

i Front page - Information

1 Accounting profit

Accounting profits are typically:

Velg ett alternativ:

- greater than economic profits because the former do not take implicit costs into account. ✓
- greater than economic profits because the former do not take explicit costs into account.
- equal to economic profits because accounting costs include all opportunity costs.
- smaller than economic profits because the former do not take implicit costs into account.

Maks poeng: 1

2 Pure competition long run - Increasing-cost industry

One explanation for the existence of an increasing-cost industry is:

Velg ett alternativ:

- firms produce beyond the point of minimum long-run average total costs.
- increasing marginal returns to labor occur.
- perfectly elastic long-run supply schedules are observed in the industry.
- as the industry expands, input prices are bid up for some factor of production. ✓

Maks poeng: 1

3 Comparative advantages

Product	Germany Production Possibilities Table					
	A	B	C	D	E	F
Autos	0	4	8	12	16	20
Chemicals	40	32	24	16	8	0

Product	U.S. Production Possibilities Table					
	A	B	C	D	E	F
Autos	0	3	6	9	12	15
Chemicals	60	48	36	24	12	0

Refer to the tables. If Germany and the United States engage in trade, the terms of trade will be between:

Velg ett alternativ:

- .33 and .5 unit of autos for 1 unit of chemicals.
- 3 and 4 units of autos for 1 unit of chemicals.
- 2 and 4 units of autos for 1 unit of chemicals.
- 2 and 4 units of chemicals for 1 unit of autos.



Maks poeng: 1

4 Pure competition demand curve

A single firm in pure competition in the short run has a:

Velg ett alternativ:

- vertical supply curve.
- horizontal demand curve. ✓
- horizontal supply curve.
- vertical demand curve.

Maks poeng: 1

5 Behavioral economics

Susie knows that too many sugary treats, while delicious when eaten, have long-term adverse effects on weight and health. Based on this information, a behavioral economist would expect Susie to

Velg ett alternativ:

- give away most of her sugary treats in an effort to resist temptation.
- compute the caloric intake and calculate how many hours of exercise would be needed to burn off the calories from each treat.
- carefully weigh the short-term benefits against the long-term costs and make a rational decision about how many treats to eat.
- eat more sugary treats than is optimal, as she likely gives more weight to present events and outcomes than to ones in the future. ✓

Maks poeng: 1

6 Prospect theory

Why do credit card companies typically require small minimum payment amounts on their customers' monthly credit card statements?

Velg ett alternativ:

- Credit card companies are concerned that their customers will be put in financial distress if required to make higher payments.
- Credit card companies actually charge the highest minimum payment they are allowed by law to charge.
- Credit card companies want to promote faster repayment, and customers will be encouraged to pay more each month if they're able to pay well beyond the minimum.
- Credit card companies want to increase profits by promoting slower repayment and actual customer payments will be anchored by the smaller payment requirements.

Maks poeng: 1

7 Diseconomies of scale

Diseconomies of scale are caused by the law of diminishing marginal returns.

Velg ett alternativ:

- False
- True



Maks poeng: 1

8 Behavioral economics

Eric tries to eat more healthfully by eliminating cookies, donuts, and similar snacks from his diet. Every day at work, however, coworkers bring in these treats and Eric succumbs to temptation. Which of the following concepts would behavioral economists use to explain Eric's self-control problem?

Velg ett alternativ:

- Self-serving bias
- Time inconsistency ✓
- System 2 processes dominating decision making
- Availability heuristic

Maks poeng: 1

9 Supply curve - technological change

An improvement in production technology will:

Velg ett alternativ:

- shift the supply curve to the left.
- shift the demand curve to the left.
- shift the supply curve to the right. ✓
- increase equilibrium price.

Maks poeng: 1

10 Marginal product

Number of Workers	Units of Output
0	0
1	40
2	90
3	126
4	150
5	165
6	180

Refer to the data. The marginal product of the sixth worker is:

Velg ett alternativ:

- 180 units of output.
- 30 units of output.
- negative.
- 15 units of output.



Maks poeng: 1

11 The basic economic problem

The basic economic problem is essentially one of deciding how to make the best use of:

Velg ett alternativ:

- unlimited resources to satisfy limited economic wants.
- unlimited resources to satisfy unlimited economic wants.
- limited resources to satisfy limited economic wants.
- limited resources to satisfy unlimited economic wants.



Maks poeng: 1

12 Pure competition marginal revenue

In pure competition, the marginal revenue of a firm always equals:

Velg ett alternativ:

- marginal cost.
- average total cost
- product price.
- total revenue.



Maks poeng: 1

13 Public goods

Project	Marginal Cost (\$M)	Marginal Benefit (\$M)
1	\$8	\$11
2	11	13
3	18	17
4	28	23

A government is considering undertaking one or more construction projects. The estimated marginal cost and benefit of each project are given in the table.

Refer to the table and information. What is the total cost and total benefit of projects 1, 2, and 3?

Velg ett alternativ:

- Total cost is \$18 million and total benefit is \$19 million.
- Total cost is \$24 million and total benefit is \$27 million.
- Total cost is \$65 million and total benefit is \$66 million.
- Total cost is \$37 million and total benefit is \$41 million.



Maks poeng: 1

14 Behavioral economics

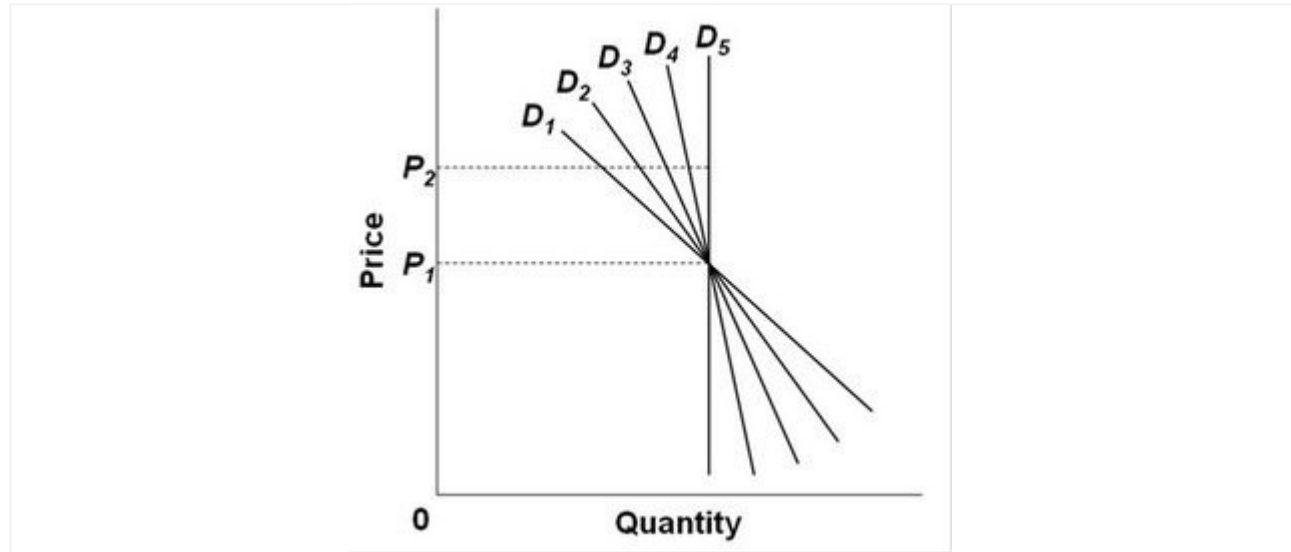
According to the piece "Wannamaker's Lament,"

Velg ett alternativ:

- money-back guarantees are costly to firms because they don't increase sales but do increase costs.
- most marketing efforts have little impact on sales. ✔
- only 50 percent of new consumer products fail within the first year.
- price tags are inefficient signaling mechanisms.

