

Question 1:

'Marginal revenue equals marginal cost at the point where', A. 'total revenue is greater than total cost at its greatest distance', B. 'total revenue is equal to total cost', C. 'marginal product is at its highest point',
D. 'total product is at its highest point'

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Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 2:

'The price of labor is \$2, and the price of capital is \$1. The marginal product of labor is 200, and the marginal product of capital is 50. What should the firm do?', A. 'Increase capital and decrease labor so that the marginal product of capital falls and the marginal product of labor rises.', B. 'Increase capital and decrease labor so that the marginal product of capital rises and the marginal product of labor falls.', C. 'Decrease capital and increase labor so that the marginal product of capital rises and the marginal product of labor falls.', D. 'Decrease capital and increase labor so that the marginal product of capital falls and the marginal product of labor rises.'

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Answer Option 1:

Final Answer: B

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Answer Option 2:

Final Answer: B

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Answer Option 3:

Final Answer: A

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Answer Option 4:

Final Answer: D

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Answer Option 5:

Final Answer: D

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Answer Option 6:

Final Answer: A

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Answer Option 7:

Final Answer: D

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Answer Option 8:

Final Answer: A

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Answer Option 9:

Final Answer: A

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Question 3:

'At a Nash equilibrium', A. 'the supply curve intersects the demand curve', B. 'neither party has an incentive to deviate from his or her strategy', C. 'the marginal revenue curve intersects the marginal cost curve', D. 'the equilibrium is unstable and each party would like to switch strategies'

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Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 4:

'You are told that the cross-price elasticity between goods X and Y is +2.0. This means that', A. 'goods X and Y are normal goods.', B. 'goods X and Y are inferior goods.', C. 'goods X and Y are complementary goods.', D. 'goods X and Y are substitute goods.'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 5:

'An externality', A. 'causes the equilibrium price to be artificially high', B. 'causes the equilibrium price to be artificially low', C. 'exists when markets cannot reach equilibrium', D. 'results in an equilibrium that does not maximize the total benefit to society'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 6:

'What is one reason why the government discourages collusion between large firms in the same industry?', A. 'Collusive output levels tend to increase, driving the price above competitive levels.', B. 'Consumer surplus falls as the price is driven downward.', C. 'Collusive output levels tend to decrease, driving the price down to competitive levels.', D. 'Joint profit maximization costs society consumer surplus as the price rises above competitive levels.'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 7:

'Which of the following illustrates the demand curve facing an oligopolist when rival firms follow a price decrease but not a price increase?', A. 'Perfectly horizontal demand curve.', B. 'Highly inelastic demand curve.', C. 'Highly elastic demand curve.', D. 'A demand curve consisting of two discontinuous segments.'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 8:

'Which of the following is not the basis for a wage differential?', A. 'Higher risk job.', B. 'Investment in human capital.', C. 'Increase in production of SUVs.', D. 'Racial discrimination.'

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Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 9:

'Patents, control of resources, economies of scale, and exclusive licenses are', A. 'all requirements for price discrimination', B. 'required in order for a firm to earn short-run profits', C. 'all sources of elastic demand', D. 'all barriers to entry'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 10:

The industry that makes plastic army figures uses a small fraction of the plastic demanded for all purposes. On this basis, we can conclude that the army-figures industry is most likely a(n), A. 'increasing-cost industry', B. 'constant-cost industry', C. 'decreasing-cost industry', D. 'profit-making industry'

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Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: A

Question 11:

'Which of the following is most likely an example of production inputs that can be adjusted in the long run, but not in the short run?', A. 'Amount of wood used to make a desk.', B. 'Number of pickles put on a sandwich.', C. 'The size of a McDonald's kitchen.', D. 'Number of teacher's assistants in local high schools.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 12:

The apple market is in equilibrium. Suppose we observe that apple growers are using more pesticides to increase apple production. At the same time, we hear that the price of pears, a substitute for apples, is rising. Which of the following is a reasonable prediction for the new price and quantity of apples? A. 'Price rises, but quantity is ambiguous.', B. 'Price falls, but quantity is ambiguous.', C. 'Price is ambiguous, but quantity rises.', D. 'Price is ambiguous, but quantity falls.'

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Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 13:

'Which of the following is most likely to result in a shift to the right in the demand curve for orange juice?', A. 'A bumper crop of oranges in Florida', B. 'A decrease in the price of Tang', C. 'Expectations of lower future prices for orange juice', D. 'Expectations of higher future income among juice drinkers'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 14:

'Which of the following statements is accurate in regard to a perfectly competitive firm?', A. 'Demand is downward-sloping.', B. 'The demand curve lies above the marginal revenue curve.', C. 'Price is determined by the equilibrium in the entire market.', D. 'Average revenue differs from price.'

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Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 15:

'Economists use the term "capital" to mean', A. 'money.', B. 'plant and equipment.', C. 'where the central government is located.', D. 'the center of the economy.'

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Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 16:

'Ray and Dorothy can both cook and can both pull weeds in the garden on a Saturday afternoon. For every hour of cooking, Ray can pull 50 weeds and Dorothy can pull 100 weeds. Based on this information,' A. 'Ray pulls weeds, since he has absolute advantage in cooking.', B. 'Dorothy pulls weeds, since she has absolute advantage in cooking.', C. 'Dorothy cooks, since she has comparative advantage in cooking.', D. 'Ray cooks, since he has comparative advantage in cooking.'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: C

Question 17:

'Your aunt runs a small firm from her home making apple pies. She hires some friends to help her. Which of the following situations would most likely increase her demand for labor?', A. 'The price of apple peelers/coreers rises.', B. 'Your aunt's friends gossip all day, slowing their dough-making process.', C. 'There is a sale on ovens.', D. 'A new study reveals that apples increase your risk of cancer.'

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Answer Option 1:

Final Answer: A

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Answer Option 2:

Final Answer: A

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Answer Option 3:

Final Answer: C

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Answer Option 4:

Final Answer: C

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Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

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Answer Option 7:

Final Answer: A

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Answer Option 8:

Final Answer: C

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Answer Option 9:

Final Answer: C

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Question 18:

'Mrs. Johnson spends her entire daily budget on potato chips, at a price of \$1 each, and onion dip at a price of \$2 each. At her current consumption bundle, the marginal utility of chips is 12 and the marginal utility of dip is 30. Mrs. Johnson should', A. 'do nothing; she is consuming her utility maximizing combination of chips and dip.', B. 'increase her consumption of chips until the marginal utility of chip consumption equals 30.', C. 'decrease her consumption of chips until the marginal utility of chip consumption equals 30.', D. 'decrease her consumption of chips and increase her consumption of dip until the marginal utility per dollar is equal for both goods.'

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Answer Option 1:

Final Answer: D

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Answer Option 2:

Final Answer: D

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Answer Option 3:

Final Answer: D

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Answer Option 4:

Final Answer: B

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Answer Option 5:

Final Answer: D

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Answer Option 6:

Final Answer: D

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Answer Option 7:

Final Answer: D

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Answer Option 8:

Final Answer: D

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Answer Option 9:

Final Answer: D

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Question 19:

'In the absence of intervention, imperfect competition, externalities, public goods, and imperfect information all result in which of the following?', A. 'Demand curves that should be added vertically', B. 'Market failure', C. 'Prices that are too low', D. 'Quantities of output that are too high'

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Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 20:

'Marginal cost (MC) is equal to average variable cost (AVC) and average total cost (ATC) when:', A. 'marginal cost (MC) intersects AVC and ATC at their maximum points.', B. 'AVC and ATC intersect MC at its maximum point.', C. 'MC intersects AVC and ATC at their minimum points.', D. 'AVC and ATC intersect MC at its minimum point.'

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Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 21:

'After Julia received a raise in her income, she began purchasing more ice cream cones and fewer popsicles. For Julia, popsicles', A. 'disobey the law of demand', B. 'are a joint product', C. 'are a complementary good with ice cream', D. 'are an inferior good'

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Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 22:

'Which of the following conditions is characteristic of oligopoly?', A. 'A rival firm matches price decreases of rivals, but fails to match any price increases of rivals.', B. 'A rival firm matches price increases of rivals, but fails to match any price decrease of rivals.', C. 'A rival firm fails to match both price increases or price decreases of rivals.', D. '(I) Rival firms act independently of each other.'

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Answer Option 1:

Final Answer: A

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Answer Option 2:

Final Answer: B

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Answer Option 3:

Final Answer: A

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Answer Option 4:

Final Answer: A

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Answer Option 5:

Final Answer: B

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Answer Option 6:

Final Answer: D

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Answer Option 7:

Final Answer: A

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Answer Option 8:

Final Answer: A

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Answer Option 9:

Final Answer: D

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Question 23:

'Which of the following is characteristic of oligopoly? I. Formidable barriers to entry, II. Price (P) = Marginal Revenue (MR), III. Relatively few sellers.', A. 'I only.', B. 'II only.', C. 'III only.', D. 'I and III only.'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 24:

'A monopoly is less efficient than a perfect competitor because', A. 'a monopoly produces more output and sells for a higher price', B. 'a monopoly produces less output and sells for a higher price', C. 'a monopoly can make profit in the short run but not in the long run', D. 'a perfect competitor breaks even in the short run and the monopoly does not'

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Answer Option 1:

Final Answer: B

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Answer Option 2:

Final Answer: B

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Answer Option 3:

Final Answer: B

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Answer Option 4:

Final Answer: B

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Answer Option 5:

Final Answer: B

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Answer Option 6:

Final Answer: B

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Answer Option 7:

Final Answer: B

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Answer Option 8:

Final Answer: B

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Answer Option 9:

Final Answer: B

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Question 25:

'In the design of a competitive market system, which of the following does NOT describe how resources are allocated?', A. 'Price signals that guide producers on what, when, how, and for whom to produce goods and services.', B. 'Active government ownership and direction of production.', C. 'Voluntary market exchange between buyers and sellers.', D. 'Distribution of income and goods on the basis of contribution or productivity.'

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Answer Option 1:

Final Answer: B

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Answer Option 2:

Final Answer: B

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Answer Option 3:

Final Answer: B

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Answer Option 4:

Final Answer: B

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Answer Option 5:

Final Answer: B

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Answer Option 6:

Final Answer: B

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Answer Option 7:

Final Answer: B

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Answer Option 8:

Final Answer: B

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Answer Option 9:

Final Answer: B

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Question 26:

'A production possibility frontier will be a straight line when', A. 'efficiency is achieved', B. 'the goods on the axes are perfect substitutes in consumption', C. 'utility is maximized', D. 'resources are not specialized'

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Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 27:

'Which of the following statements is correct?', A. 'Economic Profits = Accounting Profits.', B. 'Economic Costs = Explicit Costs plus Implicit Costs.', C. 'Economic Costs = Explicit Costs minus Implicit Costs.', D. 'Opportunity Costs = Economic Profits.'

