

Economics pre-final exam Quiz

50
Questions

1. Which condition is required for a market outcome to be efficient in the Pareto sense?

- 10/31 A Consumers maximize utility while firms maximize profits
- 5/31 B Price equals marginal cost
- 12/31 C No one can be made better off without making someone else worse off
- 4/31 D Government sets optimal prices

2. In a perfectly competitive market, efficiency is achieved because:

- 1/31 A Firms earn zero economic profit
- 9/31 B Output is produced at minimum average cost
- 20/31 C The marginal benefit to consumers equals the marginal cost of production
- 1/31 D Prices are high enough to cover fixed costs

3. Deadweight loss occurs when:

- 3/31 A Consumer surplus is maximized
- 5/31 B Producer surplus is zero
- 17/31 C Total surplus is lower than its maximum possible level
- 6/31 D Markets are perfectly competitive

4. If the price of a good is above marginal cost, the market will tend to:

- 9/30 A Overproduce the good
- 10/30 B Underproduce the good
- 6/30 C Produce the efficient quantity
- 5/30 D Eliminate consumer surplus

5. Market efficiency refers to:

- 7/29 A The fairness of income distribution
- 13/29 B The maximization of total surplus
- 6/29 C The minimization of prices
- 3/29 D High profits for firms

6. The efficient quantity of a good is determined at the point where:

- 4/28 A Demand is maximized
- 6/28 B Supply is maximized
- 14/28 C Marginal willingness to pay equals marginal willingness to sell
- 4/28 D Consumer surplus equals producer surplus

7. Monopoly markets are usually inefficient because:

- 6/28 A They produce where $P = MC$
- 10/28 B They restrict output below the socially optimal level
- 9/28 C They eliminate all producer surplus
- 3/28 D Entry is easy

8. The area representing market inefficiency in a supply and demand diagram is called:

- 3/28 A Consumer surplus
- 7/28 B Producer surplus
- 12/28 C Deadweight loss
- 6/28 D Marginal profit

9. When demand represents marginal social benefit and supply represents marginal social cost:

- 6/27 A The competitive equilibrium is inefficient
- 5/27 B Government intervention is always required
- 14/27 C The competitive equilibrium is efficient
- 2/27 D Total surplus is minimized

10. Efficiency in exchange requires that:

- 3/26 A All consumers have identical preferences
- 11/26 B Marginal rates of substitution are equal across consumers
- 8/26 C Prices are fixed
- 4/26 D Firms produce at maximum capacity

11. Total surplus in a market is maximized when:

- 10/25 **A** Taxes are highest
- 9/25 **B** Price is lowest
- 6/25 **C** All mutually beneficial trades are exhausted
- 0/25 **D** A single firm dominates

12. Which policy would most likely increase efficiency in a competitive market?

- 4/24 **A** per-unit tax
- 5/24 **B** A subsidy to producers
- 10/24 **C** Removing a distortion that prevents price from equalling marginal cost
- 5/24 **D** Imposing import quotas

13. Allocative efficiency is achieved when

- 4/24 **A** Average cost is minimized
- 9/24 **B** Price equals marginal social benefit
- 4/24 **C** Producer profit is maximized
- 7/24 **D** Consumer surplus is zero

14. A market is said to be dynamically efficient if:

- 7/24 **A** Firms always earn positive profits
- 10/24 **B** Resources are allocated efficiently over time
- 5/24 **C** Prices never change
- 2/24 **D** All goods are produced by the government

15. Which of the following represents a distortion leading to inefficiency?

- 3/24 **A** Perfect information
- 7/24 **B** Price equal to marginal cost
- 7/24 **C** A per-unit tax on a competitive market
- 7/24 **D** Free entry and exit

16. If a market price is below marginal cost:

- 5/22 **A** The good is underproduced
- 11/22 **B** The good is overproduced
- 2/22 **C** The allocation is efficient
- 4/22 **D** Total surplus is maximized

17. Consumer surplus measures:

- 3/20 **A** The profit of firms
- 13/20 **B** The difference between willingness to pay and the market price
- 2/20 **C** Government revenue
- 2/20 **D** The marginal cost of production

