

Name: _____ Student Number _____

Date: December 12, 2013
Professor: Dr. Paul MISSIOS

ECN 104 Final Exam

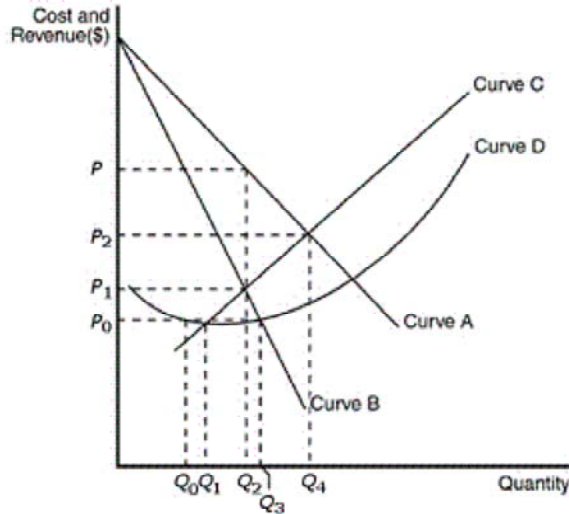
Multiple Choice

Identify the choice that best completes the statement or answers the question.

- _____ 1. Suppose that you are in charge of pricing at a local sandwich shop. The business needs to increase revenue and your job is on the line. If the demand for sandwiches is elastic, what should you do?
- a. increase the price of sandwiches
 - b. decrease the price of sandwiches
 - c. It depends whether supply is elastic or inelastic.
 - d. not change the price of sandwiches

The figure below reflects the cost and revenue structure for a monopoly firm.

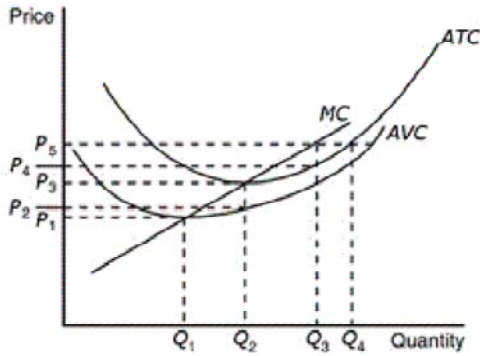
Figure 15-2



- _____ 2. Refer to Figure 15-2. Which curve depicts the marginal revenue curve for a monopoly firm?
- a. A
 - b. B
 - c. C
 - d. D
- _____ 3. Refer to Figure 15-2. If the monopoly firm wants to maximize its profit, what level of output should it operate at?
- a. Q_1
 - b. Q_2
 - c. Q_3
 - d. Q_4

4. Refer to Figure 15-2. Which curve depicts the average total cost curve for a monopoly firm?
- A
 - B
 - C
 - D

Figure 14-5



5. Refer to Figure 14-5. When would firms be encouraged to enter this market?
- for all prices that exceed P_1
 - for all prices that exceed P_2
 - for all prices that exceed P_3
 - for all prices that exceed P_5

Table 3-4

	Labour Hours Needed to Make One Unit of:		Amount Produced in 24 Hours:	
	Baskets	Birdhouses	Baskets	Birdhouses
Alberta	6	2	4	12
Manitoba	3	4	8	6

6. Refer to Table 3-4. Which of the following is correct?
- Alberta has an absolute advantage in birdhouses and Manitoba has an absolute advantage in baskets.
 - Alberta has an absolute advantage in baskets and Manitoba has an absolute advantage in birdhouses.
 - Alberta has an absolute advantage in neither good and Manitoba has an absolute advantage in both goods.
 - Alberta has an absolute advantage in both goods and Manitoba has an absolute advantage in neither good.
7. Refer to Table 3-4. What is the opportunity cost of 1 basket for Alberta?
- 1/3 birdhouse.
 - 4 birdhouses.
 - 1 birdhouse.
 - 3 birdhouses.

- _____ 8. If a 30 percent change in price causes a 15 percent change in quantity supplied, what do we know about the price elasticity of supply?
- It is 1/2 and supply is inelastic.
 - It is 1 and supply is unit elastic.
 - It is 2 and supply is elastic.
 - It is 1/2 and supply is elastic.