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Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: C

Question 28:

'If the per unit price of labor, a variable resource, increases, it causes which of the following?', A. 'An upward shift in AFC.', B. 'An upward shift in MPL.', C. 'A downward shift in ATC.', D. 'An upward shift in MC.'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

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Question 30:

'If consumers are advised that multigrained bread will substantially lessen the risk of cancer, which of the following will happen in the market for multigrained bread?', A. 'The demand curve will shift to the left, decreasing the price of multigrained bread.', B. 'The supply curve will shift to the left, increasing the price of multigrained bread.', C. 'The demand curve will shift to the right, increasing the price of multigrained bread.', D. 'The supply curve will shift to the right, decreasing the price of multigrained bread.'

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Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 31:

'The market structures of perfect competition and monopolistic competition share which of the following characteristics?', A. 'Ease of entry and exit in the long run', B. 'Homogenous products', C. 'Perfectly elastic demand for the firm's product', D. 'Long-run positive profits'

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Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 32:

'When a negative externality exists as the result of the production of a good, the socially optimal quantity of output could be achieved by', A. 'free market capitalism', B. 'placing limits on the quantity that can be produced', C. 'government purchases of the good', D. 'setting a minimum on the quantity that can be produced'

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Answer Option 1:

Final Answer: B

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Answer Option 2:

Final Answer: B

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Answer Option 3:

Final Answer: B

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Answer Option 4:

Final Answer: B

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Answer Option 5:

Final Answer: B

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Answer Option 6:

Final Answer: B

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Answer Option 7:

Final Answer: B

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Answer Option 8:

Final Answer: B

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Answer Option 9:

Final Answer: B

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Question 33:

'Jason cleans swimming pools in a perfectly competitive local market. A profit maximizer, he can charge \$10 per pool to clean 9 pools per day, incurring total variable costs of \$80 and total fixed costs of \$20. Which of the following is true?', A. 'Jason should shut down in the short run, with economic losses of \$20.', B. 'Jason should shut down in the short run, with economic losses of \$10.', C. 'Jason should clean 9 pools per day, with economic losses of \$20.', D. 'Jason should clean 9 pools per day, with economic losses of \$10.'

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Answer Option 1:

Final Answer: A

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Answer Option 2:

Final Answer: A

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Answer Option 3:

Final Answer: A

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Answer Option 4:

Final Answer: D

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Answer Option 5:

To determine the correct answer, we need to calculate Jason's total costs and total revenue.

Total variable cost (TVC) = \$80

Total fixed cost (TFC) = \$20

Total cost (TC) = TVC + TFC = \$80 + \$20 = \$100

Total revenue (TR) = Price per pool * Quantity = \$10 * 9 = \$90

Profit (π) = TR - TC = \$90 - \$100 = -\$10

Since Jason incurs a loss of \$10, the correct answer is:

Final Answer: D. 'Jason should clean 9 pools per day, with economic losses of \$10.'

=====

Answer Option 6:

To determine whether Jason should shut down or continue operating in the short run, we need to compare his total revenue with his total variable costs.

Total revenue = Price per pool * Quantity

Total revenue = \$10 * 9 = \$90

Total variable costs = \$80

Since total revenue (\$90) is greater than total variable costs (\$80), Jason should continue to clean 9 pools per day. However, he is still incurring a loss since his total revenue does not cover his total costs.

Final Answer: C

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Answer Option 7:

To determine whether Jason should shut down or continue operating, we need to compare his total revenue with his total variable costs.

Total revenue = price per pool x quantity = \$10 x 9 = \$90

Total variable costs = \$80

Since total revenue (\$90) is greater than total variable costs (\$80), Jason should continue operating in the short run.

Therefore, the correct answer is: D. 'Jason should clean 9 pools per day, with economic losses of \$10.'

=====

Answer Option 8:

To determine whether Jason should shut down or continue operating, we need to compare his total revenue with his total variable costs.

Total revenue = Price per pool * Quantity = \$10 * 9 = \$90

Total variable costs = \$80

Since total revenue (\$90) is greater than total variable costs (\$80), Jason should continue operating.

However, it is important to note that Jason is incurring economic losses because his total revenue (\$90) is less than his total costs (total variable costs + total fixed costs = \$80 + \$20 = \$100). The economic losses amount to \$10.

Final Answer: D

=====

Answer Option 9:

To determine whether Jason should shut down or continue operating, we need to consider whether his total revenue covers his variable costs.

Total revenue = Price per pool * Quantity = $\$10 * 9 = \90

Total variable costs = \$80

Since $\$90 > \80 , Jason's total revenue covers his variable costs. Therefore, Jason should continue to clean 9 pools per day.

However, Jason incurs total fixed costs of \$20, which are unavoidable in the short run. As a result, his economic losses will be equal to his total fixed costs.

Therefore, the correct answer is: A. Jason should shut down in the short run, with economic losses of \$20.

Question 34:

'Which of the following is not a characteristic of oligopoly?', A. 'P = MC.', B. 'Price-maker.', C. 'Strong barriers to entry.', D. 'Few firms.'

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Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 35:

'The competitive market provides the best outcome for society because', A. 'consumer surplus is minimized, while producer surplus is maximized.', B. 'the total welfare is maximized.', C. 'producer surplus is minimized, while consumer surplus is maximized.', D. 'the difference between consumer and producer surplus is maximized.'

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Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 36:

'You are told that the income elasticity for DVDs is + 1.5. This means that', A. 'a 10 percent increase in income produces a 15 percent increase in consumption of DVDs. DVDs are a normal luxury good.', B. 'a 10 percent increase in income produces a 15 percent increase in consumption of DVDs. DVDs are an inferior good.', C. 'a 10 percent increase in income produces a 15 percent decrease in consumption of DVDs. DVDs are an inferior good.', D. 'a 10 percent increase in the price of DVDs produces a 15 percent decrease in consumption of DVDs. DVDs are a price elastic good.'

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Answer Option 1:

Final Answer: A

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Answer Option 2:

Final Answer: A

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Answer Option 3:

Final Answer: A

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Answer Option 4:

Final Answer: A

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Answer Option 5:

Final Answer: A

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Answer Option 6:

Final Answer: A

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Answer Option 7:

Final Answer: A

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Answer Option 8:

Final Answer: A

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Answer Option 9:

Final Answer: A

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Question 37:

'If the price of a product decreases with the price of a substitute product remaining constant such that the consumer buys more of this product, this is called the', A. 'income effect.', B. 'substitution effect.', C. 'marginal effect.', D. 'supply effect.'

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Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 38:

'Which of the following is an example of a transfer earning?', A. 'A superstar basketball player's \$40 million earnings.', B. 'A social security retirement income.', C. 'A welfare payment from social services.', D.

'A cashier at a restaurant receiving the same \$8 an hour that other cashiers receive.'

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Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: B

Question 39:

'A small business estimates price elasticity of demand for the product to be 3. To raise total revenue, owners should', A. 'decrease price as demand is elastic.', B. 'decrease price as demand is inelastic.', C. 'increase price as demand is elastic.', D. 'increase price as demand is inelastic.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 40:

'A bilateral monopoly exists when', A. 'a monopsony buys from a monopoly', B. 'a monopoly sells to two different types of consumers', C. 'a monopoly buys from a monopsony', D. 'a monopolist sells two different types of goods'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 41:

'If firms are entering an industry that is monopolistically competitive, we would expect', A. 'the demand for existing firms to shift rightward.', B. 'the market price of the product to increase.', C. 'the demand for existing firms to become more inelastic.', D. 'the demand for existing firms to shift leftward.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 42:

'The Law of Diminishing Marginal Returns is responsible for', A. 'AVC that first rises, but eventually falls, as output increases.', B. 'AFC that first rises, but eventually falls, as output increases.', C. 'MP that first falls, but eventually rises, as output increases.', D. 'MC that first falls, but eventually rises, as output increases.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 43:

'Which of the following would best complete a short definition of economics? "Economics is the study of . . .". A. 'how unlimited resources are allocated between scarce wants.', B. 'how money is circulated through the economy.', C. 'how corporations maximize the share price of their stock.', D. 'how scarce resources are allocated to satisfy unlimited wants.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 44:

'With capital fixed at one unit with 1, 2, 3 units of labor added in equal successive units, production of the output increases from 300 (1 unit of labor), to 350 (2 units of labor) to 375 (3 units of labor). Which of the following is a correct interpretation?', A. 'This is long run increasing returns to scale.', B. 'This is long run decreasing returns to scale.', C. 'This is long run constant returns to scale.', D. 'This is short run diminishing marginal productivity.'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: D

=====

Answer Option 9:

Final Answer: C

=====

Question 45:

'Which of the following is the best example of a public good?', A. 'Private violin lessons', B. 'The volunteer fire department in your community', C. 'A \$1 ticket for admission to a museum', D. 'A bag of potato chips'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 46:

'Which of the following is the best example of a public good?', A. 'A visit to the orthodontist', B. 'A session at the tanning salon', C. 'A large pizza', D. 'The International Space Station'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 47:

'When the cross-price elasticity of demand is negative, the goods in question are necessarily', A. 'normal', B. 'inferior', C. 'complements', D. 'substitutes'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 48:

'A competitive labor market is currently in equilibrium. Which of the following most likely increases the market wage?', A. 'More students graduate with the necessary skills for this labor market.', B. 'Demand for the good produced by this labor is stronger.', C. 'The price of a complementary resource increases.', D. 'The Department of Labor removes the need for workers to pass an exam before they can work in this field.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 49:

'One of the reasons that the government discourages and regulates monopolies is that', A. 'producer surplus is lost and consumer surplus is gained.', B. 'monopoly prices ensure productive efficiency but cost society allocative efficiency.', C. 'monopoly firms do not engage in significant research and development.', D. 'consumer surplus is lost with higher prices and lower levels of output.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 50:

'Which of the following is true of equilibrium in a purely (or perfectly) competitive market for good X?'. A. 'A shortage of good X exists.', B. 'The quantity demanded equals the quantity supplied of good X.', C.

'A surplus of good X exists.', D. 'The government regulates the quantity of good X produced at the market price.'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

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Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

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Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 51:

'When the price of pears increases, we expect the following:', A. 'Quantity demanded of pears rises.', B. 'Quantity supplied of pears falls.', C. 'Quantity demanded of pears falls.', D. 'Demand for pears falls.'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

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Question 52:

'If the demand for grapes increases simultaneously with an increase in the supply of grapes, we can say that', A. 'equilibrium quantity rises, but the price change is ambiguous.', B. 'equilibrium quantity falls, but the price change is ambiguous.', C. 'equilibrium quantity rises, and the price rises.', D. 'equilibrium quantity falls, and the price falls.'

