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| 1. Markets fail to allocate resources efficiently when   |  |  |  | | --- | --- | --- | |  | a. | prices fluctuate. | |  | b. | people who have property rights abuse their privileges. | |  | c. | property rights are poorly enforced or not well established. | |  | d. | the government refuses to intervene in private markets. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 2. A market transaction causes an externality if someone   |  |  |  | | --- | --- | --- | |  | a. | directly involved in the transaction receives uncompensated benefits or costs from it. | |  | b. | not directly involved in the transaction receives uncompensated benefits or costs from it. | |  | c. | directly involved in the transaction seeks legal assistance to ensure that the transaction is carried out. | |  | d. | not directly involved in the transaction interferes in it by imposing regulations or product standards. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 3. Many external costs occur because   |  |  |  | | --- | --- | --- | |  | a. | people do not pay the true cost of using a resource. | |  | b. | people do not pay the private cost of using a resource. | |  | c. | companies do not pay the market price for natural resources. | |  | d. | companies pay more than the true cost of using a resource. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 4. The key explanation for the prevalence of waterway pollution is   |  |  |  | | --- | --- | --- | |  | a. | the inclusion in production of all costs involving use of the waterway. | |  | b. | that there are private costs but no costs to society. | |  | c. | that waterways are often an open access, commonly owned resource. | |  | d. | that waterways are subject to the market's normal control procedures. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 5. Relative to a competitive situation, if a market lacks competition, economic theory suggests that   |  |  |  | | --- | --- | --- | |  | a. | output will be lower and price higher. | |  | b. | output will be higher and price lower. | |  | c. | both output and price will be higher. | |  | d. | both output and price will be lower. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 6. If a group of sellers that can restrict entry into a market, they will often be able to enlarge their total profit by   |  |  |  | | --- | --- | --- | |  | a. | raising price and reducing output. | |  | b. | raising price and expanding output. | |  | c. | lowering price and expanding output. | |  | d. | raising price and leaving output unchanged. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 7. When competitive forces in an industry are weak,   |  |  |  | | --- | --- | --- | |  | a. | the absence of competition generally leads to overproduction. | |  | b. | prices may exceed the amount consumers are willing to pay. | |  | c. | the operational efficiency of private firms will be enhanced. | |  | d. | higher prices and less than optimal production may result. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 8. In a market that lacks sufficient competition,   |  |  |  | | --- | --- | --- | |  | a. | output will generally be less than the output that is ideal from the standpoint of economic efficiency. | |  | b. | output will generally be greater than the output that is ideal from the standpoint of economic efficiency. | |  | c. | price will generally be less than the price that would result if the market was competitive. | |  | d. | profit rates will generally be so low that government subsidies will be necessary to ensure that the firms remain in business. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 9. Sellers have a strong incentive to lobby government for legal restrictions that would reduce the intensity of competition in their market because   |  |  |  | | --- | --- | --- | |  | a. | the firms wish to be more efficient than competition will permit. | |  | b. | competition tends to result in lower prices and lower profits. | |  | c. | legal restrictions that lessen competition in a market generally benefit consumers. | |  | d. | the firms fear that intense competition will lead to higher profits that will attract additional rivals into the market. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 10. The spillover effects of actions that affect the well-being of nonconsenting third parties are called   |  |  |  | | --- | --- | --- | |  | a. | side components. | |  | b. | externalities. | |  | c. | free riders. | |  | d. | internalizations. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 11. When externalities are present,   |  |  |  | | --- | --- | --- | |  | a. | suppliers will refuse to produce desired goods and services. | |  | b. | this indicates that property rights are well-defined and enforced. | |  | c. | competitive market outcomes may be inconsistent with ideal economic efficiency. | |  | d. | competitive markets will generally achieve ideal economic efficiency. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 12. Externalities cause the market mechanism to allocate goods and resources inefficiently because   |  |  |  | | --- | --- | --- | |  | a. | nonconsenting third parties are generally not hurt by externalities. | |  | b. | producers and consumers ignore signals given by the competitive market. | |  | c. | prices are always higher than they should be. | |  | d. | competitive markets fail to give producers and consumers correct price signals. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 13. Externalities are fundamentally the result of   |  |  |  | | --- | --- | --- | |  | a. | the absence of competition in a market. | |  | b. | the lack of well-defined or enforced property rights. | |  | c. | poor information on the part of consumers. | |  | d. | the presence of significant comparative advantages in production. