

Question 1

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=807192>

Question 2

In the short run, which one of the following causes a competitive firm to hire more labor?

- A) an increase in wage rate
- B) an increase in the output price
- C) a specific tax imposed on the firm's output
- D) a decrease in the output price

Answer: <https://biology-forums.com/index.php?topic=808495>

Question 3

The above figure shows the market for a particular good. If the market is controlled by a perfect-price-discriminating monopoly, compared to a perfectly competitive market, the change in consumer surplus is

- A) A.
- B) A + B + C.
- C) A + B + C + D + E.
- D) zero.

Answer: <https://biology-forums.com/index.php?topic=808173>

Question 4

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=806761>

Question 5

Consider trade between two consumers (1 and 2) and two goods, X and Y. Suppose the total quantities of each good are 100 units. Each consumer has Cobb-Douglas preferences given by:

$$U(X,Y) = XY$$

What is the shape of the contract curve, i.e. derive the equation? How does the contract curve change if consumer one has the utility function

$$U(X,Y) = X^2Y$$

while the other consumer's preferences are as before? Again, derive the equation for the contract curve.

Answer: <https://biology-forums.com/index.php?topic=807916>

Question 6

Which one of the following is NOT a key trade-off a society faces?

- A) Who gets the goods and services
- B) Who produces the goods and services
- C) Which goods and services to produce
- D) How to produce

Answer: <https://biology-forums.com/index.php?topic=806738>

Question 7

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=806985>

Question 8

The above figure shows Bob's utility function. He currently has \$100 of wealth, but there is a 50% chance that it could all be stolen. Bob is risk averse because

- A) his utility function is convex.
B) he has negative marginal utility of wealth.
C) he is willing to pay a premium to avoid a risky situation.
D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=808628>

Question 9

If the price elasticity of demand for a good is greater than one in absolute terms, we say that demand is

- A) elastic.
B) inelastic.
C) perfect.
D) vertical.

Answer: <https://biology-forums.com/index.php?topic=806989>

Question 10

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=807906>

Question 11

If the utility function (U) between food (F) and clothing (C) can be represented as $U =$, 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=807121>

Question 12

While price discrimination is possible between two markets, it is not possible in more than two.

Answer: <https://biology-forums.com/index.php?topic=808204>

Question 13

Give two reasons that the Harvester Rhyton is exceptional.

Answer: <https://biology-forums.com/index.php?topic=806980>

Question 14

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=806997>

Question 15

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=806763>

Question 16

A consumer's budget line for food (F) and shelter (S) is represented as $F = 250 - 5S$. If the price of shelter increases by 2 and consumption of shelter remains constant at 20, how will consumption of food change?

- A) decrease by 10
- B) decrease by 20
- C) decrease by 40
- D) decrease by 60

Answer: <https://biology-forums.com/index.php?topic=807171>

Question 17

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.
- D) \$0.

Answer: <https://biology-forums.com/index.php?topic=808605>

Question 18

In year 2008, 1334 million lbs of milk was produced and sold in U.S. This is

- A) the decision of the U.S. department of agriculture.
- B) quantity determined by the interactions in the market.
- C) the maximum amount the producers could produce.
- D) what consumers needed.

Answer: <https://biology-forums.com/index.php?topic=806749>

Question 19

The above figure shows a competitive firm's demand for labor assuming that the firm's output sells for \$1 per unit. If the wage is \$5 per hour, a ten cent per unit subsidy on the good sold by the firm will cause the firm to

- A) demand less labor.
- B) demand more labor.
- C) raise the wage for workers to \$5.10.
- D) None of the above.

Answer: <https://biology-forums.com/index.php?topic=808481>

Question 20

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=808547>