

Earlier Final Exam Questions, Econ 201

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1. Economics can best be defined as the study of
 - a. how individuals decide to use scarce resources in an attempt to satisfy unlimited wants.
 - b. how to make money.
 - c. how the government should deal with unemployment and inflation.
 - d. how to eliminate the problem of scarce resources.
 - e. how to run a business.

2. Which of the following would an economist classify as capital?
 - a. 100 shares of IBM stock
 - b. A \$50 bill
 - c. A credit card
 - d. A lawyer's word processor
 - e. A bauxite mine in Jamaica

3. A residual claimant is someone who receives
 - a. money from the government through welfare or social security programs.
 - b. bonds issued by a company.
 - c. bonds issued by the government.
 - d. income from the rental of land.
 - e. whatever profit is generated by producing and selling goods.

4. To say that people make decisions at the margin suggests that
 - a. they usually wait until the last minute before making a decision to buy.
 - b. they weigh the additional costs and benefits of various activities before they make a purchase.
 - c. most people just barely get by on the incomes they earn and live from day to day on the very edge of subsistence.
 - d. given a choice, most people would prefer to make their own decisions concerning the things that affect their lives.
 - e. they consider the total cost and benefit of various activities before they make a purchase.

5. An instructor announces in class that all test questions will come from information in the textbook. Many students stop attending class. Which one of the following explanations for the students' behavior is least consistent with the economic perspective?
 - a. The students made a deliberate choice not to attend class.
 - b. Course incentives now encourage less class attendance.
 - c. Students choose how best to use their valuable time.
 - d. Students are extremely immature.
 - e. The benefits of class attendance decreased.

6. A test is scheduled for Monday morning, but you went to a party on Saturday night. If you hadn't attended the party, you could have studied for the test or gone to a movie. Which of the following sentences is true?
 - a. The opportunity cost of going to the movie is studying for the test.
 - b. The opportunity cost of going to the party is the movie.
 - c. The opportunity cost of going to the party is both the movie and the study time.
 - d. Because you could go to the party only that night but could go to a movie any time, the opportunity cost of the party is the study time.
 - e. From the above information it's not possible to determine the opportunity cost of attending the party.

7. At various points along the production possibilities frontier,
 - a. the maximum output from available resources is obtained.
 - b. resources are not fully employed.
 - c. more of one good can be obtained without giving up more of the other.
 - d. more efficient output levels are possible.
 - e. society is equally well off.

8. The production possibilities frontier can be used to show all of the following except
 - a. scarcity.
 - b. opportunity cost.
 - c. the law of increasing opportunity cost.
 - d. efficiency.
 - e. the best combination of goods and services for an economy.

9. The law of demand says that the lower the price of a good, other things constant,
 - a. the lower the demand for that good.
 - b. the higher the demand for that good.
 - c. the lower the quantity demanded of that good.
 - d. the higher the quantity demanded of that good.
 - e. the lower the real income of consumers and the lower the quantity demanded of that good.

10. Which of the following statements about demand is true?
 - a. If most college students want a Mercedes sports coupe, their demand for it is high.
 - b. If price increases, the demand curve shifts to the right.
 - c. The demand curve for bacon won't shift when the price of bacon changes.
 - d. If the supply curve shifts, thereby changing the price, the demand curve will shift as well.
 - e. If the demand curve shifts, the supply curve will shift as well, whether or not the price changes.

11. An increase in demand for a good could mean that
 - a. consumers are willing to pay a higher price for each quantity of the good.
 - b. consumers are willing to buy larger quantities of the good at each price.
 - c. the demand curve has made a parallel shift to the right.
 - d. the demand curve has made a nonparallel shift to the right.
 - e. All of the above.

12. The difference between normal and inferior goods is that
 - a. normal goods are of better quality than inferior goods.
 - b. an increase in price will shift the demand curve for a normal good rightward and the demand curve for an inferior good leftward.
 - c. if the price of a normal good increases, individuals who buy it are poorer; with inferior goods, the opposite is true.
 - d. an inferior good is something that will not be demanded until quantities of the normal good have been exhausted.
 - e. an increase in income will shift the demand curve for a normal good rightward and the demand curve for an inferior good leftward.

13. Supply curves generally slope upward because of all the following except one. Which one?
 - a. Producers are willing to offer more of a good at higher prices.
 - b. A higher price attracts resources from less-valued uses.
 - c. Producers must be compensated for the rising opportunity cost of additional output.
 - d. Producers must be compensated for the rising marginal cost of additional output.
 - e. The price of a good usually must fall to induce an increase in quantity supplied.