=====

Answer Option 1:

Final Answer: A

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Answer Option 2:

Final Answer: A

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Answer Option 3:

Final Answer: A

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Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

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Answer Option 7:

Final Answer: A

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Answer Option 8:

Final Answer: A

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Answer Option 9:

Final Answer: A

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Question 53:

'If the government wishes to regulate a natural monopoly so that it produces an allocatively efficient level of output, it would be at an output', A. 'where price is equal to average total cost.', B. 'where marginal revenue equals marginal cost.', C. 'where normal profits are made.', D. 'where price is equal to marginal cost.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 54:

'When price elasticity of demand is greater than 1, demand is', A. 'perfectly inelastic.', B. 'elastic.', C. 'inelastic.', D. 'unit elastic.'

=====

Answer Option 1:

Final Answer: B

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Answer Option 2:

Final Answer: B

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Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

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Answer Option 9:

Final Answer: B

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Question 55:

'Which of the following tax systems is designed to redistribute income from the wealthy to the poor?', A. 'A progressive tax system', B. 'A regressive tax system', C. 'A proportional tax system', D. 'An excise tax system'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 56:

'Which of these situations is not an example of price discrimination?', A. 'Brent works nights, so he chooses to buy bread at 7 a.m. rather than at 7 p.m.', B. 'Bob and Nancy each receive a "\$1 off" coupon in the mail, but Bob redeems it while Nancy does not.', C. 'Katie buys 12 Cokes for \$3, and Josh buys one Coke at a time for \$1.', D. 'Velma likes to go to the movies at the lower afternoon matinee price, and Rosemary would rather pay more for the evening show.'

=====

Answer Option 1:

Final Answer: A

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Answer Option 2:

Final Answer: A

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Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: A

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Question 57:

'With the presence of a positive externality, which of the following would correct the externality?', A. 'A government subsidy.', B. 'A government tax.', C. 'A higher price.', D. 'A lower level of output.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 58:

The market for denim jeans is in equilibrium, and the price of polyester pants, a substitute good, rises. In the jean market', A. 'supply falls, increasing the price and decreasing the quantity.', B. 'supply falls, increasing the price and increasing the quantity.', C. 'demand falls, increasing the price and decreasing the quantity.', D. 'demand rises, increasing the price and increasing the quantity.'

=====

Answer Option 1:

Final Answer: A

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Answer Option 2:

Final Answer: D

=====

Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: D

=====

Question 59:

'A rational consumer who is eating Girl Scout cookies stops eating when', A. 'the total benefit equals the total cost of eating cookies.', B. 'the marginal benefit equals the marginal cost of the next cookie.', C. 'the marginal cost of eating cookies is maximized.', D. 'the marginal benefit of eating cookies is minimized.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 60:

'Which of the following correctly illustrates why price (P) equals marginal revenue (MR) under perfect competition, and why price (P) is greater than marginal revenue under monopoly or imperfect competition? I. $MR = P = \text{demand}$ on horizontal function for perfect competition. II. $P > MR$ as downward sloping functions for imperfect competition. III. Demand and Price are represented as a vertical function for imperfect competition.', A. 'I, II, and III.', B. 'I and II.', C. 'I only.', D. 'I and III.'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: B

=====

Question 61:

'When a good is taxed, the tax burden falls mainly on the consumer if', A. 'the demand is inelastic and the supply is inelastic', B. 'the demand is inelastic and the supply is elastic', C. 'the demand is elastic and the supply is inelastic', D. 'the demand is elastic and the supply is elastic'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: B

Question 62:

'The long-run average cost curve', A. 'is always below the short-run average cost curve', B. 'is always above the short-run average cost curve', C. 'always intersects the short-run average cost curve at the minimum of short-run average cost', D. 'is below the short-run average cost except at one point'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 63:

'Which of the following is not a characteristic of a kinked demand curve?', A. 'A range of marginal costs over which $MR = MC$.', B. ' $P < MC$.', C. 'Interdependence of rivals.', D. 'Pricing at the kink.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 64:

'Economics is a social science that', A. 'is primarily concerned with money.', B. 'is primarily concerned with how resources are used.', C. 'relies solely on the scientific method for analysis.', D. 'is primarily concerned with maximizing spiritual well-being.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 65:

'Which of the following is true?', A. ' $TC = (AVC + AFC)Q$;', B. ' $TFC = TC$ at all levels of output.', C. ' $AVC + AFC = TC$;', D. ' $MC = TC - TFC$.'

=====

Answer Option 1:

Final Answer: A

=====

Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: A

=====

Question 66:

'A monopsonist is identified by one of the following:', A. 'A wage payment lower than the marginal revenue product of labor.', B. 'Employment level greater than that of a competitive labor market.', C. 'A wage payment higher than that of a competitive labor market.', D. 'A single seller of labor services.'

=====

Answer Option 1:

Final Answer: A

=====

Answer Option 2:

Final Answer: D

=====

Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: D

=====

Answer Option 7:

Final Answer: D

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: A

=====

Question 67:

'If the price of one good (A) increases and the quantity demanded of another good (B) increases, the two goods are', A. 'substitute goods.', B. 'complement goods.', C. 'inferior goods.', D. 'normal goods.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 68:

'Which of the following statements is true for a firm in a perfectly competitive industry?'. A. 'Total revenue increases and then decreases.'. B. 'Marginal revenue is decreasing.'. C. 'Average revenue is initially negative and then becomes positive.'. D. 'Average revenue equals marginal revenue.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 69:

'A perfectly competitive employer hires labor up to the point where', A. 'Wage = Marginal factor cost.', B. 'Wage = Marginal product of labor.', C. 'Wage = Marginal revenue.', D. 'Wage = Marginal revenue product of labor.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 70:

'The necessity for a monopoly to lower its price in order to sell more units of its product explains why', A. 'monopolies are common among public utilities', B. 'the marginal revenue curve is below the demand curve for a monopoly', C. 'the marginal cost curve for a monopoly slopes upward', D. 'monopolies are able to maintain market power'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 71:

'Suppose a price floor is installed in the market for coffee. One result of this policy would be', A. 'a decrease in the demand for coffee-brewing machines.', B. 'a persistent shortage of coffee in the market.', C. 'an increase in consumer surplus due to lower coffee prices.', D. 'an increase in the demand for coffee.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 72:

'A minimum wage in the market for fast-food workers is likely to produce', A. 'an increase in the demand for fast-food workers.', B. 'a decrease in the supply of fast-food workers.', C. 'a shortage of fast-food workers.', D. 'a surplus of fast-food workers.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 73:

'Which of the following is true of the perfectly competitive firm in the short run?'. A. 'The firm earns a normal profit.'. B. 'The firm shuts down if the price falls below average total cost.'. C. 'The firm earns positive economic profit.'. D. 'The firm may earn positive, negative, or normal profits.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 74:

'A competitive market for coffee, a normal good, is currently in equilibrium. Which of the following would most likely result in an increase in the demand for coffee?', A. 'Consumer income falls.', B. 'The price of tea rises.', C. 'The wage of coffee plantation workers falls.', D. 'Technology in the harvesting of coffee beans improves.'

=====

Answer Option 1:

Final Answer: D

=====

Answer Option 2:

Final Answer: B

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Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: D

=====

Question 75:

'When a firm is earning a normal profit from the production of a good, it is true that', A. 'total revenues from production are equal to explicit costs.', B. 'explicit costs are equal to implicit costs.', C. 'total revenues from production are equal to implicit costs.', D. 'total revenues from production are equal to the sum of explicit and implicit costs.'

=====

Answer Option 1:

Final Answer: D

=====

Answer Option 2:

Final Answer: D

=====

Answer Option 3:

Final Answer: D

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Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: D

=====

Answer Option 7:

Final Answer: D

=====

Answer Option 8:

Final Answer: D

=====

Answer Option 9:

Final Answer: D

=====

Question 76:

'If a business wants to increase its revenue and it knows that the demand price elasticity of its product is equal to 0.78, it should', A. 'decrease price because demand is elastic', B. 'decrease price because demand is unit elastic', C. 'decrease price because demand is inelastic', D. 'increase price because demand is inelastic'

=====

Answer Option 1:

Final Answer: D

=====

Answer Option 2:

Final Answer: D

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 77:

'Which of the following is a characteristic of monopolistic competition?'; A. ' $P > MC$.', B. 'Efficiency.', C. 'Mostly price competition.', D. ' $P = MR$.'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 78:

'The backward bending supply curve is characterized by which of the following?', A. 'As wage rates rise, the quantity of labor supplied continues to rise at every wage rate increase.', B. 'The labor-leisure trade-off continues to favor the supply of more jobs, or the substitution effect.', C. 'The labor-leisure trade-off favors the income effect or more leisure at higher wage rates.', D. 'inexperienced, low-income, younger workers at the backward bending portion.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 79:

'Which of the following goods is likely to provide both the largest total utility and the smallest marginal utility?', A. 'Plastic', B. 'Automobiles', C. 'Computers', D. 'Air'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 80:

'The Lorenz Curve is used to measure which of the following:', A. 'The ratio of income to wealth in different countries.', B. 'The ratio of public goods to private goods in different countries.', C. 'The ratio of income inequality to income equality in different countries.', D. 'The ratio of the working poor to the non-working poor.'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

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Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 81:

'Which of the following examples would result in consumers paying for the largest burden of an excise tax placed on a producer?', A. 'If the demand curve is price elastic and the supply curve is price inelastic', B. 'If the demand curve is price elastic and the supply curve is perfectly elastic', C. 'If the demand curve is price inelastic and the supply curve is price elastic', D. 'If the demand curve is perfectly inelastic and the supply curve is price elastic'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: A

Question 82:

'Which of the following could have caused an increase in the demand for ice cream cones?', A. 'A decrease in the price of ice cream cones', B. 'A decrease in the price of ice cream, a complimentary good to ice cream cones', C. 'An increase in the price of ice cream, a complimentary good to ice cream cones', D. 'A decrease in the price of lollipops, a close substitute for ice cream'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: B

Question 83:

'The primary focus of microeconomics is', A. 'families and how they make money.', B. 'firms and how they make profits.', C. 'individual units within the overall economy.', D. 'government.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 84:

'In order for a firm to successfully carry out price discrimination, which of the following conditions must hold? I. The firm cannot face a downward sloping demand curve. II. The firm must have market power. III. Buyers with differing demand elasticities must be separable. IV. The firm must have motives beyond profit maximization. V. The firm must be able to prevent the re-sale of its products.', A. 'I, III, and V only', B. 'III and IV only', C. 'I and IV only', D. 'II, III, and V only'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 85:

'Which of the following is an example of an economic rent?'; A. 'A superstar basketball player's \$50 million earnings.', B. 'A social security retirement income.', C. 'A welfare payment from social services.', D.