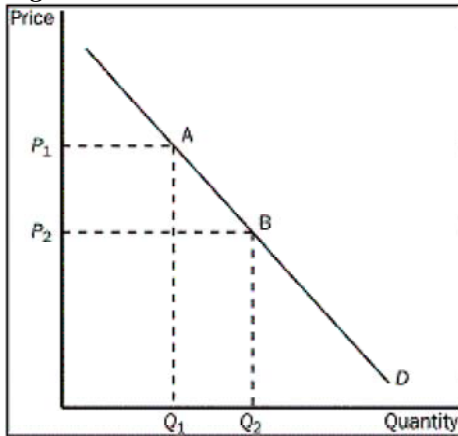
Table 4-1

The table shows individual demand schedules for a market.

Price of the Good	Aaron	Angela	Austin	Alyssa
\$0.00	20	16	10	8
0.50	18	12	6	6
1.00	14	10	2	5
1.50	12	8	0	4
2.00	6	6	0	2
2.50	0	4	0	0

- _____ 9. **Refer to Table 4-1.** When the price of the good is \$1.00, what is the quantity demanded in this market?
- 31 units
 - 24 units
 - 42 units
 - 14 units
- _____ 10. If duopolists individually pursue their own self-interest when deciding how much to produce, what do we know about the price they are able to charge for their product?
- It will be greater than the monopoly price.
 - It may be less than or greater than the monopoly price.
 - It will be less than the monopoly price.
 - It will be equal to the perfectly competitive market price.
- _____ 11. If there are many firms participating in a market, what could the market be?
- either perfectly competitive or monopolistically competitive
 - perfectly competitive only
 - either an oligopoly or perfectly competitive
 - either an oligopoly or monopolistically competitive

Figure 4-1



- ___ 12. **Refer to Figure 4-1.** What would cause the movement from point A to point B on the graph?
- an increase in price
 - a decrease in price
 - a decrease in the price of a substitute good
 - an increase in income
- ___ 13. **Refer to Figure 4-1.** What does the movement from point B to point A on the graph show?
- a decrease in quantity demanded
 - a decrease in demand
 - an increase in quantity demanded
 - an increase in demand
- ___ 14. What does marginal cost equal?
- total cost divided by quantity of output produced
 - total output divided by the change in total cost
 - average cost divided by output
 - the slope of the total cost curve

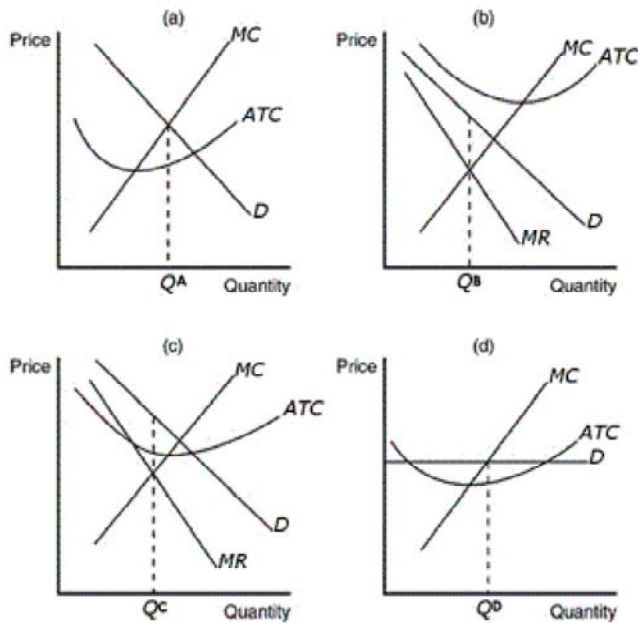
Table 5-3

Price per Ticket	Quantity Demanded
\$20	2000
\$16	4000
\$12	6000
\$ 8	8000
\$ 6	10 000
\$ 4	12 000
\$ 2	14 000

- ___ 15. **Refer to Table 5-3.** Notice that lowering the price from \$8 to \$6 per ticket decreases revenue by \$4000. In the \$6 to \$8 price range, what must the demand for baseball tickets be?
- price inelastic
 - price unit elastic
 - income elastic
 - price elastic

16. A profit-maximizing firm in a competitive market produces small rubber balls. When the market price for small rubber balls falls below the minimum of its average total cost, but still lies above the minimum of average variable cost, what happens to the firm?
- It will shut down.
 - It will be earning both economic and accounting profits.
 - It should raise the price of its product.
 - It will experience losses but it will continue to produce rubber balls.

