Multiple Choice Questions (Enter your answers on the enclosed answer sheet)

1) "Between 1997 and 2001, many apple farmers switched from traditional to organic growing methods, increasing production of organically grown apples from 1.2 million boxes per year to more than 3 million boxes." If the market for organic apples is perfectly competitive, which of the following statements is inconsistent with the statement above?

a. Organic apple farmers earned short-run economic profits between 1997 and 2001.
b. The price of organic apples is likely to rise over time as more and more farmers switch to organic methods of farming.
c. The additional supply of organic apples resulted in a lower price for organic apples.
d. It is relatively easy to enter the organic apples market.

Table 8-1

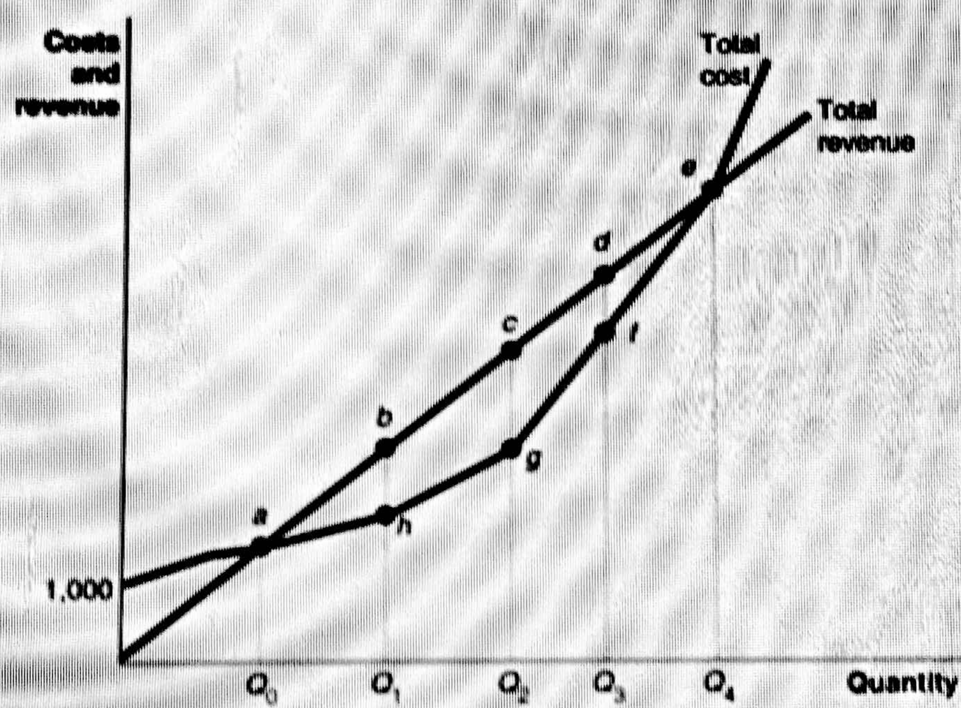
Quantity	*Total Cost (Dollars)*	*Variable Cost (Dollars)*
0	$1,000	$0
100	1,360	360
200	1,560	560
300	1,960	960
400	2,760	1,760
500	4,000	3,000
600	5,800	4,800

Table 8-1 shows the short-run cost data of a perfectly competitive firm that produces plastic camera cases. Assume that output can only be increased in batches of 100 units.

2) Refer to Table 8-1. If the market price of each camera case is $8 what is the firm's total revenue?

a. $2,400
b. $3,200
c. $4000

Figure 8-2



3) Refer to Figure 8-2. Suppose the firm is currently producing Q2 units. What ha if it expands output to Q3 units?

a. It will be moving toward its profit-maximizing output.
b. It makes less profit.
c. It incurs a loss.
d. Its profit increases by the size of the vertical distance df.