Maks poeng: 1

15 Demand elasticity



Refer to the figure above. Which demand curve above is relatively more elastic between P_1 and P_2 ?

Velg ett alternativ:

- D1
- D2
- D3
- D4



Maks poeng: 1

16 Tax and demand elasticity

Consider a situation where the U.S. Congress wants to place a special tax on private airplanes to increase tax revenue. This tax would be most effective in raising new tax revenues if the price elasticity of:

Velg ett alternativ:

- supply is inelastic.
- demand is elastic.
- demand is inelastic. ✓
- supply is elastic.

Maks poeng: 1

17 Economic growth in production possibility curve

Economic growth is shown by a shift of the production possibilities curve outward and to the right.

Velg ett alternativ:

- False
- True ✓

Maks poeng: 1

18 Positive externality

If some activity creates positive externalities as well as private benefits, then economic theory suggests that the activity ought to be:

Velg ett alternativ:

- prohibited.
- left alone under the idea of laissez faire.
- taxed.
- subsidized.



Maks poeng: 1

19 Lorenz curve

The Lorenz curve is helpful in visualizing the:

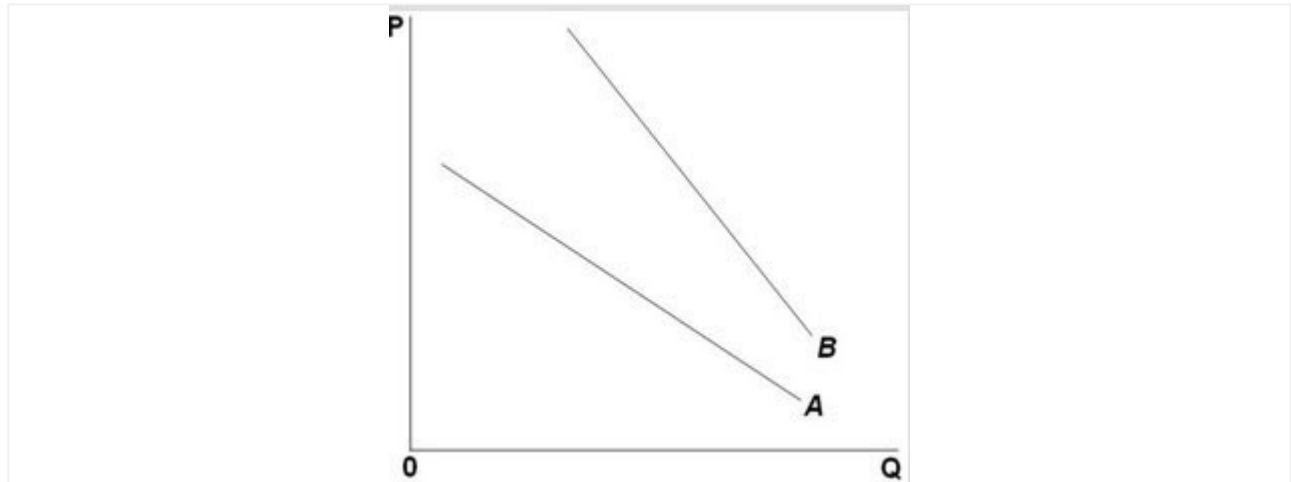
Velg ett alternativ:

- degree of inequality in the distribution of income.
- relationship between education and income.
- relationship between the prices received and paid by farmers.
- trade-off between unemployment and inflation.



Maks poeng: 1

20 Price and Output in Monopolistic Competition



Refer to the above graph. A successful advertising campaign by a monopolistically competitive firm will cause the demand curve for that firm to shift from:

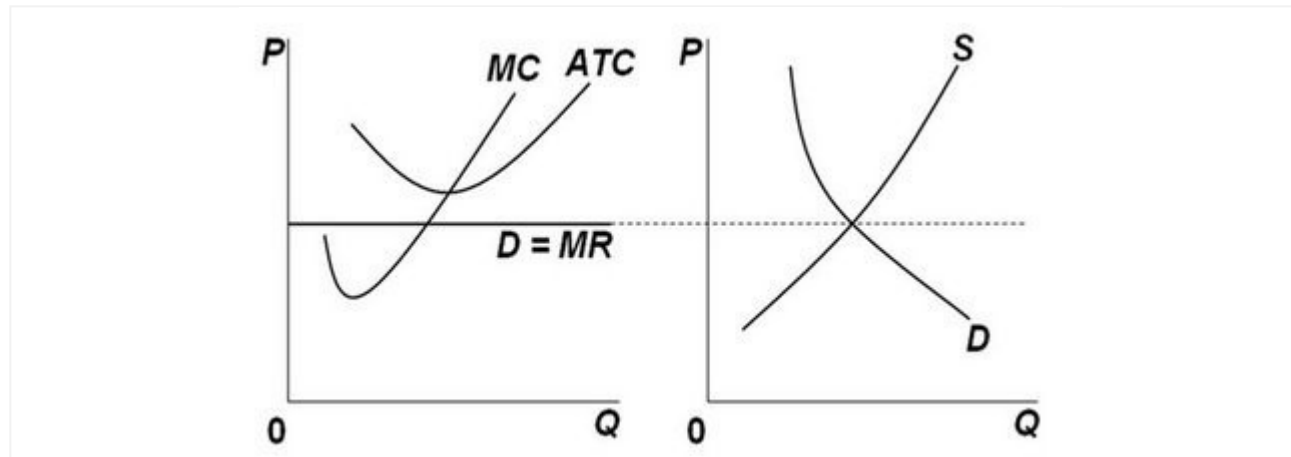
Velg ett alternativ:

- A to B and become more elastic.
- B to A and become more elastic.
- A to B and become less elastic.
- B to A and become less elastic.



Maks poeng: 1

21 Profit maximization in pure competition long run



Refer to the graphs. What will happen in the long run to industry supply and the equilibrium price of the product?

Velg ett alternativ:

- S will decrease, P will decrease.
- S will increase, P will increase.
- S will increase, P will decrease.
- S will decrease, P will increase.



Maks poeng: 1

22 Demand competitive markets

In pure competition, the industry demand curve is infinitely price elastic

Velg ett alternativ:

- True
- False



Maks poeng: 1

23 Supply curve

The supply curve shows the relationship between:

Velg ett alternativ:

- physical inputs of resources and the resulting units of output.
- price and quantity supplied. ✓
- production costs and the amount demanded.
- total business revenues and quantity supplied.

