Final Exam

Due Mar 16 at 11:59pm **Points** 160 **Questions** 40
Available Mar 15 at 12am - Mar 16 at 11:59pm 2 days **Time Limit** 80 Minutes

Instructions

This exam covers material from chapters 12, 13, 14, 15, 16, 17, & 18. There are 40 questions worth 4 points each. The timer is set to 80 minutes.

Attempt History

	Attempt	Time	Score
LATEST	Attempt 1	73 minutes	156 out of 160

ⓘ Correct answers will be available on Mar 17 at 12am.

Score for this quiz: **156** out of 160
Submitted Mar 15 at 2:50pm
This attempt took 73 minutes.

Question 1 — 4 / 4 pts

A transfer payment is a government payment

- to companies that provide goods or services to government agencies.
- designed to transfer funds from one government agency to another.
- which transfers revenue from the federal government to state government.
- ◉ not made in exchange for a good or service.

Question 2

4 / 4 pts

Horizontal equity in taxation refers to the idea that people

- in unequal conditions should be treated differently.
- in equal conditions should pay equal taxes.
- should be taxed according to their ability to pay.
- should receive government benefits according to how much they have been taxed.

Question 3

4 / 4 pts

Which tax system requires higher-income taxpayers to pay a higher percentage of their income in taxes?

- a progressive tax
- a proportional tax
- a regressive tax
- a lump-sum tax

Question 4

4 / 4 pts

Table

Grace produces hair scrunchies. Each scrunchie is shipped in a separate box. Her rent is $150 a week. She can hire workers for $275 a week. There are no implicit costs.

Number of Workers	Boxes of Scrunchies Produced per Week	Marginal Product of Labor	Cost of Factory	Cost of Workers	Total Cost of Inputs
0	0				
1		330	$150	$275	$425
2	630				
3		150		$825	$975
4	890				
5	950	60		$1,375	
6		10			$1,800

Refer to Table. During the week of July 4th, Grace doesn't produce anything. What are her costs during the week?

- $0
- $150

$275

$425

Question 5

4 / 4 pts

Table

Grace produces hair scrunchies. Each scrunchie is shipped in a separate box. Her rent is $150 a week. She can hire workers for $275 a week. There are no implicit costs.

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4	890				
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6		10			$1,800

Refer to Table. Grace has received an order for 3,000 boxes for next week. If she expects that the trend in the marginal product of labor will continue in the same direction, it is most likely that her best decision will be to

not commit to meeting the order until she can move to a larger room and hire more workers to produce.

close her business until she is able to hire more productive workers.

hire about 12 new workers and hope she can satisfy the order.

commit to meeting the order and then take three weeks to complete the job.

Question 6

4 / 4 pts

If Charlyne's Pizza Parlor knows that the marginal cost of the 500^{th} pizza is $3.50 and that the average total cost of making 499 pizzas is $3.30, then

average total costs are rising at Q = 500.

average total costs are falling at Q = 500.

total costs are falling at Q = 500.

average variable costs must be falling.

Question 7

4 / 4 pts

Economies of scale occur when

- long-run average total costs rise as output increases.
- long-run average total costs fall as output increases.
- average fixed costs are falling.
- average fixed costs are constant.

Question 8

4 / 4 pts

In a perfectly competitive market,

- no one seller can influence the price of the product.
- price exceeds marginal revenue for each unit sold.
- average revenue exceeds marginal revenue for each unit sold.
- All of the above are correct.

Question 9

4 / 4 pts

At the profit-maximizing level of output,

- marginal revenue equals average total cost.
- marginal revenue equals average variable cost.
- (selected) marginal revenue equals marginal cost.
- average revenue equals average total cost.

Question 10

4 / 4 pts

Table

Suppose that a firm in a competitive market faces the following revenues and costs:

Quantity	Total Revenue	Total Cost
0	$0	$5
1	$8	$9
2	$16	$14
3	$24	$20
4	$32	$27
5	$40	$35
6	$48	$44
7	$56	$54
8	$64	$65
9	$72	$72

Refer to Table. In order to maximize profit, the firm will produce a level of output where marginal cost is equal to

- $6.
- $7.
- $8.
- $9.