4) For a perfectly competitive firm, which of the following is not true at profit ma

Figure 8-4

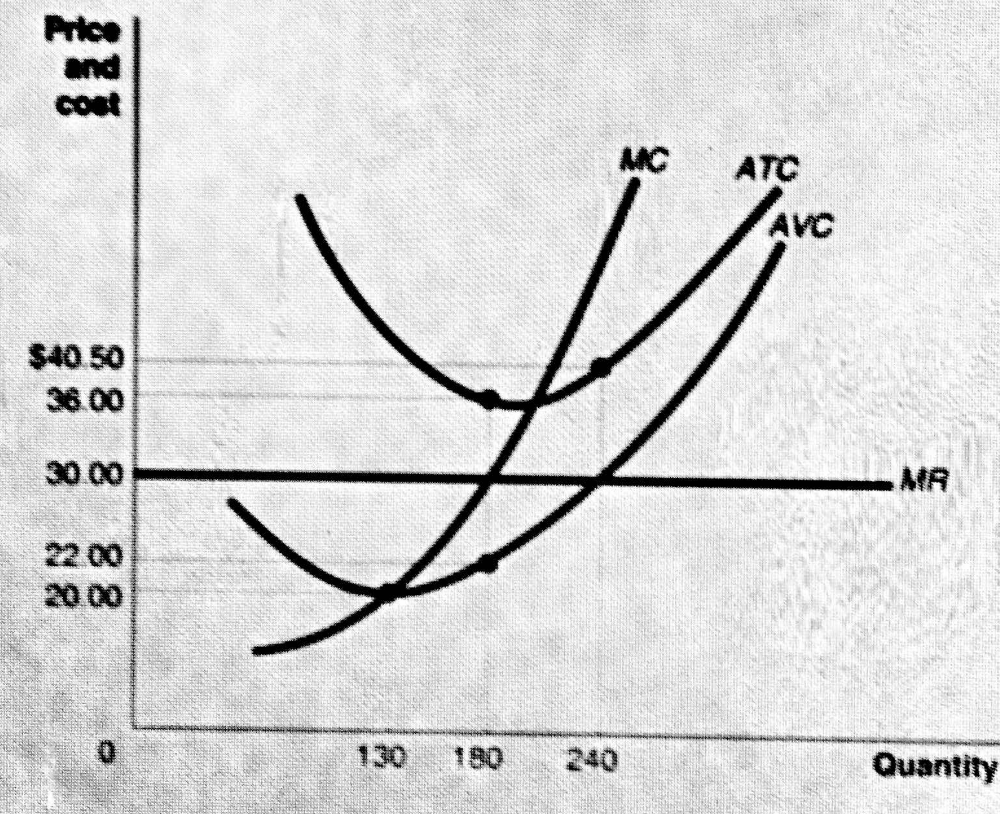


Figure 8-4 shows the cost and demand curves for a profit-maximizing fir
competitive market.

6) Refer to Figure 8-4. If the market price is $30, should the firm rep
diagram continue to stay in business?

