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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   |  |  | | --- | --- | |  | 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   |  |  | | --- | --- | |  | 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   |  |  | | --- | --- | |  | 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   |  |  | | --- | --- | |  | 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   |  |  | | --- | --- | |  | 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   |  |  | | --- | --- | |  | 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   |  |  | | --- | --- | |  | 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   |  |  | | --- | --- | |  | 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   |  |  | | --- | --- | |  | 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   |  |  | | --- | --- | |  | 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   |  |  | | --- | --- | |  | 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. | |  |  |  |  |