'A check to a college student from a parent or guardian.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 86:

'With the presence of a negative externality, which of the following would internalize (or correct) the externality?', A. 'A government subsidy.', B. 'A government tax.', C. 'A lower price.', D. 'A higher level of output.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 87:

'Which of the following is a characteristic of monopoly?', A. 'A single firm in the industry.', B. 'Price equal to marginal revenue.', C. 'Perfectly elastic demand curve.', D. 'Weak barriers to entry.'

=====

Answer Option 1:

Final Answer: A

=====

Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: A

=====

Question 88:

'A monopoly with a straight, downward-sloping demand curve has a marginal revenue curve that is', A. 'upward sloping', B. 'halfway between the demand curve and the vertical axis', C. 'initially downward sloping and then upward sloping', D. 'parallel to the demand curve'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 89:

'A consequence of a price floor is', A. 'a persistent shortage of the good.', B. 'an increase in total welfare.', C. 'a persistent surplus of the good.', D. 'elimination of deadweight loss.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 90:

'Which of the following is not among the methods unions use to increase wages?', A. 'Negotiations to obtain a wage floor', B. 'Restrictive membership policies', C. 'Efforts to decrease the prices of substitute resources', D. 'Featherbedding or make-work rules'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 91:

'Which of the following is a characteristic of perfect competition?'; A. 'Firms produce a homogeneous product.', B. 'Barriers to entry exist.', C. 'Firms are price-setting profit maximizers.', D. 'The government regulates the price so that deadweight loss is eliminated.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 92:

'Which of the following is correct?', A. 'In the long run, all inputs are variable.', B. 'In the short run, all inputs are variable.', C. 'In the long run, supply is not able to adjust fully to changes in demand.', D. 'In the short run, supply is able to adjust fully to changes in demand.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 93:

'Monopolistic competition is said to be productively inefficient because', A. 'the long-run price is above minimum average total cost.', B. 'long-run profits are positive.', C. 'firms engage in collusive behavior.', D. 'there exist no barriers to entry.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 94:

'Compared to perfect competition in the long run, monopoly has', A. 'more choices of products for consumers.', B. 'more efficiency.', C. 'lower prices.', D. 'price greater than marginal revenue.'

=====

Answer Option 1:

Final Answer: D

=====

Answer Option 2:

Final Answer: D

=====

Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: D

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Answer Option 7:

Final Answer: D

=====

Answer Option 8:

Final Answer: D

=====

Answer Option 9:

Final Answer: D

=====

Question 95:

'If the price of firm A's cell phone service rises by 5 percent and the quantity demanded for firm B's cell phone service increases by 10 percent, we can say that', A. 'demand for firm B is price elastic.', B. 'supply for firm B is price elastic.', C. 'firms A and B are substitutes because the cross-price elasticity is greater than zero.', D. 'firms A and B are complements because the cross-price elasticity is less than zero.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: A

Question 96:

'The relationship between the marginal revenue curve and the demand curve for a monopoly is most similar to the relationship between the marginal factor cost curve and what curve for a monopsony?'. A.

'Labor demand', B. 'Labor supply', C. 'Marginal external cost', D. 'Total cost'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: A

Question 97:

'Suppose the market for roses is currently in equilibrium. If the supply of roses falls, while at the same time the demand for roses rises, what can you say about the price and quantity of roses in the market?'

A. 'Price and quantity both rise.', B. 'Price rises, but the change in quantity is ambiguous.', C. 'Price and quantity both fall.', D. 'Quantity rises, but the change in price is ambiguous.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: The correct answer cannot be determined without more information.

Question 98:

'The competitive market for gasoline, a normal good, is currently in a state of equilibrium. Which of the following would most likely increase the price of gasoline?', A. 'Household income falls.', B. 'Technology used to produce gasoline improves.', C. 'The price of subway tickets and other public transportation falls.', D. 'The price of crude oil, a raw material for gasoline, rises.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 99:

'Which of the following will increase wages for tuba makers?', A. 'An increase in the number of graduates at tuba maker training school', B. 'An increase in the price of tubas', C. 'An increase in the price of tuba lessons', D. 'An increase in the tax on tubas'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 100:

'Diminishing marginal returns to short-run production begin when', A. 'the average product of labor begins to fall.', B. 'the total product of labor begins to fall.', C. 'marginal product of labor becomes negative.',

D. 'marginal product of labor begins to fall.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 101:

'What you give up to pursue another alternative is known as', A. 'capital', B. 'land', C. 'money cost', D. 'opportunity cost.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 102:

'Which of the following is NOT a characteristic of perfectly competitive industry?', A. 'Free entry into the industry.', B. 'Product differentiation.', C. 'Perfectly elastic demand curve.', D. 'Homogeneous products.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 103:

'Relative to a competitive input market, a monopsony', A. 'pays less and hires more', B. 'pays less and hires the same amount', C. 'pays more and hires more', D. 'pays less and hires fewer'

=====

Answer Option 1:

Final Answer: A

=====

Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: D

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: D

=====

Question 104:

'If a monopsony labor market suddenly were transformed into a perfectly competitive labor market, how would the wage and employment change?', A. 'Both would increase.', B. 'Both would decrease.', C.

'The wage would remain constant, but employment would increase.', D. 'The wage would fall, but employment would increase.'

=====

Answer Option 1:

Final Answer: D

=====

Answer Option 2:

Final Answer: A

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Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: D

=====

Answer Option 7:

Final Answer: D

=====

Answer Option 8:

Final Answer: D

=====

Answer Option 9:

Final Answer: A

=====

Question 105:

'If corn is produced in a perfectly competitive market and the government placed a price ceiling above equilibrium, which of the following would be true?'; A. 'There would be no change in the amount of corn demanded or supplied.'; B. 'There would be a shortage created of corn.'; C. 'There would be a surplus created of corn.'; D. 'The producers of corn would lose revenue due to the decreased price.'

=====

Answer Option 1:

Final Answer: A

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Answer Option 2:

Final Answer: A

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Answer Option 3:

Final Answer: A

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Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: A

=====

Question 106:

'Marginal cost always intersects average variable cost at', A. 'the profit-maximizing quantity', B. 'the minimum of marginal cost', C. 'the maximum of average variable cost', D. 'the minimum of average variable cost'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 107:

'Production possibilities frontiers are concave to the origin because', A. 'of inefficiencies in the economy.', B. 'of opportunity cost.', C. 'of the law of increasing costs.', D. 'of constant opportunity costs.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 108:

'Scarcity is best defined as', A. 'the difference between limited wants and limited economic resources.', B. 'the difference between the total benefit of an action and the total cost of that action.', C. 'the difference between unlimited wants and limited economic resources.', D. 'the opportunity cost of pursuing a given course of action.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: C

Question 109:

'The market for Cincinnati Reds baseball tickets is currently in equilibrium. Which of the following events would most likely increase the consumer surplus received by Reds fans?'. A. 'The Reds offer discounted parking for all home games.'. B. 'The Reds increase hot dog prices to reflect a higher cost of buns.'. C. 'The city of Cincinnati is undertaking a huge highway construction project that strands fans in pregame traffic jams for hours.'. D. 'The Reds must increase ticket prices to afford the most talented players.'

=====

Answer Option 1:

Final Answer: A

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Answer Option 2:

Final Answer: A

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Answer Option 3:

Final Answer: A

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Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

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Answer Option 7:

Final Answer: A

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Answer Option 8:

Final Answer: A

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Answer Option 9:

Final Answer: A

=====

Question 110:

'Firms with the following market structure(s) maximize profits by producing where marginal cost equals marginal revenue, if at all. I. Perfect competition II. Oligopoly III. Monopoly IV. Monopolistic competition',

A. 'I only', B. 'I and II only', C. 'I and III only', D. 'I, II, III, and IV'

=====

Answer Option 1:

Final Answer: A

=====

Answer Option 2:

Final Answer: B

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Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: A

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Question 111:

'Consumer surplus is', A. 'the price of a good divided by its marginal utility.', B. 'the marginal utility of the good divided by its price.', C. 'the total utility of the good.', D. 'the difference between the consumer's value and the market price.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 112:

'Which of the following statements is positive?', A. 'An economy that produces more butter than guns is better off than an economy that produces more guns than butter.', B. 'Nations should concentrate their resources on producing wholesome consumer goods as opposed to the weapons of war.', C. 'The production possibilities frontier is concave to the origin because of the law of increasing costs.', D. 'Nations ought to devote at least some of their resources to national defense.'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

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Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

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Question 113:

'Relatively free or easy entry (low or nonexistent barriers to entry) is best matched by which of the following?', A. 'More consumer choices, greater price elasticity of demand, more competitors.', B. 'More consumer choices, lower price elasticity of demand, more competitors.', C. 'More consumer choices, greater price elasticity of demand, fewer competitors.', D. 'Fewer consumer choices, lower price elasticity of demand, fewer competitors.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 114:

'Firms maximize their profits by producing a level of output at which', A. 'MC = AFC.', B. 'MC = MR.', C. 'P = ATC.', D. 'MR= AVC.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 115:

'A typical characteristic of capitalist market economies is', A. 'government ownership of land and capital', B. 'extensive price controls.', C. 'centralized government decision making to determine production limits.', D. 'private ownership of economic resources.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 116:

'When a monopolist has maximized profit,' A. 'price is set equal to marginal cost, creating zero economic profit.', B. 'output is set where price is equal to average total cost.', C. 'price is set above marginal cost, creating allocative inefficiency.', D. 'any short-run profit will be eliminated through the long-run entry of new firms.'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

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Answer Option 3:

Final Answer: B

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Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

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Answer Option 7:

Final Answer: B

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Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 117:

'Which of the following situations best exemplifies the concept of consumer surplus?', A. 'It refers to a consumer who no longer has any outstanding debts.', B. 'The federal government has taken in more revenue than it has paid out in expenditures.', C. 'A consumer pays more for a pizza than she thought it was worth at the margin of the purchase.', D. 'A consumer pays less for a pizza than she thought it was worth at the margin of the purchase.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 118:

'If the perfectly competitive price is currently below minimum average total cost, we can expect which of the following events in the long run?', A. 'The price will rise and each firm's output will fall as firms exit the industry.', B. 'Market equilibrium quantity will increase as firms exit the industry.', C. 'Nothing. The industry is currently in long-run equilibrium.', D. 'The price will rise to the breakeven point as firms exit the industry.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 119:

'If total product of labor is rising at an increasing rate,', A. 'marginal product of labor is rising.', B. 'marginal product of labor is at its minimum.', C. 'marginal product of labor is at its maximum.', D. 'marginal cost is rising.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 120:

'When the opportunity for price discrimination arises,', A. 'market segments with relatively elastic demand pay higher prices', B. 'market segments with relatively inelastic demand pay lower prices', C. 'consumer surplus decreases', D. 'demand is horizontal'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 121:

'Price times quantity measures', A. 'the international trade gap.', B. 'the budget deficit.', C. 'total revenue.', D. 'price elasticity of demand.'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 122:

'A tax imposed on a supplier will more likely be passed on to the consumer in the form of price increase if', A. 'price elasticity of demand is highly elastic.', B. 'price elasticity of demand is highly inelastic.', C. 'price elasticity of demand is unit elastic.', D. 'wage elasticity of demand is highly elastic.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 123:

'The law of increasing costs', A. 'does not apply to guns and butter.', B. 'is the result of resources not being perfectly adaptable between the production of two goods.', C. 'implies that prices will rise when the costs of making a good rise.', D. 'causes the production possibilities frontier to be a straight line.'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 124:

'Which of the following is true about a price ceiling?', A. 'It is used to correct government policy.', B. 'It is used when equilibrium prices are too low.', C. 'It will be located above the equilibrium price.', D. 'It will be located below the equilibrium price.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 125:

'Consider a profit-maximizing firm in a perfectly competitive market with several sellers and several buyers (i.e., the firm is a "price taker" of the goods it sells and a "price taker" of the hourly wages it pays its workers). If a technological innovation made by someone in this firm were to significantly raise the firm's marginal physical product (but not that of any other firm's), then this innovation would', A. 'reduce the firm's employment level, because fewer workers are now needed', B. 'raise the workers' hourly wage as they now contribute more marginal revenue', C. 'lead the firm to hire more workers but not to raise their wages', D. 'lead the firm to hire more workers and to pay them higher wages'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 126:

'Suppose the price of beef rises by 10 percent and the quantity of beef demanded falls by 20 percent. We can conclude that', A. 'demand for beef is price elastic and consumer spending on beef is falling.', B. 'demand for beef is price elastic and consumer spending on beef is rising.', C. 'demand for beef is price inelastic and consumer spending on beef is falling.', D. 'demand for beef is price inelastic and consumer spending on beef is rising.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 127:

'The elasticity of supply is typically greater when', A. 'producers have fewer alternative goods to produce.', B. 'producers have less time to respond to price changes.', C. 'producers are operating near the limits of their production.', D. 'producers have more time to respond to price changes.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 128:

'Which of the following is true?', A. 'A marginal social cost = marginal private cost + marginal social benefits.', B. 'Value of externality = marginal social costs.', C. 'Value of externality = marginal private costs.',

D. 'Marginal social cost = marginal private cost + negative externality.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 129:

'Which of the following is most likely to decrease the demand for kindergarten teachers?', A. 'An increase in funding for education', B. 'Increased immigration of foreign citizens and their families', C. 'A decrease in the average number of children per household', D. 'Subsidies given to college students who major in elementary education'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 130:

'Monopoly deadweight loss is the result of', A. 'setting the price above marginal cost.', B. 'setting the price above average total cost.', C. 'monopoly output being greater than the competitive output.', D. 'long-run normal profits.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 131:

'Education makes Chris a better worker, voter, parent, and citizen. Because the benefits from education go beyond those that Chris enjoys himself, education provides', A. 'increasing marginal utility and should be subsidized', B. 'externalities and should be taxed', C. 'decreasing marginal utility and should be taxed', D. 'externalities and should be subsidized'

=====

Answer Option 1:

Final Answer: D

=====

Answer Option 2:

Final Answer: D

=====

Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: D

=====

Answer Option 7:

Final Answer: D

=====

Answer Option 8:

Final Answer: D

=====

Answer Option 9:

Final Answer: D

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Question 132:

'If, for each additional unit of a variable input, the increases in output become smaller, which of the following correctly identifies the concept?', A. 'Diminishing marginal productivity.', B. 'Diminishing marginal utility.', C. 'Increasing marginal utility.', D. 'Increasing marginal productivity.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 133:

'If there is a positive externality associated with the production of a private good, which of the following is an action of government that would most likely move the market to an efficient outcome?', A. 'Close the firm producing the good.', B. 'Subsidize the firm or its customers.', C. 'Tax the firm.', D. 'Appoint a commission.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 134:

'A positive sign on cross price elasticity of demand indicates that the two products are', A. 'luxuries.', B. 'necessities.', C. 'substitutes.', D. 'complements.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 135:

'The price elasticity of demand for a product is greater if', A. 'the proportion of the good of the consumer's budget is high.', B. 'the period of time to respond to a price change is short.', C. 'the number of substitute products is limited.', D. 'the product is a necessity.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: B

Question 136:

'A price discriminating monopoly differs from a non-discriminating monopoly because a discriminating monopoly', A. 'has a demand curve that is more elastic than a non-discriminating monopoly', B. 'earns less revenue than a non-discriminating monopoly', C. 'earns more revenue than a non-discriminating monopoly', D. 'will produce less than a non-discriminating monopoly'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 137:

'Every time Mr. Hamm makes another pizza in his shop, he places \$0.45 worth of sauce on top. For Mr. Hamm, the cost of pizza sauce is a component of which of the following? I. Total Fixed Costs II. Total Variable Costs III. Marginal Cost IV. Total Costs', A. 'I and IV only', B. 'II and III only', C. 'II and IV only', D. 'II, III, and IV only'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: D

=====

Answer Option 9:

Final Answer: D

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Question 138:

'The law of increasing costs is useful in describing', A. 'a demand curve.', B. 'a marginal benefit curve.', C. 'a linear production possibility frontier.', D. 'a concave production possibility frontier.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 139:

'Suppose that aluminum is a key production input in the production of bicycles. If the price of aluminum falls, and all other variables are held constant, we expect', A. 'the demand for aluminum to rise.', B. 'the supply of bicycles to rise.', C. 'the supply of bicycles to fall.', D. 'the demand for bicycles to rise.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 140:

'The sales tax that you pay at the grocery store is commonly labeled a', A. 'progressive tax.', B. 'regressive tax.', C. 'proportional tax.', D. 'excise tax.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 141:

'Which of the following is the best example of the free-rider effect?', A. 'You and a friend take a road trip to Florida in your friend's car. You pay for the gas.', B. 'In exchange for tutoring your friend in economics, she helps you with your geometry assignment.', C. 'You have ordered a big college football game on pay-per-view, and several of your buddies show up unannounced to watch it at your place.', D. 'You buy your date dinner, but your date insists on leaving a tip for the server.'

=====

Answer Option 1:

Final Answer: C

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Answer Option 2:

Final Answer: C

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Answer Option 3:

Final Answer: C

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Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

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Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 142:

'Which of the following is the best example of a negative externality and the appropriate plan for eliminating it?', A. 'Air pollution from a factory blows downwind and harms children in a small community. Tax the citizens of the community.', B. 'Your neighbor plants a fragrant blooming cherry tree in her front yard. Give a tree subsidy to your neighbor.', C. 'The waste from a hog farm pollutes a neighbor's drinking water. Give a subsidy to the hog farmer.', D. 'Air pollution from a power plant is blowing downwind and harming the trees in your community. Tax the production of electricity.'

=====

Answer Option 1:

Final Answer: D

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Answer Option 2:

Final Answer: D

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Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: D

=====

Answer Option 7:

Final Answer: D

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Answer Option 8:

Final Answer: D

=====

Answer Option 9:

Final Answer: D

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Question 143:

'If the government regulates a monopoly to produce at the allocative efficient quantity, which of the following would be true?', A. 'The monopoly would break even.', B. 'The monopoly would incur an economic loss.', C. 'The monopoly would make an economic profit.', D. 'The deadweight loss in this market would decrease.'

=====

Answer Option 1:

Final Answer: C

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Answer Option 2:

Final Answer: C

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Answer Option 3:

Final Answer: C

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Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: D

=====

Answer Option 9:

Final Answer: C

=====

Question 144:

'Which of the following indicates that two goods are complements?'; A. 'A positive income elasticity', B. 'A horizontal demand curve', C. 'A negative cross-price elasticity', D. 'A demand elasticity greater than one'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 145:

'If the government subsidizes the production of halogen headlights,' A. 'the demand curve will shift to the left.', B. 'the demand curve will shift to the right.', C. 'the supply curve will shift to the left.', D. 'the supply curve will shift to the right.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 146:

'Suppose the county government sends each parent a coupon that can be used to subsidize the cost of sending each child to daycare. What would you expect to occur in the market for daycare services?', A.

'The demand for daycare falls, lowering the market price.', B. 'The demand for daycare rises, increasing the market price.', C. 'The supply of daycare rises, lowering the market price.', D. 'The supply of daycare falls, increasing the market price.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 147:

'Which of the following is a characteristic of monopolistic competition?'; A. 'Economically efficient in the long run.', B. 'Pricing at minimum ATC in long run.', C. 'Excess capacity.', D. 'Very few competitors.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 148:

'Which of the following is a fundamental aspect of the free market system?', A. 'A high degree of government involvement.', B. 'Public ownership of resources.', C. 'Private property.', D. 'Central planners set wages and prices.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 149:

'A price ceiling is characterized by', A. 'a price set below the current (or equilibrium) market price of the good.', B. 'a price set above the current (or equilibrium) market price of the good.', C. 'a shift of the demand curve (function).', D. 'a shift of the supply curve.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 150:

'Elsa values her time at \$50 per hour, and tutors David for two hours. David is willing to pay \$175 for two hours of tutoring, but they negotiate a price of \$125 for the entire two hours. Which of the following statements is true about the transaction above:', A. 'Consumer surplus is greater than producer surplus by between \$50 and \$75.', B. 'Producer surplus is greater than consumer surplus by between \$50 and \$75.', C. 'Consumer surplus is greater than producer surplus by more than \$75.', D. 'The difference between consumer and producer surplus is \$25.'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: A

=====

Question 151:

'If a consumer is not required to pay a monetary price for each cookie she consumes, the consumer will stop eating cookies when', A. 'the total utility from eating cookies is equal to zero.', B. 'the substitution effect outweighs the income effect from eating cookies.', C. 'the ratio of marginal utility divided by total utility is equal to one.', D. 'the marginal utility from eating the last cookie is zero.'

