16

Principles of Economics

Surprise Quize - I   Max Time: 25 Mins   Max Marks: 10

(Each questions carries 0.5 marks; attepmt all questions)

Roll Number: CH17B061

1. The word "economy" comes from the Greek word *oikonomos*, which means
   a. "Environment"
   b. "Production"
   c. "One who manages a household"
   d. "One who makes decisions"

2. The phenomenon of *scarcity* stems from the fact that
   a. Most economies' production methods are not very good.
   b. In most economies, wealthy people consume disproportionate quantities of goods and services.
   c. Governments restrict production of too many goods and services.
   d. Resources are limited.

3. Mallory decides to spend three hours working overtime rather than watching a video with her friends. She earns $8 an hour. Her opportunity cost of working is
   a. The $24 she earns working.
   b. The $24 minus the enjoyment she would have received from watching the video.
   c. The enjoyment she would have received had she watched the video.
   d. Nothing, since she would have received less than $24 of enjoyment from the video.

2 ½

4. Which of the following observations was made famous by Adam Smith in his book *The Wealth of Nations?*
   a. There is no such thing as a free lunch.
   b. People buy more when prices are low than when prices are high.
   c. No matter how much people earn, they tend to spend more than they earn.
   d. Households and firms interacting in markets are guided by an "invisible hand" that leads them to desirable market outcomes.

5. The adage, "*There is no such thing as a free lunch*" is used to illustrate the principle that
   a. Goods are scarce.
   b. People face tradeoffs.
   c. Income must be earned.
   d. Households face many decisions.

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6. With respect to how economists study the economy, which of the following statements is most accurate?
   a. Economists study the past, but they do not try to predict the future.
   b. Economists use "rules of thumb" to predict the future.
   c. Economists devise theories, collect data, and analyze the data to test the theories.
   d. Economists use controlled experiments in much the same way that biologists and physicists do.

7. Suppose an economy produces two goods, food and machines. This economy always operates on its production possibilities frontier. Last year, it produced 50 units of food and 30 machines. This year it experienced a technological advance in its machine-making industry. As a result, this year the society wants to produce 55 units of food and 30 machines. Which of the following statements is correct?
   a. Because the technological advance occurred in the machine-making industry, it will not be possible to increase food production without reducing machine production below 30.
   b. Because the technological advance occurred in the machine-making industry, increases in output can only occur in the machine industry.
   c. In order to increase food production in these circumstances without reducing machine production, the economy must reduce inefficiencies.
   d. The technological advance reduced the amount of resources needed to produce 30 machines, so these resources could be used to produce more food.

8. The government has just passed a law requiring that all residents earn the same annual income regardless of work effort. This law is likely to
   a. Increase efficiency and increase equality.
   b. Increase efficiency but decrease equality.
   c. Decrease efficiency but increase equality.
   d. Decrease efficiency and decrease equality.

9. When computing the opportunity cost of attending a concert you should include
   a. The price you pay for the ticket and the value of your time.
   b. The price you pay for the ticket, but not the value of your time.
   c. The value of your time, but not the price you pay for the ticket.
   d. Neither the price of the ticket nor the value of your time.

10. Which of the following might cause the demand curve for an inferior good to shift to the left?
   a. A decrease in income.
   b. An increase in the price of a substitute.
   c. An increase in the price of a complement.
   d. None of the above is correct.

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11. An increase in the price of rubber coincides with an advance in the technology of tire production. As a result of these two events,
   a. The demand for tires decreases and the supply of tires increases.
   b. The demand for tires is unaffected and the supply of tires decreases.
   c. The demand for tires is unaffected and the supply of tires increases.
   d. None of the above is necessarily correct.

12. Which of the following is *not* a characteristic of a perfectly competitive market?
   a. Different sellers sell identical products.
   b. There are many sellers.
   c. Sellers must accept the price the market determines.
   d. All of the above are characteristics of a perfectly competitive market.

13. Which of the following would *not* shift the demand curve for mp3 players?
   a. A decrease in the price of mp3 players
   b. A fad that makes mp3 players more popular among 12-25 year olds
   c. An increase in the price of CDs, a complement for mp3 players
   d. A decrease in the price of satellite radio, a substitute for mp3 players

14. You lose your job and, as a result, you buy fewer romance novels. This shows that you consider romance novels to be a(n)
   a. Luxury good.
   b. Inferior good.
   c. Normal good.
   d. Complementary good.

