Question 1

Which of the following is an example of anchoring in retail prices?

A) Price tags on the merchandise list a "high" price that is charged at a competing retailer and the a much lower price that the store actually charges.
B) An appliance store lists a commercial-quality coffee maker that has high capacity and is very expensive, and all of the other coffee makers are smaller and less expensive.

C) Restaurant menus include a premium entree like a steak and lobster dinner that is very expensive, and all of the other entree choices are priced at lower values.

D) all of the above

Answer: https://biology-forums.com/index.php?topic=791692

Question 2

Assume that steak and potatoes are complements. When the price of steak goes up, the demand curve for potatoes:

- A) shifts to the left.
- B) shifts to the right.
- C) remains constant.

D) shifts to the right initially and then returns to its original position.

Answer: https://biology-forums.com/index.php?topic=791061

Question 3

Fixed costs are fixed with respect to changes in

- A) output.
- B) capital expenditure.
- C) wages.
- D) time.

Answer: https://biology-forums.com/index.php?topic=791827

Question 4

When 1983 is the CPI base year, the CPI value is 82.4 for 1980 and 172.2 for 2000. Suppose we want to convert this CPI series to have a base year of 2000 (that is, CPI2000 = 100). What is the value of the revised CPI for 1980?

A) 172.2

B) 100

- C) 47.9
- D) 209.0

Answer: https://biology-forums.com/index.php?topic=791032

Question 5

Economic rents are typically counted as:

- A) accounting costs but not economic costs.
- B) accounting and economic costs.
- C) economic costs but not accounting costs.

D) none of the above

Answer: https://biology-forums.com/index.php?topic=792106

Question 6

Short-run supply curves for perfectly competitive firms tend to be upward sloping because:

A) there is diminishing marginal product for one or more variable inputs.

B) marginal costs increase as output increases.

C) marginal fixed costs equal zero.

D) A and B are correct.

E) B and C are correct.

Answer: https://biology-forums.com/index.php?topic=792062

Question 7

Assume that two investment opportunities have identical expected values of \$100,000. Investment A has a variance of 25,000, while investment B's variance is 10,000. We would expect most investors (who dislike risk) to prefer investment opportunity

A) A because it has less risk.

B) A because it provides higher potential earnings.

C) B because it has less risk.

D) B because of its higher potential earnings.

Answer: https://biology-forums.com/index.php?topic=791563

Question 8

In the spring of 1994, Northwest Airlines took the independent action of reducing fares on its flights. Other competing airlines quickly matched the fare cuts. These actions might be interpreted as: A) a noncooperative game. B) a cooperative game. C) a constant sum game. D) a competitive game. Answer: https://biology-forums.com/index.php?topic=792713

Question 9

The city of Econoville has 100 residents who each have the identical demand function for park area: P = 10 - Q. The marginal cost of providing parks is MC(Q) = 10 + 10Q. Park area is a public good. That is, if the city of Econoville provides park area, all of the residents can enjoy the area. If the city of Econoville does not offer public park area, how much area of parks will each individual resident maintain on their own? What is the optimal level of public parks in Econoville?

Answer: https://biology-forums.com/index.php?topic=793529

Question 10

The slope of the production possibilities frontier is defined to be the marginal rate of

- A) transformation.B) technical substitution.
- C) substitution.
- D) profit.
- Answer: https://biology-forums.com/index.php?topic=793239

Question 11

Which of the following product pairs would NOT be good candidates for price discrimination through tying?

- A) Razors and razor blades
- B) Ink-jet printers and ink cartridges
- C) Pencils and paper
- D) Cellular telephones and cell phone service
- Answer: https://biology-forums.com/index.php?topic=792553

Question 12

- The individual pictured in Figure 5.2
- A) must be risk-averse.
- B) must be risk-neutral.
- C) must be risk-loving.
- D) could be risk-averse, risk-neutral, or risk-loving.
- E) could be risk-averse or risk-loving, but not risk-neutral.

Answer: https://biology-forums.com/index.php?topic=791592

Question 13

Refer to Scenario 5.8. Given that the two outcomes are equally likely, Icarus Airlines' expected profit under complete information would be

- A) \$40 million.
- B) \$90 million.
- C) \$115 million.
- D) \$120 million.
- E) \$125 million.

Answer: https://biology-forums.com/index.php?topic=791624

Question 14

Smog Corporation and Grimy Corporation emit pollution in their production processes. The local government has established a standard for the pollution levels of Smog Corporation and Grimy Corporation of 25,000 units of pollution. To ensure this level of pollution is achieved efficiently, the government sells permits to the corporations that entitle them to emit a unit of pollution. Smog Corporation has the following demand function for pollution emission permits: = 15,000 - . Grimy Corporation's demand function for pollution emission permits is: = 13,000 - .

What is the equilibrium price of pollution permits? If the government makes the standard more stringent and allows only 15,000 units of pollution, what happens to the equilibrium price of pollution permits?

Answer: https://biology-forums.com/index.php?topic=793552

Question 15

The city of Econoville has 100 residents who each have the identical demand function for roads: P = 100 - 1.99Q. The marginal cost of providing road area is: MC(Q) = 2,500 + Q. Road area is a public good. That is, if the city of Econoville provides public access to roads, all of the residents can enjoy the roads. If the city of Econoville does not offer public roads, how much area of roads will each individual resident maintain on their own? What is the optimal area of public roads in Econoville? What flat road tax should Econoville implement on residents for units of roads the city provides? With this flat tax, what is the total contribution of each resident for the roads? Answer: https://biology-forums.com/index.php?topic=793531

Question 16

A firm produces leather handbags and leather shoes. If there are economies of scope, the product transformation curve between handbags and shoes will be

A) a straight line.

B) bowed outward (concave).

C) bowed inward (convex).

D) a rectangle.

Answer: https://biology-forums.com/index.php?topic=791925

Question 17

Gasoline and bicycles are substitutes in consumption. Suppose we increase the federal gasoline tax to \$1 per gallon. Initially, the gasoline price rises due to the tax, and the demand curve for bicycles shifts rightward because these goods are substitutes. Then, the bicycle price rises, and the demand curve for gasoline shifts rightward. Assuming the general equilibrium is achieved in both markets after these two steps, which of the following statements is NOT true?

A) Partial equilibrium analysis only focuses in the first-round changes in the gasoline market (ignoring the secondary effects that arise from changes in the bicycle market).

B) Partial equilibrium analysis would predict a larger shift in the price and quantity demanded for gasoline than a general equilibrium analysis.

C) The price increase in gasoline is larger under the general equilibrium approach, but the change in the quantity of gasoline demanded is smaller than under partial equilibrium analysis.

D) All of these statements are true.

Answer: https://biology-forums.com/index.php?topic=793170

Question 18

One Guy's short-run cost function is: C(q, K) = +0.25K, where q is the number of pizzas produced and K is the number of ovens. Currently, One Guy's is leasing 4 ovens in the short run. Calculate the average cost of producing 10 pizzas. The manager of One Guy's is considering leasing 5 additional ovens. If One Guy's adds 5 more ovens, what is the average total cost of producing

10 pizzas?

Answer: https://biology-forums.com/index.php?topic=791916

Question 19

The discussion of Figure 2.2 in the text indicates that quantity demanded for most goods tends to increase as income rises. However, the quantity of bananas demanded in the U.S. tends to decrease as income rises. Under this condition, we expect that an increase in consumer income shifts the demand curve for bananas:

A) rightward

B) no shift.

C) leftward.

D) upward.

Answer: https://biology-forums.com/index.php?topic=791071