Final Econ 2010 (Morey): Fall 2017 Version 1 (A)
This exam has 63 questions.

Have a great holiday, and thanks for being in my class.

1. (modification) Two firms in boulder produce guber gas, g. It is a pollutant. Assume unregulated Firm 1 is currently producing 40 units of pollution (guber gas) and its marginal cost curve for reducing their guber gas production is $MC_1(g_1)=5*g_1$. Assume unregulated Firm 2 is currently producing 40 units of guber gas production and it marginal cost curve for reducing there guber gas production is $MC_2(g2)=12$. Boulder city council has declared that total gg needs to be reduced by 10 units (from 80 to 70). You are hired to achieve the reduction in the minimum-cost way. You tell Firm 1 to reduce gas production by ___ and Firm 2 to reduce by ___
    A) 3; 7
    B) 2; 8
    C) 0; 10
    D) 5; 5
    E) 10; 0

    It always costs firm 2 $12 to reduce its emissions of gg by another unit. For firm 1 it is $5 for the first unit, $10 the second, and $15 for the third. So firm 1 should reduce 2 and firm 2 8

2. (Joel) Which of the following is not a public good/commodity?
    A) Polar bears saved from extinction.
    B) Global warming/(increasing average temperatures)
    C) I-70 (the interstate highway) from Denver to the mountains.
    D) The Donald in his capacity as the President of the U.S.

3. Assume a world of only two commodities: adult diapers and Hostess Twinkies. These two commodities are produced using only two inputs: labor and plastic. Assume, you know society's stock of labor and plastic, and the production functions for the two commodities. Given all this, do you have sufficient information to determine society's production-possibilities frontier? (Choose the answer that is both correct and most informative.)
    A) No
    B) Yes
    C) No because this information is necessary, but not sufficient, to derive the PPF.

4. (new) A topic we did not discuss in class, but is discussed in the book. One would expect a competitive-market system to fail in the production of artificially-scarce goods.
   A) Incorrect
   B) Correct

5. Imagine a society of two individuals (Colin, the cowboy and Sofia, the New Yorker) and two commodities: operas and barbecued steaks. For Sofia both are goods, but for Colin opera is a good but steaks are a bad. Further assume a manna-from-heaven model (no production). Assume we have correctly drawn their UPF. The allocation of steaks and opera is efficient. Given all this, it **must be the case** that Sofia is eating all of the steaks.
   A) Incorrect
   B) Correct

6. Ali's marginal rate of substitution of candy for time disco dancing (for Ali, both goods) is, in absolute value, his WTP for another unit of dancing, expressed in terms of forgone candy.
   A) Incorrect
   B) Correct
   His MRScd=how much dancing he would give up to get another candy, which is the opposite of how much candy he would give up to dance more.

7. (new) One of the negative external effects associated with you getting another tattoo is the pain caused by the needling.
   A) Incorrect
   B) Correct

8. (new) Which of the following descriptions **best** describes why you took this course. If you answer, you will answer correctly.
   A) None of the other possibilities are close to my reason for taking this course.
   B) I took this course as part of my plan to be a student of the business school, but I am not particularly interested in microeconomics.
   C) I took this course/class simply because it fulfills one of my A&S requirements and it was at a convenient time.
   D) I took this course as part of my plan to be a student of the business school, but I am also interested in microeconomics.
   E) I took this course because I plan on being an econ major, or am considering econ as my major.
   F) I took the class because I am interested in microeconomics, but I have no interest in becoming an econ major.

