

Question 1

Two firms sell identical products and compete as Cournot (price-setting) competitors in a market with a demand of $p = 150 - Q$. Initially, each firm has a constant marginal and average cost of \$3 per unit of output.

- Compute each firm's best response function. Plot each of these functions on a graph with q_1 on the horizontal axis and q_2 on the vertical.
- Compute the Cournot equilibrium quantities.
- Suppose that firm 1's cost rises to \$4 per unit and firm 2's decreases to \$2. On a graph, show how this will change the best response functions. How will the equilibrium change according to the changes you made on the graph?

Answer: <https://biology-forums.com/index.php?topic=808412>

Question 2

Suppose in the ice-cream market with 10 firms, the elasticity of market demand is -1, and each firm has a constant marginal cost at \$2. The Nash-Cournot equilibrium price is

- \$2.
- \$2.2.
- \$2.4.
- \$2.5.

Answer: <https://biology-forums.com/index.php?topic=808399>

Question 3

What strategic advantage compared to a Cournot Oligopoly results in the Stackelberg outcome?

- the ability to move first
- the ability to set price
- the ability to set quantity
- the ability to make independent decisions by the Stackelberg leader

Answer: <https://biology-forums.com/index.php?topic=808423>

Question 4

Which of the following statements is a normative statement?

- Minimum wage reduces employment.
- Minimum wages causes surplus in labor market.
- Minimum wage will improve the living of junior works more than senior workers.
- Minimum wage should be welcomed by the low income class.

Answer: <https://biology-forums.com/index.php?topic=806777>

Question 5

Bob has an initial wealth of \$1200 but faces a 50% chance of losing \$800 to doctors' bills in the coming year. Insurance is available at a rate of 60¢ per \$1 of coverage. This means that if Bob purchases \$X in coverage, it costs 6X¢ and pays \$X towards Bob's doctors' bills. If Bob's utility function is $U(w) = 2$, how much insurance (X) will Bob purchase?

Answer: <https://biology-forums.com/index.php?topic=808659>

Question 6

In a company, if high-ability workers get paid \$80,000, while low-ability workers get paid \$50,000, the education (MBA) that can qualify the workers as high-ability ones cost \$20,000. What's the highest share of high-ability workers to get a separating equilibrium?

- 1/4
- 1/3
- 1/2
- 1

Answer: <https://biology-forums.com/index.php?topic=808883>

Question 7

If only two identical firms operate in a market, consumers prefer

- a Cournot equilibrium.
- a Stackelberg equilibrium.
- a collusive equilibrium.
- any equilibrium, since they all result in the same consumer surplus.

Answer: <https://biology-forums.com/index.php?topic=808424>

Question 8

A commodity or service whose consumption by one person does not preclude others from also consuming it is called a

- A) private good.
- B) public good.
- C) Giffen Good.
- D) Coase Good.

Answer: <https://biology-forums.com/index.php?topic=808784>

Question 9

Limited government licenses that create a monopoly do so because

- A) the license generates a marginal cost advantage.
- B) the monopoly will become a natural monopoly.
- C) a barrier to enter the market exists.
- D) All of the above.

Answer: <https://biology-forums.com/index.php?topic=808079>

Question 10

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 producer surplus is

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

Answer: <https://biology-forums.com/index.php?topic=808179>

Question 11

The above figure shows the supply and demand curves for rice in the U.S. and in Japan. Assume there is no trade between the two countries. If bad weather causes the supply curves in each country to shift leftward by the same amount, then

- A) the price will increase the same amount in both countries.
- B) the price will decrease the same amount in both countries.
- C) the price will increase more in Japan than in the U.S.
- D) the price will decrease more in Japan than in the U.S.

Answer: <https://biology-forums.com/index.php?topic=806939>

Question 12

What events or occurrences determined the onset of a Neolithic culture?

Answer: <https://biology-forums.com/index.php?topic=806703>

Question 13

The benefits from cartelizing are greater if

- A) the market demand elasticity is higher.
- B) the market demand elasticity is lower.
- C) the market price is higher.
- D) each firm cuts its output more.

Answer: <https://biology-forums.com/index.php?topic=808375>

Question 14

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.
- B) \$1.50.
- C) \$2.
- D) \$3.

Answer: <https://biology-forums.com/index.php?topic=808040>

Question 15

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=807834>

Question 16

Edgar only consumes protein shakes with his income, I . The price of shakes is p .

- a. What is Edgar's demand equation for shakes?
- b. Can protein shakes be an inferior good for Edgar? Explain.
- c. What is the price elasticity of Edgar's demand for shakes? Derive using calculus.
- d. What is the income elasticity of Edgar's demand for shakes?

Answer: <https://biology-forums.com/index.php?topic=807246>

Question 17

Firms are _____ with an economic profit of zero, they will _____ in the industry because 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=807782>

Question 18

Consider a monopolist which sells output in two markets, the home market and the foreign market. Initially the monopolist is unable to price discriminate and sets a single price for both markets. However, the demand in the foreign market is such that at the price the monopoly sets, no goods are sold in the foreign market. If the monopolist is then able to price discriminate, will the overall deadweight loss increase or decrease? Explain.

Answer: <https://biology-forums.com/index.php?topic=808211>

Question 19

Suppose Lisa spends all of her money on books and bagels, and a bagel is an inferior good for her. When the price of coffee increases, the

- A) consumption of coffee will fall.
- B) consumption of coffee will rise.
- C) consumption of coffee will not change.
- D) Not enough information.

Answer: <https://biology-forums.com/index.php?topic=807306>