9. Which market type has characteristics as follows: many buyers and sellers, identical product, no restrictions on the entry of firms into the industry, complete information on price?
   A) perfect competition
   B) monopolistic competition
   C) oligopoly
   D) monopoly

10. Without warranties, used car sellers will try to convince buyers that a "lemon" is really a good car because of
    A) moral hazard.
    B) moral dilemma.
    C) adverse selection.
    D) adverse reaction.

11. If a Lorenz curve moves leftward and becomes closer to the line of equality over time, then
    A) the population is growing.
    B) income is growing.
    C) income is being more equally distributed.
    D) income is being more unequally distributed.

12. Which of the following statements is TRUE?
    A) An increase in the price of movie will decrease the demand for movie.
    B) An increase in the price of movie will increase the quantity demanded of movie.
    C) An increase in the price of movie will increase the supply of movie.
    D) An increase in the price of movie will increase the quantity supplied of movie.

13. The short-run market supply curve for a perfectly competitive industry is obtained by summing
    A) the part of each firm's AVC curve that lies above its MC curve.
    B) the part of each firm's MC curve that lies above its AVC curve.
    C) each firm's AVC curve that lies below the MC curve.
    D) each firm's MC curve that lies below the AVC curve.

14. Why can a monopoly earn an economic profit in the long run?
    A) Because there are close substitutes for the firm's product.
    B) Because the firm is protected by barriers to entry.
    C) Because there is only a single firm in the market.
    D) ALL of the above are reasons why a monopoly can earn an economic profit in the long run.

15. Two students are assigned a group project. Each has the option to work or not to work to achieve a high grade. The payoffs are shown in the table. Student 1 should
    A) work only if student 2 works.
    B) work regardless of the decision made by student 2.
    C) not work if student 2 works.
    D) not work regardless of what student 2 decides.

16. Why will a private market be unable to produce enough public goods?
    A) Because the good's marginal cost is too low.
    B) Because the good is nonexcludable, so there is the free-rider problem.
    C) Because the good is rival, so no one will want to pay the producer for it.
    D) All of the above answers are correct.

17. Structural unemployment is
    A) associated with the normal changing of jobs in a dynamic economy.
    B) associated with the general downturns in the economy.
    C) associated with the general decline of specific industries.
    D) almost always short-term in nature.

18. The intertemporal substitution effect of prices on aggregate demand
    A) is the same as the real wealth effect.
    B) is one reason that the aggregate demand curve has a negative slope.
    C) explains why aggregate demand increases when the amount of money increases.
    D) is one reason that the aggregate demand curve has a positive slope.

19. Which of the following will cause "underproduction" or "overproduction" of a good?
    I. Taxes
    II. The product is a public good
    III. A monopoly
    A) I and III.
    B) I.
    C) I and II.
    D) I, II and III.

20. When long run average cost decreases as output increases there are definitely
    I. Increasing marginal returns
    II. Economies of scale.
    A) Only I.
    B) Only II.
    C) Both I and II.
    D) Neither I nor II.
21. Which of the following is included in "compensation of employees" part of the income approach to measuring GDP?
   I. Wages and salaries.
   II. Pension fund contributions.
   III. Social security contributions.
   A) I only
   B) I and II
   C) I and III
   D) I, II, and III

22. Which pieces of information do you need to calculate the MPL?
   I. The change in real GDP.
   II. The change in the quantity of money.
   III. The change in the amount of labor input.
   A) I and III
   B) I only
   C) III only
   D) II and III

23. Which of the following is associated with classical growth theory?
   I. Growth in real GDP can continue indefinitely.
   II. Technological growth increases as the population grows.
   III. Population explosions bring real GDP per person back to subsistence levels.
   A) I
   B) II
   C) III
   D) I and III

24. Read the following statements and determine if they are true or false.
   I. According to the quantity theory of money, an increase in the growth rate of the quantity of money increases inflation in the long run.
   II. Historical and international data show that there is no correlation between inflation and money growth.
   A) I and II are both true
   B) I and II are both false
   C) I is true and II is false
   D) I is false and II is true

25. Suppose that the money prices of raw materials increase so that short-run aggregate supply decreases. If the Federal Reserve does not respond, the higher money price of raw materials will
   I. repeatedly shift the aggregate demand curve rightward and raise the price level.
   II. shift the aggregate demand curve rightward and the aggregate supply curve leftward, raising prices.
   III. result initially in lower employment and a higher price level.
   A) I only
   B) both I and II
   C) both II and III
   D) III only

26. Which of the following will affect the size of the multiplier?
   I. marginal propensity to import
   II. marginal propensity to consume
   III. marginal tax rate
   A) I only
   B) II only
   C) I and II only
   D) I, II, and III

27. Using the monetarist model, place the following events in the order in which they occur in a business cycle.
   I. Money wages fall and the SAS curve shifts rightward.
   II. The Federal Reserve decreases the growth rate of the quantity of money.
   III. The AD curve shifts leftward.
   A) II, III, I
   B) III, I, II
   C) I and III
   D) I, II, and III

28. Measures of Fed policy activity include
   I. The budget deficit or surplus.
   II. The federal funds rate.
   III. The growth rate of M2
   A) I and II
   B) I and III
   C) II and III
   D) I, II, and III

29. Assuming certain labour force, leisure and lifestyle factors etc., the following is the result of some research:
   Income levels per day:

<table>
<thead>
<tr>
<th>Income levels per day (Leisure hours per day)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
</tr>
</tbody>
</table>

1. The graph shows the relationship between income levels and leisure hours per day.
   (1) The income levels at BL1, BL2, BL3, etc. with the income level at BL1?
   (2) The income levels at BL1, BL2, BL3, etc. with the income level at BL1?
   (3) The income levels at BL1, BL2, BL3, etc. with the income level at BL1?
   (4) The income levels at BL1, BL2, BL3, etc. with the income level at BL1?

30. For the following scenario, determine the effect of the policy on the economy:
   (1) If the government increases spending, what will be the effect on the economy?
   (2) If the government increases taxes, what will be the effect on the economy?
   (3) If the government increases interest rates, what will be the effect on the economy?