Maks poeng: 1

24 Coase theorem

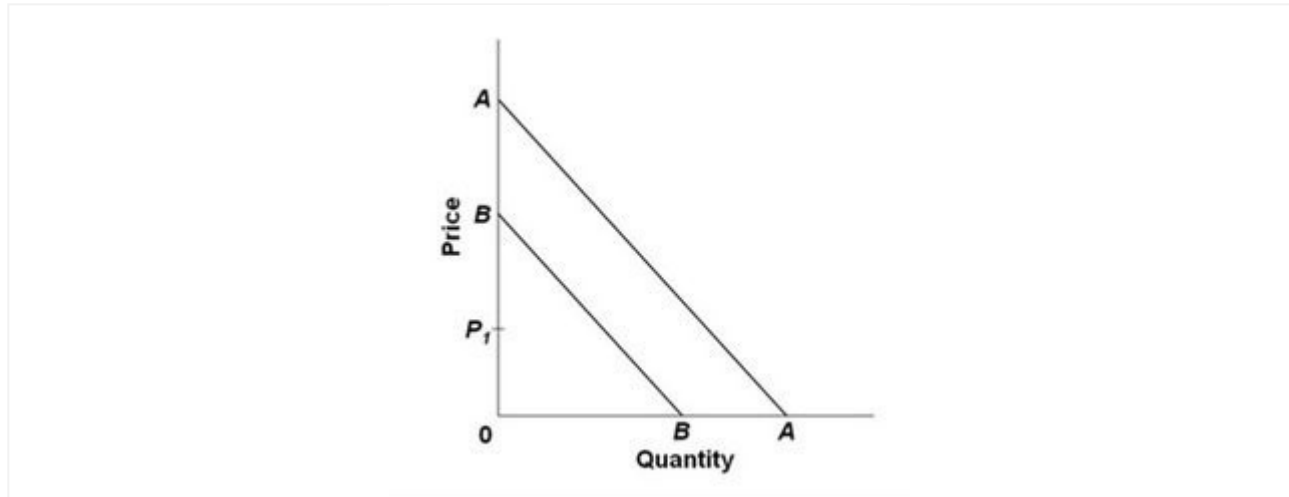
One condition for private bargaining to occur, according to the Coase theorem, is that there must be:

Velg ett alternativ:

- clearly established property rights. ✓
- government creation of a market for externalities.
- many people affected and involved.
- government intervention to establish bargaining.

Maks poeng: 1

25 Demand elasticity



Consider the parallel demand curves. Which curve is relatively more elastic at P_1 ?

Velg ett alternativ:

- Both have the same slope; therefore, both have the same elasticity.
- AA
- BB
- Cannot be determined



Maks poeng: 1

26 Price discrimination

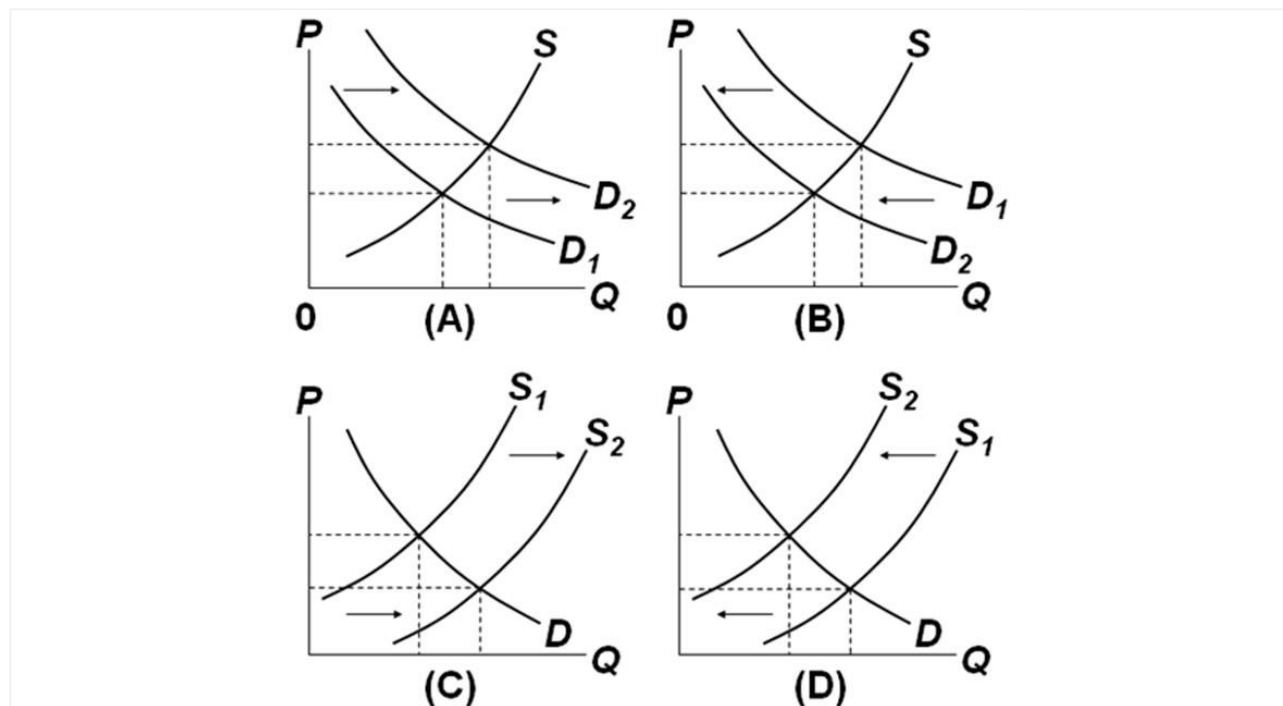
To practice long-run price discrimination, a monopolist must:

Velg ett alternativ:

- able to separate buyers into different markets with different price elasticities. ✓
- permit the resale of the product by the original buyers.
- be a natural monopoly.
- charge one price to all buyers.

Maks poeng: 1

27 Demand and supply model - market for computer software



Which of the above diagrams illustrate(s) the effect of a decline in the price of personal computers on the market for computer software?