Q8   A (5, 6.17%)   B (31, 38.27%)   C (16, 19.75%)   D (24, 29.63%)   E (5, 6.17%)
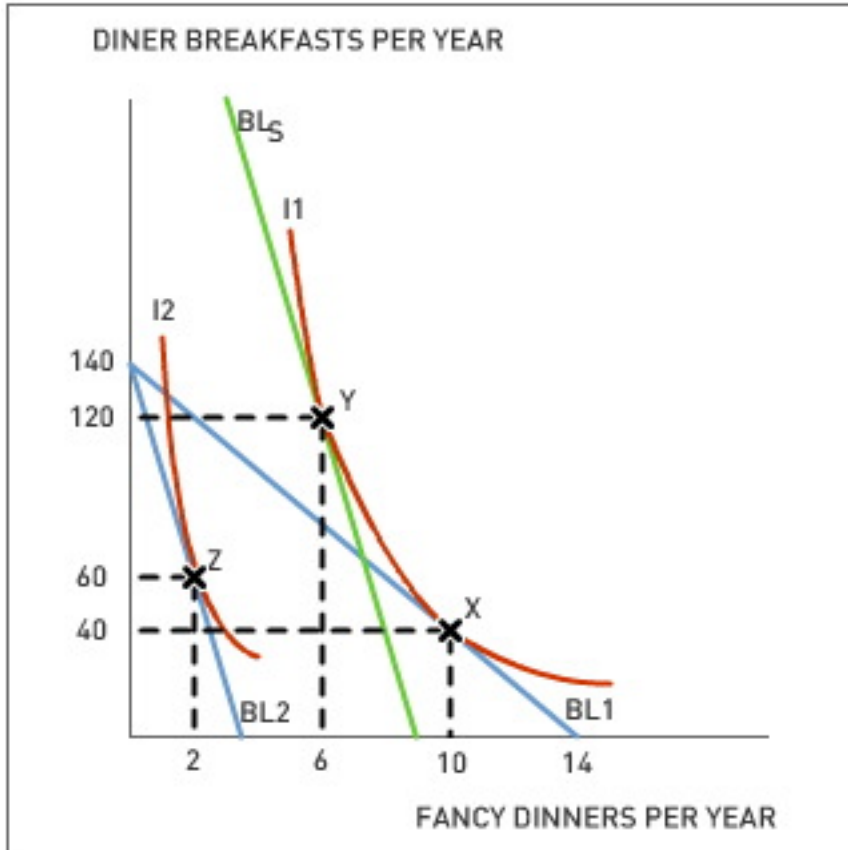
9. (new) Which of the following are properties of all *common-property resources*. (Choose the answer that is both correct and most inclusive.)
   A) their use is congestible, but they are open-access (there is no gate-keeper)
   B) their use is congestible
   C) their use is non-congestible, and everyone experiences every unit of the resource.
   D) their use is non-congestible

10. (new) Donald Trump in his capacity as President of the U.S., is a good example of a
    A) public good
    B) he is not a good example of a public good nor a public commodity.
    C) public commodity

11. (variation on first midterm question) Which of these two statements is incorrect?
    A) The opportunity cost of activity I is always expressed in units of activity I
    B) The opportunity cost of activity I in terms of activity II is the inverse (reciprocal) of the opportunity cost of activity II in terms of activity I.
    A) Only statement A is correct
    B) Only statement B is correct
    C) Both statements A and B are correct
    D) Neither statement A nor B are correct

12. (variation on question from first midterm) Vonda and Aleiyah are shopping together at the mall for new jeans; they are the only two interested in new jeans. Vonda is willing to pay $90 and Aleiyah is willing to pay $60 for a pair of jeans. If the price of jeans is $52, how much total consumer surplus is achieved in this market?
    A) $31
    B) $38
    C) $44
    D) $140

13. (new) Assume Adam, and his mom, Ms. Smith were both members of society. Adam Smith chopped off all of the fingers on his one invisible-hand, finger by finger: he was sick of being the torch-bearer for free markets. (It was worth it to him to chop off all five). But, his mom got more and more distraught as each additional finger dropped, her well-being dropped at an increasing rate. (Adam lived with his mother). No one else cared one way or the other. (Which answer is both correct and most informative?)
    A) Adam chopped off an inefficient number from his perspective but maybe the efficient number from society's perspective.
    B) Adam chopped off the efficient number from his perspective and maybe the efficient number from society's perspective.
    C) Adam necessarily chopped off the efficient number from both his perspective and society's perspective.
    D) Adam chopped off the efficient number of fingers from his perspective but definitely too many from society's perspective.

14. (new) If Edward's skiing produces **positive** external affect, and if there is no government policy that influences how much he skis, Edward will likely ski an efficient amount from society's perspective.
    A) Incorrect
    B) Correct

I am not skiing the efficient amount from society's perspective (too little). If my skiing caused negative external effects, we would want to tax my ski days. If they produce positive external effects we want to subsidize me to ski more.