Figure 16-2



17. **Refer to Figure 16-2.** Which of the graphs shown would be consistent with a firm in a monopolistically competitive market that is doing its best but still losing money?
- panel (a)
 - panel (b)
 - panel (c)
 - panel (d)
18. **Refer to Figure 16-2.** Which of the graphs shown would be consistent with a firm in a monopolistically competitive market that is earning a positive profit?
- panel (a)
 - panel (b)
 - panel (c)
 - panel (d)
19. When does a natural monopoly occur?
- when there are economies of scale over the relevant range of output
 - when the product is sold in its natural state (such as water or diamonds)
 - when production requires the use of free natural resources, such as water or air
 - when the firm is characterized by a rising marginal cost curve

- _____ 20. In a monopolistically competitive industry, how does price compare with marginal cost?
- Price is a fraction of marginal cost since each firm is a price setter.
 - Price is equal to marginal cost since each firm is a price taker.
 - Price is above marginal cost since each firm is a price setter.
 - Price is below marginal cost since each firm is a price taker.
- _____ 21. Suppose a market is perfectly competitive, and then it is taken over by three or four firms. What would we expect, as a result, regarding market output and the price of the product?
- an increase in market output and an increase in the price of the product
 - a decrease in market output and a decrease in the price of the product
 - an increase in market output and a decrease in the price of the product
 - a decrease in market output and an increase in the price of the product
- _____ 22. Martha and Don are competitors in a local market and each is trying to decide if it is worthwhile to advertise. If both of them advertise, each will earn a profit of \$5000. If neither of them advertises, each will earn a profit of \$10 000. If one advertises and the other doesn't, then the one who advertises will earn a profit of \$15 000 and the other will earn \$7000. To make the most money, what should Martha do and what will she earn?
- She should advertise, and she will earn \$5000.
 - She should not advertise, and she will earn \$10 000.
 - She should advertise, and she will earn \$15 000.
 - Martha has no strategy that guarantees her the most money.
- _____ 23. A monopoly firm can sell 200 units of output for \$36.00 per unit. Alternatively, it can sell 201 units of output for \$35.80 per unit. What is the marginal revenue of the 201st unit of output?
- \$35.80
 - \$4.20
 - \$4.20
 - \$35.80
- _____ 24. A monopolist faces the following demand curve:

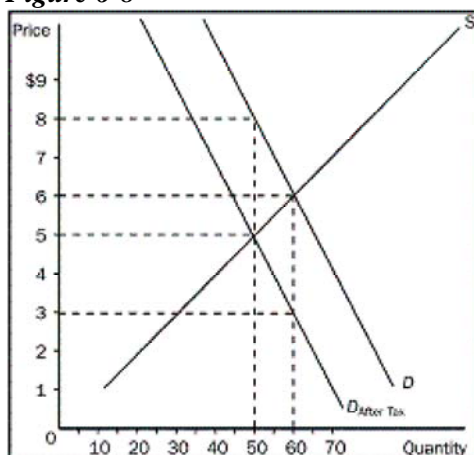
Price	Quantity Demanded
\$10	5
9	10
8	16
7	23
6	31
5	49
4	52
3	60

The monopolist has total fixed costs of \$40 and a constant marginal cost of \$5. At the profit-maximizing level of output, what is the monopolist's average total cost?

- \$5.82
 - \$6.74
 - \$7.50
 - \$9.00
- _____ 25. At the profit-maximizing level of output, which equation is correct?
- Marginal revenue = Marginal cost
 - Marginal revenue = Average variable cost
 - Marginal revenue = Average total cost
 - Average revenue = Average total cost

