

Economics pre-final exam Quiz

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Questions

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

- 9/29 A Consumers maximize utility while firms maximize profits
- 6/29 B Price equals marginal cost
- 11/29 C No one can be made better off without making someone else worse off
- 3/29 D Government sets optimal prices

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

- 2/29 A Firms earn zero economic profit
- 1/29 B Output is produced at minimum average cost
- 21/29 C The marginal benefit to consumers equals the marginal cost of production
- 5/29 D Prices are high enough to cover fixed costs

3. Deadweight loss occurs when:

- 5/28 A Consumer surplus is maximized
- 4/28 B Producer surplus is zero
- 17/28 C Total surplus is lower than its maximum possible level
- 2/28 D Markets are perfectly competitive

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

- 2/27 A Overproduce the good
- 11/27 B Underproduce the good
- 9/27 C Produce the efficient quantity
- 5/27 D Eliminate consumer surplus

5. Market efficiency refers to:

- 7/25 A The fairness of income distribution
- 14/25 B The maximization of total surplus
- 1/25 C The minimization of prices
- 3/25 D High profits for firms

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

- 3/25 A Demand is maximized
- 6/25 B Supply is maximized
- 11/25 C Marginal willingness to pay equals marginal willingness to sell
- 5/25 D Consumer surplus equals producer surplus

7. Monopoly markets are usually inefficient because:

- 2/25 A They produce where $P = MC$
- 13/25 B They restrict output below the socially optimal level
- 7/25 C They eliminate all producer surplus
- 3/25 D Entry is easy

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

- 3/25 A Consumer surplus
- 4/25 B Producer surplus
- 15/25 C Deadweight loss
- 3/25 D Marginal profit

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

- 7/25 A The competitive equilibrium is inefficient
- 1/25 B Government intervention is always required
- 14/25 C The competitive equilibrium is efficient
- 3/25 D Total surplus is minimized

10. Efficiency in exchange requires that:

- 3/24 A All consumers have identical preferences
- 14/24 B Marginal rates of substitution are equal across consumers
- 4/24 C Prices are fixed
- 3/24 D Firms produce at maximum capacity

11. Total surplus in a market is maximized when:

- 3/24 **A** Taxes are highest
- 4/24 **B** Price is lowest
- 14/24 **C** All mutually beneficial trades are exhausted
- 3/24 **D** A single firm dominates

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

- 1/23 **A** per-unit tax
- 4/23 **B** A subsidy to producers
- 13/23 **C** Removing a distortion that prevents price from equalling marginal cost
- 5/23 **D** Imposing import quotas

13. Allocative efficiency is achieved when

- 1/23 **A** Average cost is minimized
- 17/23 **B** Price equals marginal social benefit
- 2/23 **C** Producer profit is maximized
- 3/23 **D** Consumer surplus is zero

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

- 4/23 **A** Firms always earn positive profits
- 13/23 **B** Resources are allocated efficiently over time
- 3/23 **C** Prices never change
- 3/23 **D** All goods are produced by the government

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

- 1/23 **A** Perfect information
- 4/23 **B** Price equal to marginal cost
- 14/23 **C** A per-unit tax on a competitive market
- 4/23 **D** Free entry and exit

16. If a market price is below marginal cost:

- 8/23 **A** The good is underproduced
- 8/23 **B** The good is overproduced
- 3/23 **C** The allocation is efficient
- 4/23 **D** Total surplus is maximized

17. Consumer surplus measures:

- 2/23 A The profit of firms
- 14/23 B The difference between willingness to pay and the market price
- 3/23 C Government revenue
- 4/23 D The marginal cost of production

18. Efficiency in production requires that:

- 3/22 A Price equals average cost
- 15/22 B Marginal rates of technical substitution are equal across firms
- 3/22 C Firms produce different quantities
- 1/22 D There are many buyers

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

- 5/22 A Marginal private benefit equals marginal private cost
- 12/22 B Marginal social benefit equals marginal social cost
- 4/22 C Producer surplus is highest
- 1/22 D Consumer surplus is lowest

20. Which statement about taxes and efficiency is correct?

- 10/22 A Per-unit taxes create deadweight loss
- 6/22 B Competitive markets with taxes remain efficient
- 5/22 C Taxes only reduce producer surplus
- 1/22 D Taxes maximize total surplus

21. Efficiency in a market means that:

- 0/22 A All consumers pay the same price
- 15/22 B The marginal buyer's valuation equals the marginal seller's cost
- 3/22 C Producers always gain more than consumers
- 4/22 D Prices are maximized

22. If regulation prevents prices from adjusting freely:

- 12/22 A Markets may fail to reach efficient outcomes
- 4/22 B Total surplus increases
- 4/22 C There will be excess supply only
- 2/22 D Monopoly power disappears

23. The efficient allocation of resources requires:

- 2/22 A Maximizing consumer surplus only
- 1/22 B Eliminating producer profits
- 14/22 C Maximizing the sum of consumer and producer surplus
- 5/22 D Fixing prices by law

24. Which market structure most consistently leads to efficient outcomes?

- 8/22 A Monopoly
- 3/22 B Oligopoly
- 10/22 C Perfect competition
- 1/22 D Monopsony

