Test Bank for Microeconomics 4th Edition by Goolsbee, Levitt, Syverson

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Name:_______________________________ Class:____________________ Date:__________

Chapter 1

1. Which of these is considered a microeconomic topic?
   a. unemployment
   b. inflation
   c. gross domestic product
   d. the telecommunications industry

ANSWER: d

2. Which of these is a microeconomic policy?
   a. fiscal policy
   b. monetary policy
   c. rent control
   d. tariffs imposed on all importing nations

ANSWER: c

3. Which of these is NOT a microeconomic topic?
   a. a tax on tobacco
   b. expansionary monetary policy
   c. a subsidy for solar power
   d. a quota on taxicabs

ANSWER: b

4. To learn about the intricacies of theories and models, economists use:
   a. graphs and mathematics.
   b. their best guess.
   c. Wikipedia.
   d. only the stock market.

ANSWER: a

5. Examples of the use of theories and models include:
   a. understanding how members of OPEC choose how much oil to produce.
   b. explaining how the NBA sets salaries for rookies.
   c. A and B.
   d. none of the above.

ANSWER: c

6. The term *ceteris paribus* is an assumption that economists make that implies:
   a. all else is equal.
   b. to the victor go the spoils.
   c. that nothing can be said to be certain except death and taxes.
   d. that the market is always efficient.

ANSWER: a

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7. On the demand side of the market, you would examine the:
   a. prices of inputs.
   b. preferences of consumers.
   c. cost of production data.
   d. number of firms.

ANSWER: b

8. On the supply side of the market, you would examine the:
   a. decisions of firms.
   b. reference of consumers.
   c. income of consumers.
   d. number of consumers.

ANSWER: a

9. Each of these will impact the consumption decision EXCEPT the:
   a. price of a good.
   b. income of the consumer.
   c. price of a substitute good.
   d. fixed cost of production.

ANSWER: d

10. Each of these will impact production decisions EXCEPT the:
   a. price of a good.
   b. income of consumers.
   c. price of capital.
   d. technology available for production.

ANSWER: b

11. In a perfectly competitive market, firms:
   a. determine the number of consumers.
   b. create barriers to entry.
   c. take the market price as given.
   d. have market power.

ANSWER: c

12. Oligopolies exist when:
   a. there are no barriers to entry.
   b. firms are price takers.
   c. the market supply curve reflects the aggregate cost curves of firms.
   d. multiple firms interact strategically in the same market.

ANSWER: d

13. If there is a single firm in the market, then the market is considered:
   a. monopolistically competitive.
   b. perfectly competitive.
   c. a monopoly.
   d. an oligopoly.

ANSWER: c

14. When comparing a monopoly outcome to a perfectly competitive outcome, the monopolist produces _____ and charges a _____ price.
   a. more; higher
   b. less; higher
   c. less; lower
   d. more; lower

ANSWER: b

15. All of these are examples of spillover effects EXCEPT:
   a. second-hand smoke.
   b. pollution.
   c. price gouging.
   d. road congestion.

ANSWER: c

16. Behavioral economics is the study of the intersection of:
   a. psychology and economics.
   b. physics and economics.
   c. law and economics.
   d. supply and demand.

ANSWER: a

17. The combined role of risk, uncertainty, and time is prominent in:
   a. the decision of which movie to watch.
   b. restaurant decisions.
   c. grocery store shopping decisions.
   d. investment decisions.

ANSWER: d

18. Empirical disciplines:
   a. use data analysis and experiments.
   b. focus exclusively on theoretical models.

c. focus on historical importance.

d. only examine political topics.

ANSWER: a

19. Microeconomic tools:

a. can only be applied to markets for coffee.

b. can be applied to any market.

c. can only be applied to financial markets.

d. are not used to think rationally about decisions.

ANSWER: b

20. A major factor in the evolution of empirical analysis in microeconomics is the:

a. influence of John Maynard Keynes.

b. computer revolution.

c. influence of Friedrich Hayek.

d. work of Adam Smith.

ANSWER: b

21. Which of these would NOT be a focus of microeconomic analysis?

a. The U.S. government lowers federal income tax rates for all workers.

b. Apple raises the wages of its engineers.

c. When Home Depot runs a sale on washing machines, it sells more washing machines.

d. Lauren purchases a skinny cappuccino every weekday at Starbucks.

ANSWER: a

22. Intermediate microeconomics differs from principles-level microeconomics in that:

a. intermediate microeconomics incorporates more mathematics along with graphical depictions.

b. principles look at the reasoning beyond economic theory, whereas intermediate takes theories at face value.

c. intermediate microeconomics focuses less on policy implications than principles.

d. intermediate microeconomics focuses on macroeconomics as well.

ANSWER: a

23. When estimating how the demand for your company's product would change as the price of the product rises, you would:

a. hold "all else equal."

b. also adjust the prices of competitors' products.

c. assume that the quality of your product changes throughout the relevant time period.

d. account for changing consumer preferences and market conditions.

ANSWER: a

24. As a small business owner, you must determine whether each business choice is worth your _____,

compared to the additional revenue that it brings.

a. costs

b. profit

c. supply

d. price

ANSWER: a

25. As a producer of corn, the corn you grow is identical to the corn of all other farmers, and regardless of how much you produce, you must accept the market price for your crop. The market structure for corn is:

a. monopoly.

b. perfect competition.

c. oligopoly.

d. monopolistically competition.

ANSWER: a

26. You invented a new product, for which you've acquired a patent, making you the sole seller of your product. The market structure is:

a. monopoly.

b. perfect competition.

c. oligopoly.

d. monopolistically competition.

ANSWER: a

27. Goodyear, Michelin, and Bridgestone tire companies make strategic decisions based on the actions of the other firms in the market. The market structure is:

a. oligopoly.

b. perfect competition.

c. monopoly.

d. monopolistically competition.

ANSWER: a

28. Which of these illustrates a factor market?

a. Restaurantsupply.com sells soda fountain machines for commercial use.

b. Your local grocery store sells produce for home-cooking.

c. Land Rover dealerships sell luxury SUVs in high-income neighborhoods.

d. PetSmart facilitates dog adoptions, charging an adoption fee.

ANSWER: a

29. Which of these is NOT a situation in which markets might operate inefficiently?

a. All information is known by both parties in a transaction.

b. When a transaction affects people who are neither the buyer nor the seller.

c. When a good's benefits are shared across many people at the same time.

d. When a seller has more relevant information about a product than a buyer.

ANSWER: a

30. Microeconomics has evolved into an empirical discipline, that is, microeconomic analysts now make greater use of _____ in answering questions.

a. data analysis and experiments

b. theoretical models

c. psychology

d. history

ANSWER: a