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| --- | --- | --- | --- | --- | --- |
|   | 1. A fundamental source of monopoly market power arises from |  |  |  |  |
| Question 1 answers

|  |  |
| --- | --- |
|  | 1. perfectly elastic demand.
 |
|  | 1. perfectly inelastic demand.
 |
|  | 1. barriers to entry.
 |
|  | 1. availability of "free" natural resources, such as water or air.
 |

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|   | 2. How long does it take a firm to go from the short run to the long run? |  |  |  |  |
| Question 2 answers

|  |  |
| --- | --- |
|  | 1. six months
 |
|  | 1. one year
 |
|  | 1. two years
 |
|  | 1. It depends on the nature of the firm.
 |

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|   | 3. Economists assume that the goal of the firm is to maximize |  |  |  |  |
| Question 3 answers

|  |  |
| --- | --- |
|  | 1. total revenue.
 |
|  | 1. total profits.
 |
|  | 1. total costs.
 |
|  | 1. total satisfaction.
 |

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|   | 4.Cyclical unemployment refers to |  |  |  |  |
| Question 4 answers

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| --- | --- |
|  | 1. the relation between the probability of unemployment and a worker's changing level of experience.
 |
|  | 1. how often a worker is likely to be employed during her lifetime.
 |
|  | 1. year-to-year fluctuations of unemployment around its natural rate.
 |
|  | 1. long-term trends in unemployment.
 |

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|   | 5.The natural rate of unemployment is the |  |  |  |  |
| Question 5 answers

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| --- | --- |
|  | 1. unemployment rate that would prevail with zero inflation.
 |
|  | 1. rate associated with the highest possible level of GDP.
 |
|  | 1. difference between the long-run and short-run unemployment rates.
 |
|  | 1. amount of unemployment that the economy normally experiences.
 |

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|   | 6.A firm's opportunity costs of production amount to its |  |  |  |  |
| Question 6 answers

|  |  |
| --- | --- |
|  | 1. explicit costs only.
 |
|  | 1. implicit costs only.
 |
|  | 1. explicit costs + implicit costs.
 |
|  | 1. explicit costs + implicit costs + total revenue.
 |

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|   | 7. Accounting profit is equal to |  |  |  |  |
| Question 7 answers

|  |  |
| --- | --- |
|  | 1. marginal revenue minus marginal cost.
 |
|  | 1. total revenue minus the explicit cost of producing goods and services.
 |
|  | 1. total revenue minus the opportunity cost of producing goods and services.
 |
|  | 1. average revenue minus the average cost of producing the last unit of a good or service.
 |

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|   | 8.The real interest rate tells you |  |  |  |  |
| Question 8 answers

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| --- | --- |
|  | 1. how fast the number of dollars in your bank account rises over time.
 |
|  | 1. how fast the purchasing power of your bank account rises over time.
 |
|  | 1. the number of dollars in your bank account today.
 |
|  | 1. the purchasing power of your bank account today.
 |

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| --- | --- | --- | --- | --- | --- |
|   | 9. Economic profit is equal to |  |  |  |  |
| Question 9 answers

|  |  |
| --- | --- |
|  | 1. total revenue minus the explicit cost of producing goods and services.
 |
|  | 1. total revenue minus the opportunity cost of producing goods and services.
 |
|  | 1. total revenue minus the accounting cost of producing goods and services.
 |
|  | 1. average revenue minus the average cost of producing the last unit of a good or service.
 |

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|   | 10. The term *inflation* is used to describe a situation in which |  |  |  |  |
| Question 10 answers

|  |  |
| --- | --- |
|  | 1. the overall level of prices in the economy is increasing.
 |
|  | 1. incomes in the economy are increasing.
 |
|  | 1. stock-market prices are rising.
 |
|  | 1. the economy is growing rapidly.
 |

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|   | 11. In the long run, all of a firm's costs are variable. In this case the exit criterion for a profit-maximizing firm is to |  |  |  |  |
| Question 11 answers

|  |  |
| --- | --- |
|  | 1. shutdown if price is less than average total cost.
 |
|  | 1. shutdown if price is greater than average total cost.
 |
|  | 1. shutdown if average revenue is greater than average fixed cost.
 |
|  | 1. shutdown if average revenue is greater than marginal cost.
 |

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|   | 12. For a firm in a perfectly competitive market, the price of the good is always |  |  |  |  |
| Question 12 answers

|  |  |
| --- | --- |
|  | 1. equal to marginal revenue.
 |
|  | 1. equal to total revenue.
 |
|  | 1. greater than average revenue.
 |
|  | 1. equal to the firm’s efficient scale of output.
 |

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|   | 13. Real GDP per person |  |  |  |  |
| Question 13 answers