Question 11

4 / 4 pts

Why can a monopoly earn positive profits?

- It can sell unlimited quantities at any price it chooses.
- It takes the market price as given and can sell unlimited quantities.
- It can set the price it charges for its output but faces a horizontal demand curve.
- It can maintain a price such that total revenues will exceed total costs.

Question 12

4 / 4 pts

Because a monopolist is the sole producer of a market, the outcome in a market with a monopoly

- does not illustrate profit maximization.
- often does not maximize society well-being.
- maximizes societal well-being.
- maximizes total surplus.

Question 13

4 / 4 pts

The main reason a monopoly exists is:

- barriers to exit.
- low fixed costs.
- rising average total costs.
- barriers to entry.

Question 14

4 / 4 pts

Which of the following is true about a firm that experiences continually declining average total costs?

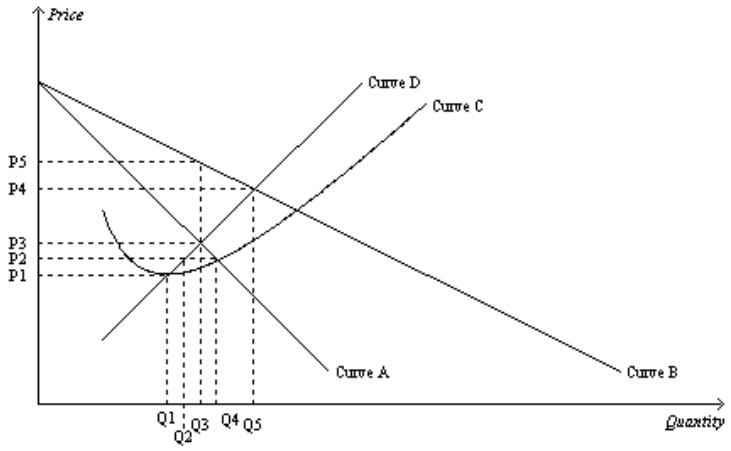
- The firm may emerge as a natural monopoly.
- Society is better served by having one firm supply the product.
- The firm may be a utility company servicing a town.
- All of the above are correct.

Incorrect

Question 15

0 / 4 pts

Figure 5



Refer to Figure 5. If the monopoly firm is currently producing Q3 units of output, then a decrease in output will necessarily cause profit to

- remain unchanged.
- decrease.

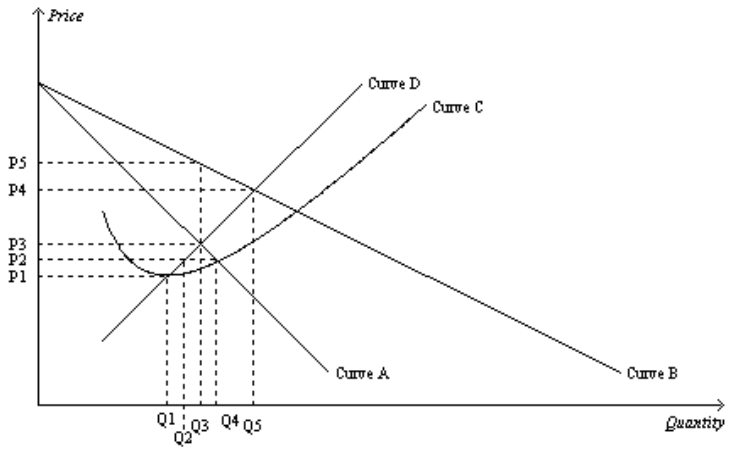
increase as long as the new level of output is at least Q2.

increase as long as the new level of output is at least Q1.

Question 16

4 / 4 pts

Figure 5



Refer to Figure 5. Profit can always be increased by increasing the level of output by one unit if the monopolist is currently operating at

(i) Q1.

(ii) Q2.