- ___ 26. A competitive market is in long-run equilibrium. If demand decreases, what can we be certain will happen to price?
- Price will not fall in the short run because firms will exit to maintain the price.
 - Price will fall in the short run. No firms will shut down, but some of them will exit the industry. Price will then rise.
 - Price will fall in the short run. All firms will shut down and some of them will exit the industry. Price will then rise.
 - Price will fall in the short run. All, some, or no firms will shut down, and some of them will exit the industry. Price will then rise.
- ___ 27. Suppose that a worker in Agland can produce either 10 units of organic grain or 2 units of incense per year, and a worker in Zenland can produce either 5 units of organic grain or 15 units of incense per year. There are 20 workers in Agland and 10 workers in Zenland. Currently the two countries do not trade. Agland produces and consumes 100 units of grain and 20 units of incense per year. Zenland produces and consumes 50 units of grain and no incense per year. The combined output of the two countries is therefore 150 units of grain and 20 units of incense per year. If the two countries decided to trade, and completely specialized in producing the good for which each has a comparative advantage, what would the combined yearly output of the two countries be?
- 200 units of grain and 150 units of incense.
 - 50 units of grain and 40 units of incense.
 - 150 units of grain and 20 units of incense.
 - 200 units of grain and 300 units of incense.
- ___ 28. When a country allows trade and becomes an exporter of a good, what happens to consumer surplus and producer surplus?
- Consumer surplus and producer surplus will increase.
 - Consumer surplus will increase and producer surplus will decrease.
 - Consumer surplus and producer surplus will decrease.
 - Consumer surplus will decrease and producer surplus will increase.

Figure 6-8

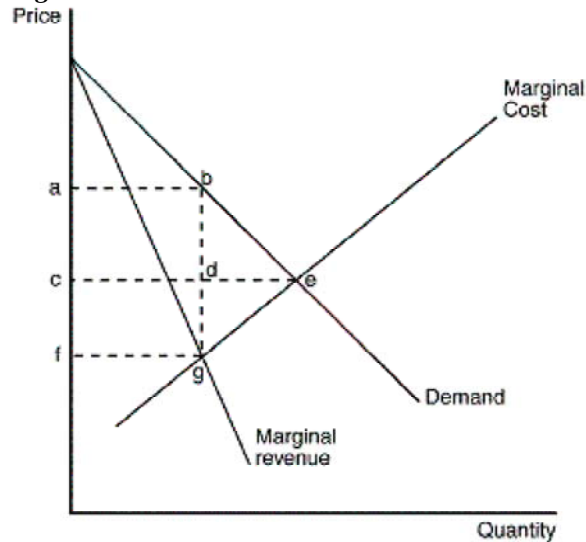


- ___ 29. Refer to Figure 6-8. What is the share of the tax burden that buyers would pay?
- \$1.00 per unit
 - \$1.50 per unit
 - \$2.00 per unit
 - \$3.00 per unit

- _____ 30. **Refer to Figure 6-8.** What is the amount of the tax imposed in this market?
- a. \$1.00 per unit
 - b. \$1.50 per unit
 - c. \$2.50 per unit
 - d. \$3.00 per unit
- _____ 31. In which of the following markets is economic profit driven to zero in the long run?
- a. perfectly competitive market
 - b. monopoly
 - c. oligopoly
 - d. duopoly
- _____ 32. If, in a particular market, firms sell identical products, then the market is
- (i) perfectly competitive.
 - (ii) monopolistically competitive.
 - (iii) an oligopoly.
- a. (i) or (ii)
 - b. (i) only
 - c. (ii) or (iii)
 - d. (i) or (iii)
- _____ 33. What is one way in which monopolistic competition differs from oligopoly?
- a. There are no barriers to entry in oligopolies.
 - b. Strategic interactions between firms are rarely evident in oligopolies.
 - c. In oligopoly markets there are only a few sellers.
 - d. All oligopoly firms eventually earn zero economic profits.
- _____ 34. A firm's marginal cost has a minimum value of \$2; its average variable cost has a minimum value of \$4; and its average total cost has a minimum value of \$5. At what product price will the firm shut down?
- a. below \$2
 - b. below \$4
 - c. below \$5
 - d. Below \$1

The figure below depicts the demand, marginal revenue, and marginal cost curves of a profit-maximizing monopolist.

