

Feedback — FINAL EXAM

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You submitted this quiz on **Tue 1 Apr 2014 1:45 PM PDT**. You got a score of **0.00** out of **49.00**. You can [attempt again](#), if you'd like.

Question 1

A Command Economy:

Your Answer	Score	Explanation
<input type="radio"/> Makes all the important decisions about production and distribution.		
<input type="radio"/> Owns most of the means of production (land and capital).		
<input type="radio"/> Is the employer of most workers and tells them how to do their jobs.		
<input type="radio"/> All of the above		
<input type="radio"/> Don't know		
Total	0.00 / 1.00	

Question Explanation

All of the above

Question 2

The assumption of ceteris paribus is useful because it allows economists to draw their graphs in:

Your Answer	Score	Explanation
<input type="radio"/> Two dimensions		

☐ Three dimensions

☐ Both 1 and 2

☐ Don't know

Total

0.00 / 1.00

Question Explanation

Two dimensions

Question 3

Suppose the price of chicken rises. Which way do you think the beef demand curve will shift?

Your Answer

Score

Explanation

☐ Inward and leftward

☐ Outward and rightward

☐ It won't shift

☐ Don't know

Total

0.00 / 1.00

Question Explanation

Outward and rightward

Question 4

The utility-maximizing rule or equimarginal principle allows us to:

Your Answer

Score

Explanation

☐ Derive the downward-sloping demand curve

☐ Derive the upward-sloping supply curve

☐ Determine equilibrium in the market

☐ Don't know

Total

0.00 / 1.00

Question Explanation

Derive the downward-sloping demand curve

Question 5

To solve the unit of measure problem, the price elasticity of demand is measured in:

Your Answer

Score

Explanation

☐ Absolute amounts

☐ Percentages

☐ Uniform units

☐ Don't know

Total

0.00 / 1.00

Question Explanation

Percentages

Question 6

During years of bumper crops when food prices fall substantially, many farmers often go bankrupt. This is because:

Your Answer

Score

Explanation

☐ Demand is highly elastic

☐ Demand is highly inelastic

☐ Demand is unit elastic

☐ Demand is unit elastic

☐ Don't know

Total

0.00 / 1.00

Question Explanation

Demand is highly inelastic

Question 7

In the long run:

Your Answer

Score

Explanation

☐ All factors in the production function except capital can be adjusted.

☐ All factors in the production function, including capital, can be adjusted.

☐ Technology is constant

☐ Don't know

Total

0.00 /

1.00

Question Explanation

All factors in the production function, including capital, can be adjusted.

Question 8

Calculate the marginal cost of increasing production from 23 to 24 units for the question mark contained in red circle in the figure.

1	2	3	4	5	6	7	8
Output	Fixed costs (FC)	Variable costs (VC)	Total costs (TC)	Marginal costs (MC) (change in total costs)	Average fixed costs (AFC) FC/Output	Average variable costs (AVC) VC/Output	Average total costs (ATC) AFC+AVC
4	50	50	100				
5	50	60	110	10			
10	50	100	150	6			
11	50	106	156				
17	50	150	200	?			
18	50	157	207				
21	50	182	232				
23	50	200	250	?			
24	50	210	260				
28	50	250	300	?			
29	50	265	315				
32	50	350	400				

Your Answer

Score

Explanation

☐ 7

☐ 8

☐ 9

☐ 10

☐ Don't know

Total

0.00 / 1.00

Question Explanation

10

Question 9

Which market structure is the most economically efficient?