15. There are very few, if any, good substitutes for motor oil. Therefore,
   a. The demand for motor oil would tend to be inelastic.
   b. The demand for motor oil would tend to be elastic.
   c. The demand for motor oil would tend to respond strongly to changes in prices of other goods.
   d. The supply of motor oil would tend to respond strongly to changes in people's tastes for large cars relative to their tastes for small cars.

16. Whether a good is a luxury or necessity depends on
   a. The price of the good.
   b. The preferences of the buyer.
   c. The intrinsic properties of the good.
   d. How scarce the good is.

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17. Currently you purchase 6 packages of hot dogs a month. You will graduate from college in December, and you will start a new job in January. You have no plans to purchase hot dogs in January. For you, hot dogs are
   a. A substitute good.
   b. A normal good.
   c. An inferior good.
   d. A complementary good.

18. Workers at a bicycle assembly plant currently earn the mandatory minimum wage. If the federal government increases the minimum wage by $1.00 per hour, then it is likely that the
   a. Demand for bicycle assembly workers will increase.
   b. Supply of bicycles will shift to the right.
   c. Supply of bicycles will shift to the left.
   d. Firm must increase output to maintain profit levels.

19. Saddle shoes are not popular right now, so very few are being produced. If saddle shoes become popular, then how will this affect the market for saddle shoes?
   a. The supply curve for saddle shoes will shift right, which will create a shortage at the current price. That will increase price, which will decrease quantity demanded and increase quantity supplied. The new market equilibrium will be at a higher price and higher quantity.
   b. The supply curve for saddle shoes will shift right, which will create a surplus at the current price. That will decrease price, which will increase quantity demanded and decrease quantity supplied. The new market equilibrium will be at a lower price and higher quantity.
   c. The demand curve for saddle shoes will shift right, which will create a shortage at the current price. That will increase price, which will decrease quantity demanded and increase quantity supplied. The new market equilibrium will be at a higher price and higher quantity.
   d. The demand curve for saddle shoes will shift right, which will create a surplus at the current price. That will decrease price, which will increase quantity demanded and decrease quantity supplied. The new market equilibrium will be at a lower price and higher quantity.

20. What will happen to the equilibrium price and quantity of new cars if the price of gasoline rises, the price of steel rises, public transportation becomes cheaper and more comfortable, and auto-workers negotiate higher wages?
   a. Price will fall and the effect on quantity is ambiguous.
   b. Price will rise and the effect on quantity is ambiguous.
   c. Quantity will fall and the effect on price is ambiguous.
   d. Quantity will rise and the effect on price is ambiguous.

☺ All the best ☺

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Department of Humanities and Social Sciences
HS 3002C: Principles of Economics
Mid-semester Examination

Marks 30 | Date: 25/09/2018 | Class: CRC - 204

Answer all questions

1. One of the economic principles says that rational people think at the margin. Does this mean that total costs and revenues associated with a work are irrelevant?

(2 marks)

2. In a country, the government plans to construct an airport. To finance this project the options for the government are either to levy tax on its citizens or print money for investment. What are the short and long term consequences of these two options?

(2 marks)

3. State four ways in which government can interfere in the market mechanism?

(2 marks)

4. Draw a production possibility frontier for a country producing milk and cookies. Explain the implications for the shape of the curve. If the country loses half of its cows due to a cattle disease, what happens to the curve? What is the implication if the production possibility frontier is a straight line?

(4 marks)

5. State whether the following statements are positive or normative:
   a) In the short run, inflation reduces unemployment.
   b) Government has to provide for unemployment allowance during recession.
   c) During the past 3 years, house rent has gone up by 20%.
   d) Levying tax is the best way to bring economic equality.

(2 marks)

6. Explain the "*Midpoint Method*" of calculating price elasticity, with an example.

(3 Marks)

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7. For the market demand schedule in table-1:
Find the price elasticity of demand for a movement from point B to point D, from point D to point B, and the point midway between point B and point D

Table-1: Market Demand Schedule

Point	A	B	C	D	F	G	H
Px($)	6	5	4	3	2	1	0
Qx	0	20,000	40,000	60,000	80,000	100,000	120,000

(2 Marks)

8. Define price elasticity of demand. Explain the four determinants of the price elasticity of demand? What is the difference between price elasticity of demand and cross price elasticity of demand?