(iii) Q3.

(iv) Q4.

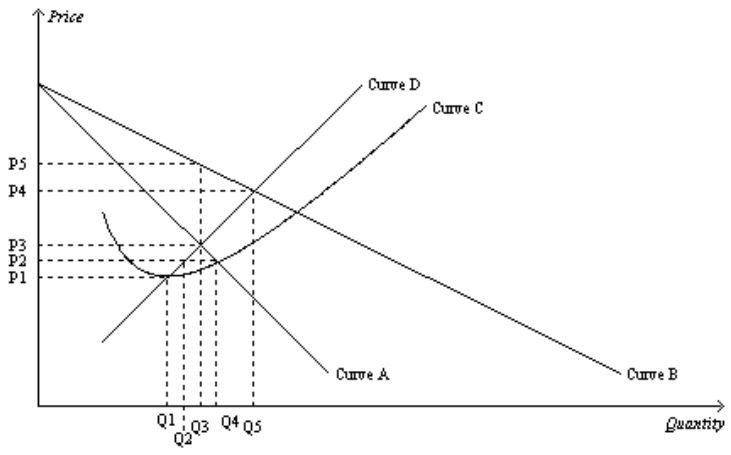
(ii) only

- (i) or (ii) only
- (i) only
- (i), (ii), or (iii) only

Question 17

4 / 4 pts

Figure 5



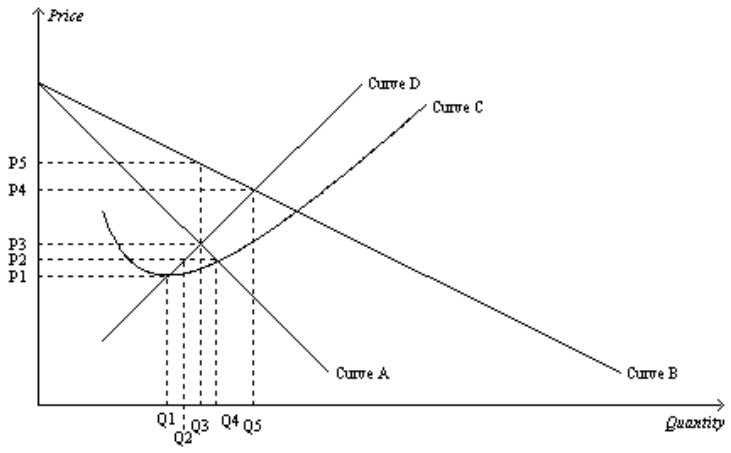
Refer to Figure 5. Profit will be maximized by charging a price equal to

- P5.
- P4.
- P3.
- P1.

Question 18

4 / 4 pts

Figure 5



Refer to Figure 5. A profit-maximizing monopoly's total revenue is equal to

- P5 x Q3.
- P4 x Q5.
- (P5-P3) x Q3.
- (P5-P4) x Q3.

Question 19

4 / 4 pts

Complete the following statement.

The higher the concentration ratio, the ___.

- more control an individual firm has to set prices.
- more competitive the industry.
- less competitive the industry.
- Both a and c are correct.

Question 20

4 / 4 pts

Which of the following characteristics best captures a monopolistically competitive market?

- free entry, but not differentiated products.
- differentiated products, but not long run profits.
- long run profits, but not many firms.
- many firms, but not free entry.