Figure 9-7

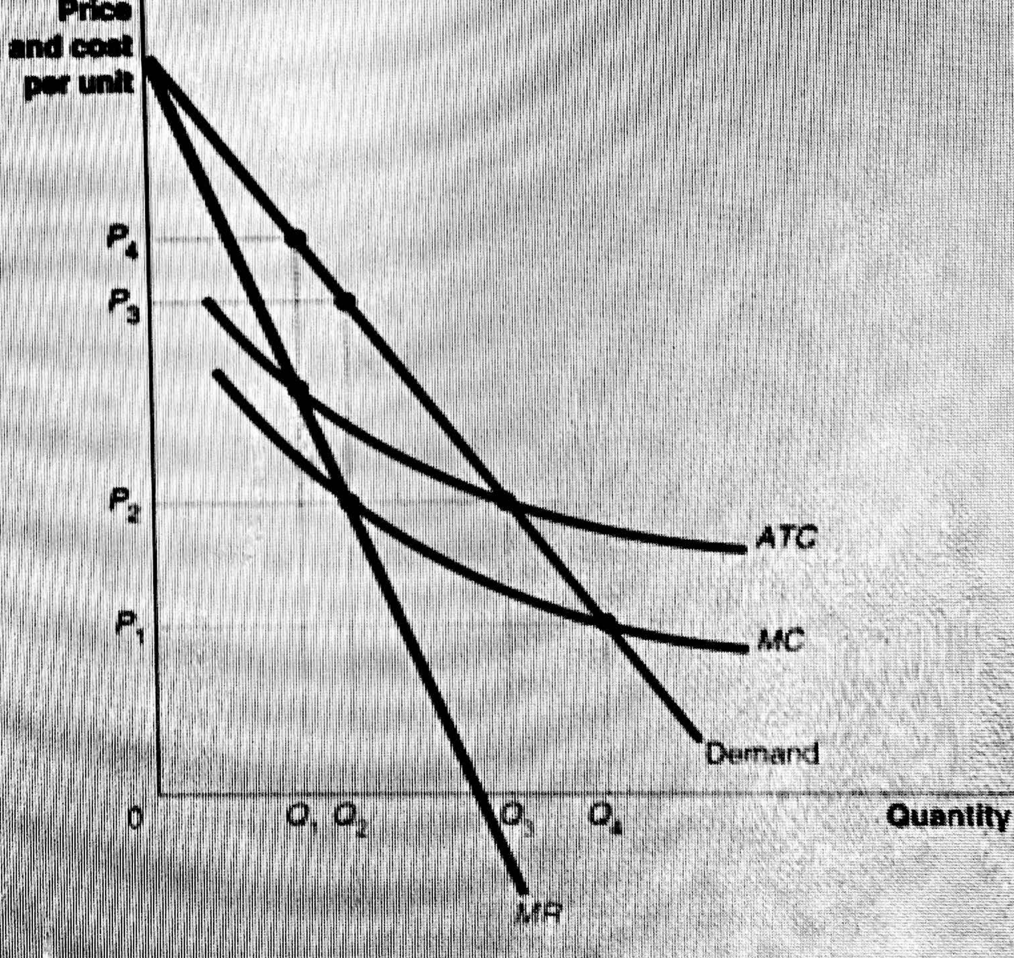


Figure 9-7 shows the cost and demand curves for the Erickson Power Co

8) Refer to Figure 9-7. The firm would maximize profit by producing

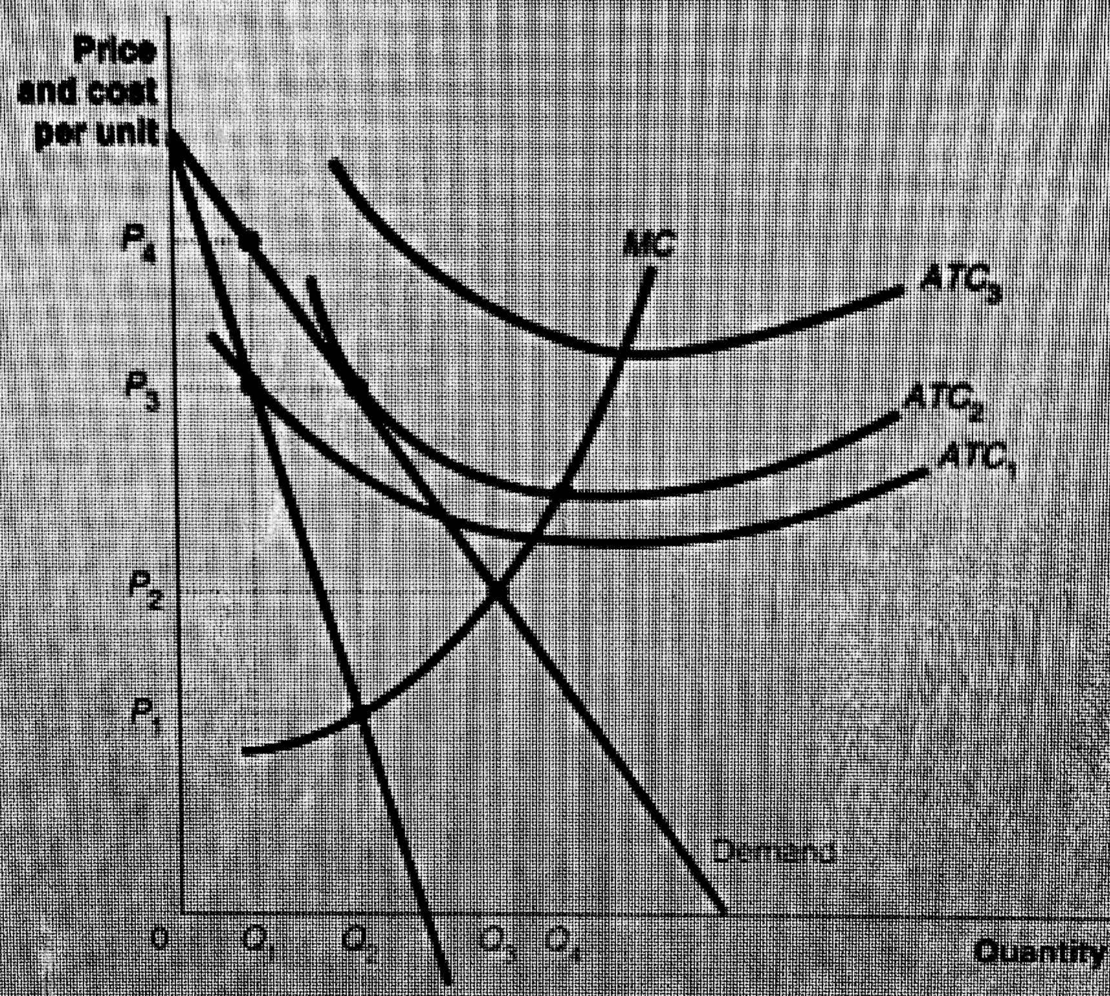
a. Q1 units.
b. Q2 units.
c. Q3 units.

