https://biology-forums.com/index.php?topic=785294>

Question 1823

Interest rates are positive mainly because

- A) of inflation.
- B) people tend to prefer the present to the future.
- C) people tend to prefer the future to the present.
- D) bankers are greedy.

Answer: <https://biology-forums.com/index.php?topic=786107>