Your Answer

Score

Explanation

☐ Monopoly

☐ Monopolistic Competition

☐ Oligopoly

☐ Perfect Competition

☐ Don't know

Total

0.00 / 1.00

Question Explanation

Perfect Competition

Question 10

The market demand curve in a perfectly competitive industry is:

Your Answer

Score

Explanation

- ☐ The horizontal sum of the individual demand curves
- ☐ The vertical sum of the individual demand curves
- ☐ The answer depends on the product
- ☐ Don't know

Total

0.00 / 1.00

Question Explanation

The horizontal sum of the individual demand curves

Question 11

Productive efficiency occurs when:

Your Answer

Score

Explanation

- ☐ Price equals minimum average total cost.
- ☐ The firm is using the minimum amount of resources to produce any particular output
- ☐ The firm is using best available, least cost technology
- ☐ All of the above

☐ Don't know

Total

0.00 /

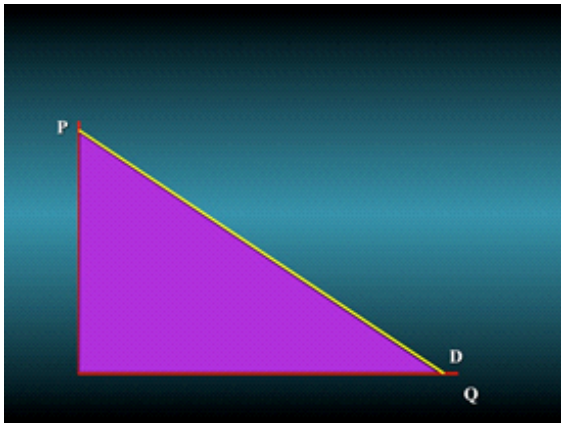
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Question Explanation

All of the above

Question 12

The triangle in the accompany figure illustrates:



Your Answer

Score

Explanation

☐ Consumer surplus: A dollar measure of the difference between what consumers would have been willing to pay and what they actually pay.

☐ Producer surplus: The difference between the price at which producers would have been willing to supply a good and the price they actually receive

☐ Deadweight loss: the efficiency loss associated with monopoly

☐ Don't know

Total

0.00 /

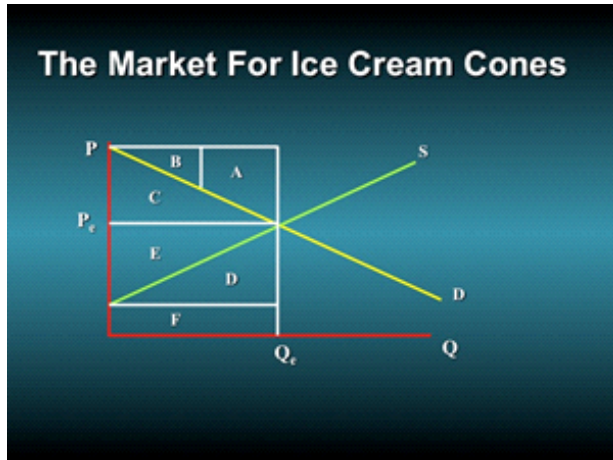
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Question Explanation

Consumer surplus: A dollar measure of the difference between what consumers would have been willing to pay and what they actually pay.

Question 13

In the accompanying figure, at the given equilibrium, what is the consumer and producer surplus?



Your Answer

Score

Explanation

- ☐ Consumer surplus is ABC, producer surplus is DEF.
- ☐ Consumer surplus is C, producer surplus is E.
- ☐ Consumer surplus is AB, producer surplus is DF.
- ☐ Don't know

Total

0.00 / 1.00

Question Explanation

Consumer surplus is C, producer surplus is E.

Question 14

Harvard economist Joseph Schumpeter argued that monopoly was good because:

Your Answer

Score

Explanation

- ☐ 1. Monopolists will have more profits to engage in longer term

strategic activities such as research and development.

☐ 2. Monopolists will also have a much bigger cash fund to speed the diffusion of the technology.

☐ Both 1 and 2

☐ Don't know

Total	0.00 /
	1.00

Question Explanation

Both 1 and 2

Question 15

Monopolistic competition is sometimes called:

Your Answer	Score	Explanation
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☐ Collusive oligopoly

☐ Non-collusive oligopoly

☐ Product differentiated oligopoly

☐ Don't know

Total	0.00 / 1.00
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Question Explanation

Non-collusive oligopoly

Question 16

Oligopoly exists when

Your Answer	Score	Explanation
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☐ A large number of typically small firms dominate an industry

☐ A small number of typically large firms dominate an industry

☐ Four or less firms constitute an industry

☐ Don't know

Total

0.00 / 1.00

Question Explanation

A small number of typically large firms dominate an industry

Question 17

As the number of firms in an industry shrinks and industry concentration grows:

Your Answer

Score

Explanation

☐ 1. Each firm is more likely to base pricing decisions on how other firms are likely to respond.