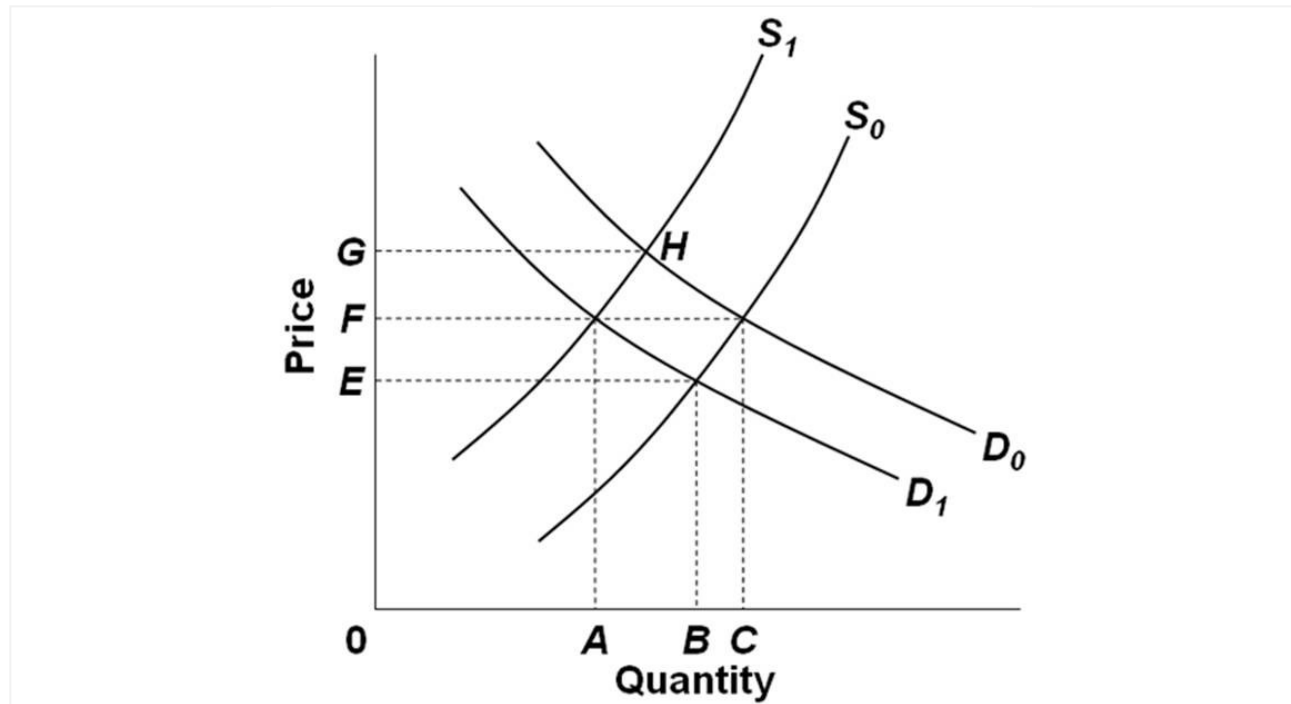
Velg ett alternativ:

- A only
- A and D
- B only
- D only



Maks poeng: 1

28 Demand and supply model



Refer to the above diagram, which shows demand and supply conditions in the competitive market for product X. If supply is S_1 and demand D_0 , then:

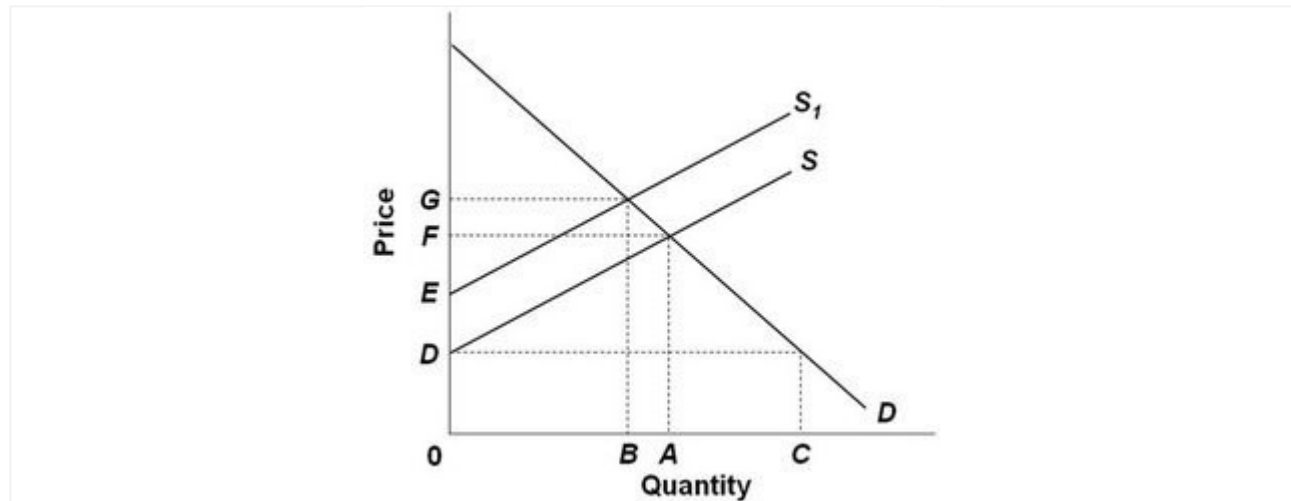
Velg ett alternativ:

- 0F represents a price that would result in a shortage of AC
- at any price above 0G a shortage would occur.
- a surplus of GH would occur.
- 0F represents a price that would result in a surplus of AC.



Maks poeng: 1

29 Externalities



Refer to the supply and demand graph. In the graph, point A is the current equilibrium level of output of this product and point B is the optimal level of output from society's perspective. S is the supply curve without a tax and S_1 is the supply curve with a tax. One solution to this externality problem is to:

Velg ett alternativ:

- tax consumers by the amount EF .
- give producers a subsidy of the amount AB .
- give consumers a subsidy of the amount FG .
- tax producers by the amount DE .



Maks poeng: 1

30 Characteristics of monopolistic competition

Which assumption is part of the model of monopolistic competition?

Velg ett alternativ:

- There are significant barriers to entry into the market.
- There is no collusion among firms. ✓
- Firms make identical products.
- There are few buyers and sellers.

Maks poeng: 1

31 Measurement of income inequality

(1) Personal Income Class	(2) Percentage of All Households in This Class	(3) Percentage of All Households in This and All Lower Classes
Under \$10,000	6	6
\$10,000-\$14,999	5	11
\$15,000-\$24,999	12	23
\$25,000-\$34,999	A	35
\$35,000-\$49,999	16	C
\$50,000-\$74,999	B	72
\$75,000-\$99,999	13	D
\$100,000 and over	15	100

Using the data in the table, what percentage of households made \$75,000-\$99,999?

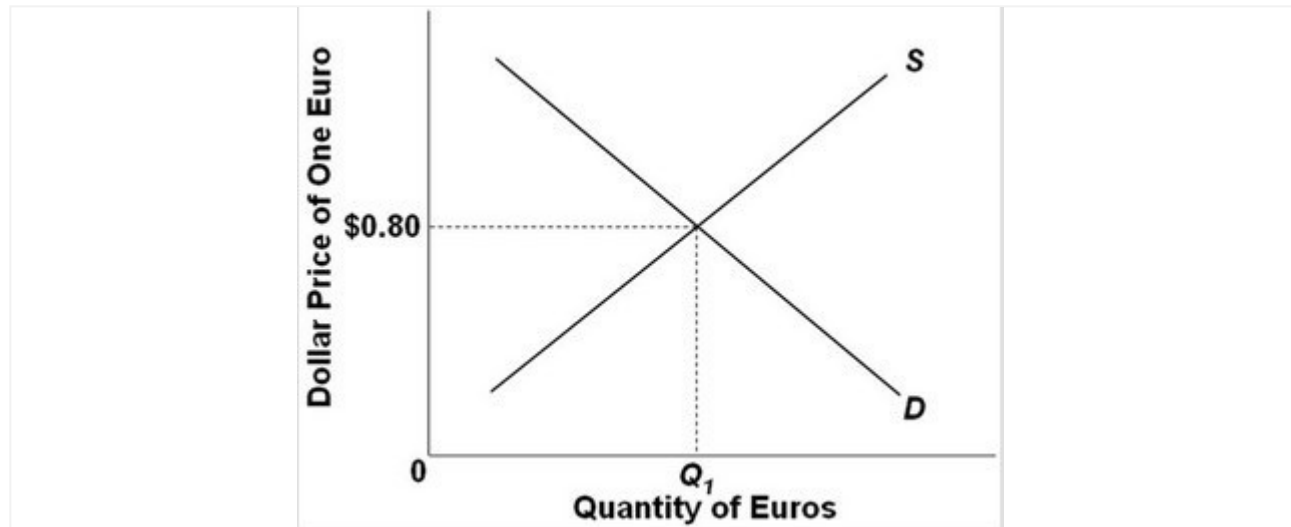
Velg ett alternativ:

- 11 percent
- 16 percent
- 13 percent
- 85 percent



Maks poeng: 1

32 Exchange rate markets



Other things equal, a leftward shift of the demand curve would:

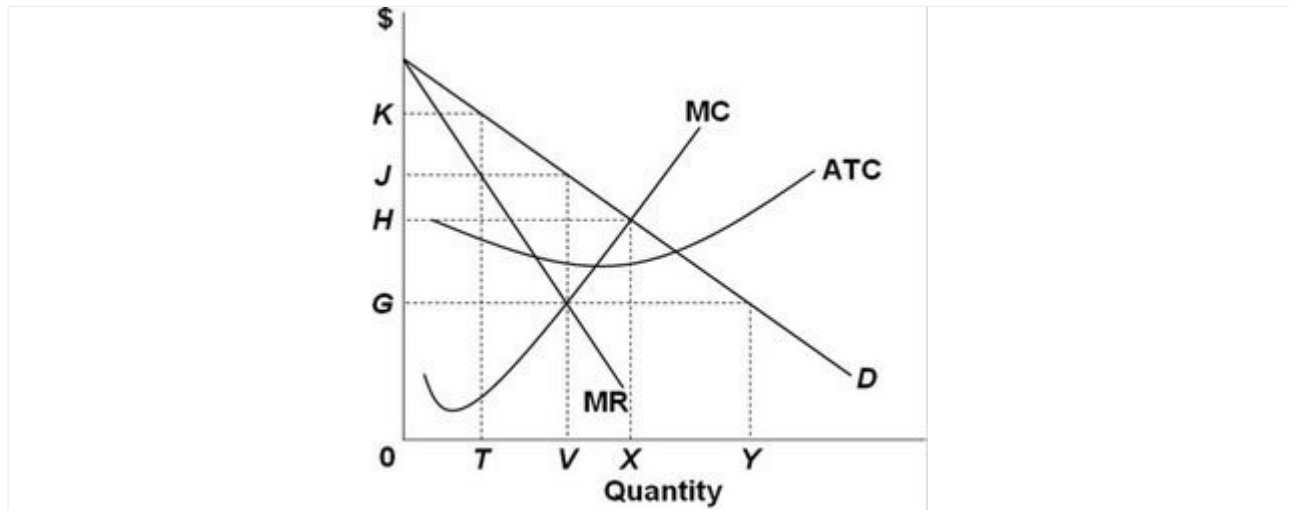
Velg ett alternativ:

- cause a shortage of euros.
- appreciate the euro.
- depreciate the dollar.
- reduce the equilibrium quantity of euros.



Maks poeng: 1

33 Monopoly profit maximization



Refer to the graph. The profit-maximizing monopolist shown sets its price and output at:

Velg ett alternativ:

- 0G and 0V, respectively.
- 0J and 0V, respectively.
- 0G and 0Y, respectively.
- 0H and 0X, respectively.



Maks poeng: 1

34 Monopoly characteristics

Which is most characteristic of a pure monopoly?

Velg ett alternativ:

- The firm has considerable control over the quantity of the output produced, but not over price.
- The firm produces a good or a service for which there are no close substitutes. ✓
- There is a dominant firm in a multifirm industry.
- Exit from the industry is blocked but entry into the industry is relatively easy.

Maks poeng: 1

35 Internalizing cost of pollution

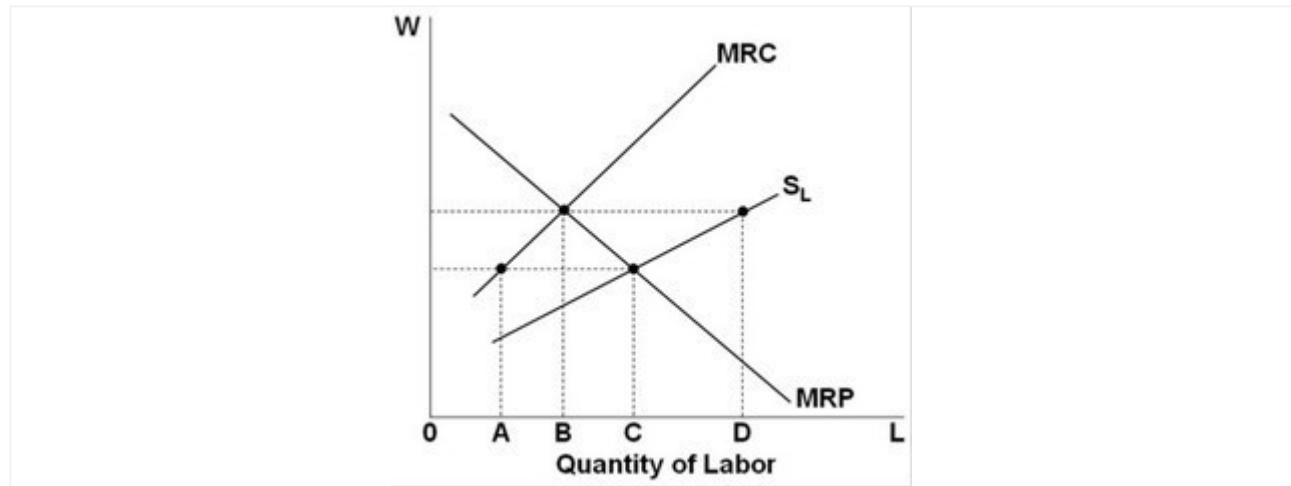
By requiring car producers to install emission control devices on cars, the government forces these producers to internalize some of the external costs of auto pollution. This will lead to the equilibrium price of cars:

Velg ett alternativ:

- increasing and the quantity decreasing. ✓
- decreasing and the quantity decreasing.
- increasing and the quantity increasing.
- decreasing and the quantity increasing.

Maks poeng: 1

36 Wage rate determination



The level of employment in the monopsony labor market shown will be:

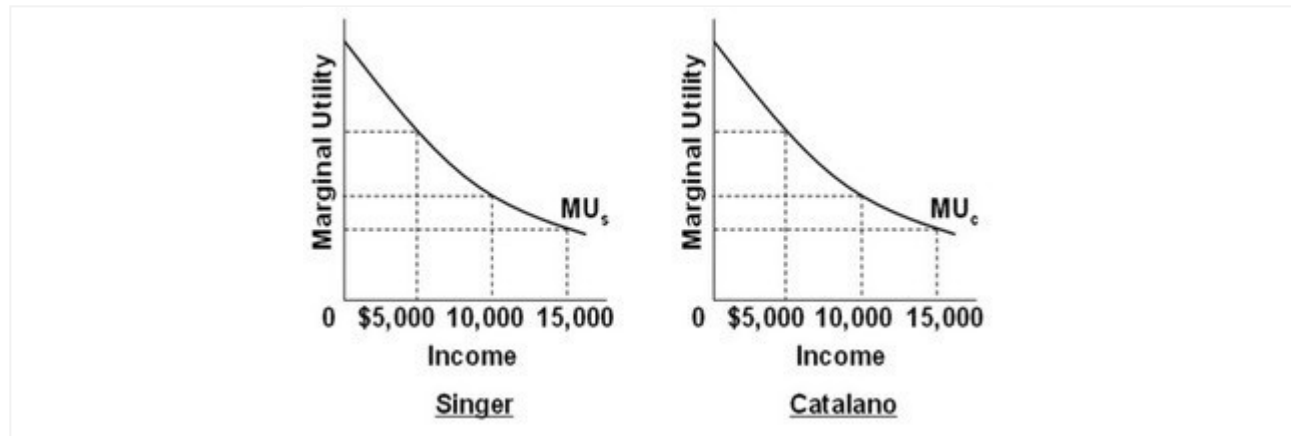
Velg ett alternativ:

- A
- B
- C
- D



Maks poeng: 1

37 Income distribution and utility



Refer to the diagrams that show identical marginal utility from income curves for Singer and Catalano. If a given income of \$20,000 is initially distributed so that Singer receives \$15,000 and Catalano \$5,000:

Velg ett alternativ:

- no judgment can be made as to the effect of a redistribution of income on total utility.
- this initial distribution of income is maximizing the combined total utility of the two consumers.
- the combined total utility of the two consumers can be increased by redistributing income from Singer to Catalano. ✓
- the combined total utility of the two consumers can be increased by redistributing income from Catalano to Singer.

Maks poeng: 1

38 Tax effect on supply

A government tax per unit of output reduces supply.

Velg ett alternativ:

- False
- True



Maks poeng: 1

39 Crossprice elasticity

If a 2 percent increase in the price of product X causes the demand for product Y to increase by 6 percent, then:

Velg ett alternativ:

- the demand for X is elastic.
- X and Y are substitutes.
- X and Y are complements.
- X and Y are independent goods.



Maks poeng: 1

40 Price rationing

The rationing function of prices refers to the fact that government must distribute any surplus goods that may be left in a competitive market.

Velg ett alternativ:

- False
- True



Maks poeng: 1

41 Production possibility curve

The production possibilities curve bows outward from the origin because:

Velg ett alternativ:

- resources are not of uniform quality.
- more production of one good results in more production of the other good.
- opportunity costs increase as the production of a good increases.
- opportunity costs decrease as the production of a good increases.



Maks poeng: 1

42 Externalities

In a market where there are external or spillover costs associated with consumption and production, the equilibrium will not be efficient because:

Velg ett alternativ:

- costs of production will, on average, be too high.
- firms will shut down until costs are reduced.
- price will be greater than MC.
- too many resources will be allocated to production of the good. ✓

Maks poeng: 1

43 Monopoly demand

A firm sells 99 units of output when price equals \$10 and 100 units of output when price equals \$9. Its marginal revenue for the 100th unit of output is negative.

Velg ett alternativ:

- False
- True ✓

Maks poeng: 1

44 Demand elasticity measurement

Block's sells 500 bottles of perfume a month when the price is \$7. A huge increase in resource costs causes price to rise to \$9 and Block's only manages to sell 460 bottles of perfume. The price elasticity of demand is:

Velg ett alternativ:

- 0.33 and inelastic. ✓
- 0.33 and elastic.
- 3.0 and elastic.
- 3.0 and inelastic.

Maks poeng: 1

45 Industries and firm organization

If a company owns plants at various stages of the production process, this is called:

Velg ett alternativ:

- a multiplant firm.
- a conglomerate.
- a vertically integrated firm. ✓
- an industry.

Maks poeng: 1

46 Production possibility curve

When an economy is at full employment and full production, more of any one product:

Velg ett alternativ:

- can be produced only if there is a general decrease in prices.
- cannot be produced unless private enterprise does so rather than government.
- can be produced only if there is less production of some other products. ✓
- cannot be produced because there is full production.

Maks poeng: 1

47 Labor demand curve

Which of the following is a characteristic of a purely competitive labor market?

Velg ett alternativ:

- Individual employers and individual workers are "wage makers."
- The good or service workers produce is sold in a purely competitive product market.
- Many workers with identical skills supplying a particular type of labor. ✓
- All of these are characteristics of a purely competitive labor market

Maks poeng: 1

48 Game theory

		Firm A	
		High Price	Low Price
Firm B	High price	A = \$250 B = \$250	A = \$325 B = \$200
	Low price	A = \$200 B = \$325	A = \$175 B = \$175

Refer to the payoff matrix. If both firms collude to maximize joint profits, the total profits for the two firms combined will be:

Velg ett alternativ:

- \$400 million.
- \$350 million.
- \$500 million.
- \$250 million.



Maks poeng: 1

49 Profit maximization short run

Output	Total Revenue	Total Cost
0	\$0	\$50
1	40	74
2	80	94
3	120	117
4	160	142
5	200	172

Refer to the table. The marginal cost of the third unit of output is:

Velg ett alternativ:

- \$20.
- \$23.
- \$24.
- \$25.



Maks poeng: 1

50 Labor demand curve

Why is the demand for labor referred to as a "derived" demand?

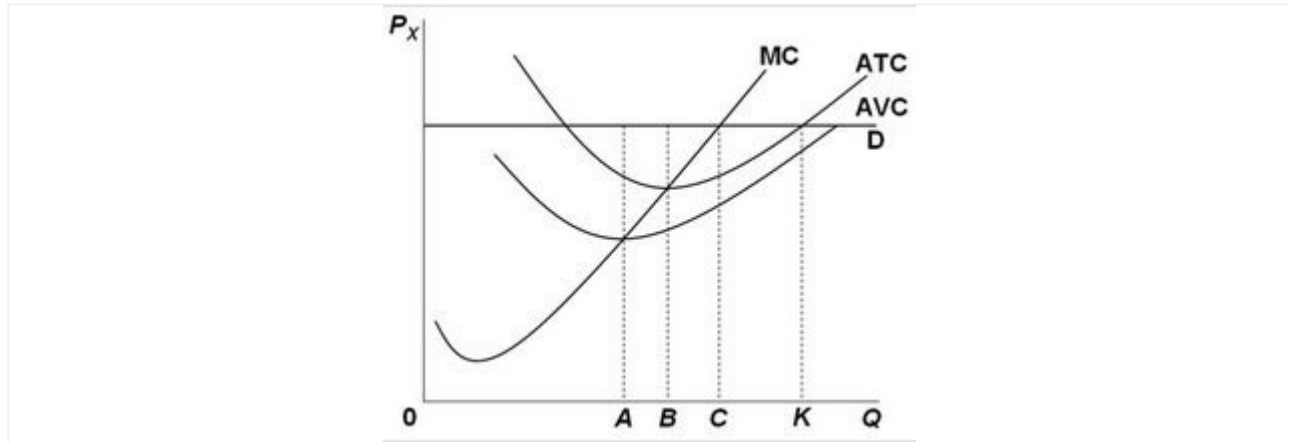
Velg ett alternativ:

- It arises from the shortages in labor markets.
- It is based on the demand for the output labor produces.
- It stems from the drive to minimize production costs to achieve economic efficiency.
- It results from decreases in the supply of labor.