Figure 15-5



- ___ 35. Refer to Figure 15-5. Which of the following areas represents the deadweight loss due to monopoly pricing?
- triangle bde
 - triangle bge
 - rectangle acdb
 - rectangle cfgd

A monopolistically competitive firm faces the following demand curve for its product:

Table 16-1

Price (\$)	10	9	8	7	6	5	4	3	2	1
Quantity	2	4	6	9	10	12	14	16	18	20

- ___ 36. Refer to Table 16-1. The firm has total fixed costs of \$20 and a constant marginal cost of \$5 per unit. What will the firm do?
- It will produce 2 units; firms will exit the market in the long run.
 - It will produce 4 units; firms will exit the market in the long run.
 - It will produce 6 units; firms will exit the market in the long run.
 - It will produce 8 units; firms will enter the market in the long run.
- ___ 37. Refer to Table 16-1. The firm has total fixed costs of \$40 and a constant marginal cost of \$2 per unit. Which of the following outcomes will result?
- Firms will enter this market.
 - This market is in long-run equilibrium.
 - This firm is operating at efficient scale.
 - Firms will exit this market.

Table 14-1

Quantity	Price per Item
1	\$14
2	14
3	14
4	14
5	14
6	14
7	14
8	14
9	14

- ___ 38. Refer to Table 14-1. Over what range of output is marginal revenue declining?
- a. 1 to 6
 - b. 3 to 7
 - c. 7 to 9
 - d. None; marginal revenue is constant over the whole range of output.

Table 13-1

Measures of Cost for ABC Inc. Widget Factory			
Quantity of Widgets	Variable Costs	Total Costs	Fixed Costs
0			\$10
1	\$ 1		
2	3	\$13	
3	6	16	
4	10		
5		25	
6	21		10

- ___ 39. Refer to Table 13-1. What is the marginal cost of producing the sixth widget?
- a. \$1.00
 - b. \$3.50
 - c. \$5.00
 - d. \$6.00
- ___ 40. Refer to Table 13-1. What is the average fixed cost of producing five widgets?
- a. \$1.00
 - b. \$2.00
 - c. \$3.00
 - d. \$4.00
- ___ 41. Refer to Table 13-1. What is the average variable cost of producing four widgets?
- a. \$2.00
 - b. \$2.50
 - c. \$3.33
 - d. \$5.00

- _____ 42. Suppose that the cross-price elasticity of demand between hot dogs and mustard is -2.00 . If there is a 20 percent increase in the price of hot dogs, what will happen to the quantity of mustard purchased?
- It will fall by 40 percent.
 - It will rise by 200 percent.
 - It will fall by 200 percent.
 - It will rise by 40 percent.
- _____ 43. Suppose the price elasticity of demand for basketballs is 1.20. What will result from a 15 percent increase in price?
- an 18 percent decrease in the quantity of basketballs demanded
 - a 15 percent decrease in the quantity of basketballs demanded
 - an 8 percent reduction in the number of basketballs demanded
 - a 12.5 percent reduction in the number of basketballs demanded
- _____ 44. Holding all else constant, if a pencil manufacturer increases production by 20 percent when the market price of pencils increases from \$0.50 to \$0.60, what is the price elasticity of supply, using the midpoint method?
- inelastic, since elasticity is equal to 1.11
 - elastic, since elasticity is equal to 1.11
 - inelastic, since elasticity is equal to 0.90
 - elastic, since elasticity is equal to 0.90
- _____ 45. The competitive firm's short-run supply curve is that portion of the marginal cost curve that lies above which average cost?
- average total cost
 - average marginal cost
 - average variable cost
 - average fixed cost
- _____ 46. When oligopolistic firms interacting with one another each choose their best strategy given the strategies chosen by other firms in the market, what do we have?
- a cartel
 - a group of oligopolists behaving as a monopoly
 - the temptation to cheat
 - a Nash equilibrium
- _____ 47. A firm in a competitive market has the following cost structure:

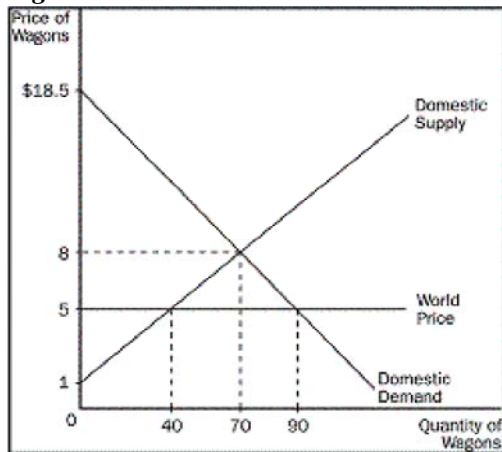
Output	Total Cost
0	\$ 5
1	10
2	12
3	15
4	24
5	40

When will this firm shut down and exit?