Question 21

4 / 4 pts

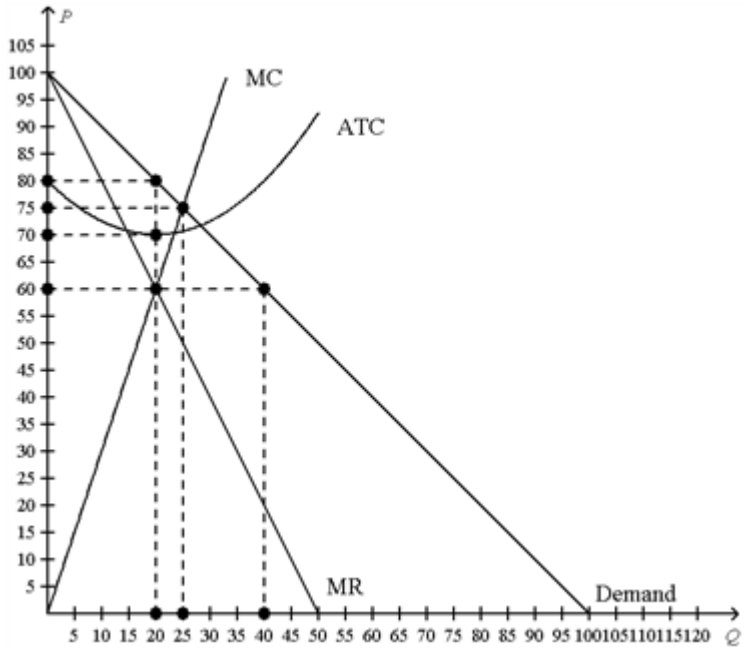
Suppose you discover that product differentiation exists within a market. Which of the following demand curve types would the seller of this market likely face?

- downward sloping
- vertical
- horizontal
- Any of the above could be correct since product differentiation does not affect the shape of the demand curve.

Question 22

4 / 4 pts

Figure 16-A
This figure depicts a situation in a monopolistically competitive market.



Refer to Figure 16-A. What is the profit-maximizing price, quantity, and resulting profit?

P=$60, Q=20 units, profit=$200

P=$80, Q=20 units, profit=$200

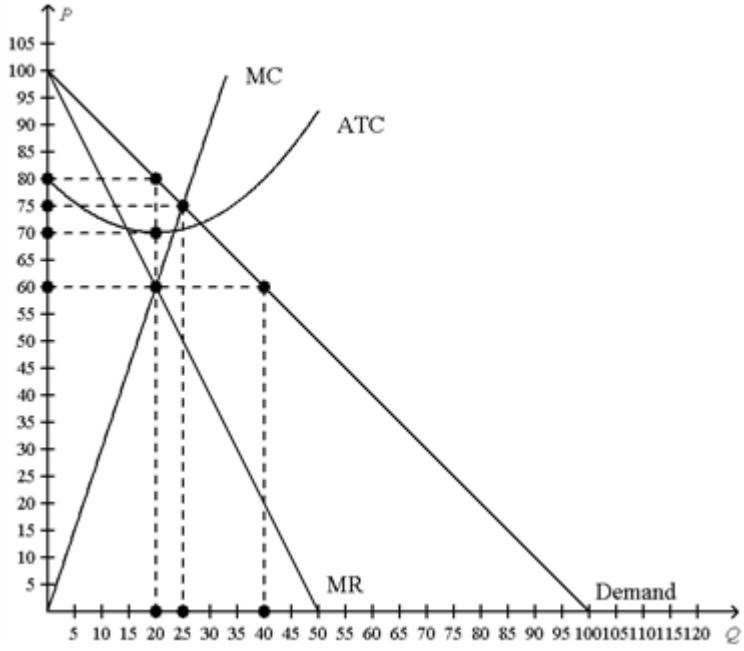
P=$75, Q=25 units, profit=$100

P=$60, Q=40 units, profit=$0

Question 23

4 / 4 pts

Figure 16-A
This figure depicts a situation in a monopolistically competitive market.



Refer to Figure 16-A. How much consumer surplus will be derived from the purchase of this product at the monopolistically competitive price?