14. Given that sealing wax is a necessary input in the manufacture of shoe polish, which of the following is true?
 - a. Sealing wax and shoe polish are complements.
 - b. An increase in the demand for shoe polish will cause a decrease in the demand for sealing wax.
 - c. An increase in the supply of sealing wax will cause the demand for shoe polish to increase.
 - d. An increase in the price of shoe polish will cause a decrease in the price of sealing wax.
 - e. An increase in the price of sealing wax will cause a leftward shift in the supply curve for shoe polish.

15. In a market economy, a surplus of shoes will cause
 - a. a decrease in the supply of shoes.
 - b. a decrease in the demand for shoes.
 - c. both a decrease in the supply of shoes and an increase in the demand for shoes.
 - d. a decrease in the price of shoes, through a shift in either the supply curve or the demand curve.
 - e. a decrease in the price of shoes.

16. Assume the market for bubble gum (a normal good) is competitive and current conditions yield an equilibrium at a price of 25 cents and a quantity of 100,000 units. Which of the following events would imply a new equilibrium price of 50 cents and a new equilibrium quantity of 125,000?
- An increase in the price of other kinds of gum and candy.
 - An increase in the price of the ingredients used to make bubble gum.
 - An agreement by workers in the bubble gum industry to work for lower wages.
 - A decrease in the number of young people in the population.
 - A decrease in income.
17. Tickets to the Michigan State vs. Notre Dame football game are usually sold out in advance of game day. This suggests
- the price of the tickets must be very high or else people would not consider them valuable.
 - the price is set below the equilibrium level.
 - the Michigan State football stadium is relatively small.
 - everyone who attends the game will enjoy it.
 - the price is determined primarily by the fixed supply of tickets.
18. Suppose the current equilibrium price for pizza is \$5. If the federal government decides the price of pizza should be set or frozen at \$4, the result of this policy would be
- a shortage, where at the freeze price (\$4) the quantity demanded would exceed the quantity supplied.
 - a surplus, where at the freeze price (\$4) the quantity demanded would be less than the quantity supplied.
 - that the market would remain in equilibrium but with a larger quantity bought and sold at \$5.
 - at the freeze price (\$4) the quantity sold would be greater than the quantity bought.
 - at the freeze price (\$4) the quantity bought would be greater than the quantity sold.
19. Which factor of production earns the largest share of the income in the U.S.?
- Labor
 - Land
 - Capital
 - Entrepreneurial ability
 - Money
20. If the value of the price elasticity of demand is 0.2, this means that
- a 20% decrease in price causes a 1% increase in quantity demanded.
 - a 0.2% decrease in price causes a 1% increase in quantity demanded.
 - a 5% decrease in price causes a 1% increase in quantity demanded.
 - a 0.2% decrease in price causes a 0.2% increase in quantity demanded.
 - a 100% decrease in price causes a 200% increase in quantity demanded.

21. If New York City expects that an increase in bus fares will raise mass transit revenues, it must think that the demand for bus travel is
- elastic.
 - unit elastic.
 - inelastic.
 - perfectly inelastic.
 - 10.
22. If the sellers in the cigarette industry formed a cartel and decided to set price along a straight-line downward-sloping demand curve, which point would they choose if they wanted to gain the highest total revenue?
- The point nearest the vertical axis, where the price is highest
 - The point nearest the horizontal axis, where quantity demanded is greatest
 - One of the points higher up on the demand curve, where demand is elastic
 - One of the points lower down on the demand curve, where demand is inelastic
 - In the area of unitary elasticity
23. Perfectly elastic demand curves are
- downward sloping.
 - upward sloping.
 - vertical.
 - horizontal.
 - unit elastic.
24. The more broadly a good is defined,
- the more substitutes it has, so the more elastic is its demand.
 - the fewer substitutes it has, so the more elastic is its demand.
 - the more substitutes it has, so the less elastic is its demand.
 - the fewer substitutes it has, so the less elastic is its demand.
 - the more complements it has, so the more elastic is its demand.
25. Which of the following is true, according to the law of diminishing marginal utility?
- The marginal utility of Diane's second Coke is greater than the marginal utility of her third pretzel, other things constant.
 - The marginal utility of Diane's second Coke is greater than the marginal utility of Ken's third pretzel, other things constant.
 - The marginal utility of Diane's second Coke is greater than the marginal utility of her third Coke, other things constant.
 - The total utility of two Cokes is greater than the total utility of three Cokes, other things constant.
 - The marginal utility of Diane's second Coke is greater than the marginal utility of Ken's third Coke, other things constant.