☐ 2. Each firm is more likely to base output decisions on how other firms are likely to respond.

☐ Both 1 and 2

☐ Don't know

Total

0.00 /

1.00

Question Explanation

Both 1 and 2

Question 18

Tacit collusion occurs when:

Your Answer

Score

Explanation

☐ 1. Firms in an industry refrain from competition without explicit agreements

☐ 2. Firms in an industry refrain from competition using written contracts

☐ Both 1 and 2

☐ Don't know

Total

0.00 /

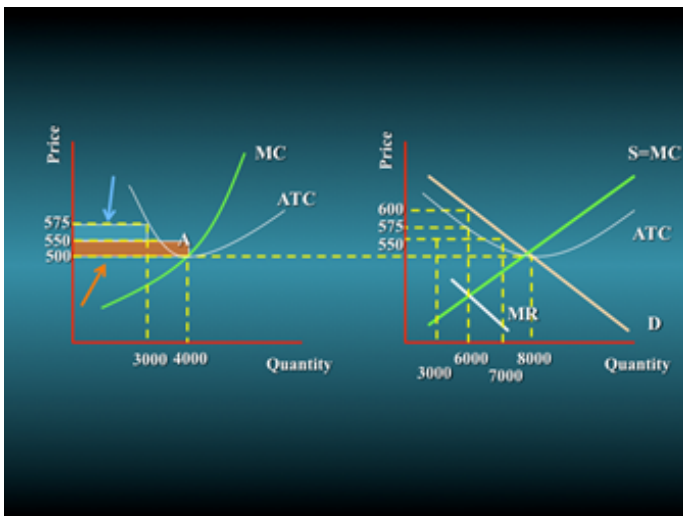
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Question Explanation

1. Firms in an industry refrain from competition without explicit agreements

Question 19

Suppose one firm in the collusive duopoly represented in the accompanying figure cheats by producing 4000 tons rather than the agreed upon 3000 tons each? What is the market price, output, and profit?



Your Answer

Score

Explanation

☐ Price \$500, industry output 8000 tons, both firms earn zero economic profits

☐ Price \$500, industry output 7000 tons, non-cheating firm loses

\$75,000, cheating duopolist makes a \$75,000 economic profit

☐ Price \$550, industry output 7000 tons, non-cheating firm loses \$75,000, cheating duopolist makes a \$200,000 economic profit

☐ Don't know

Total	0.00 /
	1.00

Question Explanation

Price \$550, industry output 7000 tons, non-cheating firm loses \$75,000, cheating duopolist makes a \$200,000 economic profit

Question 20

Pure economic rent is:

Your Answer	Score	Explanation
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☐ Different from the rent people pay for their homes or apartments

☐ The same thing as the rent people pay for their homes or apartments

☐ The same thing as the rent people pay for their homes or apartments less any tax credits

☐ Don't know

Total	0.00 /
	1.00

Question Explanation

Different from the rent people pay for their homes or apartments

Question 21

Henry George argued that a single tax on land would be:

Your Answer	Score	Explanation
<input type="radio"/> 1. More fair		
<input type="radio"/> 2. More efficient		
<input type="radio"/> Both 1 and 2		
<input type="radio"/> Don't know		
Total	0.00 / 1.00	

Question Explanation

Both 1 and 2

Question 22

Rent seeking is:

Your Answer	Score	Explanation
<input type="radio"/> 1. The name given to restricting supply to increase the price suppliers receive		
<input type="radio"/> 2. An attempt to create either ownership rights or institutional structures that favor you		
<input type="radio"/> Both 1 and 2		
<input type="radio"/> Don't know		
Total	0.00 / 1.00	