18. Efficiency in production requires that:

- 2/19 **A** Price equals average cost
- 9/19 **B** Marginal rates of technical substitution are equal across firms
- 5/19 **C** Firms produce different quantities
- 3/19 **D** There are many buyers

19. The socially optimal level of output is achieved when:

- 6/19 **A** Marginal private benefit equals marginal private cost
- 9/19 **B** Marginal social benefit equals marginal social cost
- 2/19 **C** Producer surplus is highest
- 2/19 **D** Consumer surplus is lowest

20. Which statement about taxes and efficiency is correct?

- 3/19 **A** Per-unit taxes create deadweight loss
- 12/19 **B** Competitive markets with taxes remain efficient
- 2/19 **C** Taxes only reduce producer surplus
- 2/19 **D** Taxes maximize total surplus

21. Efficiency in a market means that:

- 2/19 **A** All consumers pay the same price
- 13/19 **B** The marginal buyer's valuation equals the marginal seller's cost
- 2/19 **C** Producers always gain more than consumers
- 2/19 **D** Prices are maximized

22. If regulation prevents prices from adjusting freely:

- 5/19 **A** Markets may fail to reach efficient outcomes
- 6/19 **B** Total surplus increases
- 5/19 **C** There will be excess supply only
- 3/19 **D** Monopoly power disappears

- 23.** The efficient allocation of resources requires:
- 2/19 **A** Maximizing consumer surplus only
 - 2/19 **B** Eliminating producer profits
 - 11/19 **C** Maximizing the sum of consumer and producer surplus
 - 4/19 **D** Fixing prices by law
- 24.** Which market structure most consistently leads to efficient outcomes?
- 7/19 **A** Monopoly
 - 5/19 **B** Oligopoly
 - 7/19 **C** Perfect competition
 - 0/19 **D** Monopsony
- 25.** Which of the following is a defining characteristics of a public good?
- 5/19 **A** Rival and excludable
 - 8/19 **B** Non-rival and non-excludable
 - 4/19 **C** Rival but non-excludable
 - 2/19 **D** Excludable but non-rival
- 26.** Non-rivalry in consumption means that:
- 5/19 **A** People cannot be prevented from using the good
 - 7/19 **B** One person's consumption reduces the amount available to others
 - 6/19 **C** The marginal cost of an additional user is zero
 - 1/19 **D** The good must be provided by the government
- 27.** Which of the following is an example of a pure public good?
- 5/19 **A** A congested toll road
 - 7/19 **B** National defense
 - 3/19 **C** Fish in the ocean
 - 4/19 **D** A private park
- 28.** Markets tend to underprovide public goods because:
- 3/19 **A** They are too profitable
 - 12/19 **B** Free-rider problem prevents firms from capturing full benefits
 - 4/19 **C** They create negative externalities
 - 0/19 **D** They are excludable

29. The free-rider problem occurs when:

- 3/19 **A** Consumers pay too much for a good
- 11/19 **B** Individuals can benefit from a good without paying for it
- 1/19 **C** Goods are perfectly excludable
- 4/19 **D** Property rights are well defined

30. Efficient provision of a public good requires that:

- 3/19 **A** Price equals marginal cost
- 6/19 **B** Government sets a price ceiling
- 6/19 **C** The sum of marginal benefits equals marginal social cost
- 4/19 **D** Private benefit equals private cost for each consumer

31. Which statement best describes a common resource?

- 6/18 **A** Non-rival and excludable
- 3/18 **B** Rival and non-excludable
- 7/18 **C** Non-rival and non-excludable
- 2/18 **D** Rival and excludable

32. "Tragedy of the Commons" refers to:

- 4/18 **A** Overuse of rival and non-excludable resources
- 7/18 **B** Underconsumption of public goods
- 5/18 **C** High prices in monopoly markets
- 2/18 **D** Excess supply caused by subsidies

33. Which of the following is a typical example of a common resource?

- 5/18 **A** Street lighting
- 2/18 **B** Public television
- 7/18 **C** Clean air
- 4/18 **D** A lighthouse with entrance fee