Maks poeng: 1

51 Profit maximization short run



Refer to the graph. The level of output below which this firm will shut down is:

Velg ett alternativ:

- 0A.
- 0B.
- 0C.
- 0K.



Maks poeng: 1

52 Tax Incidence

Assume the Environmental Protection Agency imposes an excise tax on polluting firms. In which of the following situations would we expect the additional costs to be borne most heavily by consumers?

Velg ett alternativ:

- Demand is highly inelastic and supply is highly elastic. ✓
- Demand is highly elastic and supply is highly inelastic.
- Demand and supply are both highly elastic.
- Demand and supply are both highly inelastic.

Maks poeng: 1

53 Union models

Exclusive unionism has the economic effect of:

Velg ett alternativ:

- increasing the demand for labor.
- strengthening the bargaining position of an industrial union.
- decreasing the supply of labor. ✓
- weakening the bargaining position of a craft union.

Maks poeng: 1

54 Characteristics of Oligopoly

The characteristic most closely associated with oligopoly is:

Velg ett alternativ:

- a few large producers. ✓
- no control over price.
- product standardization.
- easy entry into the industry.

Maks poeng: 1

55 Rivalry public goods

"Rivalry" in consumption means that:

Velg ett alternativ:

- there are multiple sellers of the good.
- there are many buyers of the good.
- a buyer may purchase goods from multiple sellers.
- when one person buys a good, it is not available for another person to buy. ✓

Maks poeng: 1

56 Economic systems

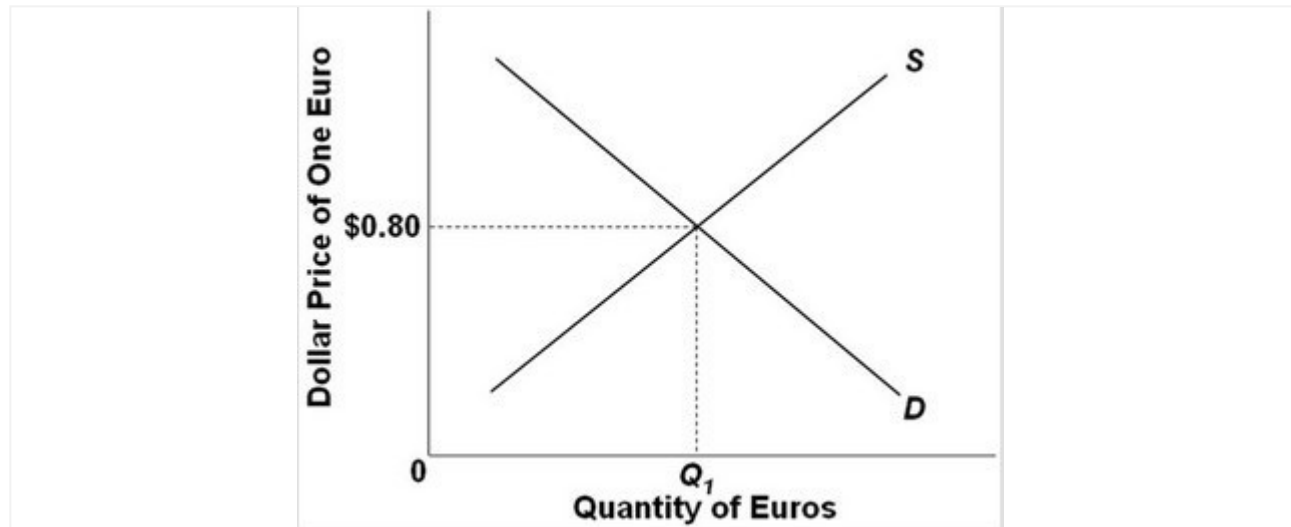
A basic characteristic of a command system is that:

Velg ett alternativ:

- government planners play a limited role in deciding what goods will be produced.
- wages paid to labor are higher.
- government owns most economic resources. ✓
- markets function mostly free from government intervention.

Maks poeng: 1

57 Exchange rate markets



At the price \$.80 for one euro:

Velg ett alternativ:

- the dollar-euro exchange rate is unstable.
- there will be a surplus of euros in the foreign exchange market.
- the quantity of euros demanded equals the quantity supplied. ✓
- the dollar price of one euro equals the euro price of one dollar.

Maks poeng: 1

58 Labor demand

An increase in the price of aluminum increases the cost of producing aluminum products and reduces the demand for aluminum workers. This decrease in labor demand would be caused by which change in a determinant of labor demand?

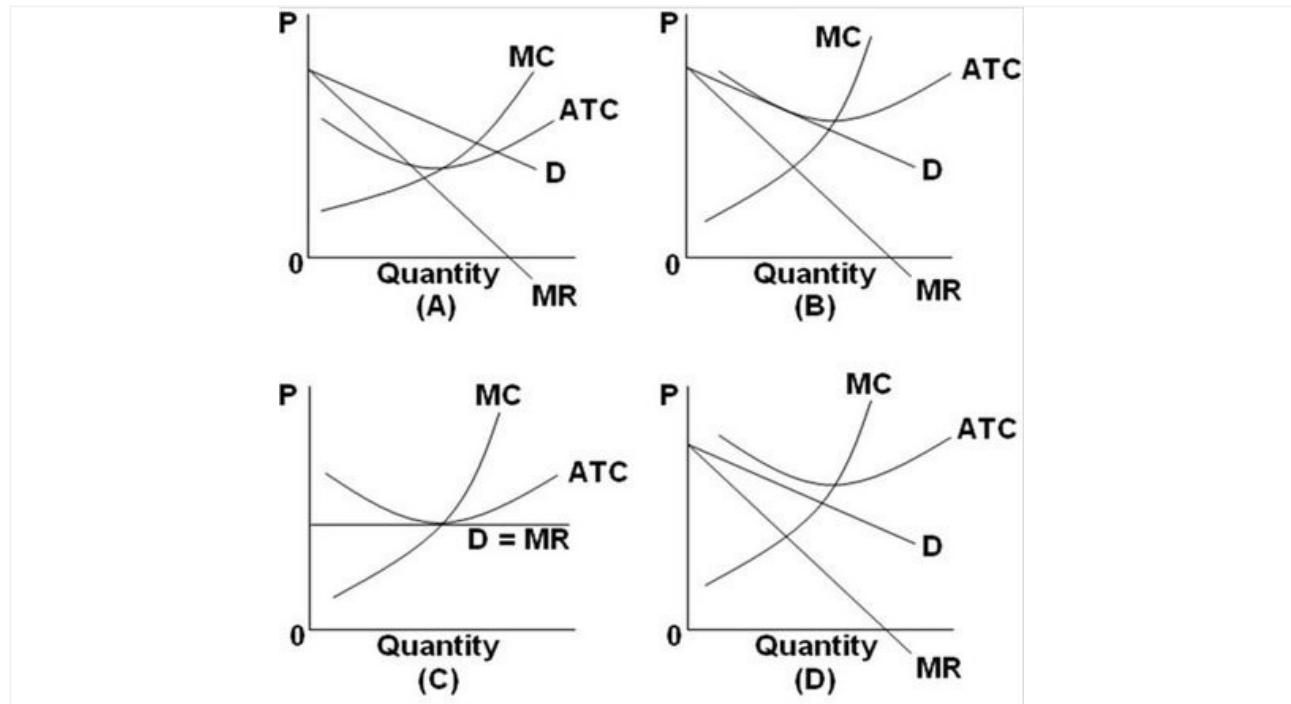
Velg ett alternativ:

- An increase in product demand
- A decrease in product demand
- A fall in labor productivity
- An increase in the price of another resource



Maks poeng: 1

59 Price and Output in Monopolistic Competition



Refer to the graphs. A short-run equilibrium that would produce profits for a monopolistically competitive firm would be represented by graph:

Velg ett alternativ:

- A.
- B.
- C.
- D.