15. Picture the indifference curve for carrots, a good, and candy, initially more is preferred to less but eventually less is preferred to more. If quantity of candy is on the **horizontal** axis and the quantity of carrots is on the **vertical** axis which statement best describes the shape of the indifference curve? **Note that** this question was in the second midterm, but with the axis switched.
    A) U-shaped
    B) backward C-shaped
    C) inverted U-shaped
    D) C-shaped
    E) None of the above

16. Paolo and Maria Rossi live in San Diego and enjoy going out to fancy restaurants for dinner and to diners for breakfast. On the following diagram, the curves I1 and I2 represent two of their indifference curves for fancy dinners versus diner breakfasts. Their total income to be spent on eating out is $1,400 per year. The price of a diner breakfast is always $10. BL1 is the budget line when dinners cost $100, and BL2 is the budget line when dinners cost $400. The lines BL2 and BLS are parallel, and BLS is tangent to I1 at point Y.

DINER BREAKFASTS PER YEAR

FANCY DINNERS PER YEAR

The substitution effect of the price increase, from $100 to $400 for each fancy dinner, causes them to go out to for fancy dinners _____ times per year.

A) 4 fewer
B) 12 fewer
C) fewer (but we can't determine the exact number)
D) 8 fewer

17. (new) Consider George and his tattoos. Assume it personally cost George $10 in time and effort to add each additional tattoo to his body. Assume his private benefits are $20 for each additional tattoo. But the cost to others from George's tattoos are a constant $15/tattoo. The efficient number of tattoos, on George, from George's perspective is _____ and the efficient number from society's perspective is _____
    A) There is not enough information provided to fill in the blank.
    B) infinity; zero.
    C) a lot, but not infinity; zero
    D) a positive number, a different positive number

    It cost George a constant $10 to produce another tattoo. He gets a constant benefit of $20 for each additional tattoo. So a constant net benefit of $10 for each additional tattoo. So, he want an infinite number of tattoos (another one always makes him better off.
    That said, each tattoo on George makes society worse off (net benefit to George of $10 minus $15, so minus $5.

18. (new) In Boulder everyday there is a total of 100 hours of drunk driving, all of these hours happen between 6 and 7 p.m. (when happy hour ends), and each hour of drunk driving is by a different driver, and each has a car. The police have identified the 100 people and their cars, and have put a monitor in each car that tells them whether the driver is drunk. They then have the ability to disable the car. The city council has instructed the police to reduce the total hours of drunk driving from 100 to 80 (a 20% reduction), and told them to try to do it in the minimum-cost way from society's perspective. Given that people who drink are **not** all identical, which of the following is more likely to reduce driving from 100 to 80 hours in the least cost way.
    A) The police disable all 100 cars.
    B) Each morning, the police randomly select 20% of the 100 drunker-cars to disable, and informs the owners.
    C) The police identify the 20 drunk drivers with the least wtp to drive drunk, and disables their cars. Of course, they inform the owners.
    D) Every one of the 100 drunker-cars gets disabled for 20% of the hour

19. When deciding whether the current allocation of society's resources is, or is not, efficient, one takes the stock of society's resources as given
    A) Incorrect
    B) Correct

20. (modification of question from first midterm) A rational consumer will always choose to consume a bundle of **commodities** that is on her budget line.
    A) No
    B) Yes

21. (modification old question) Boulder Colorado, wants to reduce it emissions of Guber gas by 10 units. Two firms in town emit Guber gas. For Firm 1 they can always decrease their emission of GG by one unit at a cost of $10. In contrast, for Firm 2 it costs $1 to eliminate the first unit, $3 to eliminate the second unit, $6 for the third unit, $10 for the 4th unit, $15 for the fifth unit, etc. The-cost minimizing way to reduce these ten units is _____, and the total cost will be ____. If each firm reduces 5 units the total cost of the 10 unit reduction with be ____.
    A) For each firm to reduce five units: $80; $80
    B) For Firm 2 to reduce 2 units and Firm 1 to reduce 8 units: $84; $85
    C) For Firm 2 to reduce 3 (or 4) units, and Firm 1 to reduce 7 (or 8) units; $80; $85
    D) For Firm 1 to reduce 10 units; $100; $100