34. A good that is excludable but non-rival is called:

- 2/18 **A** Public good
- 9/18 **B** Common resource
- 4/18 **C** Club good
- 3/18 **D** Private good

35. The main economic problem with common resources is that:

- 0/18 **A** They are never used
- 10/18 **B** Private users ignore the external cost they impose on others
- 6/18 **C** They are excludable
- 2/18 **D** They generate too much tax revenue

36. Which policy is most appropriate to solve the tragedy of the commons?

- 1/18 **A** Removing property rights
- 10/18 **B** Imposing taxes or quotas on resource use
- 3/18 **C** Price ceilings
- 4/18 **D** Encouraging more free riding

37. Public goods are inefficiently provided in private markets because:

- 5/18 **A** Consumers have identical preferences
- 2/18 **B** Marginal cost is high
- 8/18 **C** Social marginal benefit is not reflected in individual willingness to pay
- 3/18 **D** They are rival goods

38. If the government provides a public good at the efficient level:

- 3/18 **A** Free riders disappear automatically
- 6/18 **B** Total surplus is maximized
- 3/18 **C** The good becomes rival
- 6/18 **D** Consumers pay different prices based on MC

39. Which of the following goods is most likely to suffer from congestion as more users join?

- 3/18 **A** National defense
- 4/18 **B** Knowledge
- 10/18 **C** A public swimming pool
- 1/18 **D** Vaccination programs

40. Which of the following is NOT an example of a public good?

- 5/18 **A** Fireworks display in a city
- 3/18 **B** Public radio broadcasts
- 7/18 **C** A Netflix subscription
- 3/18 **D** Mosquito control programs

41. Overfishing in international waters occurs mainly because:

- 3/18** **A** Fishing has high fixed costs
- 4/18** **B** The ocean is non-rival
- 8/18** **C** Fish stocks are rival and non-excludable
- 3/18** **D** There are too few fishermen

42. A national park that becomes crowded in peak season is an example of:

- 3/18** **A** Pure public good
- 6/18** **B** Club good
- 9/18** **C** Common resource
- 0/18** **D** Private good

43. Unlike public goods, club goods are:

- 3/18** **A** Provided efficiently by competitive markets
- 9/18** **B** Excludable, which allows firms to charge users
- 5/18** **C** Non-excludable
- 1/18** **D** Always free of charge

44. The marginal social cost of an additional user of a public good is typically:

- 6/17** **A** Positive
- 3/17** **B** Zero
- 6/17** **C** Very high
- 2/17** **D** Unknown

45. Which of the following is both non-rival and non-excludable?

- 2/17** **A** Cable TV
- 5/17** **B** City bus
- 6/17** **C** Street lighting
- 4/17** **D** A private beach

46. Pollution of a river used by many factories illustrates

- 3/17** **A** The free-rider problem
- 10/17** **B** The tragedy of the commons
- 2/17** **C** Efficient resource allocation
- 2/17** **D** Perfect excludability

- 47.** Which of the following best explains why private markets tend to underprovide public goods?
- 3/17** **A** Public goods generate very high profits
 - 11/17** **B** The free-rider problem makes it difficult to charge users
 - 2/17** **C** Public goods are rival in consumption
 - 1/17** **D** Marginal cost pricing is always applied
- 48.** A common resource is inefficiently used mainly because:
- 3/17** **A** It is non-rival and excludable
 - 6/17** **B** Users fully account for social costs
 - 8/17** **C** Individuals ignore the negative external effects of their own consumption
 - 0/17** **D** The government always sets optimal quotas
- 49.** For efficient provision of a public good, which condition must hold?
- 2/17** **A** Marginal benefit equals marginal cost for each individual
 - 4/17** **B** Price equals marginal cost
 - 11/17** **C** The sum of all individuals' marginal benefits equals marginal social cost
 - 0/17** **D** Producer surplus must be greater than consumer surplus
- 50.** Which of the following is most likely to experience the tragedy of the commons?
- 1/16** **A** National defense
 - 3/16** **B** A patent-protected invention
 - 5/16** **C** Open-access grazing land
 - 7/16** **D** A subscription-based fitness center