1. Which of the following would shift the demand curve for new textbooks to the right?
   a. A fall in the price of paper used in publishing texts.
   b. A fall in the price of equivalent used textbooks.
   c. An increase in the number of students attending college.
   d. A fall in the price of new textbooks.

2. Assume that steak and potatoes are complements. When the price of steak goes up, the demand curve for potatoes
   a. shifts to the left.
   b. shifts to the right.
   c. remains constant.
   d. shifts to the right initially and then returns to its original position.

3. Which of the following will cause a shift to the left in the supply curve of gasoline?
   a. A decrease in the price of gasoline.
   b. An increase in the wage rate of refinery workers.
   c. Decrease in the price of crude oil.
   d. An improvement in oil refining technology.
   e. All of the above.

4. Which of the following will NOT cause a shift in the supply of gasoline?
   a. An increase in the wage rate of refinery workers.
   b. A decrease in the price of gasoline.
   c. An improvement in oil refining technology.
   d. A decrease in the price of crude oil.

5. Suppose that the quantity of nursing services demanded exceeds the quantity of nursing services supplied. The nursing wage rate will:
   a. decrease.
   b. increase.
   c. not change.
   d. none of the above.

6. Which of the following would cause an unambiguous decrease in the real price of DVD players?
   a. A shift to the right in the supply curve for DVD players and a shift to the right in the demand curve for DVD players.
   b. A shift to the right in the supply curve for DVD players and a shift to the left in the demand curve for DVD players.
   c. A shift to the left in the supply curve for DVD players and a shift to the right in the demand curve for DVD players.
   d. A shift to the left in the supply curve for DVD players and a shift to the left in the demand curve for DVD players.
7. Consider the demand curve of the form \( Q = a - bP \). If \( a \) is a positive real number, and \( b = 0 \), then demand is
   a. completely inelastic.
   b. inelastic, but not completely.
   c. unit elastic.
   d. elastic, but not infinitely.

8. The slope of an indifference curve reveals:
   a. that preferences are complete.
   b. the marginal rate of substitution of one good for another good.
   c. the ratio of market prices.
   d. that preferences are transitive.
   e. none of the above.

9. If Jill's MRS of popcorn for candy is 2 (popcorn is on the horizontal axis), Jill would willingly give up:
   a. 2, but no more than 2, units of popcorn for an additional unit of candy.
   b. 2, but no more than 2, units of candy for an additional unit of popcorn.
   c. 1, but no more than 1, unit of candy for an additional 2 units of popcorn.
   d. 2, but no more than 2, units of popcorn for an additional 2 units of candy.

10. A consumer has $100 per day to spend on product A, which has a unit price of $7, and product B, which has a unit price of $15. What is the slope of the budget line if good A is on the horizontal axis and good B is on the vertical axis?
    a. \(-7/15\).
    b. \(-7/100\).
    c. \(-15/7\).
    d. \(7/15\).
11. Theodore’s budget line has changed from A to B. Which of the following explains the change in Theodore’s budget line?

- a. The price of food and the price of clothing increased.
- b. The price of food increased, and the price of clothing decreased.
- c. *The price of food decreased, and the price of clothing increased.*
- d. The price of food and the price of clothing decreased.
- e. None of the above.

12. Assume that food is measured on the horizontal axis and clothing on the vertical axis. If the price of food falls relative to that of clothing, the budget line will:

- a. *become flatter.*
- b. become steeper.
- c. shift outward.
- d. become steeper or flatter depending on the relationship between prices and income.

13. The income-consumption curve for Dana between Qa and Qb is given as: Qa=Qb. His budget constraint is given as:

\[ 120 = Qa + 4Qb \]

How much Qa will Dana consume to maximize utility?

- a. 0
- b. **24**
- c. 30
- d. 60
- e. More information is needed to answer this question.
14. Use the following two statements in answering this question:
   I. All Giffen goods are inferior goods.
   II. All inferior goods are Giffen goods.
   a. I and II are true.
   b. I is true, and II is false.
   c. I is false, and II true.
   d. I and II are false.

Scenario:
Suppose that the demand for artichokes (Qa) is given as:

\[ Qa = 200 - 4P \]

15. Use the information in Scenario. What is the price elasticity of demand if the price of artichokes is $10?
   a. 0
   b. -0.25
   c. -1
   d. -4
   e. negative infinity

16. The function which shows combinations of inputs that yield the same output is called a(n)
   a. isoquant curve.
   b. isocost curve.
   c. production function.
   d. production possibilities frontier.

17. If the isoquants are straight lines, then
   a. inputs have fixed costs at all use rates.
   b. the marginal rate of technical substitution of inputs is constant.
   c. only one combination of inputs is possible.
   d. there are constant returns to scale.

18. A production function in which the inputs are perfectly substitutable would have isoquants that are
   a. convex to the origin.
   b. L-shaped.
   c. linear.
   d. concave to the origin.

19. An L-shaped isoquant
   a. is impossible.
   b. would indicate that the firm could switch from one output to another costlessly.
   c. would indicate that the firm could not switch from one output to another.
   d. would indicate that capital and labor cannot be substituted for each other in production.
   e. would indicate that capital and labor are perfect substitutes in production.
20. With increasing returns to scale, isoquants for unit increases in output become
   a. farther and farther apart.
   b. closer and closer together.
   c. the same distance apart.
   d. none of these.