Question Explanation

Both 1 and 2

Question 23

Suppose you are the CEO of a domestic firm and your foreign rival is offering lower prices to your consumers because of a production cost advantage. One way to beat your rival is to:

Your Answer	Score	Explanation
<input type="radio"/> 1. Lobby congress to impose tariffs		
<input type="radio"/> 2. Produce more efficiently		
<input type="radio"/> Both 1 and 2		
<input type="radio"/> Don't know		
Total	0.00 / 1.00	

Question Explanation

Both 1 and 2

Question 24

Human capital refers to:

Your Answer	Score	Explanation
<input type="radio"/> 1. The stock of useful and valuable skills accumulated in the process of their education and training.		
<input type="radio"/> 2. The stock of knowledge accumulated by people in the process of their education and training		
<input type="radio"/> Both 1 and 2		
<input type="radio"/> Don't know		
Total	0.00 / 1.00	

Question Explanation

Both 1 and 2

Question 25

Workers reluctant to move to other locations for work and leave friends, relatives, and associates will tend to:

Your Answer	Score	Explanation
<input type="radio"/> Earn less		
<input type="radio"/> Earn more		
<input type="radio"/> Earn the same		
<input type="radio"/> Don't know		
Total	0.00 / 1.00	

Question Explanation

Earn less

Question 26

Suppose I buy a bottle of grape juice for \$10 and then sell it a year later as wine for \$11. What is my rate of return on this investment assuming that I have no other expenses?

Your Answer	Score	Explanation
<input type="radio"/> 1%		
<input type="radio"/> 5%		
<input type="radio"/> 10%		
<input type="radio"/> Don't know		
Total	0.00 / 1.00	

Question Explanation

10%

Question 27

Suppose the federal government significantly expands the social security retirement program. What is this likely to do to the supply curve for loanable funds and the market rate of interest?

Your Answer	Score	Explanation
<input type="radio"/> Shift the curve inward and decrease the market rate of interest		
<input type="radio"/> Shift the curve inward and increase the market rate of interest		
<input type="radio"/> Shift the curve outward and decrease the market rate of interest		
<input type="radio"/> Don't know		
Total	0.00 / 1.00	

Question Explanation

Shift the curve inward and increase the market rate of interest

Question 28

A perpetuity is:

Your Answer	Score	Explanation
<input type="radio"/> 1. An asset that lasts forever		
<input type="radio"/> 2. Pays a certain amount of dollars per year from now to eternity		
<input type="radio"/> Both 1 and 2		

☐ Don't know

Total

0.00 /
1.00

Question Explanation

Both 1 and 2

Question 29

Which good is rival in consumption?

Your Answer

Score

Explanation

☐ Bridge

☐ Computer

☐ National defense

☐ None of the above

☐ Don't know

Total

0.00 / 1.00

Question Explanation

Computer

Question 30

In the presence of positive externalities, the free market tends to lead to:

Your Answer

Score

Explanation

☐ 1. The underconsumption of goods that yield positive externalities

☐ 2. The overproduction of goods that yield positive externalities

☐ Both 1 and 2

☐ Don't know

Total

0.00 /

1.00

Question Explanation

1. The underconsumption of goods that yield positive externalities

Question 31

The economic rationale for the provision of roads, bridges, lighthouses, and other “public goods” is based on a theory of:

Your Answer

Score

Explanation

☐ Benefit-cost analysis

☐ Market failure

☐ The time value of money

☐ Don't know

Total

0.00 / 1.00

Question Explanation

Market failure

Question 32

Suppose the government imposes new water quality regulations on an industry. What's likely to happen?

Your Answer

Score

Explanation

☐ The demand curve shifts inward and price falls

- ☐ The supply curve shifts inward and price rises
- ☐ Both the supply and demand curves shift outward and price rises
- ☐ Don't know

Total 0.00 / 1.00

Question Explanation

The supply curve shifts inward and price rises

Question 33

Suppose toxic soil pollution in China significantly reduces the soy bean harvest. Which of these companies is likely to see its profits rise and be the best stock market investment?