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| --- | --- |
|  | 1. minus real GDP per person from the previous period equals the growth rate of real GDP per person.
 |
|  | 1. provides more meaningful comparisons across time and countries than real GDP.
 |
|  | 1. provides a less useful measure of the standard of living than nominal GDP per person.
 |
|  | 1. All of the above are correct.
 |

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|   | 14. A monopoly's marginal cost will |  |  |  |  |
| Question 14 answers

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| --- | --- |
|  | 1. be less than its average fixed cost.
 |
|  | 1. be less than the price per unit of its product.
 |
|  | 1. exceed its marginal revenue.
 |
|  | 1. equal its average total cost.
 |

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|   | 15. In setting the production level, a firm's cost curves |  |  |  |  |
| Question 15 answers

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| --- | --- |
|  | 1. by themselves do not tell us what decisions the firm will make.
 |
|  | 1. dictate what decisions the firm will make.
 |
|  | 1. have no bearing on what decisions the firm will make.
 |
|  | 1. None of the above is correct.
 |

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|   | 16. The consumer price index is used to |  |  |  |  |
| Question 16 answers

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| --- | --- |
|  | 1. track changes in the level of wholesale prices in the economy.
 |
|  | 1. monitor changes in the cost of living.
 |
|  | 1. monitor changes in the level of real GDP.
 |
|  | 1. track changes in the stock market.
 |

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|   | 17. Which of the following is a correct way to measure productivity? |  |  |  |  |
| Question 17 answers

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| --- | --- |
|  | 1. divide the number of hours worked by output
 |
|  | 1. divide output by the number of hours worked
 |
|  | 1. compute output growth
 |
|  | 1. divide the change in output by the change in number of hours worked
 |

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|   | 18. GDP is defined as  |  |  |  |  |
| Question 18 answers

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| --- | --- |
|  | 1. the market value of all goods and services produced within a country in a given period of time.
 |
|  | 1. the market value of all goods and services produced by the citizens of a country, regardless of where they are living in a given period of time.
 |
|  | 1. the market value of all final goods and services produced within a country in a given period of time.
 |
|  | 1. the market value of all final goods and services produced by the citizens of a country, regardless of where they are living, in a given period of time.
 |

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|   | 19. The labor force equals the |  |  |  |  |
| Question 19 answers

|  |  |
| --- | --- |
|  | 1. number of people who are employed.
 |
|  | 1. number of people who are unemployed.
 |
|  | 1. number of people employed plus the number of people unemployed.
 |
|  | 1. adult population.
 |

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|   | 20. Economies of scale arise when |  |  |  |  |
| Question 20 answers

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| --- | --- |
|  | 1. an economy is self-sufficient in production.
 |
|  | 1. individuals in a society are self-sufficient.
 |
|  | 1. fixed costs are large relative to variable costs.
 |
|  | 1. workers are able to specialize in a particular task.
 |

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|   | 21. The catch-up effect refers to the idea that |  |  |  |  |
| Question 21 answers

|  |  |
| --- | --- |
|  | 1. saving will always catch-up with investment spending.
 |
|  | 1. it is easier for a country to grow fast and so catch-up if it starts out relatively poor.
 |
|  | 1. population eventually catches-up with increased output.
 |
|  | 1. if investment spending is low, increased saving will help investment to "catch-up."
 |

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|   | 22. A profit-maximizing firm will shut down in the short run when |  |  |  |  |
| Question 22 answers

|  |  |
| --- | --- |
|  | 1. price is less than average variable cost.
 |
|  | 1. price is less than average total cost.
 |
|  | 1. average revenue is greater marginal cost.
 |
|  | 1. average revenue is greater than average fixed cost.
 |

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|   | 23. A *recession* is a period during which |  |  |  |  |
| Question 23 answers

|  |  |
| --- | --- |
|  | 1. nominal GDP declines for about two consecutive quarters.
 |
|  | 1. nominal GDP declines for about four consecutive quarters.
 |
|  | 1. real GDP declines for about two consecutive quarters.
 |
|  | 1. the GDP deflator declines for about four consecutive quarters.
 |

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| --- | --- | --- | --- | --- | --- |
|   | 24. A natural monopoly occurs when |  |  |  |  |
| Question 24 answers

|  |  |
| --- | --- |
|  | 1. the product is sold in its natural state (such as water or diamonds).
 |
|  | 1. there are economies of scale over the relevant range of output.
 |
|  | 1. the firm is characterized by a rising marginal cost curve.
 |
|  | 1. production requires the use of free natural resources, such as water or air.
 |

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|   | 25. Productivity |  |  |  |  |
| Question 25 answers

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| --- | --- |
|  | 1. is nearly the same across countries, and so provides no help explaining differences in the standard of living across countries.
 |
|  | 1. explains very little of the differences in the standard of living across countries.
 |
|  | 1. explains some, but not most of the differences in the standard of living across countries.
 |
|  | 1. explains most of the differences in the standard of living across countries.
 |

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