Figure 9-7 shows the cost and demand curves for the Erickson

8) Refer to Figure 9-7. The firm would maximize profit by pro

a. Q1 units.
b. Q2 units.
c. Q3 units.
d. Q4 units.

Figure 9-1



9) Refer to Figure 9-1. If the firm's average total cost curve is ATC3 the firm will

a. break even.
b. make a profit.
c. suffer a loss.
d. face competition.

Table 9-1

Price per unit	***Quantity demanded (Units)***	***Total cost of production***
$200	*1*	*$200*
180	*2*	*300*
160	*3*	*350*
140	*4*	*360*
120	*5*	*375*
100	*6*	*395*
80	*7*	*425*

A monopoly producer of a foreign language translation software package faces the demand and cost structure given in Table 9-1.

10) Refer to Table 9-1. What is the marginal revenue from the sale of the third unit?

a. -$5
b. $160

Figure 9-3

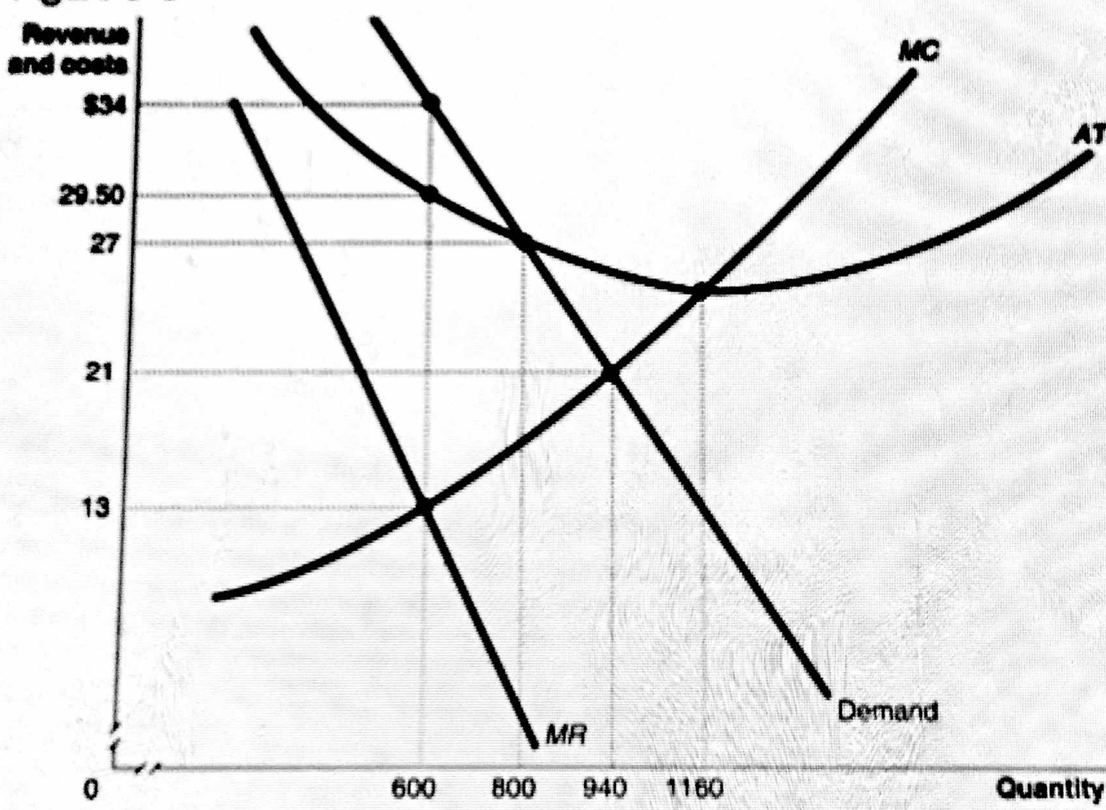


Figure 9-3 shows the demand and cost curves for a monopolist.

11) Refer to Figure 9-3. What is the monopoly's profit?

a. $2,700
b. $12,600
c. $10,400
d. $4,200

c. it must reduce its price to sell more output.
