Chapters 15-18 Exam

CCV ECON 2030

Ch. 15

1. Which of the following statements is correct?

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| a. | Both a competitive firm and a monopolist are price takers. |
| b. | Both a competitive firm and a monopolist are price makers. |
| c. | A competitive firm is a price taker, whereas a monopolist is a price maker. |
| d. | A competitive firm is a price maker, whereas a monopolist is a price taker. |

2. One difference between a perfectly competitive firm and a monopoly is that a perfectly competitive firm produces where

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| a. | marginal cost equals price, while a monopolist produces where price exceeds marginal cost. |
| b. | marginal cost equals price, while a monopolist produces where marginal cost exceeds price. |
| c. | price exceeds marginal cost, while a monopolist produces where marginal cost equals price. |
| d. | marginal cost exceeds price, while a monopolist produces where marginal cost equals price. |

3. A monopoly

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| a. | can set the price it charges for its output and earn unlimited profits. |
| b. | takes the market price as given and earns small but positive profits. |
| c. | can set the price it charges for its output but faces a downward-sloping demand curve so it cannot earn unlimited profits. |
| d. | can set the price it charges for its output but faces a horizontal demand curve so it can earn unlimited profits. |

4. A perfectly competitive market

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| a. | may not be in the best interests of society, whereas a monopoly market promotes general economic well-being |
| b. | promotes general economic well-being, whereas a monopoly market may not be in the best interests of society. |
| c. | and a monopoly market are equally likely to promote general economic well-being. |
| d. | is less likely to promote general economic well-being than a monopoly market. |

5. Because monopoly firms do not have to compete with other firms, the outcome in a market with a monopoly is often

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| a. | not in the best interest of society. |
| b. | one that fails to maximize total economic well-being. |
| c. | inefficient. |
| d. | All of the above are correct. |

6. Because a monopolist does not face competition from other firms, the outcome in a market with a monopoly

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| a. | does not illustrate profit maximization. |
| b. | is often not in the best interest of society. |
| c. | is characterized by unlimited profits. |
| d. | would be improved if the government produced the product rather than a private firm. |

7. Microsoft faces very little competition from other firms for its Windows software. Why isn’t the price of the software $1,000 per copy?

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| a. | because the government would not allow such a high price |
| b. | because stockholders would not allow such a high price |
| c. | because the company would sell so few copies that they would earn higher profits by selling at a lower price. |