(4 marks)

9. Explain the impact of 'Price floor' with an example.

(3 marks)

10. How does a tax affect consumer surplus and total surplus? Explain graphically.

(3 marks)

11. Explain *Laffer curve* using a diagram.

(3 marks)

☺ All the best ☺

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HS3002: Principles of Economics

Department of Humanities and Social Sciences

End Semester Examination

July-November, 2018

Date: 22/11/2018 **Time: 9:00 AM – 12:00 PM**

[Instruction: Attempt all questions in this section]

PART-B

Max Marks: 30

1. Suppose you are watching a news programme on television. During the programme there is a discussion of the pros and cons of free trade. For balance, there are two economists present - one in support of free trade and one opposed. Your roommate says, "Those economists have no idea what's going on. They can't agree on anything. One says free trade makes us rich. The other says it will drive us into poverty. If the experts don't know, how is the average person ever going to know whether free trade is best?"

   Can you give your roommate any insight into why economists might disagree on this issue?

   (2 Marks)

2. The daily News reported that there is decline in the number of passengers travelling by metro after the increase in ticket price by Rupees 2 to Rupees 16. The report states that 40,000 fewer passengers travelled by metro in one month after price increase. This is 4.5% decrease compared to last year same month. Find the price elasticity of demand for metro travel.

   80,000 Q ↓ 40,000 16 P↑ 2

   1 mon 40,k 4.5% dec to last yr

   (2 Marks)

   $Q_2 - Q_1$ / $Q_2 + Q_1$

3. The demand and supply for sugar are as follows:

Price per KG (Rs.)	44	40	36	32	28	24
Quantity demanded KGs ('000)	1	2	4	6	8	10
Quantity supplied KGs ('000)	15	12	9	6	3	1

   a. What is the equilibrium price and quantity of sugar?
   b. Pressure from Sugar manufacturers results in the Government imposing a price floor of Rupees 8 above the equilibrium price. What is the new price and quantity sold?
   c. Consumers protest against high Sugar prices. Yielding to the popular demand for price reduction, the Government repeals the price floor and imposes a price ceiling of Rupees 4, below the former price floor. What is the new price and quantity sold?
   d. What is the effect of these actions?

   (3 Marks)

4. For each of the following statements, determine whether it is true or false. Explain your answer.
   a. A tariff increases consumer surplus, decreases producer surplus, and increases total surplus. F
   b. If a country is an importer of a good, then the greater the elasticity of demand, the greater the gains from trade.

   (3 Marks)

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5. What is the relationship between the long run and short run cost curves? How can the long run cost curve be derived? What does it show?

(3 Marks)

6. Marginal revenue for monopolies is very different from marginal revenue for competitive firms. Explain with
   a. The output effect, and
   b. The price effect

(3 Marks)

7. Compare the advantages and disadvantages of perfect competition and monopolistic competition in terms of how they benefit society.

(2 Marks)

8. Consider the following version of the prisoners dilemma game (Player one's payoffs are in bold):

		Player Two	
		Cooperate	Cheat
Player One	Cooperate	**$10**, $10	**$0**, $12
	Cheat	**$12**, $0	**$5**, $5

   a. What is each player's dominant strategy? Explain the Nash equilibrium of the game.
   b. Suppose that this game were played three times in a row. Is it possible for the cooperative equilibrium to occur? Explain

(3 Marks)

9. In Merryland, there are only 3 goods: popcorn, movie shows, and soft drinks. The following table shows the prices and quantities produced of these goods in 2016, 2017, and 2018:

	2016		2017		2018	
	Price	Quantity	Price	Quantity	Price	Quantity
Popcorn	1.00	500	1.00	600	1.05	590
Movie Shows	5.00	300	10.00	200	10.50	210
Soft Drinks	0.70	300	0.80	400	0.75	420

   a. A "market bundle" for a typical family is deemed to be 5 popcorn, 3 movie shows, and 3 soft drinks. Compute the consumer price index (CPI) for each of the three years, using 2016 as the base year. What was the rate of inflation from 2017 to 2018, using the CPI?
   b. Use the information above to calculate inflation in 2018 using GDP deflator.