d. the demand for its product must be inelastic.

15) A monopolistically competitive firm will

a. have some control over its price because its product is differentiated.
b. always produce at the minimum efficient scale of production.
c. charge the same price as its competitors do.
d. produce an output level that is productively and allocatively efficient.

Table 10-1

Quantity	*Price (Dollars)*	*Total Revenue (Dollars)*
1	$7.50	$7.50
2	7.00	14.00
3	6.50	19.50
4	6.00	24.00
5	5.50	27.50
6	5.00	30.00

16) Refer to Table 10-1. The table shows

a. an inelastic segment of the demand curve.
b. a demand curve with an elastic segment of the demand curve from $7.50 to $6.50 followed by an inelastic segment.
c. an elastic segment of the demand curve.
d. a demand curve with an inelastic segment of the demand curve from $7.50 to $6.50 followed by an elastic segment.

Figure 10-3

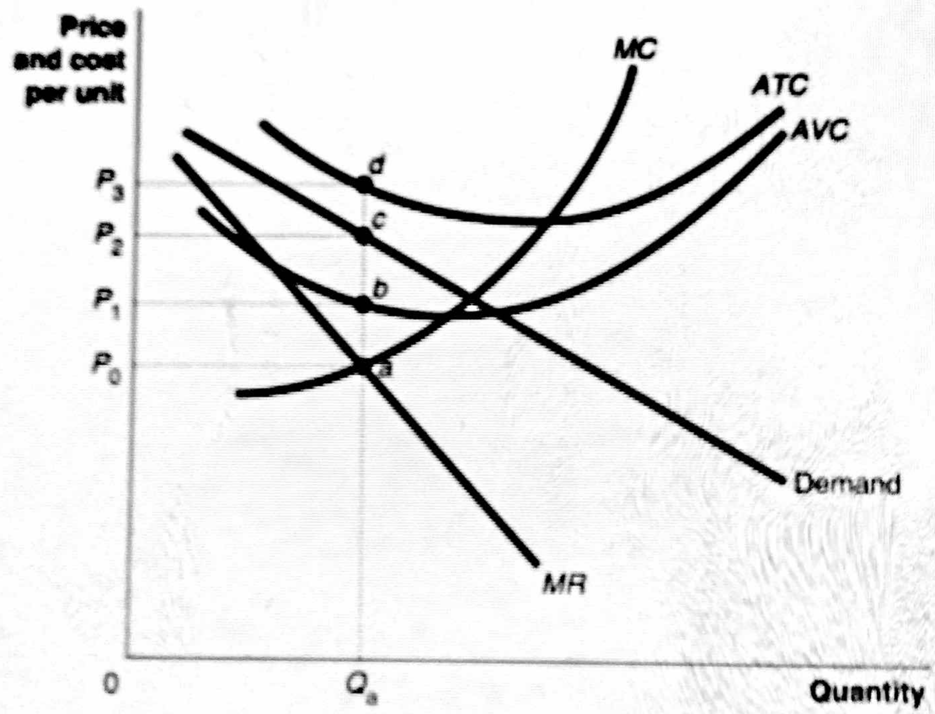


Figure 10-3 shows short run cost and demand curves for a monopolisticall
firm in the market for designer watches.