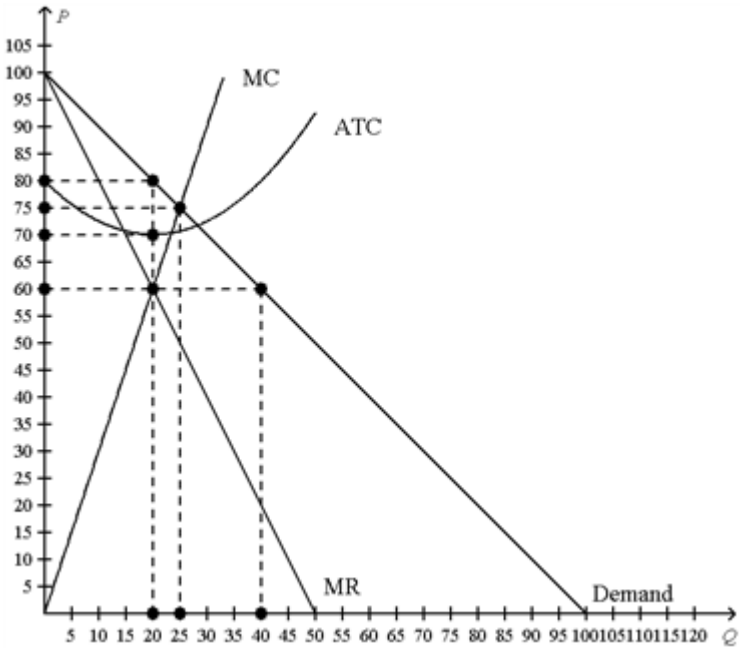
$200

- $312.50
- $400
- $800

Question 24

4 / 4 pts

Figure 16-A
This figure depicts a situation in a monopolistically competitive market.



Refer to Figure 16-A. How much profit will the monopolistically competitive firm earn in this situation?

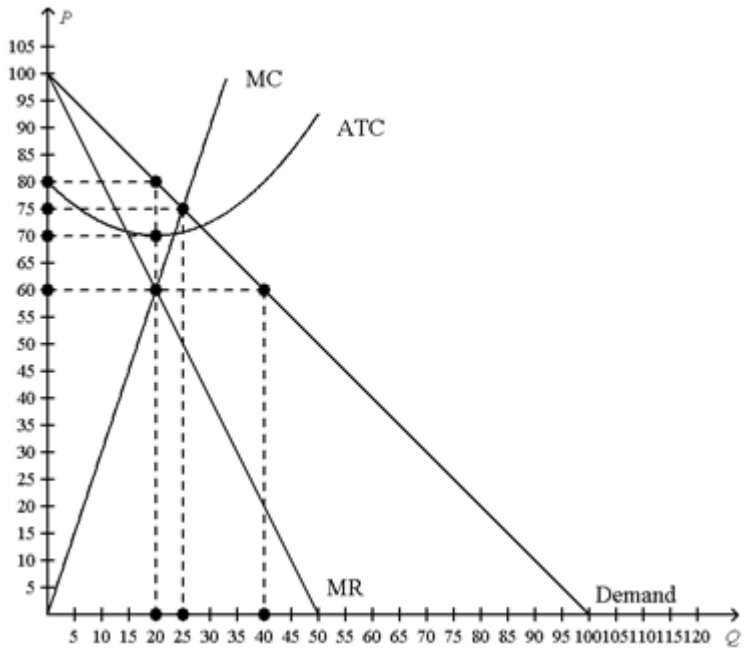
- $0
- $80

- ◉ $200
- ○ $400

Question 25

4 / 4 pts

Figure 16-A
This figure depicts a situation in a monopolistically competitive market.



Refer to Figure 16-A. How much output will the monopolistically competitive firm produce in this situation?