(3 Marks)

10. Write Short notes (Any Three)
   a. Money multiplier
   b. Natural monopoly
   c. Catch-up effect
   d. Fiat money
   e. Determinants of Productivity

(6 Marks)

[End of the question paper]

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Roll No. CH17B061

Name : NIVEDHITHA NATRAJ

Total No. of Pages

Quiz I [ ] Quiz II/ Mid-Sem [✓] End-Semester [ ] Make-up [ ] Date :

Semester & Degree : Course No. HS30020 Part :

Question No.	1	2	3	4	5	6	7	8	9	10
Marks										

11	12	13	14	15	16	17	18	19	20	Total

24

Answer on both sides of the paper including the space below

1. No, Rational people think at the margin i.e. they compare the marginal benefit and marginal costs and take decisions according to that. (They are benefitted if marginal benefit > marginal cost). But the sellers too sell only if the price is greater than total cost. ~~and if they~~

2

EG: A person who thinks rationally is ready to buy a air-ticket for $300 which is originally $500. The air-lines may allow this / may sell the seat for a lower cost if there are going to be empty seats (which are not filled for $500) so that total revenue increases with lesser cost (food req for that person).

2. If government levy taxes on its citizens.

Short-term

i) Buyers will consume less, pay more and sellers will produce more, get received less

ii) Due to which quantity reduces from equilibrium quantity and market shrinks

iii) well-being of citizens is affected for a short term due to reduction in total surplus.

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But in a longer term,

People get benefitted ~~from~~ from the newly constructed airpot.

If government prints money for investment:

Then society will face a short run trade off between inflation and unemployment.

i. Inflation - overall rise in the price in economy

Quantity of money ↑ ⇒ Expenditure ↑ ⇒ Consumption ↑ ⇒ Demand ↑ ⇒ price ↑ ⇒ production ↑ ⇒ labour ↑

∴ unemployment reduces when inflation arises (trade. off)

But in a long. run, People get benefitted from newly constructed airpot.

3. Government can interfere in market mechanism:

Tax Price control C.R.

i) By imposing taxes, alter tax rates.

ii) Imposing price - controls

→ Price ceiling - legal maximum price at which good can be sold

→ Price Floor - legal minimum price at which good can be sold.

iii) By controlling property rights by maintining institutions (like laws).

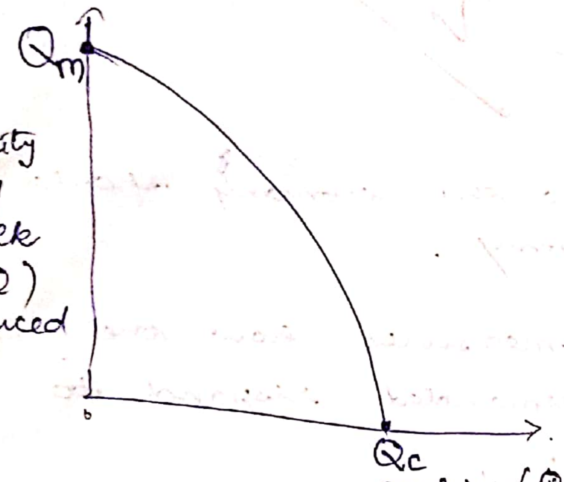
[Property rights - Ability of an individual to own or exercise control over scarce resources].

iv) Introducing policies that make changes in the market in order to establish efficient economy with equity

It can bring better outcomes when market face market failures like externality, market power.

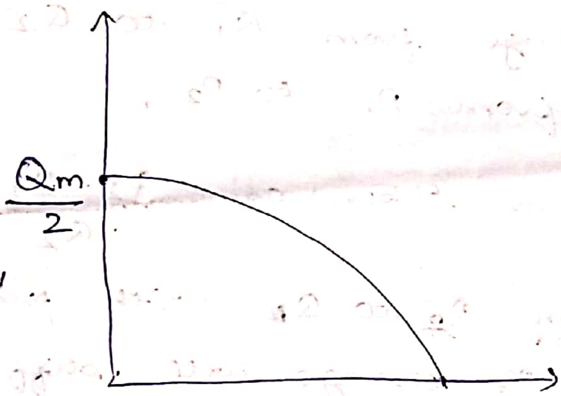
∴ Buyers get houses at ~~...~~

4.