- It will shut down if price falls below \$3.33 and exit if it falls below \$5.
- It will shut down if price falls below \$5 and exit if it falls below \$3.33.
- It will shut down and exit if price falls below \$5.
- It will shut down if price falls below \$7 and exit if it falls below \$10.

- ___ 48. New cars are normal goods. What will happen to the equilibrium price of new cars if the price of gasoline rises, the price of steel falls, public transportation becomes cheaper and more comfortable, auto workers accept lower wages, and automobile insurance becomes more expensive?
- price change will be ambiguous
 - price will fall
 - price will rise
 - price will stay exactly the same
- ___ 49. Which of the following would be most likely to increase the price of a new house?
- Higher wages for carpenters, higher wood prices, increases in consumer incomes, higher apartment rents, increases in population, and expectations of higher house prices in the future.
 - Lower wages for carpenters, lower wood prices, decreases in consumer incomes, lower apartment rents, decreases in population, and expectations of lower house prices in the future.
 - Lower wages for carpenters, higher wood prices, decreases in consumer incomes, higher apartment rents, decreases in population, and expectations of higher house prices in the future.
 - Lower wages for carpenters, lower wood prices, increases in consumer incomes, higher apartment rents, increases in population, and expectations of higher house prices in the future.
- ___ 50. An industry is composed of four large firms that hold market shares of 40%, 30%, 20%, and 10%. Which of the following is true?
- The four-firm concentration ratio is 25, and the Herfindahl Index is 3000
 - The four-firm concentration ratio is 100, and the Herfindahl Index is 100
 - The four-firm concentration ratio is 100, and the Herfindahl Index is 3000
 - The four-firm concentration ratio is 25, and the Herfindahl Index is 100

Figure 9-4



- ___ 51. **Refer to Figure 9-4.** How many wagons would this country import or export?
- export 20 wagons
 - import 20 wagons
 - import 30 wagons
 - import 50 wagons

- _____ 52. In monopolistically competitive markets, what does the property of free entry and exit suggest?
- All firms earn zero economic profits in the long run.
 - Some firms will be able to earn economic profits in the long run.
 - The market structure will eventually be characterized by perfect competition in the long run.
 - Some firms will be forced to incur economic losses in the long run.
- _____ 53. The profit-maximization problem for a monopolist differs from that of a competitive firm in which of the following ways?
- For a profit-maximizing competitive firm, thinking at the margin is much more important than it is for a profit-maximizing monopolist.
 - A competitive firm maximizes profit at the point where marginal revenue equals marginal cost; a monopolist maximizes profit at the point where marginal revenue exceeds marginal cost.
 - A competitive firm maximizes profit at the point where average revenue equals marginal cost; a monopolist maximizes profit at a point where average revenue exceeds marginal cost.
 - For a competitive firm, marginal revenue at the profit-maximizing level of output is equal to marginal revenue at all other levels of output; for a monopolist, marginal revenue at the profit-maximizing level of output is smaller than it is for larger levels of output.
- _____ 54. What is the cost of producing the typical unit of output?
- the firm's average total cost
 - the firm's opportunity cost
 - the firm's variable cost
 - the firm's marginal cost
- _____ 55. A firm in a competitive market has the following cost structure:

Output	Total Cost
0	\$ 5
1	10
2	12
3	15
4	24
5	40

If the market price is \$4, what will this firm do?

- It will shut down in the short run and exit in the long run.
 - It will produce 2 units in the short run and exit in the long run.
 - It will produce 3 units in the short run and exit in the long run.
 - It will produce 4 units in the short run and exit in the long run.
- _____ 56. If the price elasticity of demand for a good is 4.0, what would result from a 10 percent increase in price?
- a 4 percent decrease in the quantity demanded
 - a 10 percent decrease in the quantity demanded
 - a 40 percent decrease in the quantity demanded
 - a 400 percent decrease in the quantity demanded

- _____ 57. In long-run equilibrium of a competitive market, the number of firms in the market adjusts so that all of the market demand is satisfied at what price?
- at the minimum value of average variable cost
 - at the minimum value of average total cost
 - at sunk cost
 - at the maximum value of marginal cost

Two cigarette manufacturers (Firm A and Firm B) are faced with lawsuits from provinces to recover the health-care related expenses associated with cigarette smoking. Both cigarette firms have evidence that indicates that cigarette smoke causes lung cancer (and other related illness). Provincial prosecutors do not have access to the same data used by cigarette manufacturers and thus will have difficulty recovering full costs without the help of at least one cigarette firm study. Each firm has been presented with an opportunity to lower their liability in the suit if they cooperate with attorneys representing the provinces.