Your Answer	Score	Explanation
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- ☐ A animal feed company that relies on soy beans to prepare its feeds
- ☐ A shipping company that transports soy beans from Brazil to China
- ☐ A soy sauce company
- ☐ Don't know

Total 0.00 / 1.00

Question Explanation

A shipping company that transports soy beans from Brazil to China

Question 34

Leslie is the CEO of a company facing a revenue shortfall and she decides to raise prices in order to make up for that shortfall. To her chagrin, revenues fall further. Demand for Leslie's product is:

Your Answer	Score	Explanation
<input type="radio"/> Elastic		
<input type="radio"/> Inelastic		
<input type="radio"/> Unit elastic		
<input type="radio"/> Don't know		
Total	0.00 / 1.00	

Question Explanation

Elastic

Question 35

Which has a lower elasticity? Coffee or Starbucks coffee?

Your Answer	Score	Explanation
<input type="radio"/> Coffee		
<input type="radio"/> Starbucks coffee		
<input type="radio"/> Elasticity is the same		
<input type="radio"/> Don't know		
Total	0.00 / 1.00	

Question Explanation

Coffee

Question 36

The CEO of a company engineers a merger with its biggest rival and is surprised that over time, the merger fails to reduce costs. What is the industry likely characterized by?

Your Answer	Score	Explanation
<input type="radio"/> Constant returns to scale over a broad spectrum of output		
<input type="radio"/> Decreasing returns to scale over a broad spectrum of output		
<input type="radio"/> Increasing returns to scale over a broad spectrum of output		
<input type="radio"/> Don't know		
Total	0.00 / 1.00	

Question Explanation

Constant returns to scale over a broad spectrum of output

Question 37

You work in an industry that is characterized by brand proliferation. You likely work in a:

Your Answer	Score	Explanation
<input type="radio"/> Monopolistic industry		
<input type="radio"/> Monopolistically competitive industry		
<input type="radio"/> Perfectly competitive industry		
<input type="radio"/> Don't know		
Total	0.00 / 1.00	

Question Explanation

Monopolistically competitive industry

Question 38

Given a market structure of perfect competition, what kind of conduct with respect to pricing can we expect?

Your Answer	Score	Explanation
<input type="radio"/> 1. $P = MC$		
<input type="radio"/> 2. $MR = MC$		
<input type="radio"/> Both 1 and 2		
<input type="radio"/> Don't know		
Total	0.00 / 1.00	

Question Explanation

Both 1 and 2

Question 39

Your company is losing money and you are trying to decide whether or not you should shut down your production. Your best “shutdown point” is when price falls below the level where:

Your Answer	Score	Explanation
<input type="radio"/> Revenues just cover average variable costs		
<input type="radio"/> Revenues just cover total costs		
<input type="radio"/> Revenues just cover variable costs		
<input type="radio"/> Don't know		
Total	0.00 / 1.00	

Question Explanation

Revenues just cover variable costs

Question 40

Suppose you go into business and you have to forego a \$60,000 a year, after-tax salary and a \$20,000 housing allowance. If you wind up at the end of the year with accounting profits of \$80,000, what are your economic profits?

Your Answer	Score	Explanation
<input type="radio"/> \$20,000		
<input type="radio"/> \$0		
<input type="radio"/> -\$20,000		
<input type="radio"/> Don't know		
Total	0.00 / 1.00	