PPF is concave-shaped at origin. It is due to that when resources are allocated to produce more of one good then production of other good will be less.

Cattle disease for half of its cows.



Quantity of milk produced will be halved. Efficiency is reduced as the availability of resources reduced.

If PPF is a straight line, it implies No trade i.e. trade doesn't happen considering the goods which are matter of interest (goods in PPF).

5. a) Positive

As it is a fact, tells how economy is.

b) Normative

As it tells what ~~the~~ should be done in the economy.

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c) Positive

Fact (data)

d) Normative

Suggesting how the economy should be/ ways to develop economy.

Price Elasticity :- It measures how the quantity supplied / demanded respond to the change in price.

$$= \frac{\text{\% change in quantity supplied / demanded}}{\text{\% change in Price}}$$

Let Quantity change from Q_1 to Q_2 as price change from P_1 to P_2.

when % (change in Q) is taken as $\frac{Q_2 - Q_1}{Q_2} \times 100$

Then moving from Q_2 to Q_1 with price change P_2 to P_1, % change will differ, hence to avoid that % change is calculated using mid-point method.

Mid-point method :

$$\text{\% change in quantity supplied / demanded} = \frac{Q_2 - Q_1}{\left(\frac{Q_2 + Q_1}{2}\right)} \times 100.$$

[$\frac{Q_2 + Q_1}{2}$ → mid-point of Q_1, Q_2 is used to calculate % change.]

$$\text{\% change in price} = \frac{P_2 - P_1}{\left(\frac{P_1 + P_2}{2}\right)} \times 100.$$

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∴ Price elasticity $= \dfrac{\dfrac{Q_2 - Q_1}{\left(\dfrac{Q_2 + Q_1}{2}\right)} \times 100}{\dfrac{P_2 - P_1}{\left(\dfrac{P_2 + P_1}{2}\right)} \times 100}$

$$= \left(\frac{Q_2 - Q_1}{Q_2 + Q_1}\right)\left(\frac{P_2 + P_1}{P_2 - P_1}\right)$$

Eg: A B :- ~~Demand~~ supply

	A	B
(2) P	100	200
Q	50	200

Price Elasticity of ~~demand~~ supply for movement from A to B.

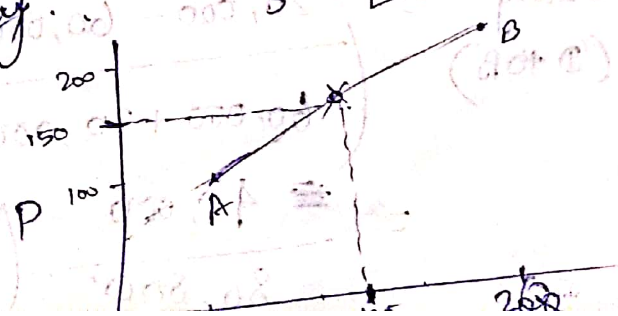
Acc to formula, where $Q_1 = 50$, $Q_2 = 200$, $P_1 = 100$, $P_2 = 200$

∴ Price Elasticity for supply $= \left(\frac{200 - 50}{200 + 50}\right)\left(\frac{200 + 100}{200 - 100}\right)$

$$= \frac{\cancel{150}^{\,3}}{\cancel{250}_{\,5}}\left(\frac{3\cancel{00}}{1\cancel{00}}\right)$$

$$= \frac{9}{5} \quad \left[> 1 \Rightarrow (\text{Elastic}) \right]$$

Or graphically.



ie. Mid point (125, 150) is considered for calculating price elasticity of btw points A and B.

7.