25. Which of the following is a defining characteristics of a public good?

- 4/22 A Rival and excludable
- 12/22 B Non-rival and non-excludable
- 3/22 C Rival but non-excludable
- 3/22 D Excludable but non-rival

26. Non-rivalry in consumption means that:

- 7/22 A People cannot be prevented from using the good
- 4/22 B One person's consumption reduces the amount available to others
- 6/22 C The marginal cost of an additional user is zero
- 5/22 D The good must be provided by the government

27. Which of the following is an example of a pure public good?

- 3/22 A A congested toll road
- 10/22 B National defense
- 6/22 C Fish in the ocean
- 3/22 D A private park

28. Markets tend to underprovide public goods because:

- 1/22 A They are too profitable
- 9/22 B Free-rider problem prevents firms from capturing full benefits
- 8/22 C They create negative externalities
- 4/22 D They are excludable

29. The free-rider problem occurs when:

- 5/21 **A** Consumers pay too much for a good
- 10/21 **B** Individuals can benefit from a good without paying for it
- 2/21 **C** Goods are perfectly excludable
- 4/21 **D** Property rights are well defined

30. Efficient provision of a public good requires that:

- 4/21 **A** Price equals marginal cost
- 4/21 **B** Government sets a price ceiling
- 10/21 **C** The sum of marginal benefits equals marginal social cost
- 3/21 **D** Private benefit equals private cost for each consumer

31. Which statement best describes a common resource?

- 2/20 **A** Non-rival and excludable
- 7/20 **B** Rival and non-excludable
- 6/20 **C** Non-rival and non-excludable
- 5/20 **D** Rival and excludable

32. "Tragedy of the Commons" refers to:

- 9/20 **A** Overuse of rival and non-excludable resources
- 2/20 **B** Underconsumption of public goods
- 6/20 **C** High prices in monopoly markets
- 3/20 **D** Excess supply caused by subsidies

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

- 4/20 **A** Street lighting
- 4/20 **B** Public television
- 8/20 **C** Clean air
- 4/20 **D** A lighthouse with entrance fee

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

- 5/20 **A** Public good
- 8/20 **B** Common resource
- 7/20 **C** Club good
- 0/20 **D** Private good

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

- 2/19 **A** They are never used
- 9/19 **B** Private users ignore the external cost they impose on others
- 6/19 **C** They are excludable
- 2/19 **D** They generate too much tax revenue

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

- 3/19 **A** Removing property rights
- 13/19 **B** Imposing taxes or quotas on resource use
- 0/19 **C** Price ceilings
- 3/19 **D** Encouraging more free riding

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

- 0/18 **A** Consumers have identical preferences
- 5/18 **B** Marginal cost is high
- 10/18 **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
- 7/18 **B** Total surplus is maximized
- 2/18 **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?

- 4/18 **A** National defense
- 4/18 **B** Knowledge
- 10/18 **C** A public swimming pool
- 0/18 **D** Vaccination programs

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

- 4/18 **A** Fireworks display in a city
- 2/18 **B** Public radio broadcasts
- 9/18 **C** A Netflix subscription
- 3/18 **D** Mosquito control programs

41. Overfishing in international waters occurs mainly because:

- 1/18 **A** Fishing has high fixed costs
- 5/18 **B** The ocean is non-rival
- 8/18 **C** Fish stocks are rival and non-excludable
- 4/18 **D** There are too few fishermen

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

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

43. Unlike public goods, club goods are:

- 5/18 **A** Provided efficiently by competitive markets
- 10/18 **B** Excludable, which allows firms to charge users
- 2/18 **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:

- 9/18 **A** Positive
- 5/18 **B** Zero
- 3/18 **C** Very high
- 1/18 **D** Unknown

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

- 5/18 **A** Cable TV
- 5/18 **B** City bus
- 6/18 **C** Street lighting
- 2/18 **D** A private beach

46. Pollution of a river used by many factories illustrates

- 1/18 **A** The free-rider problem
- 7/18 **B** The tragedy of the commons
- 5/18 **C** Efficient resource allocation
- 5/18 **D** Perfect excludability

- 47.** Which of the following best explains why private markets tend to underprovide public goods?
- 2/18** **A** Public goods generate very high profits
 - 8/18** **B** The free-rider problem makes it difficult to charge users
 - 5/18** **C** Public goods are rival in consumption
 - 3/18** **D** Marginal cost pricing is always applied
- 48.** A common resource is inefficiently used mainly because:
- 3/18** **A** It is non-rival and excludable
 - 4/18** **B** Users fully account for social costs
 - 8/18** **C** Individuals ignore the negative external effects of their own consumption
 - 3/18** **D** The government always sets optimal quotas
- 49.** For efficient provision of a public good, which condition must hold?
- 4/18** **A** Marginal benefit equals marginal cost for each individual
 - 3/18** **B** Price equals marginal cost
 - 7/18** **C** The sum of all individuals' marginal benefits equals marginal social cost
 - 4/18** **D** Producer surplus must be greater than consumer surplus
- 50.** Which of the following is most likely to experience the tragedy of the commons?
- 4/18** **A** National defense
 - 5/18** **B** A patent-protected invention
 - 4/18** **C** Open-access grazing land
 - 5/18** **D** A subscription-based fitness center