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| d. | All of the above are correct.  Ch. 16  1. A typical firm in the US economy would be classified as   |  |  | | --- | --- | | a. | perfectly competitive. | | b. | imperfectly competitive. | | c. | a duopolist. | | d. | an oligopolist. |   2. The typical firm in the US economy   |  |  | | --- | --- | | a. | has some degree of market power. | | b. | sells its product for a price that is equal to the marginal cost of producing the last unit. | | c. | is perfectly competitive. | | d. | is a monopoly. |   3. Which of the following pairs illustrates the two extreme examples of market structures?   |  |  | | --- | --- | | a. | competition and oligopoly | | b. | competition and monopoly | | c. | monopoly and monopolistic competition | | d. | oligopoly and monopolistic competition |   4. The general term for market structures that fall somewhere between monopoly and perfect competition is   |  |  | | --- | --- | | a. | incomplete markets. | | b. | imperfectly competitive markets. | | c. | oligopoly markets. | | d. | monopolistically competitive markets. |   5. The two types of imperfectly competitive markets are   |  |  | | --- | --- | | a. | markets with differentiated products and monopoly. | | b. | markets with differentiated products and oligopoly. | | c. | oligopoly and monopoly. | | d. | monopolistic competition and oligopoly. |   6. The two types of imperfectly competitive markets are   |  |  | | --- | --- | | a. | monopoly and monopolistic competition. | | b. | monopoly and oligopoly. | | c. | monopolistic competition and oligopoly. | | d. | monopolistic competition and cartels. |   7. Which of the following statements is *not* correct?   |  |  | | --- | --- | | a. | Monopolistic competition is similar to monopoly because in each market structure the firm can charge a price above marginal costs. | | b. | Monopolistic competition is similar to perfect competition because both market structures are characterized by free entry. | | c. | Monopolistic competition is similar to oligopoly because both market structures are characterized by barriers to entry. | | d. | Monopolistic competition is similar to perfect competition because both market structures are characterized by many sellers. |   8. Which of the following statements is *not* correct?   |  |  | | --- | --- | | a. | Monopolistic competition is different from monopoly because monopolistic competition is characterized by free entry, whereas monopoly is characterized by barriers to entry. | | b. | Both monopolistic competition and oligopoly fall in between the more extreme market structures of competition and monopoly. | | c. | Monopolistic competition is different from oligopoly because each seller in monopolistic competition is small relative to the market, whereas each seller can affect the actions of other sellers in an oligopoly. | | d. | Both monopolistic competition and perfect competition are characterized by product differentiation. |   Ch. 17  1. Which of the following statements about oligopolies is *not* correct?   |  |  | | --- | --- | | a. | An oligopolistic market has only a few sellers. | | b. | The actions of any one seller can have a large impact on the profits of all other sellers. | | c. | Oligopolistic firms are interdependent in a way that competitive firms are not. | | d. | Unlike monopolies and monopolistically competitive markets, oligopolies prices do not exceed their marginal revenues. |   2. In the language of game theory, a situation in which each person must consider how others might respond to his or her own actions is called a   |  |  | | --- | --- | | a. | quantifiable situation. | | b. | cooperative situation. | | c. | strategic situation. | | d. | tactical situation. |   3. In general, *game theory* is the study of   |  |  | | --- | --- | | a. | how people behave in strategic situations. | | b. | how people behave when the possible actions of other people are irrelevant. | | c. | oligopolistic markets. | | d. | all types of markets, including competitive markets, monopolistic markets, and oligopolistic markets. |   4. Which of the following statements is correct?   |  |  | | --- | --- | | a. | Strategic situations are more likely to arise when the number of decision-makers is very large rather than very small. | | b. | Strategic situations are more likely to arise in monopolistically competitive markets than in oligopolistic markets. | | c. | Game theory is useful in understanding certain business decisions, but it is not really applicable to ordinary games such as chess or tic-tac-toe. | | d. | Game theory is not necessary for understanding competitive or monopoly markets. |   5. In which of the following markets are strategic interactions among firms most likely to occur?   |  |  | | --- | --- | | a. | markets to which patent and copyright laws apply | | b. | the market for piano lessons | | c. | the market for tennis balls | | d. | the market for corn |   6. Game theory is important for understanding which of the following market types?   |  |  | | --- | --- | | a. | perfectly competitive and oligopolistic markets | | b. | perfectly competitive markets but not oligopolistic markets | | c. | oligoplistic but not perfectly competitive markets | | d. | neither oligopolistic nor perfectly competitive markets. |   7. In choosing among alternative courses of action, Raj must consider how others might respond to the action he takes. In the language of game theory, we say that Raj must think   |  |  | | --- | --- | | a. | openly. | | b. | strategically. | | c. | dominantly. | | d. | cooperatively. |   Ch. 18  1. In 2010, the total income of all U.S. residents was about   |  |  | | --- | --- | | a. | $10 billion. | | b. | $15 billion. | | c. | $10 trillion. | | d. | $15 trillion. |   2. Most of the total income earned in the U.S. economy is ultimately paid to   |  |  | | --- | --- | | a. | households in the form of wages and fringe benefits. | | b. | landowners in the form of rent. | | c. | landowners in the form of interest. | | d. | landowners in the form of profit. |   3. Most of the total income earned in the U.S. economy is ultimately paid to   |  |  | | --- | --- | | a. | landowners in the form of rent. | | b. | owners of capital in the form of interest. | | c. | households in the form of wages and fringe benefits. | | d. | households in the form of welfare, disability, and Social Security payments. |   4. Of the total income earned in the U.S. economy, approximately   |  |  | | --- | --- | | a. | 25 percent is earned by workers, and 75 percent is earned by landowners. | | b. | 50 percent is earned by workers, 25 percent is earned by landowners, and 25 percent is earned by owners of capital. | | c. | 75 percent is earned by workers, and 25 percent is earned by owners of land and capital. | | d. | 90 percent is earned by workers, and 10 percent is earned by owners of land and capital. |   5. Approximately how much of the income in the United States is earned by workers in the form of wages and fringe benefits?   |  |  | | --- | --- | | a. | 25 percent | | b. | 50 percent | | c. | 75 percent | | d. | 90 percent |   6. Because workers in the U.S. economy receive most of the total income earned, which of the following factors of production is considered to be the most important?   |  |  | | --- | --- | | a. | profit | | b. | wages | | c. | interest | | d. | labor |   7. Total income in the United States is comprised of   |  |  | | --- | --- | | a. | wages only. | | b. | wages and fringe benefits only. | | c. | rents, profits, and interest payments only. | | d. | wages, fringe benefits, rents, profits, and interest payments. |   8. The inputs used to produce goods and services are called   |  |  | | --- | --- | | a. | Luddite factors. | | b. | marginal products. | | c. | labor demands. | | d. | factors of production. |   C |