Table 16-3

		Firm A	
		Concede that cigarette smoke causes lung cancer	Argue that there is no evidence that smoke causes cancer
Firm B	Concede that cigarette smoke causes lung cancer	Firm A loss = -\$20 Firm B loss = -\$15	Firm A loss = -\$50 Firm B loss = -\$5
	Argue that there is no evidence that smoke causes cancer	Firm A loss = -\$5 Firm B loss = -\$50	Firm A loss = -\$10 Firm B loss = -\$10

- _____ 58. **Refer to Table 16-3.** Pursuing its own best interests, when will Firm A concede that cigarette smoke causes lung cancer?
- only if Firm B does not concede that cigarette smoke causes lung cancer
 - regardless of whether Firm B concedes that cigarette smoke causes lung cancer
 - under no circumstances
 - only if Firm B concedes that cigarette smoke causes lung cancer
- _____ 59. If a tax is imposed on a market with elastic demand and inelastic supply, how is the burden of the tax distributed?
- It is impossible to determine how the burden of the tax will be shared.
 - The burden of the tax will be shared equally between buyers and sellers.
 - Buyers will bear most of the burden of the tax.
 - Sellers will bear most of the burden of the tax.
- _____ 60. As new firms enter a monopolistically competitive market, what happens to profits of existing firms and product diversity in the market?
- Profits of existing firms rise and product diversity in the market increases.
 - Profits of existing firms decline and product diversity in the market decreases.
 - Profits of existing firms decline and product diversity in the market increases.
 - Profits of existing firms rise and product diversity in the market decreases.

These graphs illustrate the production possibilities available for dancing shoes to Fred and Ginger with 40 hours of labour.

Figure 3-5



61. Refer to Figure 3-5. Ginger has a comparative advantage in
- Ginger has a comparative advantage in tap shoes and Fred has a comparative advantage in ballet slippers.
 - Ginger has a comparative advantage in ballet slippers and Fred has a comparative advantage in tap shoes.
 - Ginger has a comparative advantage in both goods and Fred has a comparative advantage in neither good.
 - Ginger has a comparative advantage in neither good and Fred has a comparative advantage in both goods.
62. Refer to Figure 3-5. Ginger should specialize in
- Ginger should specialize in ballet slippers and Fred should specialize in tap shoes.
 - Ginger should specialize in neither good and Fred should specialize in both goods.
 - Ginger should specialize in tap shoes and Fred should specialize in ballet slippers.
 - Ginger should specialize in both goods and Fred should specialize in neither good.
63. In order to sell more of its product, what must a monopolist do?
- It must sell in international markets.
 - It must sell to the government.
 - It must lower its price.
 - It must keep its price constant.
64. Suppose you make jewellery. If the price of gold falls, what would we expect you to do?
- be willing and able to produce more jewellery than before at each possible price
 - face a weaker demand for your jewellery
 - be willing and able to produce less jewellery than before at each possible price
 - face a greater demand for your jewellery
65. Suppose that monopolistically competitive firms in a certain market are earning positive profits. What happens in the transition from this initial situation to a long-run equilibrium?
- Each incumbent firm experiences a rightward shift of its marginal revenue curve.
 - Average prices begin to fall.
 - Each incumbent firm experiences a decrease in demand for its product.
 - The number of firms in the market decreases.