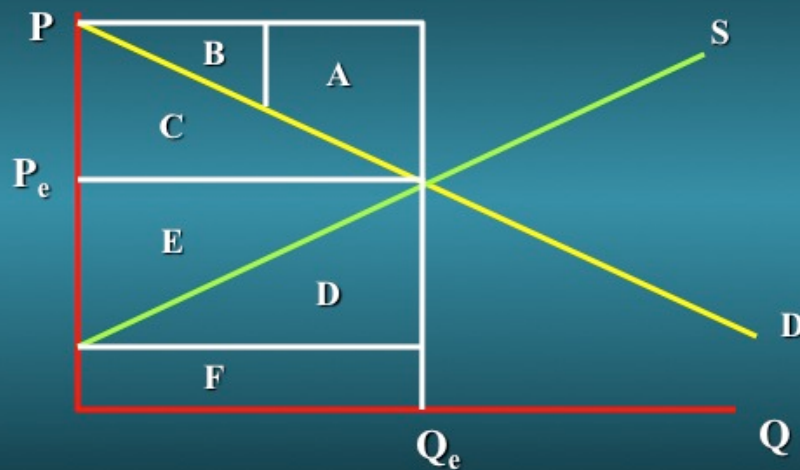
Question Explanation

\$0

Question 41

In the accompanying figure, at the given perfectly competitive equilibrium, what is the deadweight loss?

The Market For Ice Cream Cones



Your Answer

Score

Explanation

☐ DEF

☐ Zero

☐ Don't know

☐ ABC

Total

0.00 / 1.00

Question Explanation

Zero

Question 42

In the monopoly outcome, relative to the perfect competition outcome:

Your Answer	Score	Explanation
<input type="radio"/> Price is lower, quantity is lower		
<input type="radio"/> Price is higher, quantity is higher		
<input type="radio"/> Price is higher, quantity is lower		
<input type="radio"/> Don't know		
Total	0.00 / 1.00	

Question Explanation

Price is higher, quantity is lower

Question 43

Which type of efficiency might monopolies enjoy to justify their negative effects?

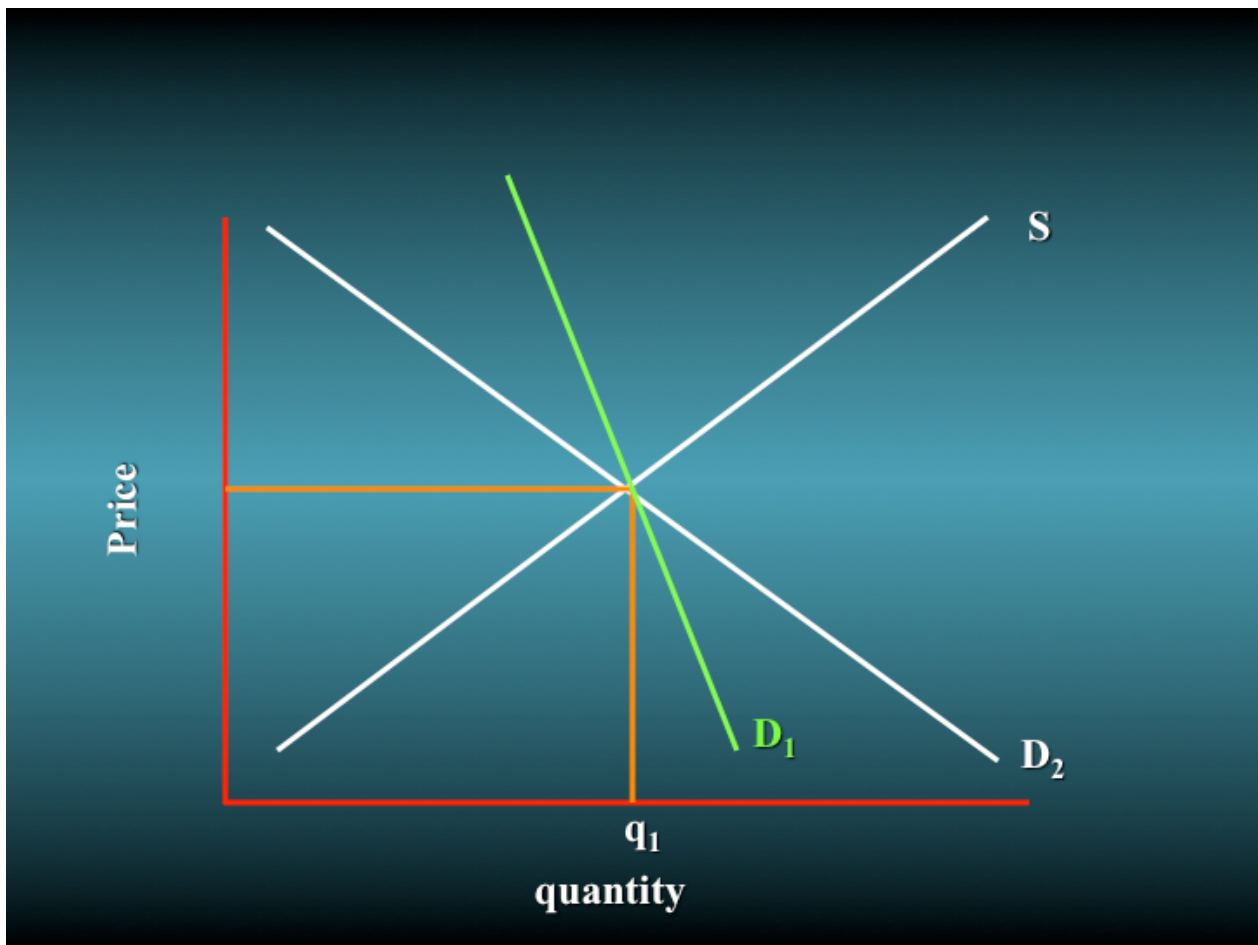
Your Answer	Score	Explanation
<input type="radio"/> Allocative efficiency		
<input type="radio"/> Dynamic efficiency		
<input type="radio"/> X-efficiency		
<input type="radio"/> Don't know		
Total	0.00 / 1.00	