	B	D
P	5	3
Q	20000	60000

Formula:

$$\text{Price Elasticity of demand} = \left(\frac{Q_2-Q_1}{Q_2+Q_1}\right)\left(\frac{P_2+P_1}{P_2-P_1}\right)$$

a) B to D

$Q_1 = 20,000$ $Q_2 = 60\,000$

$P_1 = 5$ $P_2 = 3$.

$$\underset{(B \text{ to } D)}{\text{Price Elasticity}} = \left(\frac{60,000 - 20,000}{60000 + 20,000}\right)\left(\frac{5+3}{3-5}\right)$$

$$= \frac{\cancel{40,000}^{2}}{\cancel{80,000}}\left(\frac{\cancel{8}}{-\cancel{2}}\right) = -2$$

Taking absolute value : 2. [> 1 Hence Elastic)

b) D to B

$Q_1 = 60,000$, $Q_2 = 20,000$

$P_1 = 3$ $P_2 = 5$.

$$\underset{(D \text{ to } B)}{\text{Price Elasticity}} = \left(\frac{20,000 - 60,000}{60,000 + 20,000}\right)\left(\frac{5+3}{5-3}\right)$$

$$= \frac{-40,000}{80,000}\left(\frac{8}{2}\right) = -2$$

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Taking absolute value : 2 (> 1 Hence elastic)

c) Point midway between B and D - C.

D to C.

$Q_2 = 10{,}000 \quad P_2 = 4.$

$Q_1 = 60{,}000, \quad P_1 = 3.$

$$P.E\ (D \text{ to } C) = \left(\frac{10{,}000 - 60{,}000}{10{,}000 + 60{,}000}\right)\left(\frac{4+3}{4-3}\right)$$

0.5

$$= \left(\frac{-20{,}000}{10{,}000}\right)\left(\frac{7}{1}\right)$$

$= -7/5$ (> 1 Hence elastic)

Taking absolute value : 7/5

8. Price elasticity of demand : it measures how quantity demanded respond to change in price

$$= \frac{\%\ \text{change in quantity demanded}}{\%\ \text{change in price}}.$$

Determinants :

1. Substitutes – more elastic as demand varies more of sub. good when price rise change of a good.

Complements – inelastic.

2. Necessary ~~Normal~~ & Luxury goods.

Necessity – less elastic.

Luxury – More elastic

3. Definition of market

Narrow - More elastic

Broad - less elastic.

4. Time Horizon

Short-run - Less elastic

Long-run - More elastic

Cross-price elasticity of demand: It measures how change in quantity of 1 good demanded ~~etc~~ respond to change in price in other good

$$= \frac{\%\ \text{change in } Q \text{ of good } 1}{\%\ \text{change in } P \text{ of good } 2}.$$

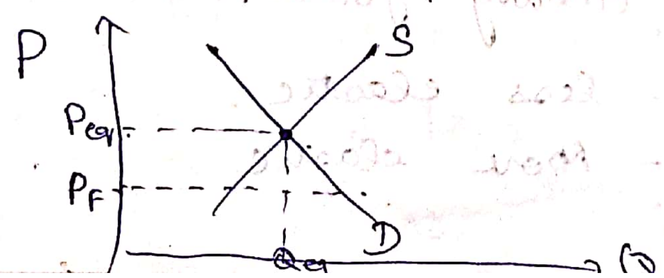
Substitutes - More elastic

Complements - less elastic (inelastic)

P.E of demand & cross-price E of demand vary in a way that P.E compares with price of its ~~own~~ same good whereas in cross-P.E, change in Q is compared with change in P of another good

9. Price Floor: Legal minimum price at which a good can be sold.

i)



Roll Number CH17B061 Name NIVEDHITHA NATRAJ

12/20

Surprise Quiz – II

Principles of Economics

Max. Marks: 20 x 0.5 = 10 Max Time: 20 Mins

(Answer all questions)

1. Assume that consumer's income and the number of sellers in the market for good X both falls. Based on this information, we can conclude with certainty that the equilibrium:
   a. Price will decrease
   b. Price will increase
   c. Quantity will increase
   d. Quantity will decrease

2. The economist's objections to monopoly rest on which of the following grounds?
   a. There is a transfer of income from consumers to the monopolist
   b. There is welfare loss as resources tend to be misallocated under monopoly
   c. Only A is correct
   d. Both A and B are correct

3. In which of the following market structure is the degree of control over the price of its product by a firm very large?
   a. Imperfect competition
   b. Perfect competition
   c. Monopoly
   d. In A and B both

4. Which among the following is NOT a correct statement?
   a. Welfare economics is based on value judgements.
   b. Welfare economics is also called 'economics with a heart'.
   c. Welfare economics focuses on questions about equity as well as efficiency.
   d. The founder of Welfare economics was Alfred Marshall.