26. Suppose Ferd truthfully tells the car dealer the maximum amount he's willing to pay for a Ford Escort: \$12,000. The dealer says, "You're in luck; we have one on the lot for \$12,000." Which of the following statements is true?
- Ferd will not buy the car.
 - The car is not worth \$12,000.
 - Ferd gets \$12,000 in consumer surplus.
 - Ferd gets no consumer surplus.
 - The dealer earns \$12,000 in consumer surplus.
27. Maryann and Don want to open their own deli. To do so, Maryann must give up her job, at which she earns \$20,000 per year, and Don must give up his part-time job, at which he earns \$10,000 per year. They must liquidate their money market fund, which earns \$1,000 interest annually. The rent on the building is \$10,000 per year, and expenses for such necessities as utilities, corned beef, and pickles are \$35,000 annually. What is the explicit or contractual cost per year of operating the deli?
- \$10,000
 - \$35,000
 - \$45,000
 - \$31,000
 - \$76,000
28. Which of the following is a short-run adjustment?
- Toyota builds an automobile plant in Kentucky.
 - Faced with increasing enrollment, Bradfield College builds a new School of Business building.
 - Because of staggering losses, three insurance companies exit the industry.
 - People's Bank hires two new tellers to meet increased demand for customer services.
 - Shaveco enters the razor blade market with a new product, produced in the U.S.
29. If fixed cost at $Q = 100$ is \$130, then
- fixed cost at $Q = 0$ is \$0.
 - fixed cost at $Q = 0$ is less than \$130.
 - fixed cost at $Q = 200$ is \$260.
 - fixed cost at $Q = 200$ is \$130.
 - it is impossible to calculate fixed costs at any other quantity.
30. Ron Martin advertises stereos on late-night television with the following line: "We don't have to worry about high overhead because our volume is so great." Ron Martin can make this statement because of his declining
- marginal cost.
 - total cost.
 - fixed cost.
 - average fixed cost.
 - average variable cost.

31. If total fixed costs of a firm double,
- marginal cost more than doubles.
 - marginal cost doubles.
 - marginal cost remains unchanged.
 - average total cost remains unchanged.
 - average variable cost doubles.
32. The long-run average cost curve is the locus of
- the least-cost segments of the short-run average total cost curves for each output level.
 - the least-cost segments of the short-run average total cost curves for each output level only where there are diseconomies of scale.
 - the least-cost segments of the short-run average total cost curves for each output level only where there are economies of scale.
 - the least-cost segments of the short-run average total cost curves for each output level only where there are constant average costs.
 - the minimum points of the short-run average total cost curves.
33. Homogeneous products are
- pasteurized.
 - bland.
 - perceived by the consumer to be identical.
 - made by one manufacturer.
 - made by hand.
34. Which of the following could not occur in a perfectly competitive market?
- Firms experience constant returns to scale.
 - Firms face barriers to entry.
 - Economic profit is zero.
 - Each firm chooses the quantity it wants to sell.
 - Each firm knows the prices of outputs and inputs.
35. Suppose the equilibrium price in a perfectly competitive industry is \$100 and a firm in the industry charges \$112. Which of the following will happen?
- The firm will not sell any output.
 - The firm will sell more output than its competitors.
 - The firm's profits will increase.
 - The firm's revenue will increase.
 - The firm gradually will take over the entire industry.

