CM15-19 QUESTIONS 5-18-21

CM15 QUESTIONS

1. In voluntary, well informed, exchanges if one individual gains:

a. All others lose.
b. At least one other must lose.
c. Someone loses an amount equal to the other's gains.
d. The other parties to the exchange must also gain.
e. All parties to the exchange must gain equally or they will not voluntarily enter into the exchange.

2. Child labor is predominantly:

a. Work in sweat shops.
b. Work in brick fields.
c. Garbage scavenging.
d. Agricultural labor on parents' farms.
e. Child prostitution.

Use the following information to answer the next four questions.

Hawkeye Pearce earns $900k per year after tax and including benefits. He would never volunteer for military service. His military pay and benefits after tax are $100k per year. Frank Burns earns $400k per year, after tax. The army regards Frank Burns as an acceptable surgeon. He would be willing to volunteer for the military if his after tax pay and benefits were at least $600k per year. His military pay and benefits are $150k per year. An average civilian thoracic surgeon makes $500k per year.

3. The opportunity cost to the US of drafting Hawkeye Pearce would be?

a. $100k per year.
b. $500k per year.
c. $600k per year.
d. $900kper year.

e. $1m per year

4. The opportunity cost to the US of drafting Frank Burns would be?

a. $100k per year.
b. $400k per year.
c. $500k per year
d. $550k per year.
e. $600k per year.

5. If Frank Burns is drafted, the draft would impose an implicit tax on Frank Burns of?

a. $150k per year.
b. $250k per year.
c. $400k per year.
d. $500k per year
e. $800k per year.

6. If Frank Burns is drafted then US GDP will fall by?

a. $400k per year.
b. $500k per year.
c. $550k per year.
d. $600k per year.
e. None of the above.

7. An optimal/economically efficient draft would:

a. draft the "best and brightest" to serve in the military.
b. draft the unemployed who are not contributing to GDP.
c. draft everyone of military age in order to make certain that all classes share the burden of the draft equally.
d. use a pure lottery with minimal exemptions but to allow draftees to provide an acceptable replacement.
e. draft the people who started the war in the first place.

CM16 QUESTIONS

1. The marginal cost of information is upward sloping because:

a. Modern information technology makes acquiring additional information cheaper and cheaper.
b. When seeking information, we start with the least expensive sources and then progress to more expensive sources.
c. The benefit of additional information is always positive.
d. Not all information is useful and some information is expensive.

2. According to the "Lemons" model when a second hand car is bought and sold:

a. the average price paid will understate the value of a good car and overstate the value of a "lemon".
b. the average price paid will overstate the value of a good car and understate the value of a "lemon".
c. the average price will accurately reflect the value of both good cars and lemons.
d. the average price will accurately reflect the value of lemons but will overstate the value of good cars.
e. the average price will accurately reflect the value of good cars but will overstate the value of lemons.

3. Which of the following best illustrates the problem of "moral hazard"?
a. Joe doesn't buy health insurance because he is young and healthy.
b. Amy is required to have a medical exam before she can buy health insurance.
c. Bob drives more recklessly because he has car insurance with no deductibles.
d. Jane decides to pay higher fees go to an "Ivy league" college rather than pay the lower fees at the local state university.
e. Microsoft pays Ellen a wage and benefits package that is better than

its competitors.

4. If you have private information that you are a safer driver than your record indicates, you are likely to buy an insurance policy with:

a. A higher than average deductible.
b. A positive but lower than average deductible.
c. An average deductible.
d. No deductible.
e. None of the above because you will self-insure.

CM17 QUESTIONS

1. The price elasticity of demand is defined as the magnitude of:

a. the change in quantity demanded divided by the change in price.
b. the change in price divided by the change in quantity demanded.
c. the percentage change in quantity demanded divided by the percentage change in price.
d. the percentage change in price divided by the percentage change in quantity demanded.

2. If a one percent change in the price of X leads to a more than one percent change in the quantity demanded of X then the demand for X is:

a. Perfectly inelastic.
b. Inelastic.
c. Unit elastic.
d. Elastic.
e. Perfectly elastic.