22. (new) Imagine a society consists of three people where ice-cream cones are magically **public goods**. George's marginal benefits for cones is $MB_g(Cg)=10-C_g$. For Alexa it is $MB_a(Ca)=12-2C_a$, and for Fred it is $MB_f(Cf)=2$. It cost $4 to produce each cone. The efficient number of cones to produce and consume is
    A) 8
    B) 7
    C) 6
    D) 9

    The total benefits of C cones is 24-3C. Looking for the point were this equals 4. The answer is a bit more than 6. The answer was miscoded as A, so I will had one more correct to everyone's score.

23. (Edward) Assume a world of only two commodities: both goods. Assume everyone has the nicely-shaped indifference curves like one sees in the book. Assume a competitive-market equilibrium for these two goods (supply equals demand for each good, everyone faces the same prices, etc.). If everyone chooses to purchase and consume some of both goods, everyone will have the same marginal rate of substitution between these two good.
    A) Correct, but only if everyone has the same preferences.
    B) Not correct
    C) Correct

If everyone faces the same prices, then everyone's budget line has the same slope. And if everyone has nice smooth indifference curves that get flatter as one moves to the right, then everyone will choose a bundle where their MRSxy is equal to px/py. But, since everyone faces the same px/py, everyone will have the same MRSxy when they are consuming their optimal bundle.

24. Imagine of society of two individuals (Colin and Sofia) and two commodities: operas performances, O, and BBQ steaks, B. Both are goods for both individuals. Further assume a manna-from-heaven model (no production). Assume we have correctly drawn their UPF.Society is currently operating at a point inside this UPF. At this point, it **must** be the case that not all of the steaks and operas are consumed.
    A) Incorrect
    B) Correct

25. (new) Santa Claus on Christmas eve is an example of
    A) an artificially-scarce good.
    B) neither a public good nor an artificially-scarce good.
    C) a public good

26. Society consists of Bubba, Molly and a bunch of **other people.** Bubba owns a gun and Molly owns a copy of "Fifty Shades of Grey." They trade the gun for the book making both of them better off. Which of the following statements is both necessarily correct and most informative?
    A) The trade might be efficiency increasing, we don't know for sure.
    B) After the trade the allocation of goods is necessarily efficient
    C) The trade is efficiency increasing because they are both better off.

27. (Joel) A fishery (stock of fish) located in international waters where there are no restrictions on harvesting is an example of a common-property resource. (Choose the answer that is both correct and most informative.)
    A) It is not a CP resource, it is an artificially-scarce commodity.
    B) It is not a CP resource, it is a public resource/input because it is there for everyone.
    C) It is is a CP resource because the resource is congestible (my harvesting a fish precludes you from harvesting the same fish), and access is open (un-restricted)
    D) It is not a good example of a CP resource.

28. Consider the last Presidential election, and the amount of money both sides spent on TV ads. In addition, keep in mind that the outcome of the election in terms of the percentage of the vote for each candidate was what the polls predicted months before the election. So, if the money spent on ads had no affect on the outcome, both sides spending vast amounts on TV ads looks _____ .
    A) efficient but does not look like an equilibrium
    B) like an efficient equilibrium
    C) like an inefficient equilibrium
    D) inefficient but does not look like an equilibrium

29. (Ali) If the own-price elasticity of demand is -.66 and a price increase caused demand to decrease by 1%, approximately how much did the price increase?
   A) 1.50%
   B) Not enough information is provided to answer the question
   C) .66%

30. (new) The non-use values produced by a good are typically non-congestible
   A) Incorrect
   B) Correct

31. (Edward) Prices tell you the rate at which you can substitute one market good for another. (Choose the answer that is both correct and most informative.)
   A) Incorrect
   B) Correct, and in competitive equilibrium, this rate is the same for everyone.
   C) Correct

32. If the unregulated competitive equilibrium is efficient, there are no market failures
   A) Incorrect
   B) Correct

      A market failure is something inherent to the market that cause the unregulated competitive-market equilibrium to be inefficient.

