**Problem set 3: Producer Theory**

[矩阵文本题] \*

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| Your name: | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| Your ECNU student number: | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

INTRODUCTION TO PRODUCER THEORY

1. What is the primary objective of firms? [单选题] \*

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| Maximizing utility. |
| Minimizing costs. |
| Maximizing revenue. |
| Maximizing profit.(正确答案) |

2. What is the difference between the short-run and the long-run from the perspective of production theory? [单选题] \*

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| In the short run, only capital varies, and in the long run both labor and capital vary. |
| In the short run, all inputs are invariable, and in the long run they are variable. |
| In the short run, only labor varies, and in the long run both labor and capital vary.(正确答案) |
| In the short run, all inputs are variable, and in the long run they are invariable. |

3. Which of the following is NOT a property of isoquants? [单选题] \*

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| Always non-linear.(正确答案) |
| Further out is better. |
| Downward sloping. |
| Do not cross. |

4. What is the term used to describe a production function in which you can double all inputs and output increases by more than double? [单选题] \*

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| Leontief. |
| Constant returns to scale. |
| Decreasing returns to scale. |
| Increasing returns to scale.(正确答案) |

Productivity and costs

5. In the short run, how is the marginal cost defined? [单选题] \*

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| The wage rate multiplied by the number of hours needed to produce one additional unit.(正确答案) |
| The capital rental rate multiplied by the number of machines needed to produce one additional unit. |
| The wage rate multiplied by the amount of labor used. |
| The capital rental rate multiplied by the number of machines used. |

6. An isocost line is defined as combinations of labor and capital that yield the same levels of what quantity? [单选题] \*

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| Revenue. |
| Cost.(正确答案) |
| None of these. |
| Profit. |

7. The economically efficient point of production for firms is identified by the tangency of what two objects? [单选题] \*

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| Two isoquants are tangent to each other. |
| An isoquant is tangent to the budget constraint. |
| An isoquant is tangent to the isocost line.(正确答案) |
| An isoquant is tangent to the X axis. |

8. For a fast-food business like McDonald's, as the business expands capital becomes less productive, and the business requires more and more labor. What does this imply about the long-run expansion path? [单选题] \*

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| It is concave (i.e., the slope decreases as L increases).(正确答案) |
| It depends on the specific production function. |
| It is linear. |
| It is convex (i.e., the slope increases as L increases). |

9. What is an example of sunk costs for someone opening a law practice? [单选题] \*

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| The cost of a law school education.(正确答案) |
| Rent on office space. |
| Wages for paralegals. |
| The cost of office supplies. |

Competition

10. What is the definition of perfect competition? [单选题] \*

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| All firms are price takers on both output and input sides.(正确答案) |
| All firms have the optimal levels of labor and capital. |
| All firms maximize profits. |
| There is at least one firm producing the good of interest. |

11. Consider the market for shoes. If one of the following statements is true, we can conclude that it is not perfectly competitive. Which statement, if true, is evidence against perfect competition? [单选题] \*

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| Demand for a given firm's output is perfectly elastic. |
| Supply of a given firm's inputs is perfectly elastic. |
| There are low transaction costs in searching for the lowest shoe price. |
| Entry into the shoe market is restricted because a government permit is required.(正确答案) |

12. In a competitive market, the marginal revenue for selling an additional good is, by definition, equal to what quantity? [单选题] \*

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| The price of the good being sold.(正确答案) |
| The wage. |
| None of these. |
| The price of the primary input. |

13. A firm should shut down if what condition holds? [单选题] \*

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| Price is below average variable cost.(正确答案) |
| Price is below average total cost, but greater than average variable cost. |
| Price is greater than average variable cost. |
| Price is greater than average total cost. |

14. What is true about the individual firm demand curve that each firm faces in a competitive market? [单选题] \*

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| It is downward-sloping. |
| It is horizontal.(正确答案) |
| It is upward-sloping. |
| It is vertical. |