=====

Answer Option 1:

Final Answer: D

=====

Answer Option 2:

Final Answer: B

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Answer Option 3:

Final Answer: D

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Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: D

=====

Answer Option 7:

Final Answer: D

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Answer Option 8:

Final Answer: D

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Answer Option 9:

Final Answer: B

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Question 152:

'For a competitive firm, what is the most important thing to consider in deciding whether to shut down in the short run?', A. 'Compare AVC to MR.', B. 'Compare TR to TC.', C. 'Do not produce if the TFC is not covered by revenue.', D. 'Produce the highest quantity demanded regardless of price.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 153:

'Which is true of monopolistic competition?', A. 'Firms earn long-run economic profits.', B. ' $P = MR = MC = ATC$.', C. 'Firms spend money to differentiate and advertise their products.', D. 'In the long run the market is allocatively efficient.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 154:

'The supply curve for lawn-mowing services is likely to slope upward because of', A. 'decreasing marginal costs', B. 'increasing opportunity cost of time', C. 'diminishing marginal utility', D. 'increasing returns to scale'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 155:

'Labor, human capital, entrepreneurship, natural resources, and physical capital are all examples of which of the following?', A. 'Public goods', B. 'Inferior goods', C. 'Factors of production', D. 'Outputs'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 156:

'According to the principle of diminishing marginal utility,': A. 'marginal utility stays the same.', B. 'total utility stays the same.', C. 'marginal utility decreases with each additional unit of a good that is consumed.', D. 'marginal utility and total utility both decrease.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 157:

'The downward-sloping demand curve is partially explained by which of the following?', A. 'Substitution effects and income effects', B. 'The law of increasing marginal costs', C. 'The principle of comparative advantage', D. 'The law of diminishing marginal returns to production'

=====

Answer Option 1:

Final Answer: A

=====

Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

=====

Answer Option 8:

Final Answer: A

=====

Answer Option 9:

Final Answer: A

=====

Question 158:

'If a market is organized by a cartel, we can expect', A. 'normal profits for all cartel firms.', B. 'an incentive for cartel firms to cheat on the cartel agreement.', C. 'profit maximization by individual firms in the cartel.', D. 'allocative efficiency.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 159:

'At the birthday party of your best friend, you see Skylar help himself to a second piece of cake. For this individual, it must be the case that', A. 'the marginal benefit of the second piece of cake is less than the marginal cost.', B. 'the total benefit received from eating cake is falling.', C. 'the ratio of marginal benefit over marginal cost is less than one.', D. 'the marginal benefit of the second piece of cake is greater than the marginal cost.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 160:

'In the short run, a firm employs labor and capital to produce gadgets. If the annual price of capital increases, what will happen to the short-run cost curves?', A. 'The marginal cost and average variable cost curves will shift upward.', B. 'The average fixed cost and average total cost curves will shift upward.', C. 'The marginal cost and average fixed cost curves will shift upward.', D. 'The marginal cost, average fixed cost, average variable cost, and average total cost curves will all shift upward.'

=====

Answer Option 1:

Final Answer: D

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: D

=====

Answer Option 9:

Final Answer: B

=====

Question 161:

'Which of the following is true about a price floor?', A. 'It is used to correct government policy.', B. 'It is used when the equilibrium price is too high.', C. 'It will be located above the equilibrium price.', D. 'It will be located below the equilibrium price.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 162:

'Which of the following is true?', A. 'Average total cost = total fixed costs divided by the number of units produced.', B. 'Average total cost = average variable costs divided by the total number of units produced.', C. 'Average total cost = average variable cost plus marginal cost.', D. 'Average total cost = average variable cost plus average fixed cost.'

=====

Answer Option 1:

Final Answer: D

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Answer Option 2:

Final Answer: D

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Answer Option 3:

Final Answer: D

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Answer Option 4:

Final Answer: D

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Answer Option 5:

Final Answer: D

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Answer Option 6:

Final Answer: D

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Answer Option 7:

Final Answer: D

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Answer Option 8:

Final Answer: D

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Answer Option 9:

Final Answer: D

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Question 163:

'An industry described as an oligopoly would most likely have', A. 'normal profits in the long run.', B. 'no opportunities for collusive behavior.', C. 'significant barriers to entry.', D. 'price-taking behavior.'

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Answer Option 1:

Final Answer: C

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Answer Option 2:

Final Answer: C

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Answer Option 3:

Final Answer: C

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Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

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Answer Option 6:

Final Answer: C

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Answer Option 7:

Final Answer: C

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Answer Option 8:

Final Answer: C

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Answer Option 9:

Final Answer: C

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Question 164:

'Which of the following is correct about the demand for labor?', A. 'The demand for labor is independent of the demand for other inputs or resources.', B. 'The demand for labor is independent of the demand for the products produced by labor.', C. 'The demand for labor is independent of the availability of other inputs or resources.', D. 'The demand for labor is derived from the demand for the products produced by labor.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 165:

'Which of the following is not correct for the perfectly competitive firm, in the long run?', A. 'price = minimum average cost.', B. 'price = marginal revenue.', C. 'price = minimum average variable cost.', D. 'price = marginal cost.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 166:

'The demand curve for a perfectly competitive firm's product is', A. 'downward sloping and equal to the market demand curve.', B. 'perfectly elastic.', C. 'perfectly inelastic.', D. 'kinked at the going market price.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 167:

'Normal goods always have a/an', A. 'elastic demand curve', B. 'inelastic demand curve', C. 'elastic supply curve', D. 'positive income elasticity'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 168:

'Which of the following represents a measure of a firm's monopoly pricing or market power, i.e., the larger the value of the index, the greater the firm's market pricing power?', A. $\frac{(P-MC)}{MC}$, B. $\frac{(MC-P)}{P}$, C. $\frac{(P-MC)}{P}$, D. $\frac{(P-MC)}{MC}$

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

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Answer Option 8:

Final Answer: C

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Answer Option 9:

Final Answer: C

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Question 169:

'The market demand curve for labor would shift to the left as the result of', A. 'an increase in the price of the good which the labor is producing', B. 'an increase in demand for the good which the labor is producing', C. 'an increase in the wage rate paid to workers', D. 'a decrease in the marginal product of labor'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: A

Question 170:

'Opportunity costs or implicit costs of a "Mom & Pop"-owned business are:', A. 'equal to accounting costs.', B. 'equal to accounting profits.', C. 'equal to earnings or profits that could have occurred using resources elsewhere.', D. 'equal to earnings or profits that occurred for Mom & Pop's business.'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: C

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

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Answer Option 7:

Final Answer: C

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Answer Option 8:

Final Answer: C

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Answer Option 9:

Final Answer: C

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Question 171:

'The owner of a competitive firm making zero economic profit', A. 'should consider shutting down because she could make more elsewhere', B. 'is making less than normal profits', C. 'is making exactly what she would make in her next best alternative job', D. 'will most likely make more profits in the long run'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 172:

'If the market price is above the perfectly competitive firm's average total cost curve, we expect that in the long run,' A. 'the industry contracts as firms exit the market.', B. 'the industry expands as firms exit the market.', C. 'the industry contracts as firms enter the market.', D. 'the industry expands as firms enter the market.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 173:

'Land, labor, capital and entrepreneurial talent are often referred to as', A. 'production possibilities.', B. 'goods and services.', C. 'unlimited human wants.', D. 'scarce economic resources.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 174:

'Which of the following goods is likely to have the most elastic demand curve?', A. 'Demand for white Ford minivans', B. 'Demand for automobiles', C. 'Demand for Ford automobiles', D. 'Demand for American-made automobiles'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: A

Question 175:

'Deadweight loss occurs in', A. 'monopolistic competition as $P > MC$.', B. 'monopoly markets because $P > MC$.', C. 'oligopoly markets because $P > MC$.', D. 'All of the above.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 176:

'The individual firm, operating under perfect competition, is characterized as:', A. 'a price-maker.', B. 'one of a few sellers.', C. 'a price strategist.', D. 'a price-taker.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 177:

'Which of the following are associated with public goods? I. Free riders II. Adding demand curves vertically to find the demand curve for society III. Nonrivalry in consumption IV. Nonexcludability', A. 'I and II only', B. 'I and IV only', C. 'II and III only', D. 'I, II, III, and IV'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 178:

'Which of the following is true about the pure public good?', A. 'The marginal cost of providing an additional unit of the good to additional citizens is greater than zero.', B. 'Consumers can be excluded from its benefits by not paying for it.', C. 'One more unit of a public good for some consumers means one less unit for other consumers.', D. 'The good cannot be divided into discrete units.'

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Answer Option 1:

Final Answer: D

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Answer Option 2:

Final Answer: D

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Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: D

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Answer Option 7:

Final Answer: D

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Answer Option 8:

Final Answer: D

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Answer Option 9:

Final Answer: D

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Question 179:

'Nancy has the choice to spend one hour studying for an exam, mowing the lawn for one hour at a wage of \$6, or babysitting her niece for one hour at a wage of \$8. If we know that Nancy has chosen to study for the exam, which of the following is true?', A. 'The benefit received from studying is greater than the opportunity cost of \$8.', B. 'The opportunity cost of studying is \$14, which is less than the benefit received from studying.', C. 'Nancy is indifferent to both studying and mowing the lawn.', D. 'Nancy's behavior is irrational, since babysitting was clearly superior to all other options.'

=====

Answer Option 1:

Final Answer: A

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Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: A

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Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

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Answer Option 7:

Final Answer: A

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Answer Option 8:

Final Answer: B

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Answer Option 9:

Final Answer: B

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Question 180:

'Which of the following statements accurately describes the relationship between average product (AP) and marginal product (MP) of labor?', A. 'AP rises when MP is above it and falls when MP is below it',

B. 'MP intersects AP at the maximum of MP.', C. 'AP and MP are always parallel to each other.', D. 'AP and MP are either both rising or both falling at all levels of labor.'

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Answer Option 1:

Final Answer: A

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Answer Option 2:

Final Answer: A

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Answer Option 3:

Final Answer: A

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Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

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Answer Option 7:

Final Answer: A

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Answer Option 8:

Final Answer: A

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Answer Option 9:

Final Answer: A

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Question 181:

'Because people with relatively low incomes spend a larger percentage of their income on food than people with relatively high incomes, a sales tax on food would fall into which category of taxes?', A.

'Progressive', B. 'Proportional', C. 'Regressive', D. 'Neutral'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 182:

'Which of the following is NOT a source of wage differentials?', A. 'Differences in human capital stock.', B. 'Racial or gender discrimination.', C. 'Immobility of workers.', D. 'Decrease in the birth rate.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 183:

'Which of the following certainly lowers the equilibrium price of a good exchanged in a competitive market?', A. 'The demand curve shifts to the right.', B. 'The supply curve shifts to the left.', C. 'The demand curve shifts to the left, and the supply curve shifts to the right.', D. 'The demand curve shifts to the right, and the supply curve shifts to the left.'