5. A natural monopoly occurs when
   a. the firm is characterized by a rising marginal cost curve.
   b. production requires the use of free natural resources, such as water or air.
   c. the product is sold in its natural state (such as water or diamonds).
   d. average cost is decreasing over the relevant range of output.

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6. Negative externalities from a good create inefficiency, because
   a. the price of the good will be too high.
   b. production of the good involves private costs that are not opportunity costs.
   c. demand for the good is extremely elastic.
   d. too much of the good is produced and consumed.

7. Drug companies are allowed to be monopolists in the drugs they discover in order to
   a. allow drug companies to charge a price that is equal to their marginal cost.
   b. encourage research.
   c. allow the government to earn patent revenue.
   d. discourage new firms from entering the drug market.

8. If two price-taking firms compete by setting quantities of output, then
   a. social surplus will be maximized.
   b. they will produce the same amount of output as in perfect competition.
   c. the market price will be greater than marginal cost.
   d. marginal revenue is the same as the market price.

MR > MC ~P

9. If an externality is present in a market, economic efficiency is likely to be increased by
   a. better informed market participants.
   b. government intervention.
   c. increased competition.
   d. weakening property rights.

10. In game theory, a strategy is defined as
   a. any action that affects the players' payoffs.
   b. the set of all actions that a given play is permitted to take.
   c. an action chosen at random.
   d. a plan that specifies an action for every situation that could be observed.

11. A tax on gasoline often reduces road congestion, because
   a. the tax raises the private cost of driving.
   b. gasoline is a normal good, and driving is an inferior good.
   c. the tax raises the social cost of driving.
   d. gasoline is an inferior good, and driving is a normal good.

12. When firms have an incentive to enter a competitive market, their entry will

(P > ATC)

   a. raise the market price.
   b. change the cost curves of firms that remain in the market.
   c. increase demand for the product.
   d. lower profits for firms already in the market.

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13. A perfectly competitive firm charges the market price for its product, mainly because
   a. customers assume it will sell at the market price.
   b. government regulations require firms to sell at the market price.
   c. arbitrageurs would enter the market.
   d. if it sets a higher price, it would lose all its customers

14. Your roommate leaves trash in your dormitory room without cleaning it up. The trash doesn't bother her at all, but you would be willing to pay $40 to live in a clean room. Her opportunity cost of cleaning the trash would be $50, but yours would be only $30. Which is an economically efficient way of solving the trash problem?
   a. You leave a dead mouse in her bed as punishment for her behavior.
   b. You do nothing and live with the trash.
   c. You offer to pay her $30 to clean up the trash.
   d. You clean up the trash yourself.

15. When firms have an incentive to exit a competitive market, their exit will PLANTE
   a. necessarily raise the costs of firms that remain in the market.
   b. lower market price.
   c. reduce demand for the product.
   d. raise profits for firms that remain in the market.

16. Which of the following statements is not true about a perfectly competitive market in equilibrium?
   a. Those sellers whose costs are less than the price choose to produce and sell the good.
   b. Those buyers who value the good more than the price choose to buy the good.
   c. Consumer surplus will be equal to producer surplus.
   d. The price determines which buyers and which sellers participate in the market

17. For a construction company that builds houses, which of the following costs would be a fixed cost?
   a. $30,000 per year salary paid to the company's bookkeeper
   b. $10,000 per year paid to an insurance company
   c. $50,000 per year salary paid to their human resources (HR) manager
   d. ALL of the above are correct.

18. In free market economies, goods are usually consumed by
   a. those who are willing to pay the most for them.
   b. those who work the hardest.
   c. those who are most deserving.
   d. those who are politically well connected

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19. Suppose the calculator business is perfectly competitive, and the market price of a calculator is $20. If you are the CEO of a calculator company with no fixed costs and a rising marginal cost, how many calculators would you produce?

a. maximum possible output with a total cost of production less than the total revenue

C=MR

b. as many as can be produced

c. all the calculators whose marginal cost is less than $20

d. MORE information is needed

20. To an economist, you are "saving" when you are

a. donating money to the poor.

b. giving stocks or mutual funds to a poor.

c. giving money to a friend.

d. consuming less than you produce.

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