36. In Connecticut in the fall, the apple market is perfectly competitive. Suppose that this fall (the short-run) consumer tastes change so that people like apples more than they used to. The market demand for apples will increase, and the demand curves faced by individual firms will
- not change.
 - become less elastic.
 - shift upward.
 - shift leftward.
 - shift downward.
37. Suppose Farmer Jones sells his crops in a perfectly competitive market. If he produces 500 bushels for total revenue of \$3,000 and harvesting the 501st bushel would raise his total cost from \$2,500 to \$2,510, his
- revenues will increase by \$4 if he harvests the 501st bushel.
 - revenues will fall by \$4 if he harvests the 501st bushel.
 - average fixed costs will rise if he harvests the 501st bushel.
 - profit will fall by \$10 if he harvests the 501st bushel.
 - profit will fall by \$4 if he harvests the 501st bushel.
38. Suppose, at its present rate of output, Barrel O'Biscuits, a perfectly competitive firm, finds that its marginal cost exceeds its marginal revenue and price exceeds average variable cost. To maximize profits, the firm should
- lower price.
 - raise price.
 - increase output.
 - reduce output.
 - maintain its current rate of output.
39. Many country inns shut down in the off-season because
- the off-season market rate falls below average total cost.
 - the off-season market rate can't cover their average fixed cost.
 - the off-season revenue can't cover variable costs.
 - the off-season rates are below the marginal cost of providing a room.
 - innkeepers are interested in maximizing revenue.
40. MaryAnn and Don provide catering services in a perfectly competitive market. When they started in business, the going rate was \$50 per person per meal. After the price increased to \$60, they became willing to supply more meals. Their response to the price change is shown by
- a rightward shift of the market supply curve.
 - a leftward shift of the market supply curve.
 - movement up their firm's marginal cost curve.
 - movement down their firm's marginal cost curve.
 - a rightward shift in their demand for jobs.

41. Patents stimulate investment
- by giving inventors the incentive to incur the initial costs of developing new products.
 - by giving tax breaks to inventors.
 - by guaranteeing a profit from new products.
 - by lowering interest rates.
 - through direct payments from government to cover the initial costs of research and development.
42. Which of the following is true of marginal revenue for a monopolist that charges a single price?
- $P = MR$, because there are no close substitutes for the monopolist's product.
 - $P > MR$, because the monopolist must decrease price on all units sold in order to sell an additional unit.
 - $P < MR$, because the monopolist must decrease price on all units sold in order to sell an additional unit.
 - $AR = MR$, because there are no close substitutes for the monopolist's product.
 - $P = MR$ only at the profit-maximizing quantity.
43. Suppose a single firm supplies all the ceramic windlasses in the U.S. The demand curve that firm faces is
- elastic everywhere.
 - inelastic everywhere.
 - perfectly inelastic everywhere.
 - elastic at the profit-maximizing quantity.
 - none of the above.
44. What is the effect of imposing a \$10,000 lump-sum tax on a monopolist? Assume the firm continues to operate after the tax.
- The firm experiences no change in the profit-maximizing price or quantity or in its profit.
 - The firm experiences no change in the profit-maximizing price and quantity, but its profit decreases.
 - The firm experiences no change in the profit-maximizing price and quantity, but its profit increases.
 - The firm's profit-maximizing quantity increases, but price does not change.
 - The firm's profit-maximizing price decreases, but quantity does not change.
45. Suppose that the demand for Meredith's new book, *Spatulas from Around the World*, is such that the demand curve lies everywhere below the average variable cost of producing it. To maximize profits or minimize losses, Meredith should
- raise price.
 - lower price to increase demand.
 - shut down the presses printing her book.
 - lower price until demand is inelastic.
 - charge the highest price she can.

46. A monopolist's short-run supply curve is
- its average fixed cost curve.
 - the part of the marginal cost curve above the average variable cost curve.
 - the part of the marginal cost curve below the average variable cost curve.
 - nonexistent.
 - its demand curve.
47. Which of the following is true of perfect price discrimination?
- Profit is lower than it would be without discrimination.
 - Revenue is higher than it would be without discrimination, but profits are lower.
 - Average revenue and average cost are both higher than they would be without discrimination, so it is not certain whether profits will be higher.
 - Consumer surplus is zero.
 - Profit is zero.
48. If zinc suppliers are successful in bringing together an international zinc cartel, they will experience
- lower output and higher prices, which discourage the entry of new firms into the industry.
 - lower output, higher prices, and the need to organize an effort to prevent the entry of new firms into the industry.
 - higher output and higher prices, which discourage the entry of new firms into the industry.
 - higher output, higher prices, and the need to organize an effort to prevent the entry of new firms into the industry.
 - none of the above.
49. Because the demand for labor is based on the demand for products, the demand for labor is called
- a substitution demand.
 - a complementary demand.
 - an income demand.
 - a derived demand.
 - a marginal demand.
50. A frost hits Brazil trees damaging many of the nation's coffee trees. Buyers begin purchasing the available supply of coffee beans at current market prices expecting to sell them later at high prices. In economics (and business) these buyers are
- arbitrageurs.
 - monopolists.
 - monopsonists.
 - cartel operators.
 - none of the above.