17) Refer to Figure 10-3. What area represents the total variable cost of p

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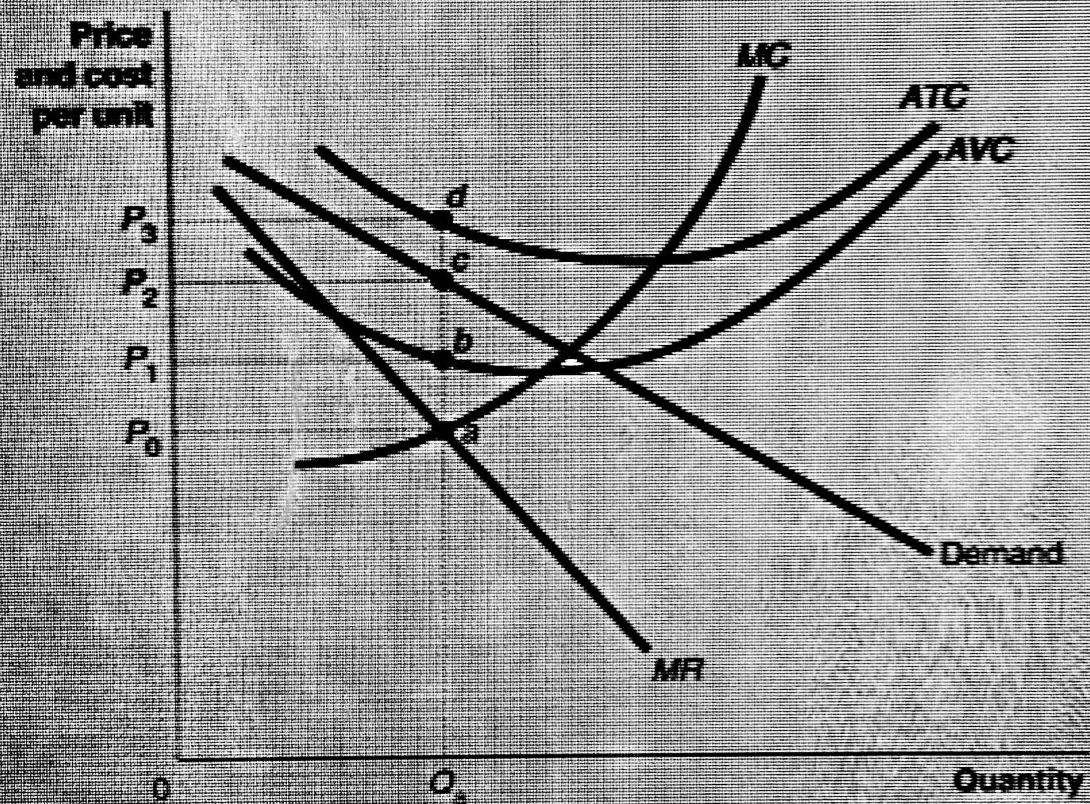
a. OP0aQa
b. P0abP1
c. P1bdP3
d. OP1bQa

Figure 10-7



[redacted]

a. minus government transfer payments plus personal tax payments.
b. plus government transfer payments.
c. minus personal tax payments plus government transfer payments.
d. minus personal tax payments.

23) The Bureau of Labor Statistics would categorize a retiree who is not working as ________.

a. a discouraged worker
b. unemployed
c. employed
d. out of the labor force

Table 12-1

Total Population	20,000
Working-Age Population	15,000
Employment	1,000
Unemployment	100

Consider the data above for a simple economy.

24) Refer to Table 12-1. The labor force participation rate for this simple economy equals

a. (1,000/1,100) x 100.
b. (1,100/15,000) x 100.
c. (1,100/20,000) x 100.
d. (1,000/15,000) x 100.

25) Suppose that at the beginning of a loan contract the real interest rate is 4% and expected inflation is 6%. If actual inflation turns out to be 7% over the loan contract period, then

a. lenders gain 3%.
b. borrowers lose 3%.