33. Economic situations that are in equilibrium are _____ efficient. (Choose the answer that is both correct and most informative.)
   A) Never
   B) sometimes
   C) almost
   D) always

34. (new) What are the implications for the production of external effects if people are given more freedoms to do what they want, and say what they want. That is, fewer laws and restrictions on behavior.
   A) The levels of negative external effects are likely to decrease.
   B) The levels of negative external effects will not be influenced
   C) The levels of negative external effects are likely to increase

35. Wilbur's ranking of bundles is simply a convenient way to keep track of how much utility Wilbur gets from each bundle.
    A) Incorrect
    B) Correct

36. (Edward) Consider Edward's lecture notes on the WWWeb. They are open access. These notes are an example of a public commodity, as the term is defined by Edward. (This was discussed in Tuesday's lecture.)
    A) Incorrect
    B) Correct

    Everyone is not required to experience my notes: you can exclude yourself, so they are not a public commodity. They are noncongestible and, currently, not excludable (they can be made excludable by password protecting them.

37. (new) Is global warming (the heating of the planet) congestible?
    A) No
    B) Yes

38. Assume I and II: I is "A stove does not need water". II is "Machines do not need water". It logically follows from I and II that a stove is a machine.
    A) Incorrect
    B) Correct

39. (variation on question from first midterm) Suppose Alice consumes only wine and cheese. Alice's income increases, the price of wine decreases, and the price of cheese increases. Consider Alice's budget line with wine on the vertical axis and cheese on the horizontall axis. What will happen to the slope of Alice's budget line?
    A) It becomes flatter.
    B) There is not enough information to tell.
    C) It becomes steeper.
    D) It necessarily remains the same.

40. Assume for the purposes of this question, that people in Argentina have the same preference as people in the U.S. Also assume the same state of technical knowledge in both countries. For the purpose of this question also assume a meal is a meal; that is the objective is to eat calories; what one eats is secondary. We observe that the production of meals in Argentina uses relatively more meat than the production of meals in the U.S. In the U.S. relatively more labor is used to produce meals. Which explanation is most correct and most explanatory?
    A) With meat on the vertical axis and labor on the horizontal axis, since meat is relatively cheaper in Argentina, the isocost lines for meal production are steeper in Argentina because meat is relatively cheaper than it is in the U.S. (labor is relatively more expensive). This causes the cost-minimizing input combination for meal production to be more labor intensive in the U.S. (less meat intensive).
    B) In the U.S. the price of meat relative to the price of labor is higher than it is in the Argentina.
    C) relative input prices differ between the two counties.
    D) in Argentina the price of meat relative to the price of labor is higher than it is in the U.S.

41. Consider a situation where purchases do not occur because the potential seller's WTA (willingness-to-accept) the loss of the good is **greater** than the potential buyer's WTP (willingness-to-pay) for the good. This situation can occur at the market equilibrium price.
    A) Incorrect
    B) Correct

42. Bob's Brewery dumps waste into the Boulder Creek because it is the cheapest way for the brewery to dispose of the waste. The waste negatively impacts the residents in the area because they can no longer use the creek for recreation. Currently, there is no tax or regulation in place to limit Bob's waste disposal. Which of the following is both correct, and most informative?
    A) This is an example of a negative externality.
    B) This is an example where the socially optimal level of pollution is occurring.
    C) This is an example of a negative external effect.
    D) This is an example of a negative external effect and a negative externality.

43. (variation on question form first midterm) Suppose Alice consumes only wine and cheese. Alice's income increases, the price of wine decreases, and the price of cheese decreases. Consider Alice's budget line with cheese on the horizontal axis and wine on the vertical axis. What will happen to the slope of Alice's budget line?
    A) There is not enough information to tell.
    B) It necessarily remains the same.
    C) It becomes steeper.
    D) It becomes flatter.

44. (new) Guns, for defense, and missiles with warhead are devices designed to produce negative external effects.
    A) Incorrect
    B) Correct

    So, a question that probably needs some edits. My thinking: guns are designed to kill or injure people, so guns are designed to produce negative external effects. In opposition, one might argue that guns are not designed to hurt or kill but rather to make everyone safer (You don't threaten me, and I don't shoot you, because you know I have a gun.)

