1 Practice Questions

1. (Final - 2010Q21) When interest rates rise,
   - A. the 'price' of borrowing money goes down.
   - B. bond prices go up.
   - C. bond prices fall.
   - D. negative externalities go away.
   - E. the reaction of bond prices is indeterminate.
2. (Final - 2010Q4) As price falls along a given demand curve for pretzels,
   - A. quantity demanded, total utility, consumer surplus and marginal utility increase; consumer expenditure might increase, decrease, or remain constant.
   - B. quantity demanded, total utility, and consumer surplus increase; marginal utility and consumer expenditure decrease.
   - C. quantity demanded, total utility, consumer surplus, and consumer expenditure increase; marginal utility decreases.
   - D. quantity demanded, total utility, and consumer surplus increase; marginal utility decreases; consumer expenditure might increase, decrease, or remain constant.
   - E. quantity demanded, total utility, marginal utility, consumer surplus, and consumer expenditure all increase.
3. (Final - 2010Q20) Gilligan runs the only retail store selling apple pies on an island. If the cost of apples falls, he can increase profits by
   - A. raising the price of his apple pies.
   - B. charging the highest price he can for an apple pie.
   - C. using fewer apples in each pie.
   - D. lowering the price of his pies.
   - E. charging a price for each pie equal to marginal cost.
4. (Final - 2010Q42) If the value of the price elasticity of demand is -0.2, this means that a
   - A. 5 percent increase in price causes a 1 percent decrease in demand.
   - B. 0.2 percent decrease in price causes a 1 percent increase in quantity demanded.
   - C. 5 percent decrease in price causes a 1 percent increase in quantity demanded.
   - D. 0.2 percent decrease in price causes a 0.2 percent increase in quantity demanded.
   - E. 100 percent decrease in price causes a 200 percent increase in quantity demanded.
5. (Final - 2010Q75) Which of the following is correct regarding the labor supply curve?
   - A. As the wage rate increases, the opportunity cost of working decreases
   - B. As the wage rate increases, the substitution effect can overcome the income effect after a certain wage rate is reached, causing the labor supply curve to "bend backwards."
   - C. As the wage rate increases, the income effect can overcome the substitution effect after a certain wage rate is reached, causing the labor supply curve to "bend backwards."
   - D. Both a. and b. are correct.
   - E. Both a. and c. are correct.
6. (Final - 2010Q19) If a monopolist engages in perfect price discrimination,
   - A. the marginal revenue curve becomes steeper.

B. the demand curve becomes the firm's marginal revenue curve.

C. the demand curve is steeper than the firm's marginal revenue curve.

D. the demand curve is not as steep as the firm's marginal revenue curve.

E. there is no way to define the firm's marginal revenue.

7. (Final - 2010Q49) Which of the following could explain a decrease in the demand for labor in a particular job?

   A. Additional training that increases the productivity of each unit of labor in this market

   B. An increase in the amount of risk associated with this job

   C. A decrease in the amount of risk associated with this job

   D. An improvement in the working conditions associated with this job

   E. A decrease in the productivity of each unit of labor in this market