Maks poeng: 1

60 Trade theory

If there is *no* comparative advantage between two countries:

Velg ett alternativ:

- each country should specialize in the production of a particular commodity.
- there are no gains from specialization and trade. ✓
- the benefits resulting from trade are increased.
- one country must be more productive in producing all goods than the other.

Maks poeng: 1

61 Opportunity cost tax return

Suppose that you could prepare your own tax return in 15 hours, or you could hire a tax specialist to prepare it for you in 2 hours. You value your time at \$11.00 an hour. The tax specialist will charge you \$55 an hour. The opportunity cost of preparing your own tax return is:

Velg ett alternativ:

- \$55.
- \$110.
- \$40.
- \$165. ✓

Maks poeng: 1

62 Abatement cost

Quantity of Pollution Abatement	Marginal Cost	Marginal Benefit
900 tons	\$400,000	\$100,000
800 tons	300,000	150,000
700 tons	200,000	200,000
600 tons	100,000	250,000
500 tons	50,000	300,000

The data in the table show the marginal costs and marginal benefits to a city for five different levels of pollution control.

Refer to the table. If the city seeks an optimal reduction of the externality, then it will select how many tons of pollution abatement?

Velg ett alternativ:

- 800
- 600
- 700
- 500



Maks poeng: 1

63 Long-run costs

In the long run:

Velg ett alternativ:

- all costs are variable costs. ✓
- fixed costs are greater than variable costs.
- variable costs equal fixed costs.
- all costs are fixed costs.

Maks poeng: 1

64 Market structure

There would be a unique product for which there are few close substitutes under which market model?

Velg ett alternativ:

- Pure monopoly ✓
- Oligopoly
- Pure competition
- Monopolistic competition

Maks poeng: 1

65 Demand elasticity - mass transit system

A study of mass transit systems in American cities revealed that long-run revenues generally decline after substantial fare increases. This suggests that:

Velg ett alternativ:

- there are few good substitutes for such systems in urban areas.
- the demand for mass transit is price-elastic in the long run. ✓
- the demand for mass transit is price-inelastic in the long run.
- mass transit service deteriorates in the long run as price rises.

Maks poeng: 1

66 Kinked demand curve

In the kinked-demand model of noncollusive oligopoly, if one firm increases its price, the most likely reaction of the other firms will be to:

Velg ett alternativ:

- not change their prices. ✓
- increase their prices.
- fix prices.
- decrease their prices.

Maks poeng: 1

67 Price discrimination

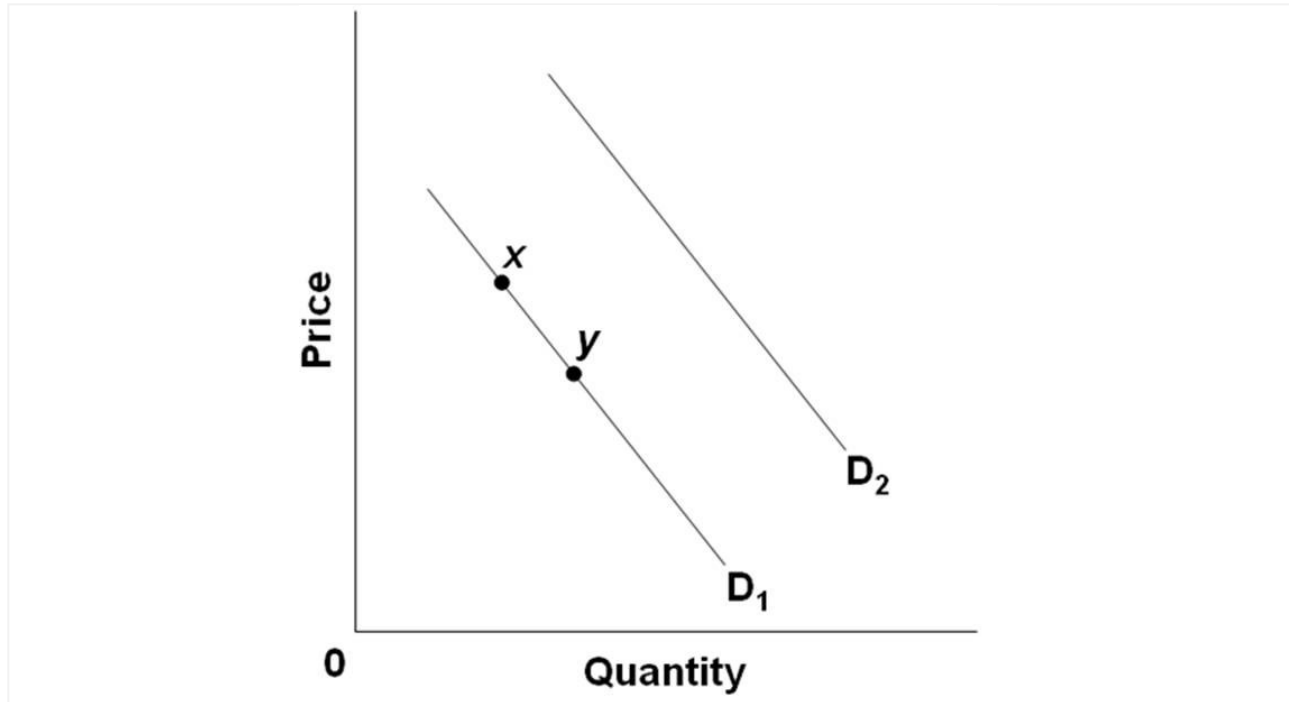
Successful price discrimination requires that:

Velg ett alternativ:

- buyers with inelastic demand be charged higher prices than buyers with elastic demand. ✓
- all buyers have the same price elasticity of demand.
- all buyers be charged the same price regardless of their elasticity of demand.
- buyers with inelastic demand be charged lower prices than buyers with elastic demand.

Maks poeng: 1

68 Demand



Refer to the above diagram. A decrease in quantity demanded is depicted by a:

Velg ett alternativ:

- shift from D_2 to D_1 .
- shift from D_1 to D_2 .
- move from point x to point y .
- move from point y to point x .



Maks poeng: 1

69 Demand elasticity and supply shock

If demand for farm crops is inelastic, a good harvest will cause farm revenues to:

Velg ett alternativ:

- increase because of a downward movement along the supply curve, encouraging an increase in demand.
- increase because of the increase in the quantity that farmers can sell.
- remain unchanged because the increase in quantity that can be sold will be matched by an equal decrease in price.
- decrease because of a percentage fall in price greater than the percentage increase in quantity sold. ✓

Maks poeng: 1

70 The business environment

The major source of production in the economy comes from:

Velg ett alternativ:

- partnerships.
- sole proprietorships.
- conglomerates.
- corporations. ✓

Maks poeng: 1