

Final Exam

ECON 205 (Principles of Economics), Fall 2018-2019
Food Engineering

All questions are worth 5 points.

1. In a perfectly competitive market,
 - (a) the efficient level of output is produced
 - (b) price equals marginal cost
 - (c) long-run supply curve is horizontal
 - (d) market welfare is maximized
 - (e) all of the above
2. A firm's "market power" refers to its
 - (a) ability to influence the government
 - (b) ability to respond to the actions of competitors
 - (c) ability to affect the price of its output
 - (d) ability to increase its output
 - (e) none of the above
3. A monopoly that practices first-degree price discrimination earns profits that are equal to
 - (a) all of consumer surplus
 - (b) regular monopoly profits
 - (c) duopoly profits
 - (d) short-run competitive profits
 - (e) long-run profits
4. Let the demand curve in a market be given by the equation $P = 9 - Q$, and marginal cost is given by $c = 1$. What is the quantity level that will be produced by a monopoly in this market?
 - (a) 6
 - (b) 5
 - (c) 4
 - (d) 3
 - (e) 2
5. Solve for the value of monopoly profits in the above question.
 - (a) 16
 - (b) 20
 - (c) 24
 - (d) 32
 - (e) 36
6. The Herfindahl-Hirschmann Index (HHI) in an industry is given by
 - (a) the sum of market shares of the largest 4 firms
 - (b) the mark-up divided by cost
 - (c) sum of the natural logarithms of market shares
 - (d) the sum of squares of market shares
 - (e) none of the above
7. Second-degree price discrimination refers to
 - (a) setting different prices for different consumer groups
 - (b) selling each consumer at her willingness to pay
 - (c) offering quality-price pairs to consumers.
 - (d) selling each consumer at marginal cost
 - (e) none of the above

8. Consider the following game where players are named 1 and 2, and strategies are named A and B. The first entry in each box gives the payoff to player 1, and second entry the payoff to player 2.

		Player 2	
		A	B
Player 1	A	(5, 5)	(1, 4)
	B	(6, 2)	(2, 3)

The Nash Equilibria of this game are

- (a) (A,A)
- (b) (B,B)
- (c) (B,A)
- (d) (A,B) and (B,A)
- (e) The game has no pure-strategy Nash Equilibria

9. Consider the following game

		Player 2	
		A	B
Player 1	A	(1, -1)	(-1, 1)
	B	(-1, 1)	(1, -1)

The Nash Equilibria of this game are

- (a) (A,A)
- (b) (B,B)
- (c) (A,A) and (B,B)
- (d) (A,B) and (B,A)
- (e) The game has no pure-strategy Nash Equilibria

10. Consider the following game

		Pl.2		
		Left	Middle	Right
Pl.1	Up	(1, 2)	(2, 4)	(2, 2)
	Middle	(2, 1)	(2, 1)	(3, 2)
	Down	(3, 3)	(3, 4)	(0, 3)

The Nash Equilibria of this game are

- (a) (Down, Middle)
- (b) (Middle, Right)
- (c) (Middle, Right) and (Down, Middle)
- (d) (Down, Left) and (Up, Middle)
- (e) The game has no pure-strategy Nash Equilibria

11. Gross Domestic Product is

- (a) market value of all final goods and services produced domestically
- (b) total expenditure for domestic production
- (c) the total value added of domestic production
- (d) total income due to domestic production
- (e) all of the above

12. Real GDP equals

- (a) Nominal GDP divided by a price index
- (b) Growth in nominal GDP from year to year
- (c) GDP per capita
- (d) Nominal GDP multiplied by the rate of employment
- (e) None of the above

13. In an economy, all adults who are able and willing to work can find employment in a reasonable amount of time. This economy is in

- (a) zero unemployment
- (b) full employment
- (c) excess employment
- (d) saturated employment
- (e) none of the above

14. The unemployment rate is calculated as
- (a) the fraction of the unemployed in total population
 - (b) the fraction of unemployed in the labor force
 - (c) the fraction of the unemployed in adult population
 - (d) the number of people unemployed divided by the number people employed
 - (e) none of the above
15. Frictional unemployment occurs due to
- (a) individuals who just entered the labor force
 - (b) mismatch between actual and required skills
 - (c) job-to-job transitions in a regular economy
 - (d) discouraged workers
 - (e) all of the above
16. Fiscal policy refers to
- (a) the adjustment of government expenditures
 - (b) the adjustment of the reserve requirement
 - (c) the adjustment of the policy interest rate
 - (d) the adjustment of the money supply
 - (e) all of the above can be referred to as fiscal policy
17. The Phillips curve states that
- (a) inflation and unemployment are inversely related in the short run.
 - (b) inflation and unemployment are positively related in the short run
 - (c) unemployment and economic growth are inversely related in the long run.
 - (d) an economy can never attain full employment.
 - (e) none of the above.
18. If the reserve requirement is 10%, a newly printed 50TL banknote will increase the money supply by
- (a) 50TL
 - (b) 55TL
 - (c) 60TL
 - (d) 100TL
 - (e) 500TL
19. Open market operations refer to
- (a) operations by a central bank in order to increase its stock of foreign currency
 - (b) operations by a central bank in order to adjust the money supply
 - (c) operations by a central bank in order to make profit
 - (d) operations by a central bank in order to increase its reserves
 - (e) none of the above
20. The real interest rate equals
- (a) the inflation rate
 - (b) the nominal interest rate multiplied by inflation
 - (c) the nominal interest rate plus inflation
 - (d) the nominal interest rate minus inflation
 - (e) none of the above