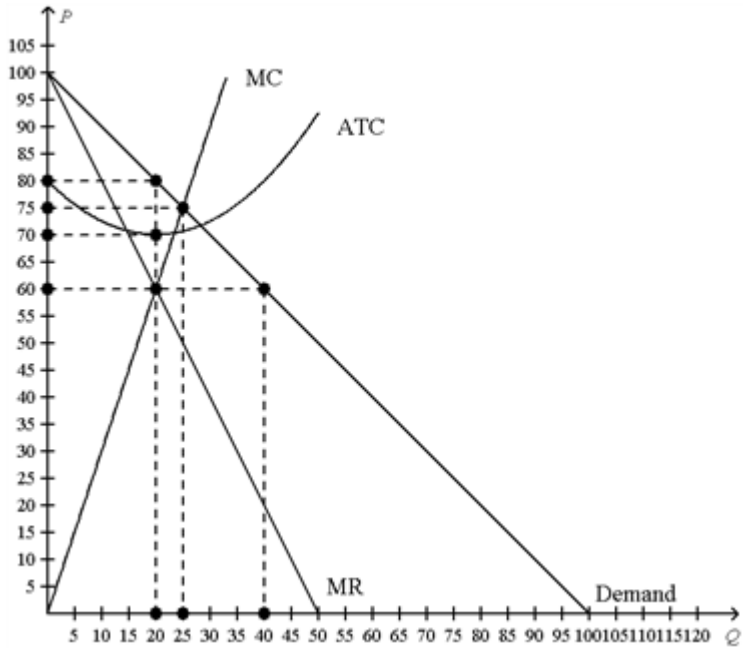
- ◉ 20 units
- ○ 25 units
- ○ 40 units

80 units

Question 26

4 / 4 pts

Figure 16-A
This figure depicts a situation in a monopolistically competitive market.



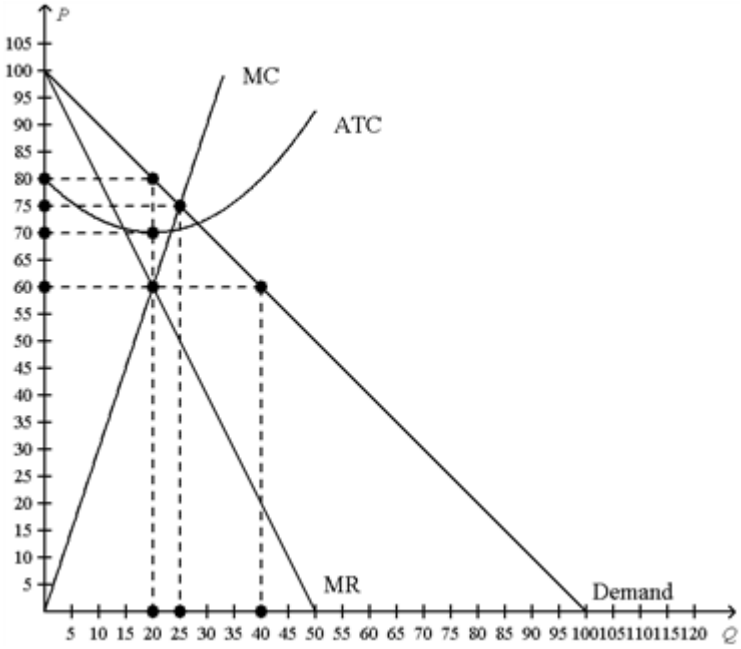
Refer to Figure 16-A. This firm is operating

- in the short run and earning a positive economic profit.
- in the short run and breaking even.
- in the long run and earning a positive economic profit.
- in the long run and incurring and economic loss.

Question 27

4 / 4 pts

Figure 16-A
This figure depicts a situation in a monopolistically competitive market.



Refer to Figure 16-A. Which of the following will occur in the long run in this industry?

- Firms will exit this industry.
- Firms will enter this industry.
- This firm will continue to earn positive economic profits.
- This firm will incur losses.

Question 28

4 / 4 pts

Which of the following is a major characteristic of an oligopolistic industry?

- the tension between profit maximization and cost minimization.
- the tension between cooperation and self interest.
- the tension of producing a small amount of output and charging a price above marginal cost.
- the tension between cooperation and selflessness.

Question 29

4 / 4 pts

The simplest type of oligopoly is

- monopoly.
- duopoly.
- monopolistic competition.
- oligopolistic competition.