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Answer Option 1:

Final Answer: B

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Answer Option 2:

Final Answer: B

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Answer Option 3:

Final Answer: B

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Answer Option 4:

Final Answer: D

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Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: D

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Answer Option 8:

Final Answer: D

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Answer Option 9:

Final Answer: B

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Question 184:

'Which of the following is true for a firm operating under perfect competition in the long run?', A. 'The firm will engage in non-price competition.', B. 'The firm will realize economic profits.', C. 'The firm will incur economic losses.', D. 'The firm will realize zero economic profits.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 185:

'A negative externality in the market for a good exists when', A. 'the market overallocates resources to the production of this good.', B. 'spillover benefits are received by society.', C. 'the marginal social benefit equals the marginal social cost.', D. 'total welfare is maximized.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 186:

'Which characteristic is likely a part of a monopoly market but not of monopolistic competition?', A. 'Differentiated products', B. 'Patents and copyrights', C. 'Possibility of profit in the short run', D. 'Deadweight loss exists'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 187:

'Every day Melanie spends her lunch money consuming apples, at \$1 each, and oranges, at \$2 each. At her current level of consumption, Melanie's marginal utility of apples is 12 and her marginal utility of oranges is 18. If she has already spent all of her lunch money, how should Melanie change her consumption decision to maximize utility?', A. 'She should make no changes; she is consuming the utility maximizing combination of apples and oranges.', B. 'She should increase her apple consumption and decrease her orange consumption until the marginal utility per dollar is equal for both.', C. 'She should decrease her apple consumption and increase her orange consumption until the marginal utility per dollar is equal for both.', D. 'She should increase her apple consumption and decrease her orange consumption until the marginal utility is equal for both.'

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Answer Option 1:

Final Answer: C

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Answer Option 2:

Final Answer: C

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Answer Option 3:

Final Answer: C

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Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

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Answer Option 6:

Final Answer: C

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Answer Option 7:

Final Answer: C

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Answer Option 8:

Final Answer: C

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Answer Option 9:

Final Answer: C

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Question 188:

'Which of the following describes the theory behind the demand curve?', A. 'Decreasing marginal utility as consumption rises.', B. 'Increasing marginal cost as consumption rises.', C. 'Decreasing marginal cost as consumption rises.', D. 'Increasing total utility at an increasing rate as consumption rises.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 189:

'Economics is best described as', A. 'the study of how scarce material wants are allocated between unlimited resources.', B. 'the study of how scarce labor can be replaced by unlimited capital.', C. 'the study of how decision makers choose the best way to satisfy their unlimited material wants with a scarce supply of resources.', D. 'the study of how unlimited material wants can best be satisfied by allocating limitless amounts of productive resources.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 190:

'An effective price ceiling in the market for good X likely results in', A. 'a persistent surplus of good X.', B. 'a persistent shortage of good X.', C. 'an increase in the demand for good Y, a substitute for good X.',
D. 'a decrease in the demand for good Z, a complement with good X.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 191:

'When the production or consumption of a good creates a positive externality, it is deemed a market failure because at the market quantity', A. 'the marginal social benefit exceeds the marginal social cost.', B. 'the marginal social cost exceeds the marginal social benefit.', C. 'society produces too much of the good.', D. 'the private benefits from consuming the good exceed the social benefits.'

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Answer Option 1:

Final Answer: B

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Answer Option 2:

Final Answer: B

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Answer Option 3:

Final Answer: B

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Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: A

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Answer Option 9:

Final Answer: B

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Question 192:

'A competitive firm's demand for labor is determined directly by', A. 'profits', B. 'the opportunity cost of workers' time', C. 'the wage and the average (physical) product of labor', D. 'the marginal (physical) product of labor and the output price'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 193:

'When a perfectly competitive labor market is in equilibrium,', A. 'everyone who wants to work has the opportunity to do so', B. 'individual firms face downward sloping labor demand curves', C. 'unemployment can reach as high as 10-15 percent', D. 'individual firms face upward sloping labor demand curves'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 194:

'The market demand curve for labor will shift to the right when', A. 'the number of firms increases', B. 'the price of output decreases', C. 'the labor supply curve shifts to the right', D. 'the labor supply curve shifts to the left'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 195:

'Which of the following was not a landmark antitrust act?', A. 'The Wagner Act', B. 'The Sherman Act', C. 'The Clayton Act', D. 'The Robinson-Patman Act'

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Answer Option 1:

Final Answer: A

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Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

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Answer Option 7:

Final Answer: A

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Answer Option 8:

Final Answer: A

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Answer Option 9:

Final Answer: A

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Question 196:

'Which of the following might explain how a price decrease might cause a decrease in quantity demanded and an upward-sloping demand curve?', A. 'The good is inferior and the income effect is stronger than the substitution effect.', B. 'The good is normal and the income effect is stronger than the substitution effect.', C. 'The good is normal and the income effect is weaker than the substitution effect.', D. 'The good is inferior and a luxury.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 197:

'If the government wants to establish a socially optimal price for a natural monopoly, it should select the price at which', A. 'average revenue equals zero', B. 'marginal revenue equals zero', C. 'the marginal cost curve intersects the demand curve', D. 'the average total cost curve intersects the demand curve'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 198:

'Which of the following is an implicit cost for the owner of a small store in your hometown?', A. 'The wage that is paid to the assistant manager', B. 'The cost of purchasing canned goods from a wholesale food distributor', C. 'The value placed on the owner's skills in an alternative career', D. 'The cost of cooling the refrigerated meat display'

=====

Answer Option 1:

Final Answer: C

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Answer Option 2:

Final Answer: C

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Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

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Question 199:

'The greater (higher) the wage elasticity of demand, the', A. 'greater the proportion of capital costs to labor costs in the production of goods.', B. 'greater the price elasticity for the product produced by labor.', C. 'the smaller the number of substitutes for labor.', D. 'the smaller the time period.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 200:

'Unlike a perfectly competitive firm, a monopoly', A. 'will charge the highest price it can on the demand curve', B. 'has a horizontal marginal revenue curve', C. 'has an upward sloping total revenue curve', D. 'faces a downward sloping demand curve'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 201:

'The law of diminishing marginal utility is most useful for explaining the', A. 'law of supply', B. 'law of demand', C. 'curvature of the total cost curve', D. 'shape of the production possibilities frontier'

=====

Answer Option 1:

Final Answer: B

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Answer Option 2:

Final Answer: B

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Answer Option 3:

Final Answer: B

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Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

=====

Question 202:

'Which of the following statements is most consistent with a capitalist market economy?'. A. 'Economic resources are allocated according to the decisions of the central bank.'. B. 'Private property is fundamental to innovation, growth, and trade.'. C. 'A central government plans the production and distribution of goods.'. D. 'Most wages and prices are legally controlled.'

=====

Answer Option 1:

Final Answer: B

=====

Answer Option 2:

Final Answer: B

=====

Answer Option 3:

Final Answer: B

=====

Answer Option 4:

Final Answer: B

=====

Answer Option 5:

Final Answer: B

=====

Answer Option 6:

Final Answer: B

=====

Answer Option 7:

Final Answer: B

=====

Answer Option 8:

Final Answer: B

=====

Answer Option 9:

Final Answer: B

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Question 203:

'Which of the following is an example of a long-run adjustment for the owners of a small café?', A. 'The owners switch from whole wheat to sourdough bread.', B. 'The owners hire several part-time workers to cover the dinner shifts.', C. 'The owners work overtime on a busy weekend.', D. 'The owners buy the office next door, and this doubles the customer seating.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 204:

'Which of the following is most likely to be true in the long run for a monopoly firm?', A. ' $P = MR = MC = ATC$ ', B. ' $P = MR = MC > ATC$ ', C. ' $P > MR = MC = ATC$ ', D. ' $P > ATC > MR = MC$ '

=====

Answer Option 1:

Final Answer: D

=====

Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

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Answer Option 7:

Final Answer: A

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Answer Option 8:

Final Answer: A

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Answer Option 9:

Final Answer: A

=====

Question 205:

'Which of the following is not correct about economies of scale?', A. 'Economies of scale are associated with increases in production of output.', B. 'Economies of scale are associated with the rising or increasing portion of an average total cost (ATC) curve.', C. 'Economies of scale are associated with the declining or decreasing portions of the ATC curve.', D. 'Economies of scale result in decreases in per unit average cost.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 206:

'For the perfectly competitive firm, the profit-maximizing decision to shut down is made when the price', A. 'falls below minimum average total cost.', B. 'is greater than minimum average variable cost, but lower than minimum average total cost.', C. 'falls below minimum average variable cost.', D. 'is equal to minimum average total cost.'

=====

Answer Option 1:

Final Answer: C

=====

Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

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Answer Option 7:

Final Answer: C

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Answer Option 8:

Final Answer: C

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Answer Option 9:

Final Answer: C

=====

Question 207:

'Which of the following is true in the long run in perfect competition?', A. ' $P = MR = MC = ATC$ ', B. ' $P = MR = MC > ATC$ ', C. ' $P > MR = MC = ATC$ ', D. ' $P = MR > MC = ATC$ '

=====

Answer Option 1:

Final Answer: A

=====

Answer Option 2:

Final Answer: A

=====

Answer Option 3:

Final Answer: A

=====

Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

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Answer Option 8:

Final Answer: A

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Answer Option 9:

Final Answer: A

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Question 208:

'If the perfectly competitive price is currently above minimum ATC, we can expect which of the following events in the long run?', A. 'Price rises as firms enter the industry.', B. 'Market equilibrium quantity rises as firms exit the industry.', C. 'Nothing. The industry is currently in long-run equilibrium.', D. 'Price falls as firms enter the industry.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 209:

'Which of the following will shift the supply curve for textbooks to the left?', A. 'A decrease in the demand for a substitute in production', B. 'A decrease in the number of buyers', C. 'An increase in printing costs', D. 'Expectations of future surpluses'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 210:

'If Matt's total utility from consuming bratwurst increased at a constant rate, no matter how many bratwurst Matt consumed, what would Matt's demand curve for bratwurst look like?', A. 'Vertical', B. 'Horizontal', C. 'Downward sloping', D. 'Upward sloping'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: C

Question 211:

'Which of the following causes the supply curve of paper to shift to the left?', A. 'Paper producers expect lower paper prices in the months ahead.', B. 'The price of pencils, a complement to paper, increases.', C. 'Improvements in the technology used to produce paper.', D. 'Environmental concerns reduce the yearly amount of timber that can be harvested.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 212:

'When opportunity cost is constant across all production levels, the productions possibilities frontier is', A. 'concave to the origin.', B. 'convex to the origin.', C. 'undefined.', D. 'a straight diagonal line sloping downward from left to right.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 213:

'Which of the following is likely to have a demand curve that is the least elastic?', A. 'Demand for the perfectly competitive firm's output', B. 'Demand for the oligopoly firm's output with a homogenous product', C. 'Demand for the oligopoly firm's output with a differentiated product', D. 'Demand for the monopoly firm's output'

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Answer Option 1:

Final Answer: D

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Answer Option 2:

Final Answer: D

=====

Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: D

=====

Answer Option 5:

Final Answer: D

=====

Answer Option 6:

Final Answer: D

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Answer Option 7:

Final Answer: D

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Answer Option 8:

Final Answer: D

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Answer Option 9:

Final Answer: D

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Question 214:

'A demand curve slopes downward for an individual as the result of', A. 'diminishing marginal utility', B. 'diminishing marginal returns', C. 'the Fisher effect', D. 'diminishing returns to scale'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 215:

'In order to find the market supply curve for a particular good, one would', A. 'aggregate the firm marginal revenue curves horizontally', B. 'aggregate the firm supply curves vertically', C. 'aggregate the firm marginal cost curves vertically', D. 'aggregate the firm supply curves horizontally'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 216:

'The ability for firms to enter and exit a market over time means that', A. 'the marginal cost is zero', B. 'the marginal revenue is zero', C. 'the long run supply curve is more elastic', D. 'the long run supply curve is more inelastic'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 217:

'If one person has the only original signed copy of The Wealth of Nations by Adam Smith, which of the following would illustrate this situation?', A. 'A downward sloping demand curve.', B. 'An upward sloping supply curve.', C. 'An invisible hand.', D. 'A perfectly vertical supply curve.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 218:

'Land refers to', A. 'all productive resources.', B. 'all natural resources.', C. 'farmland only.', D. 'real estate.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 219:

'The basis for the answer in number 1 is', A. 'P or wage rate of labor > MRP of labor and with one additional unit of labor, wage rate < MRP.', B. 'P or wage rate of labor < MRP of labor and with one additional unit of labor WL_1 , > MRP.', C. 'total revenue is at a maximum.', D. 'total output is at a maximum.'