Question Explanation

Dynamic efficiency

Question 44

Which demand curve is that of a differentiated product relative to an undifferentiated product in the accompanying figure?



Your Answer

Score

Explanation

☐ D1

☐ D2

☐ S

☐ Don't know

Total

0.00 / 1.00

Question Explanation

D1

Question 45

Firms in an oligopolistic industry that recognize their mutual interdependence are:

Your Answer	Score	Explanation
<input type="radio"/> Less likely to collude		
<input type="radio"/> More likely to collude		
<input type="radio"/> Never collude		
<input type="radio"/> Don't know		
Total	0.00 / 1.00	

Question Explanation

More likely to collude

Question 46

Prices in small convenience stores are generally higher than in supermarkets -- yet people still shop in such stores. What accounts for this?

Your Answer	Score	Explanation
<input type="radio"/> Advertising		
<input type="radio"/> Choice		
<input type="radio"/> Location		
<input type="radio"/> Don't know		
Total	0.00 / 1.00	

Question Explanation

Location

Question 47

Suppose the firm ends its fiscal year with a capital stock of \$2,000,000. Over the course of the

current year, the firm invests \$200,000 in a new plant and equipment. At the same time, it incurs depreciation of \$250,000.

Your Answer	Score	Explanation
<input type="radio"/> The capital stock has decreased		
<input type="radio"/> The capital stock has increased		
<input type="radio"/> The capital stock is unaffected		
<input type="radio"/> Don't know		
Total	0.00 / 1.00	

Question Explanation

The capital stock has decreased

Question 48

Relative to taxable bonds with similar risks, tax-exempt state and municipal bonds typically offer:

Your Answer	Score	Explanation
<input type="radio"/> Higher interest rates		
<input type="radio"/> Lower interest rates		
<input type="radio"/> The same interest rate		
<input type="radio"/> Don't know		
Total	0.00 / 1.00	

Question Explanation

Lower interest rates

Question 49

Your government votes to impose a tax on the air pollution emitted by large, coal-fired power plants in your country. Which economic concept has the government likely endorsed?

Your Answer	Score	Explanation
<input type="radio"/> Coase Theorem		
<input type="radio"/> Pigouvian view of internalizing externalities		
<input type="radio"/> Adam's Smith's "invisible hand"		
<input type="radio"/> Don't know		
Total	0.00 / 1.00	

Question Explanation

Pigouvian view of internalizing externalities