45. (off old midterm) Which of the following statements is both correct and most informative.
    A) One can have overall efficiency without efficiency in production.
    B) None of the other statements is correct
    C) Efficiency in production is a necessary condition for overall efficiency.
    D) If there is **inefficiency** in production, there is not overall efficiency because society could increase the production of one or more goods without decreasing the production of other goods. And, if this happened the extra goods could be used to make someone better off without making anyone else worse off.

46. When the allocation of resources and the distribution of goods is efficient, it is still often possible to make some members of society better off.
    A) No
    B) Yes

47. (new) If all pollution abatement (pollution eliminated by either by producing fewer goods or by using inputs to cleanup wastes before they leave the door) is achieved at minimum cost from society's perspective,
    (choose the answer that is both correct and most informative)abated pollution
    A) There is, for sure, an inefficient amount of pollution from society's perspective.
    B) There is efficiency is pollution abatement, but not necessarily the efficient amount of pollution from society's perspective
    C) There is both efficiency in pollution abatement, and the efficient amount of pollution from society's perspective
    D) There is, for sure, the efficient amount of pollution from society's perspective

48. The following is the "definition" of a cost function: The cost function identifies the amount of money a firm spends producing its output as a function of its output level, the prices of the inputs, and the quantities of the fixed inputs.
    A) Incorrect
    B) Correct

        The cost function identifies minimum cost, which might, or might not, equal what the firm spends. I asked the exact same question on a midterm.

49. Assume is the short-run and Fred is producing snerd edibles. Her fixed costs are zero and she is maximizing her profits producing some positive number of edibles, earning positive profits. Then consider Fred in the same situation except that she has some fixed costs. With these fixed costs,
    A) Her profit-maximizing level of output will be the same as it was with no fixed costs.
    B) Her profit-maximizing level of output will be higher because she has to cover these fixed costs
    C) Her profit-maximizing level of output will be lower

        The fixed cost does not affect her profit-maximizing level of output (her MC curve does is not affect, so the point where p=mc remains the same.

50. My demand curve for cigars, per day, is C=8-4P, where P is the price of a cigar and C is the number of cigars I buy and smoke. My **total** WTP for cigars is (Note that when you determine WTP, you normally look at the inverse demand function ($ on the vertical axis, quantity on the horizontal axis). (Choose the answer that is both correct and most informative.
    A) $0
    B) $4
    C) $8, and this amount depends on the current price of cigars.
    D) $8, and this amount does not depend on the current price of cigars

      This question was off the first midterm. If C=8-4p the WTP=2-.25C. $8 is total WTP, the area under WTP-2-.25C above zero, and it does not depend on the current price.
      If I had asked WTP to have cigars available for sale at price p, then it would have been the area under the curve above p, and would depend on p. For example, WTP to be able to buy cigars at $1 each is $2

51. (Consider the tattoo example from class) Any potential externalities associated with tattoos on George can be eliminated by forcing George to show the efficient number of tattoos from Society's perspective, no more, no less.
    A) No
    B) Yes

52. (modification of previous questions) The marginal rate of transformation of good X for good Y, MRT$_{XY}$, is the rate at which society can substitute X production for Y production, holding resources constant and given the state of technical knowledge.
    A) No
    B) Yes

53. (new) Assume a world of external effects (the actions of people and firms directly affecting other individuals and firms. Which are the following are some reasons why some people object to government intervention in the market place to adjust the levels of these external effects (e.g. pollution)
    A) All of the other answers are possibilities.
    B) Some believe that while the unregulated levels of some external affects are inefficient, government intervention is likely to make the situation worse rather than better.
    C) Some believe that the unregulated levels of all or most external effects are efficient, so there is no need to for intervention, and if some are at inefficient levels, they will be adjusted to efficiency through Coasian bargaining.
    D) Some believe that efficiency is not a primary goal, rather freedom and liberty are primary.

54. (new) Finish the following: "Tattoos that show (choose the answer that is both correct and most informative)
    A) are a good example of something that produces negative external effects
    B) affect some others but the effect could be positive or negative depending on the image and the person who has it
    C) are not a good example of something that produces external effects.
    D) are a good example of something that produces positive external effects

55. Production is efficient when
    A) The only way to increase the production of a good requires that the production of some other good or goods be decreased.
    B) Both of the other answers are correct.
    C) The only way to make one member of society better off requires that another member be made worse off.