21. Fixed costs are fixed with respect to changes in
   a. output.
   b. capital expenditure.
   c. wages.
   d. time.

22. Incremental cost is the same concept as ______________ cost.
   a. average
   b. marginal
   c. fixed
   d. variable

23. Which of the following costs always declines as output increases?
   a. average cost
   b. marginal cost
   c. fixed cost
   d. average fixed cost
   e. average variable cost

24. The total cost (TC) of producing computer software diskettes (Q) is given as: \( TC = 200 + 5Q \).
   What is the marginal cost?
   a. 200
   b. 5Q
   c. 5
   d. 5 + (200/Q)
   e. none of the above

25. In a short-run production process, the marginal cost is rising and the average total cost is falling as output is increased. Thus, marginal cost is
   a. below average total cost.
   b. above average total cost.
   c. between the average variable and average total cost curves.
   d. below average fixed cost.

26. In the long run, which of the following is considered a variable cost?
   a. Expenditures for wages.
   b. Expenditures for research and development.
   c. Expenditures for raw materials.
   d. Expenditures for capital machinery and equipment.
   e. all of the above.
27. A variable cost function of the form: \( VC = 23 + Q + 7Q^2 \) implies a marginal cost curve that is
   a. linear.
   b. downward sloping.
   c. U-shaped.
   d. quadratic.

28. Which of following is a key assumption of a perfectly competitive market?
   a. Firms can influence market price
   b. Commodities have few sellers
   c. It is difficult for new sellers to enter the market.
   d. Each seller has a very small share of the market.
   e. None of the above.

29. Marginal revenue, graphically, is
   a. the slope of a line from the origin to a point on the total revenue curve.
   b. the slope of a line from the origin to the end of the total revenue curve.
   c. the slope of the total revenue curve at a given point.
   d. the vertical intercept of a line tangent to the total revenue curve at a given point.
   e. the horizontal intercept of a line tangent to the total revenue curve at a given point.

30. At the profit-maximizing level of output, marginal profit
   a. is also maximized.
   b. is zero.
   c. is positive.
   d. is increasing.
   e. may be positive, negative or zero.

31. The demand curve facing a perfectly competitive firm is
   a. the same as the market demand curve.
   b. downward-sloping and less flat than the market demand curve.
   c. downward-sloping and more flat than the market demand curve.
   d. perfectly horizontal.
   e. perfectly vertical.

32. The demand curve facing a perfectly competitive firm is
   a. the same as its average revenue curve, but not the same as its marginal revenue curve.
   b. the same as its average revenue curve and its marginal revenue curve.
   c. the same as its marginal revenue curve, but not its average revenue curve.
   d. not the same as either its marginal revenue curve or its average revenue curve.
   e. not defined in terms of average or marginal revenue.

33. An improvement in technology would result in
   a. upward shifts of MC and reductions in output.
   b. upward shifts of MC and increases in output.
   c. downward shifts of MC and reductions in output.
   d. downward shifts of MC and increases in output.
   e. increased quality of the good, but little change in MC.
34. The supply curve for a competitive firm is
   a. its entire MC curve.
   b. the upward-sloping portion of its MC curve.
   c. its MC curve above the minimum point of the AVC curve.
   d. its MC curve above the minimum point of the ATC curve.
   e. its MR curve.

25. Producer surplus is measured as the
   a. area under the demand curve above market price.
   b. entire area under the supply curve.
   c. area under the demand curve above the supply curve.
   d. area above the supply curve up to the market price.

36. Deadweight loss refers to
   a. losses in consumer surplus associated with excess government regulations.
   b. situations where market prices fail to capture all of the costs and benefits of a policy.
   c. net losses in total surplus.
   d. losses due to the policies of labor unions.

37. For the monopolist shown below, the profit maximizing level of output is:

   ![Graph of demand, marginal cost, average total cost, marginal revenue, and output levels](image)

   a. Q1.
   b. Q2.
   c. Q3.
   d. Q4.
   e. Q5.
38. How much profit will the monopolist whose cost and demand curves are shown below earn at output Q1?

\[\text{Profit} = 0CDQ1.\]

39. The monopolist has no supply curve because

a. the quantity supplied at any particular price depends on the monopolist's demand curve.
b. the monopolist's marginal cost curve changes considerably over time.
c. the relationship between price and quantity depends on both marginal cost and average cost.
d. there is a single seller in the market.
e. although there is only a single seller at the current price, it is impossible to know how many sellers would be in the market at higher prices.

40. Use the following two statements to answer this question:

I. For a monopolist, at every output level, average revenue is equal to price.
II. For a monopolist, at every output level, marginal revenue is equal to price.

a. Both I and II are true.
b. I is true, and II is false.
c. I is false, and II is true.
d. Both I and II are false.
e. Statements I and II could either be true or false depending upon demand.

41. Monopoly power results from the ability to

a. set price equal to marginal cost.
b. equate marginal cost to marginal revenue.
c. set price above average variable cost.
d. set price above marginal cost.