=====

Answer Option 1:

Final Answer: B

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Answer Option 2:

Final Answer: B

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Answer Option 3:

Final Answer: A

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Answer Option 4:

Final Answer: A

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Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

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Answer Option 7:

Final Answer: B

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Answer Option 8:

Final Answer: A

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Answer Option 9:

Final Answer: C

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Question 220:

'In the same period there is a drought affecting the supply of pineapples and a discovery that may assist in the avoidance of cancer. How will this combination of events affect the equilibrium price and quantity of pineapples?Equilibrium Quantity', A. 'Increases Decreases', B. 'Increases Indeterminate', C. 'Indeterminate Increases', D. 'Decreases Indeterminate'

=====

Answer Option 1:

Final Answer: C

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Answer Option 2:

Final Answer: C

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Answer Option 3:

Final Answer: D

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: D

=====

Answer Option 7:

Final Answer: C

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Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: D

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Question 221:

'With respect to the kinked demand curve, which of the following is NOT correct?', A. 'There is no price leader.', B. 'There are relatively equal shares of the market.', C. 'Price is greater than marginal costs.', D.

'The demand curve is of one continuous function.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 222:

'Suppose that there are only two goods: x and y. Which of the following is NOT correct?', A. 'One can have comparative advantage in producing both goods.', B. 'One can have both an absolute advantage and a comparative advantage in producing x.', C. 'One can have absolute advantage and no comparative advantage in producing x.', D. 'One can have comparative advantage and no absolute advantage in producing x.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 223:

'The total utility from sardines is maximized when they are purchased until', A. 'marginal utility is zero', B. 'marginal benefit equals marginal cost', C. 'consumer surplus is zero', D. 'distributive efficiency is achieved'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 224:

'Assume a firm hires labor for \$15 each and sells its products for \$3 each. If the MP of the 3rd worker is 10, which of the following statements would be the most true?', A. 'The firm should hire more labor so that the MRPL will increase.', B. 'The firm should hire more labor so that the MRPL will decrease.', C. 'The firm should hire less labor so that the MRPL will increase.', D. 'The firm should hire less labor so that the MRPL will decrease.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 225:

'The demand curve for labor is derived from', A. 'the market labor demand curve', B. 'the demand curve for the output produced by labor', C. 'the labor supply curve for the firm', D. 'the equilibrium wage in the labor market'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 226:

'Monopolistic competition is often characterized by', A. 'strong barriers to entry.', B. 'a long-run price that exceeds average total cost.', C. 'a price that exceeds average variable cost, causing excess capacity.',
D. 'many resources devoted to advertising.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 227:

'A student decides that, having already spent three hours studying for an exam, she should spend one more hour studying for the same exam. Which of the following is most likely true?', A. 'The marginal benefit of the fourth hour is certainly less than the marginal cost of the fourth hour.', B. 'The marginal benefit of the fourth hour is at least as great as the marginal cost of the fourth hour.', C. 'Without knowing the student's opportunity cost of studying, we have no way of knowing whether or not her marginal benefits outweigh her marginal costs.', D. 'The marginal cost of the third hour was likely greater than the marginal cost of the fourth hour.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 228:

'Macroeconomics focuses on', A. 'government and its laws that affect commerce.', B. 'individuals and their resource use.', C. 'corporations and their production levels.', D. 'the resource use of the entire nation.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 229:

'Which of the following is true?', A. 'Marginal Social Costs = Private Marginal Costs + Negative Externality.', B. 'Marginal Social Costs = Private Marginal Costs + Subsidy.', C. 'Marginal Social Benefits = Private Marginal Benefits + Tax.', D. 'Tax = Positive Externality.'

=====

Answer Option 1:

Final Answer: A

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Answer Option 2:

Final Answer: A

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Answer Option 3:

Final Answer: A

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Answer Option 4:

Final Answer: A

=====

Answer Option 5:

Final Answer: A

=====

Answer Option 6:

Final Answer: A

=====

Answer Option 7:

Final Answer: A

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Answer Option 8:

Final Answer: A

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Answer Option 9:

Final Answer: A

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Question 230:

'Good X is exchanged in a competitive market. Which of the following is true if an excise tax is now imposed on the production of good X?'. A. 'If the demand curve is perfectly elastic, the price rises by the amount of the tax.'. B. 'The consumer's burden of the tax rises as the demand curve is more elastic.'. C. 'Consumer surplus rises as a result of the tax.'. D. 'The consumer's burden of the tax rises as the demand curve is less elastic.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: D

Answer Option 6:

Final Answer: D

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: D

Answer Option 9:

Final Answer: D

Question 231:

'What could the government do to most effectively avoid a free rider problem?', A. 'Enact stricter antitrust legislation', B. 'Provide more complete information about the relevant goods', C. 'Supply public goods using tax dollars', D. 'Tax those creating negative externalities'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 232:

'In order to hire the least-cost combination of labor and capital, the firm must do which of the following?', A. 'Find the combination of labor and capital where the marginal product of labor is equal to the marginal product of capital.', B. 'Find the combination of labor and capital where the ratio of the marginal product of labor to the marginal product of capital is equal to one.', C. 'Find the combination of labor and capital where the marginal product of labor divided by the price of labor is equal to the marginal product of capital divided by the price of capital.', D. 'Find the combination of labor and capital where the price of labor is equal to the price of capital.'

=====

Answer Option 1:

Final Answer: C

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Answer Option 2:

Final Answer: C

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Answer Option 3:

Final Answer: C

=====

Answer Option 4:

Final Answer: C

=====

Answer Option 5:

Final Answer: C

=====

Answer Option 6:

Final Answer: C

=====

Answer Option 7:

Final Answer: C

=====

Answer Option 8:

Final Answer: C

=====

Answer Option 9:

Final Answer: C

=====

Question 233:

'Which of the following is a characteristic of monopolistic competition in the long run?', A. 'Strong barriers to entry.', B. 'Homogeneous products.', C. 'Zero economic profits.', D. 'Minimum average total cost equals price.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: C

Question 234:

'A student eats 3 slices of pizza while studying for his Economics exam. The marginal utility of the first slice of pizza is 10 utils, the second slice is 7 utils, and the third slice is 3 utils. Which of the statements below holds true with the above data?', A. 'The student would not eat any more pizza.', B. 'The marginal utility of the 4th slice of pizza will be 0.', C. 'The student should have stopped eating pizza after 2 slices.', D. 'The total utility this student received from eating pizza is 20 utils.'

=====

Answer Option 1:

Final Answer: C

Answer Option 2:

Final Answer: C

Answer Option 3:

Final Answer: C

Answer Option 4:

Final Answer: C

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: C

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: C

Question 235:

'The United States is trading salmon to Peru in exchange for anchovies. If these nations are trading based upon relative opportunity costs, what must be the case?', A. 'The United States has comparative advantage in anchovy production, and Peru has comparative advantage in salmon production.', B. 'The United States has comparative advantage in salmon production, and Peru has comparative advantage in anchovy production.', C. 'The United States has absolute advantage in anchovy production, and Peru has absolute advantage in salmon production.', D. 'The United States has absolute advantage in salmon production, and Peru has absolute advantage in anchovy production.'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B

Question 236:

'Which of the following is true about the relationship of the average total cost (ATC) curve and the marginal cost (MC) curve?', A. 'ATC and MC are always equal.', B. 'ATC and MC are never equal.', C. 'The ATC curve intersects the MC curve at the minimum point of the MC curve.', D. 'The MC curve intersects the ATC curve at the minimum point of the ATC curve.'

=====

Answer Option 1:

Final Answer: D

Answer Option 2:

Final Answer: D

Answer Option 3:

Final Answer: D

Answer Option 4:

Final Answer: D

Answer Option 5:

Final Answer: C

Answer Option 6:

Final Answer: C

Answer Option 7:

Final Answer: D

Answer Option 8:

Final Answer: C

Answer Option 9:

Final Answer: D

Question 237:

'Which of the following statements about a price ceiling is accurate?', A. 'An effective price ceiling must be at a price below the equilibrium price.', B. 'A price ceiling will increase the quantity of the good supplied.', C. 'A price ceiling will cause a shift in the demand curve for the good.', D. 'A price ceiling will have no effect on the quantity of the good supplied.'

=====

Answer Option 1:

Final Answer: A

Answer Option 2:

Final Answer: A

Answer Option 3:

Final Answer: A

Answer Option 4:

Final Answer: A

Answer Option 5:

Final Answer: A

Answer Option 6:

Final Answer: A

Answer Option 7:

Final Answer: A

Answer Option 8:

Final Answer: A

Answer Option 9:

Final Answer: A

Question 238:

'In an oligopoly market, firms', A. 'cannot earn economic profits', B. 'are interdependent', C. 'are not subject to antitrust legislation', D. 'are large in number'

=====

Answer Option 1:

Final Answer: B

Answer Option 2:

Final Answer: B

Answer Option 3:

Final Answer: B

Answer Option 4:

Final Answer: B

Answer Option 5:

Final Answer: B

Answer Option 6:

Final Answer: B

Answer Option 7:

Final Answer: B

Answer Option 8:

Final Answer: B

Answer Option 9:

Final Answer: B