56. (Joel) Suppose we have estimated Wilbur's Demand function for gallons of gasoline as a function of his annual income and the price of a gallon of gasoline:

    $Q = 8 + .2Y - .75P^2$

    8income in thousands of dollars. P is the price of a gallon of gasoline. If the price of gasoline is currently \$2 a gallon and Wilbur's income increases from 50 (thousand) to 60 (thousand dollars) per year what is his Income Elasticity of Demand? Income changes by 10/55=2/11.
    A) 16/11
    B) 1/5
    C) 11/16

57. (modification of old question) Consider a situation where a **potential** seller's WTA (willingness-to-accept) the loss of the good is less than a **potential** buyer's WTP (willingness-to-pay) for the good. This situation could occur in an equilibrium.
    A) Incorrect
    B) Correct

58. The fact that in competitive equilibrium children can be starving, even if that the society has sufficient resources to feed everyone demonstrates that the market can fail.
    A) Incorrect
    B) Correct

59. (slight variation on Zach question that appeared on second midterm) After spending his **second hour** with Mickey, Donald's insanity increased by 120%. Which of the following statements is both correct and most?
    A) In this range, the Donald's-insanity elasticity of time-with-Mickey is positive and elastic.
    B) In this range, the time-with-Mickey elasticity of Donald's insanity is positive but inelastic
    C) In this range, the time-with-Mickey elasticity of Donald's insanity is positive and elastic

60. Production efficiency is being achieved. Is there overall efficiency?
    A) No
    B) Maybe
    C) Yes

61. (modified book question, fixed since the first midterm) Raclette is a popular wintertime dish in Switzerland. It is essentially melted cheese over boiled new potatoes. Assume that Raclette, the dish, is only made at home. If the price of cheese decreased, we would expect to see: Choose the answer that is both correct and most informative. (assume price in Swiss Francs is on the vertical axis).
    A) a shift to the right in the consumer's demand function for new potatoes, and a movement along the consumer's demand function for cheese.
    B) a shift in the consumer's demand function for cheese.
    C) a shift to the right in the consumer's demand function for new potatoes

62. Suppose the market for high-skilled workers is currently in equilibrium. If the government enacts a **binding wage ceiling** in this market tomorrow, which of the following predictions is most likely to be true? (Choose the answer that is both correct and most informative)**.**
    A) Every high-skilled worker who wants to work at the equilibrium wage will be working, and the firms will be hiring as many high-skilled workers as they would like at the equilibrium wage.
    B) Some high-skilled workers who want to work at the equilibrium wage will not be able to, and some firms will be frustrated, unable to hire as many workers as they would like at the equilibrium wage.
    C) Every high-skilled worker who wants to work at the equilibrium wage will be working, but some firms will be frustrated, unable to hire as many workers as they would like at the equilibrium wage.

    I was surprised that a lot of people got this wrong, since it was straight off a midterm. Note it is a binding wage ceiling (the wage ceiling is below the equilibrium wage. So, demand (by firms) will be greater than supply (by potential workers. All of the people who want to work at this wage are able to work, but firms cannot hire all the workers they want.

63. Wilma's utility function for the two goods x and y is $U=x^2y^{.5}$. (Notice the size of the exponents) Given these preference, Wilma is likely to consume more x than y? (Choose the answer that is both correct and most informative.)
    A) Without more information it is impossible to tell.
    B) Yes
    C) No

Answer Key

1. B
2. C
3. B
4. B
5. B
6. A
7. A
8. *(No Answer Provided)*
9. A
10. C
11. B
12. C
13. B
14. A
15. A
16. A
17. B
18. C
19. B
20. A
21. C
22. A
23. C
24. A
25. A
26. A
27. C
28. C
29. A
30. B
31. B
32. B
33. B
34. C
35. A
36. A
37. A
38. A
39. C
40. A
41. B
42. D
43. A
44. B

45. D
46. B
47. B
48. A
49. A
50. D
51. B
52. B
53. A
54. B
55. B
56. C
57. A
58. A
59. C
60. B
61. A
62. C
63. A