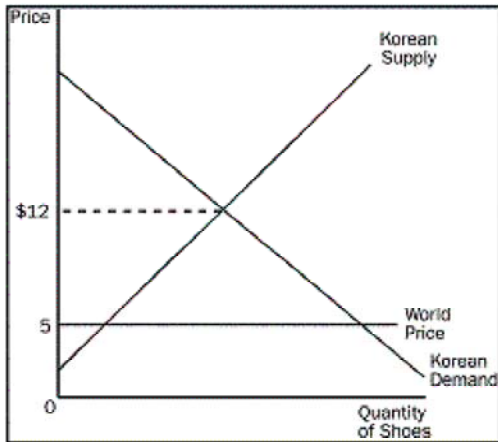
- _____ 66. Dolores used to work as a high school teacher for \$40 000 per year but quit in order to start her own catering business. To buy the necessary equipment, she withdrew \$20 000 from her savings (which paid 3 percent interest per year) and borrowed \$30 000 from her uncle, to whom she pays 3 percent interest per year. Last year she paid \$25 000 for ingredients and had revenue of \$60 000. She asked Louis, an accountant, and Greg, an economist, to calculate her profit for her. What did they say?
- Louis said her profit was \$34 100 and Greg said she lost \$6500.
 - Louis said her profit was \$34 100 and Greg said her profit was \$6500.
 - Louis said her profit was \$35 000 and Greg said she lost \$5000.
 - Louis said her profit was \$33 500 and Greg said her profit was \$33 500.
- _____ 67. What would be an example of an explicit cost of production?
- the cost of training programs postponed indefinitely
 - the cost of flour for a baker
 - the lost opportunity to invest in other capital markets when the money is invested in one's business
 - the cost of forgone labour earnings for an entrepreneur

Scenario 16-1

Assume that the countries of Irun and Urun are the only two producers of crude oil. Further assume that both countries have entered into an agreement to maintain certain production levels in order to maximize profits. In the world market for oil, the demand curve is downward sloping.

- _____ 68. **Refer to Scenario 16-1.** The fact that both countries have colluded to earn higher profit shows their desire to keep production levels
- lower than the Nash equilibrium level of output.
 - higher than the Nash equilibrium level of output.
 - equal to the Nash equilibrium level of output
 - higher than the competitive market level of output.
- _____ 69. When marginal cost is less than average total cost, what do we know?
- Marginal cost must be falling.
 - Average total cost is rising.
 - Average variable cost must be falling.
 - Average total cost is falling.
- _____ 70. Let P = price; MR = marginal revenue; and MC = marginal cost. For a profit-maximizing monopolist, which of the following relationships holds?
- $P > MR = MC$
 - $P > MR > MC$
 - $MR < MC < P$
 - $P = MR = MC$
- _____ 71. Which of the following must necessarily occur as the quantity of output increases?
- Average total cost must rise.
 - Marginal cost must rise.
 - Average fixed cost must fall.
 - Average variable cost must rise.
- _____ 72. In the long run, a profit-maximizing firm in a monopolistically competitive market operates at which of the following?
- a level of output at which average total cost is rising
 - a level of output at which average total cost is falling
 - the level of output at which total revenue is maximized
 - efficient scale

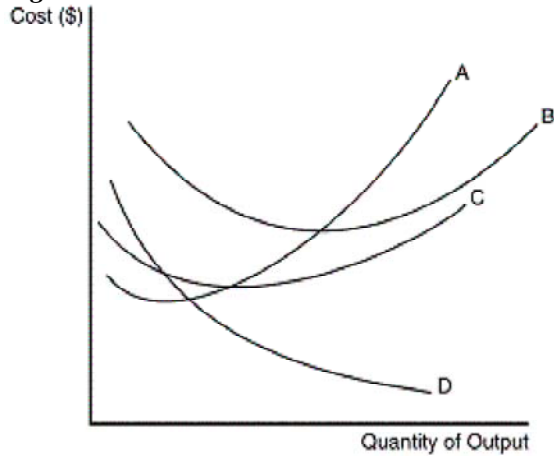
- ___ 73. If goods A and B are complements, what will result from an increase in the price of A?
- a. more of good B sold
 - b. no difference in the quantity sold of either good
 - c. less of good B sold
 - d. more of good A sold



- ___ 74. **Refer to Figure 9-6.** If trade in shoes is allowed, what will happen to Korean shoe consumers and producers?
- a. Both consumers and producers will gain.
 - b. Both consumers and producers will lose.
 - c. Consumers will lose and producers will gain.
 - d. Consumers will gain and producers will lose.

The curves below reflect information about the average total cost, average fixed cost, average variable cost, and marginal cost for a firm.

Figure 13-5



75. Refer to Figure 13-5. When is this particular firm necessarily experiencing increasing marginal product?
- a. when curve A is falling
 - b. when curve B is falling
 - c. when curve C is falling
 - d. when curve D is falling