Question 30

4 / 4 pts

Table B

Imagine a small town in which only two residents, Rochelle and Alec, own wells that produce safe drinking water. Each week Rochelle and Alec work together to decide how many gallons of water to pump. They bring the water to town and sell it at whatever price the market will bear. To keep things simple, suppose that Rochelle and Alec can pump as much water as they want without cost so that the marginal cost of water equals zero. The weekly town demand schedule and total revenue schedule for water is shown in the table below:

Quantity (in gallons)	**Price**	**Total Revenue (and Total Profit)**
0	$60	$0
100	55	5,500
200	50	10,000
300	45	13,500
400	40	16,000
500	35	17,500
600	30	18,000
700	25	17,500
800	20	16,000
900	15	13,500
1,000	10	10,000
1,100	5	5,500
1,200	0	0

Refer to Table B. If Rochelle and Alec operate as a profit-maximizing monopoly in the market for water, how much profit will *each* of them earn?

- $8,750
- $9,000
- $12,000
- $18,000

Question 31

4 / 4 pts

Table B

Imagine a small town in which only two residents, Rochelle and Alec, own wells that produce safe drinking water. Each week Rochelle and Alec work together to decide how many gallons of water to pump. They bring the water to town and sell it at whatever price the market will bear. To keep things simple, suppose that Rochelle and Alec can pump as much water as they want without cost so that the marginal cost of water equals zero. The weekly town demand schedule and total revenue schedule for water is shown in the table below:

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400	40	16,000
500	35	17,500
600	30	18,000
700	25	17,500
800	20	16,000
900	15	13,500
1,000	10	10,000
1,100	5	5,500
1,200	0	0

Refer to Table B. How many gallons of water would need to be produced and sold in this market to achieve a socially efficient outcome?

- 0 gallons
- 600 gallons
- 900 gallons
- 1,200 gallons

Question 32

4 / 4 pts

Table B

Imagine a small town in which only two residents, Rochelle and Alec, own wells that

produce safe drinking water. Each week Rochelle and Alec work together to decide how many gallons of water to pump. They bring the water to town and sell it at whatever price the market will bear. To keep things simple, suppose that Rochelle and Alec can pump as much water as they want without cost so that the marginal cost of water equals zero. The weekly town demand schedule and total revenue schedule for water is shown in the table below:

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500	35	17,500
600	30	18,000
700	25	17,500
800	20	16,000
900	15	13,500
1,000	10	10,000
1,100	5	5,500
1,200	0	0

Refer to Table B. Suppose the town enacts new antitrust laws that prohibit Rochelle and Alec from operating as a monopoly. How many gallons of water will be produced and

sold once Rochelle and Alec reach a Nash equilibrium?

- 600
- 700
- 800
- 900

Question 33

4 / 4 pts

Table 17-14
This table shows a game played between two players, A and B. The payoffs in the table are shown as (Payoff to A, Payoff to B).

		B	
		Left	*Right*
A	*Up*	(4, 4)	(6, 2)
	Down	(2, 6)	(0, 0)

Refer to Table 17-14. If both players choose their best strategies, player A will earn a payoff of

- 0.
- 2.
- 4.

6.

Question 34

4 / 4 pts

Table 17-14
This table shows a game played between two players, A and B. The payoffs in the table are shown as (Payoff to A, Payoff to B).

		B	
		Left	*Right*
A	*Up*	(4, 4)	(6, 2)
	Down	(2, 6)	(0, 0)

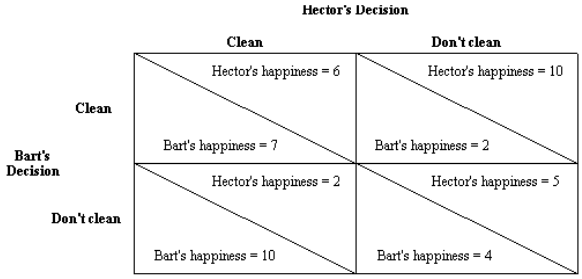
Refer to Table 17-14. Which outcome is the non-cooperative equilibrium in this game?