3. Which of the following would cause the demand for X to be price inelastic?

a. There are a very large number of good substitutes for X.
b. There are very few good substitutes for X.
c. X is a major item of consumer expenditure.
d. X is an inferior good or service.

e. X is a "luxury" good or service.

4. Which is most likely to have a low PED?

a. Food.
b. Meat.
c. Beef.
d. Lamb chops.

5. If Sam wants to increase her total revenue from her sales of flowers and she knows that the demand for flowers is price inelastic, she should:

a. lower her price to increase the demand and shift the demand curve rightward.
b. raise her price because she knows that the quantity demanded will also increase.
c. raise her price because she knows that the percentage decrease in the quantity demanded will be smaller than the percentage increase in price.
d. lower her price because she knows that the percentage increase in the quantity demanded will be greater than the percentage decrease in price.

CM18 QUESTIONS

1. When a good or service such as prostitution is banned then:

a. The quantity bought and sold will be zero.
b. The quantity bought and sold will not change because the buyers and sellers will simply go "underground".
c. The demand will decrease more than the supply decreases.
d. The quality of the good will increase.
e. The quantity bought and sold will be reduced.

2. When prostitution is made illegal:

a. The demand curve will shift upwards.
b. The supply curve will shift downwards.
c. The demand curve will shift upwards and the supply curve will shift downwards.
d. The demand curve will shift downwards and the supply curve will shift upwards.
e. The demand curve will shift more than the supply curve.

3. Is prostitution a voluntary trade?

a. No because most prostitutes are forced into prostitution by "human traffickers".
b. No because most prostitutes are drug addicts.
c. Yes if most prostitutes have alternative sources of income.
d. Yes if most prostitutes enjoy their work.
e. No because prostitutes are coerced into prostitution by their "pimps".

4. Neighborhood external costs are largely associated with:

a. Street prostitution.
b. Massage parlors.
c. Brothels.
d. Escort services.
e. "Call girls".

5. If demand increases, and supply decreases:

a. Price will rise but we cannot say what will happen to the quantity transacted.
b. Price will fall but we cannot say what will happen to the quantity transacted
c. The quantity transacted will rise but we cannot say what will happen to the price.
d. The quantity transacted will fall but we cannot say what will happen to the price.

e. In this case it is not possible to say what happens to either price or quantity.

CM19 QUESTIONS

1. The Gross Domestic Product is:

a. The value at market prices of all final goods produced in a year.
b. The value at market prices of all intermediate and final goods and services produced in a year.
c. The value at market prices of all final goods and services produced by the citizens of a country in a year.
d. The value at market prices of all final goods and services produced by a country inside its borders in a year.
e. The value at market prices of all final goods and services produced by companies headquartered in a country regardless of where that production occurs in a year.

2. Which of the following items is included in GDP?

a) Trades in financial assets.
b) Purchases of existing homes.
c) Transactions in illegal drugs.
d) A cash payment for painting a house not reported to the IRS.
e) The services of a real estate agent.

3. It is sometimes claimed that the sales of big US corporations, such as General Electric (GE), are larger than the GDPs of countries such as Luxembourg. Such claims are confused because:

a. Such comparisons would only be valid if we used PPPs to measure GDPs.
b. The US has a larger population than Luxembourg and so we should compare the sales of GE with the GDPpc Luxembourg.
c. Luxembourg GDP is subject to double counting but the sales of GE are not.
d. We should calculate the value added of GE when comparing it with a country's GDP.

e. We should calculate the value added in Luxembourg when comparing it with the sales of GE.

4. GDP is a measure of:

a. Aggregate Economic Welfare.
b. Aggregate Economic Activity.
c. How well-off a country is.
d. The standard of living of a country.

5. Which way do economists think is best when making international comparisons of welfare?

a. GDP using exchange rate conversions.
b. GDP per capita using exchange rate conversions.
c. GDP using Purchasing Power Parity conversions.
d. GDP per capita using Purchasing Power Parity conversions.