51. When all of the returns to a resource are in the form of economic rent,
- the demand curve for that resource must be horizontal.
 - the demand curve for that resource must be vertical.
 - the supply curve for that resource must be horizontal.
 - the supply curve for that resource must be vertical.
 - the demand curve for that resource must be perfectly elastic.
52. Work is an attractive use of your time
- if the utility of consumption made possible by work exceeds the disutility of work itself.
 - whenever you are paid a wage equal to or greater than the minimum wage.
 - whenever you derive utility from the consumption made possible through work.
 - unless time spent working is a source of disutility.
 - only when marginal utility is negative for an additional unit of leisure.
53. If, for you, leisure is a normal good, an increase in income
- decreases your demand for leisure time and reduces your allocation of time to market work.
 - decreases your demand for leisure time and increases your allocation of time to market work.
 - increases your demand for leisure time and reduces your allocation of time to market work.
 - increases your demand for leisure time and increases your allocation of time to market work.
 - has no impact on your demand for leisure time.
54. If Dr. Stone's desire to consume more leisure because she is richer never outweighs her desire to work more as her wage increases, then her supply of labor curve
- will bend backward.
 - will have a positive slope throughout.
 - will have a negative slope throughout.
 - will be U-shaped.
 - will look like an inverted U.

55. The equilibrium wage for workers in fast-food chains was \$3 per hour. Then the birth rate declined and there were fewer teenagers, the primary source of labor for this industry. Which of the following statements is correct?
- The supply of labor curve shifted to the right, so the equilibrium wage will decrease.
 - The supply of labor curve shifted to the left, so the equilibrium wage will increase.
 - The supply of labor curve shifted to the left, but there will be no change in equilibrium wage.
 - The supply of labor curve shifted to the right, but there will be no change in equilibrium wage.
 - The demand for labor curve shifted to the right, so the equilibrium wage will decrease.
56. College students often intern in jobs that pay little or no income because
- less prestigious jobs pay higher wages.
 - they are investing in valuable human capital.
 - their nonwage incomes are low.
 - they do not value the extra goods and services that higher incomes would buy.
 - they provide inflexible work schedules.
57. When a union sets a wage above the market equilibrium, each firm hiring from the union faces
- a perfectly inelastic supply curve for labor.
 - a perfectly elastic supply curve for labor.
 - a perfectly inelastic demand curve for labor.
 - a perfectly elastic demand curve for labor.
 - perfectly inelastic supply and demand curves for labor.
58. The United Auto Workers, a U.S.-based labor union, asks Congress to decrease imports of foreign-made cars in order to cause
- a rightward shift in the supply of U.S. cars.
 - a leftward shift in the supply of U.S. cars.
 - movement down and to the left along the supply curve for U.S. cars.
 - movement up and to the right along the supply curve for U.S. cars.
 - a rightward shift in the demand for U.S. cars.
59. The market value of a bond is _____ related to the rate of interest.
- directly
 - inversely
 - exactly
 - sometimes
 - never

60. Suppose Ellen's roommate, Kate, plays music at 1 a.m. during final exam week, keeping the volume high so she won't fall asleep while studying. This behavior creates
- a negative externality for everyone within earshot except Kate.
 - a negative externality for everyone within earshot except Ellen and Kate.
 - a positive externality for those who like the music and want to listen and a negative externality for those who want it quiet.
 - no externality, because at 1 a.m. during final exam week everyone is awake anyway.
 - no externality if students at the dorm get free electricity.
61. A tannery discovers a technology that makes it cheaper to reduce the air pollution it generates in making paper. On a graph of the optimum level of pollution abatement, the use of the new technology would be represented as
- a leftward shift in the marginal social cost curve.
 - a rightward shift in the marginal social cost curve.
 - movement to the right along the marginal social cost curve.
 - movement to the left along the marginal social cost curve.
 - a downward shift in the marginal net benefit curve.
62. The efficient markets hypothesis
- teaches that publicly available information is reflected quickly in the price of a publicly traded stock.
 - contradicts the random walk hypothesis.
 - is the same as the random walk hypothesis, namely that you cannot make too much money in the stock market.
 - is the same as the random walk hypothesis, namely that efficient stock prices are random prices.
 - teaches that a free market, except for externalities, is the efficient place to invest.
63. The EMH theory of investing would suggest
- buy a stock that has been appreciating, a so-called "hot stock."
 - buy a stock that has done poorly, to take advantage of its expected "correction."
 - weigh carefully the information in "street sources" like *Forbes*, *Business Week*, the *Financial Times* and the *Wall Street Journal*.
 - all of the above are true.
 - none of the above is true.