- Up-Right
- Up-Left
- Down-Right
- Down-Left

Question 35

4 / 4 pts

Figure 17-3. Hector and Bart are roommates. On a particular day, their apartment needs to be cleaned. Each person has to decide whether to take part in cleaning. At the end of the day, either the apartment will be completely clean (if one or both roommates take part in cleaning), or it will remain dirty (if neither roommate cleans). With happiness measured on a scale of 1 (very unhappy) to 10 (very happy), the possible outcomes are as follows:



Refer to Figure 17-3. The dominant strategy for Hector is to

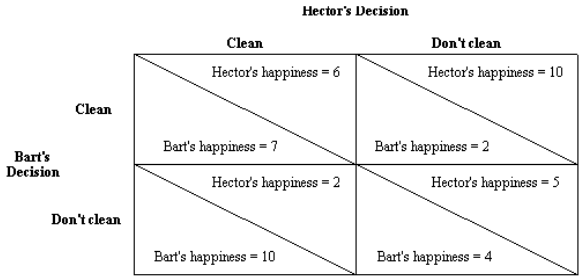
- clean, and the dominant strategy for Bart is to clean.
- clean, and the dominant strategy for Bart is to refrain from cleaning.
- refrain from cleaning, and the dominant strategy for Bart is to clean.
- refrain from cleaning, and the dominant strategy for Bart is to refrain from cleaning.

Question 36

4 / 4 pts

Figure 17-3. Hector and Bart are roommates. On a particular day, their apartment needs to be cleaned. Each person has to decide whether to take part in cleaning. At the end of the day, either the apartment will be completely clean (if one or both roommates take part in cleaning), or it will remain dirty (if neither roommate cleans). With happiness measured on a scale of 1 (very unhappy) to 10 (very happy), the possible outcomes are as

follows:



Refer to Figure 17-3. If this game is played only once, then the most likely outcome is that

- Hector and Bart both clean.
- Hector cleans and Bart does not clean.
- Bart cleans and Hector does not clean.
- neither Hector nor Bart cleans.

Question 37

4 / 4 pts

In the prisoners' dilemma,

- the prisoners easily collude in order to achieve the best possible payoff for both.
- only one player has a dominant strategy.

when each player chooses his dominant strategy the players achieve the best joint outcome.

when each player chooses his dominant strategy the players reach a Nash equilibrium.

Question 38

4 / 4 pts

The value of the marginal product is

the marginal product of an input divided by the price of the output.

the change in total output divided by the change in an input.

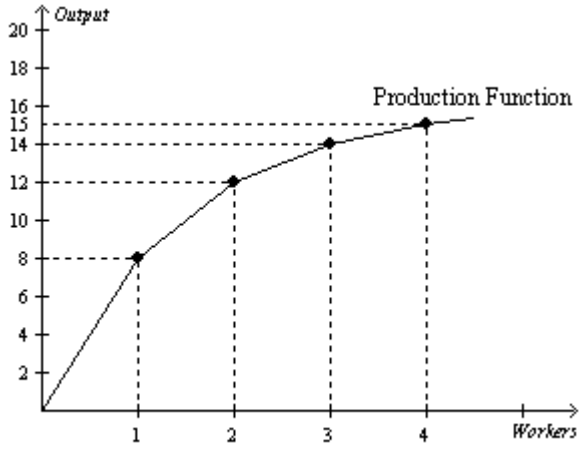
the marginal product of an input times the price of the output.

total output divided by total inputs.

Question 39

4 / 4 pts

Figure E



Refer to Figure E. What is the marginal product of the fourth worker?

- 1 unit
- 2 units
- 3.75 units
- 15 units

Question 40

4 / 4 pts

Table D

Labor	Output	Marginal Product of Labor	Value of Marginal Product of Labor	Wage	Marginal Profit
0	0	---	---	---	---
1	400	400	$1200	$800	$400

2	700	300	$ 900	$800	$100
3	950	250	$ 750	$800	-$50
4	1050	100	$ 300	$800	-$500

Refer to Table D. How many workers should the firm hire?

- 1
- 2
- 3
- 4

Quiz Score: **156** out of 160