64. In the post-World War II period, the U.S. brewing industry has undergone
- an increase in market concentration (where market concentration is the share of sales held by the largest brewing companies) and an increase in the number of very small brewers (the "craft" segment).
 - a decrease in market concentration and a decrease in the number of firms and plants.
 - an increase in market concentration and an increase in the number of large firms and plants.
 - a decrease in market concentration and an increase in the number of firms and plants.
 - none of the above describes the structural changes in the industry.
65. In a market system, rationing is accomplished through
- a system of waiting in line.
 - a system of prices.
 - a political process, *i.e.* allocation by bureaucracy.
 - a random selection mechanism.
 - might makes right.
66. If home renovations confer a positive externality on surrounding neighbors, then which of the following is true?
- The market produces the socially optimal amount of home renovations.
 - Homeowners face a classic principal-agent problem.
 - Neighbors face a classic principal-agent problem.
 - Homeowners can be counted on to go up and down their streets and clean up messy property.
 - The marginal social benefit of home renovation exceeds the marginal private cost.
67. You're scheduling your weekend plans and trying to figure out what to do Friday night. You have three options: Option 1) staying in your dorm and reading, which you value at \$100, Option 2) going to the basketball game, which you value at \$80, and Option 3) going to a concert, which you value at \$50. What is the opportunity cost of each event?
- Option 1) = \$50, Option 2) = \$80, Option 3) = \$100
 - Option 1) = \$80, Option 2) = \$50, Option 3) = \$100
 - Option 1) = \$100, Option 2) = \$100, Option 3) = \$100
 - Option 1) = \$80, Option 2) = \$100, Option 3) = \$100
 - Option 1) = \$100, Option 2) = \$100, Option 3) = \$100
68. In a perfectly competitive market, the market demand curve has _____ slope, the demand curve faced by an individual firm has _____ slope, and the long run economic profit is _____.
- negative; negative; zero
 - negative; negative; positive
 - positive; negative; zero
 - positive; negative; positive
 - negative; zero; zero

69. The government raises the tax on cigarettes from \$1 to \$2 per pack. Which of the following is true?
- Total revenue earned by cigarette companies will increase.
 - The tax burden faced by cigarette companies will be relatively higher the more elastic is the demand for cigarettes.
 - Cigarette companies will continue to bear the entire tax burden rather than consumers because the tax is on the companies.
 - Tax revenue collected by the government will increase.
 - Producer surplus increases.
70. The more _____ a good has, the more _____ its demand.
- substitutes; elastic
 - substitutes; inelastic
 - complements; upward sloping
 - substitutes; upward sloping
 - None of the above makes economic sense.
71. Which of the following violates the Law of Diminishing Marginal Utility?
- My first cup of coffee really wakes me up, but my fourth cup has very little effect on me.
 - The first day of class is exciting but the second one is miserable.
 - At first, I thought kale chips were gross, but after I tried my fifth one, I realized they are delicious.
 - Picking classes for my second semester is more exciting than picking them for my seventh semester.
 - My second serving of ice cream doesn't taste as good as the first serving.
72. If the price of air conditioners falls, in the short-run there will be
- an increase in the demand for air conditioners.
 - an increase in the quantity of air conditioners demanded.
 - an increase in the quantity of air conditioners supplied.
 - a decrease in the supply of air conditioners.
 - None of the above will happen.
73. Price in a competitive market is \$6. At a firm's current output, its marginal cost is \$4 and the marginal cost curve has the normal shape. What would you advise the firm do?
- Raise its price.
 - Increase its output.
 - Decrease its output.
 - Lower its price.
 - Move the shut-down point.

74. If the government increases the amount of food stamps and housing assistance it gives out, the direct effect on U.S. poverty, as officially defined,
- will be reduced.
 - will be increased.
 - will remain unchanged.
 - will be eliminated.
 - cannot be determined from the information.
75. In addressing pollution problems, economists would most likely prefer
- direct regulation.
 - subsidies provided to suppliers.
 - a market incentive plan to internalize externalities.
 - a market incentive plan to externalize internalities.
 - banning the production of those products that pollute.