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 14. If pollutants emitted by firms in the steel industry increase, but there is no increase in the costs borne by these firms, you could conclude that   |  |  |  | | --- | --- | --- | |  | a. | pollution is not a serious problem in this industry. | |  | b. | the consumers of steel are unwilling to bear the costs of pollution generated from steel production. | |  | c. | pollution is an externality in this market, since producers and purchasers of steel do not bear the full costs of the pollution. | |  | d. | pollution creates an external benefit rather than an external cost in this case. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 15. Suppose that an MBA degree creates no externality because the benefits of an MBA are captured by the student in the form of higher wages. If the government offers subsidies for MBAs, then which of the following statements is correct?   |  |  |  | | --- | --- | --- | |  | a. | The equilibrium quantity of MBAs will equal the efficient quantity of MBAs. | |  | b. | The equilibrium quantity of MBAs will be greater than the efficient quantity of MBAs. | |  | c. | The equilibrium quantity of MBAs will be less than the efficient quantity of MBAs. | |  | d. | The tuition paid by the student would be exceed the efficient amount. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Application | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 16. When a nuclear-powered electrical plant is permitted to dump radioactive waste at no cost into a recreational waterway lowering the value boaters receive from the waterway, the   |  |  |  | | --- | --- | --- | |  | a. | firm's cost of producing electricity will be higher than the community's true opportunity cost. | |  | b. | firm will tend to produce too little electricity from the viewpoint of economic efficiency. | |  | c. | community generally receives an external benefit from the production of electricity. | |  | d. | firm's cost of producing electricity will be lower than the community's true opportunity cost. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Application | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 17. If production of a good creates external benefits, a competitive market will likely produce   |  |  |  | | --- | --- | --- | |  | a. | less output than would maximize profit. | |  | b. | more output than would maximize profit. | |  | c. | less output than is efficient. | |  | d. | more output than is efficient. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 18. When a firm generates external benefits, a more efficient outcome would result if   |  |  |  | | --- | --- | --- | |  | a. | the firm produced a larger output level. | |  | b. | the firm reduced its output level. | |  | c. | a tax were levied on the firm equal to the dollar amount of the externalities. | |  | d. | price were fixed below the firm's per-unit cost. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 19. If in market equilibrium the true marginal cost of producing a good exceeds the marginal cost incurred by the firm,   |  |  |  | | --- | --- | --- | |  | a. | not enough of the product is being produced. | |  | b. | the price charged for the good is too high. | |  | c. | the good produces a positive externality. | |  | d. | the good produces a negative externality. | |  | e. | the government should produce the good. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 20. Markets fail when externalities are present   |  |  |  | | --- | --- | --- | |  | a. | because all of the costs and benefits of producing a good are reflected in the market price. | |  | b. | because some of the costs and benefits of producing a good are not reflected in the market price. | |  | c. | only if they are negative; positive externalities are not market failures. | |  | d. | because profits are not maximized. | |  | e. | if the positive externalities are less than the negative externalities. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 21. A government passes a new law allowing only 1,000 tons of pollution per day to be generated and simultaneously sells 1,000 transferable rights to emit one ton each of pollution per day. Which of the following is true?   |  |  |  | | --- | --- | --- | |  | a. | The pollution will be created by those least willing and able to pay the damages. | |  | b. | The pollution will be created by those most willing and able to pay for the right to pollute. | |  | c. | The funds collected by the government will be enough to compensate any individuals harmed by the pollution. | |  | d. | Pollution will increase from zero to 1,000 units per day. | |  | e. | There will be no incentive for polluters to try to sneak emissions past government monitoring devices. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: The role of government | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 22. If consumption of education creates an external benefit, then in order to increase efficiency relative to the outcome determined by private decisions,   |  |  |  | | --- | --- | --- | |  | a. | more education must be produced. | |  | b. | the same amount of education must be produced, and the price should be lower. | |  | c. | less education must be produced, and the price should be higher. | |  | d. | less education must be produced, and the price should be lower. | |  | e. | less education must be produced at the same price. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 23. If education creates external benefits,   |  |  |  | | --- | --- | --- | |  | a. | actual market outcomes provide less than the efficient quantity of education. | |  | b. | actual market outcomes provide more than the efficient quantity of education. | |  | c. | actual market outcomes provide a higher price than the efficient price of education. | |  | d. | the government should impose a depletion tax. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 24. When production of a good provides external benefits, there will be   |  |  |  | | --- | --- | --- | |  | a. | too few resources devoted to its production. | |  | b. | too many resources devoted to its production. | |  | c. | the optimal amount of resources devoted to its production. | |  | d. | abnormally high profits earned by producers of the good. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 25. As a general rule, if pollution costs are external, firms will produce   |  |  |  | | --- | --- | --- | |  | a. | too little of a polluting good. | |  | b. | too much of a polluting good. | |  | c. | an optimal amount of a polluting good. | |  | d. | cannot be determined without additional information. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 26. If government taxes a firm which pollutes this will   |  |  |  | | --- | --- | --- | |  | a. | increase the demand for the good produced. | |  | b. | decrease the supply of the good produced. | |  | c. | increase the equilibrium quantity of the good produced in the market. | |  | d. | decrease the equilibrium price of the good produced in the market. | |  | e. | all of the above. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: The role of government | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 27. Suppose the actions of the producers of a good impose an external cost which results in the actual market price of $18 and market output of 400 units. How does this outcome compare to the efficient, ideal equilibrium?   |  |  |  | | --- | --- | --- | |  | a. | The efficient price would higher than $18 while the efficient output would be less than 400 units. | |  | b. | The efficient price would be higher than $18 while the efficient output would be greater than 400 units. | |  | c. | The efficient price would be lower than $18 while the efficient output would be less than 400 units. | |  | d. | The efficient price would be lower than $18 while the efficient output would be greater than 400 units. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 28. Suppose the actions of the producers of a good generate an external benefit which results in the actual market price of $30 and market output of 220 units. How does this outcome compare to the efficient, ideal equilibrium?   |  |  |  | | --- | --- | --- | |  | a. | The efficient price would higher than $30 while the efficient output would be less than 220 units. | |  | b. | The efficient price would be higher than $30 while the efficient output would be greater than 220 units. | |  | c. | The efficient price would be lower than $30 while the efficient output would be less than 220 units. | |  | d. | The efficient price would be lower than $30 while the efficient output would be greater than 220 units. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 29. Consider two goods - one that generates external benefits and another that generates external costs. The actual market outcome would   |  |  |  | | --- | --- | --- | |  | a. | result in a price that is lower than the efficient price for both goods. | |  | b. | result in a price that is higher than the efficient price for both goods. | |  | c. | result in a price that is lower than the efficient price for the good with an external benefit and a price that is higher than the efficient price for the good with an external cost. | |  | d. | result in a price that is higher than the efficient price for the good with an external benefit and a price that is lower than the efficient price for the good with an external cost. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 30. Suppose external costs are present in a market which results in the actual market price of $24 and market output of 325 units. How does this outcome compare to the efficient, ideal equilibrium?   |  |  |  | | --- | --- | --- | |  | a. | The efficient outcome would be greater than 325 units. | |  | b. | The efficient outcome would be less than 325 units. | |  | c. | The efficient outcome would also be 325 units. | |  | d. | The efficient price would be less than $24. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 31. Suppose external benefits are present in a market which results in the actual market price of $14 and market output of 150 units. How does this outcome compare to the efficient, ideal equilibrium?   |  |  |  | | --- | --- | --- | |  | a. | The efficient outcome would be greater than 150 units. | |  | b. | The efficient outcome would be less than 150 units. | |  | c. | The efficient outcome would also be 150 units. | |  | d. | The efficient price would be less than $14. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: The role of government | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 32. Consider two goods--one that generates external costs and another that generates external benefits. The actual market outcome would   |  |  |  | | --- | --- | --- | |  | a. | result in output that is lower than the efficient output for both goods. | |  | b. | result in output that is higher than the efficient output for both goods. | |  | c. | result in output that is lower than the efficient output for the good with an external benefit and output that is higher than the efficient output for the good with an external cost. | |  | d. | result in output that is higher than the efficient output for the good with an external benefit and output that is lower than the efficient output for the good with an external cost. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 33. Suppose external costs are present in a market which results in the actual market price of $70 and market output of 150 units. How does this outcome compare to the efficient, ideal equilibrium?   |  |  |  | | --- | --- | --- | |  | a. | The efficient price would be higher than $70. | |  | b. | The efficient price would be lower than $70. | |  | c. | The efficient price would also be $70. | |  | d. | The efficient output would be greater than 150 units. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 34. Suppose external benefits are present in a market which results in the actual market price of $49 and market output of 800 units. How does this outcome compare to the efficient, ideal equilibrium?   |  |  |  | | --- | --- | --- | |  | a. | The efficient price would be higher than $49. | |  | b. | The efficient price would be lower than $49. | |  | c. | The efficient price would also be $49. | |  | d. | The efficient output would be less than 800 units. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 35. When external costs are present in a market,   |  |  |  | | --- | --- | --- | |  | a. | less of the good will be produced than the amount consistent with economic efficiency. | |  | b. | more of the good will be produced than the amount consistent with economic efficiency. | |  | c. | the amount of the good produced will be equal to the amount consistent with economic efficiency. | |  | d. | corresponding external benefits are always generated. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 36. In a competitive market, if the production process involves an external cost, such as pollution of the environment, the market will   |  |  |  | | --- | --- | --- | |  | a. | produce the economically efficient outcome. | |  | b. | result in a market price that is higher than the efficient one. | |  | c. | register a price that is lower than the efficient one. | |  | d. | result in too little of the good being produced compared to the ideal efficient outcome. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 37. Suppose the firms in the chemical industry are allowed, free of charge, to dump harmful products into rivers. How will the price and output of the chemical products in a competitive market compare with their values under conditions of ideal economic efficiency?   |  |  |  | | --- | --- | --- | |  | a. | The price would be too low, and the output would be too large. | |  | b. | The price would be too high, and the output would be too large. | |  | c. | The price would be too low, and the output would be too small. | |  | d. | The price would be too high, and the output would be too small. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 38. When external benefits are present in a market,   |  |  |  | | --- | --- | --- | |  | a. | less of the good will be produced than the amount consistent with economic efficiency. | |  | b. | more of the good will be produced than the amount consistent with economic efficiency. | |  | c. | the amount of the good produced will be equal to the amount consistent with economic efficiency. | |  | d. | corresponding external costs are always generated. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 39. In a competitive market, if the production process involves an external benefit, the market will   |  |  |  | | --- | --- | --- | |  | a. | produce the economically efficient outcome. | |  | b. | result in a market price that is higher than the efficient one. | |  | c. | result in a market price that is lower than the efficient one. | |  | d. | result in too much of the good being produced compared to the ideal efficient outcome. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 40. Consider two goods--one that generates external benefits and another that generates external costs. A competitive market economy would tend to produce   |  |  |  | | --- | --- | --- | |  | a. | too much of both goods. | |  | b. | too little of both goods. | |  | c. | too much of the good that generates external benefits and too little of the good that generates external costs. | |  | d. | too little of the good that generates external benefits and too much of the good that generates external costs. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: The role of government | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 41. A good is considered to be a public good if it   |  |  |  | | --- | --- | --- | |  | a. | is a good produced by the government sector. | |  | b. | is both nonrival-in-consumption and nonexcludable. | |  | c. | benefits only a small group of consumers but is very costly to produce. | |  | d. | is a good whose production is financed by tax revenue. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 42. Students in a class are assigned to groups to work on a project. A grade will be given for each project, and everyone in the group will receive that grade. For the members of a particular group, the grade is a   |  |  |  | | --- | --- | --- | |  | a. | external benefit. | |  | b. | public good. | |  | c. | external cost. | |  | d. | repeat purchase item. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 43. What are the two distinguishing characteristics of a public good?   |  |  |  | | --- | --- | --- | |  | a. | nonrivalry in consumption and nonexcludability | |  | b. | indivisibility in production and excludability of nonpaying customers | |  | c. | provision by government and funding through taxation | |  | d. | mass production and comparative advantage |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 44. A good that is both nonexcludable and nonrival-in-consumption is called a   |  |  |  | | --- | --- | --- | |  | a. | common good. | |  | b. | external good. | |  | c. | public good. | |  | d. | private good. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 45. A good for which it is impossible or at least very costly to exclude nonpaying customers from receiving the good and for which many individuals can share in the consumption of the same unit of the good is called a   |  |  |  | | --- | --- | --- | |  | a. | public good. | |  | b. | joint good. | |  | c. | excludable good. | |  | d. | national good. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 46. A good is considered nonrival-in-consumption if   |  |  |  | | --- | --- | --- | |  | a. | many individuals can share in the consumption of the same unit of the good. | |  | b. | the consumption of the good by one individual lowers the amount available for others. | |  | c. | even nonpaying customers can receive the full benefit from the good. | |  | d. | its production is financed through tax revenue rather than market prices. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 47. A free-rider problem exists when a good that has the following characteristic?   |  |  |  | | --- | --- | --- | |  | a. | Rivalry in consumption. | |  | b. | Elastic demand. | |  | c. | Inelastic demand. | |  | d. | Nonexcludable. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 48. Because of the free-rider problem,   |  |  |  | | --- | --- | --- | |  | a. | competitive markets will tend to undersupply public goods. | |  | b. | the federal government spends too much on national defense. | |  | c. | fireworks displays have become increasingly dangerous. | |  | d. | poverty has increased. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 49. When the free-rider problem exists,   |  |  |  | | --- | --- | --- | |  | a. | the market will devote too few resources to the production of the good. | |  | b. | the cost of the good will always be more than the benefit of the good. | |  | c. | the good will not be produced. | |  | d. | entrepreneurs will eventually find a way to make free-riders pay their share. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 50. The government sometimes provides public goods because   |  |  |  | | --- | --- | --- | |  | a. | private markets are incapable of producing public goods. | |  | b. | free-riders make it difficult for private markets to supply the efficient quantity. | |  | c. | markets are always better off with some government oversight. | |  | d. | external benefits will accrue to private producers. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 51. The government sometimes provides public goods because   |  |  |  | | --- | --- | --- | |  | a. | private markets would not produce any of the goods. | |  | b. | private markets would not produce the efficient quantity of the goods. | |  | c. | private markets would charge too high a price for the goods. | |  | d. | the government produces public goods more efficiently than private markets can. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 52. If the consumption of a good by one individual does not change the amount of the good available to others, the good is considered to be   |  |  |  | | --- | --- | --- | |  | a. | durable. | |  | b. | nonrival-in-consumption. | |  | c. | a common good. | |  | d. | a natural resource. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 53. How does an additional individual's consumption of a good that is nonrival-in-consumption, such as a radio broadcast, affect the amount of the good available to other consumers?   |  |  |  | | --- | --- | --- | |  | a. | The amount available to others will decline. | |  | b. | The amount available to others will increase. | |  | c. | The amount available to others is unaffected. | |  | d. | The amount available to others is eliminated. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 54. A good is considered nonexcludable if   |  |  |  | | --- | --- | --- | |  | a. | many individuals can share in the consumption of the same unit of the good. | |  | b. | the consumption of the good by one individual lowers the amount available for others. | |  | c. | it is impossible or very costly to exclude nonpaying customers from receiving the good. | |  | d. | its production is financed through tax revenue rather than market prices. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 55. If it is impossible or very costly to exclude nonpaying customers from receiving a good, the good is considered to be   |  |  |  | | --- | --- | --- | |  | a. | freeware. | |  | b. | nonexcludable. | |  | c. | a common good. | |  | d. | a receiving good. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 56. When a good is nonexcludable,   |  |  |  | | --- | --- | --- | |  | a. | it is impossible or very costly to exclude nonpaying customers from receiving the good. | |  | b. | individuals will have an incentive to become free riders. | |  | c. | it will be difficult for a private firm producing the good to generate revenue sufficient to cover the cost of production. | |  | d. | all of the above are true. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 57. People who receive the benefit of a good without contributing to its costs of production are called   |  |  |  | | --- | --- | --- | |  | a. | contributors in kind. | |  | b. | free riders. | |  | c. | frequent flyers. | |  | d. | cost maximizers. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Knowledge | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 58. In economics, a free rider is the term used for a person who   |  |  |  | | --- | --- | --- | |  | a. | receives the benefit of a good without contributing to its costs of production. | |  | b. | purchases an item during a "buy one, get one free" sale. | |  | c. | lives in a town in which the city provides free bus service. | |  | d. | pays for exactly what they receive. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 59. A college has found that during every home football game, a group of students sits on a hillside next to the stadium and watches the game without purchasing tickets. In economics, the problem that this college is facing is referred to as a   |  |  |  | | --- | --- | --- | |  | a. | common good problem. | |  | b. | free rider problem. | |  | c. | onlooker problem. | |  | d. | deadweight loss problem. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 60. Which of the following about public goods is true?   |  |  |  | | --- | --- | --- | |  | a. | Consumption of a public good by one individual reduces the availability of the good for others. | |  | b. | It is extremely difficult to limit the benefits of a public good to only the people who pay for it. | |  | c. | Public goods are free to a society when they are produced by the government. | |  | d. | From an efficiency standpoint, a market will generally supply too much of a public good. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 61. From the standpoint of economic efficiency, markets tend to provide   |  |  |  | | --- | --- | --- | |  | a. | less of a public good than would be efficient. | |  | b. | more of a public good than would be efficient. | |  | c. | exactly the amount of a public good that is efficient. | |  | d. | none of the above. |  |  |  | | --- | --- | | *ANSWER:* | a | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 62. A market is unlikely to provide an efficient quantity of public goods because   |  |  |  | | --- | --- | --- | |  | a. | only the government has the vast resources necessary to produce public goods. | |  | b. | the nature of public goods makes it difficult for producers to withhold them from nonpaying consumers. | |  | c. | the technology involved in the production of public goods makes it difficult for private firms to produce them even though they could be produced efficiently. | |  | d. | private production of public goods generally results in a large amount of profit, which is difficult for a firm to effectively pay out to shareholders. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 63. Which of the following is a valid reason for government provision rather than market provision of certain economic goods and services?   |  |  |  | | --- | --- | --- | |  | a. | When the government provides economic goods, they are free; costs are only incurred when such goods are provided by private firms. | |  | b. | Voters tend to be better informed than market consumers. | |  | c. | Decision makers in the market are motivated by self-interest, whereas, political decision makers are primarily motivated by the desire to help others. | |  | d. | Public goods tend to be undersupplied through the market since it is difficult for potential suppliers to withhold such goods from nonpaying consumers, while the government can use taxes to overcome this problem. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: The role of government | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 64. A car sells at different prices at different dealerships in a local market. If a consumer has imperfect information about the price of a car at each dealership, he should   |  |  |  | | --- | --- | --- | |  | a. | always gather all available information about prices. | |  | b. | gather information about prices until the expected marginal benefit of more information equals the marginal cost of gathering it. | |  | c. | gather information about prices only if it can be gathered without cost. | |  | d. | ignore information about prices because it is irrelevant to making an "optimally imperfect" decision. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 65. Sellers will tend to be most concerned with customer satisfaction when   |  |  |  | | --- | --- | --- | |  | a. | it is difficult for the customer to evaluate product quality. | |  | b. | they depend on repeat customers for most of their business. | |  | c. | they sell primarily to tourists. | |  | d. | they are a monopoly protected from competition by government licensing. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 66. Which of the following statements is true regarding potential information problems faced by consumers?   |  |  |  | | --- | --- | --- | |  | a. | Sellers have little incentive to inform customers about their products. | |  | b. | The market provides consumers with a strong incentive to acquire information. | |  | c. | Information problems tend to be most problematic for items consumers purchase regularly. | |  | d. | In markets, people make all decisions with full information. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 67. Which of the following most clearly indicates why the franchiser of a product has a strong incentive to monitor the quality of the product among all of the franchised sellers?   |  |  |  | | --- | --- | --- | |  | a. | The franchiser has a monopoly on the sale of products in his industry. | |  | b. | If quality is not maintained, the franchiser will be limited in his ability to sell other franchises and collect franchise fees. | |  | c. | If quality is not maintained, the government will prohibit future sales of the franchises. | |  | d. | Franchisers do not gain financially by maintaining quality, but they generally maintain quality anyway because they are consumers as well as producers. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 68. When consumers cannot tell the difference at the time of sale between high-quality products and those with defects, strong sales of the low-quality products will tend to depress price and drive the high-quality products from the market. Economists call this   |  |  |  | | --- | --- | --- | |  | a. | the curse of advertising. | |  | b. | the imperfect information problem. | |  | c. | the brand name problem. | |  | d. | an open-access resource. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 69. Manny's Bar-n-Grill is next door to a franchised fast-food restaurant near a busy freeway exit. Essentially, the menus, food quality, atmosphere, and service are equal at the two restaurants. Nevertheless, the nationally franchised restaurant can attract more customers, even though its prices are higher. This situation   |  |  |  | | --- | --- | --- | |  | a. | indicates that people are irrational because it never makes sense to pay a higher price when a product is cheaper elsewhere. | |  | b. | is one in which the national franchise provides uninformed consumers with valuable information that reduces their risk of being unsatisfied with the purchase. | |  | c. | reflects the greater elasticity of supply for food at Manny's Bar-n-Grill relative to the nationally franchised restaurant. | |  | d. | is inconsistent with the basic postulates that underlie the economic way of thinking. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Application | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 70. Market failure will most likely arise from poor information when the product is   |  |  |  | | --- | --- | --- | |  | a. | a repeat-purchase item. | |  | b. | easily evaluated on inspection. | |  | c. | often purchased from the same seller. | |  | d. | unlikely to be purchased from the same seller in the future. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 71. An item purchased often by the same buyer is known as a   |  |  |  | | --- | --- | --- | |  | a. | frequent transaction good. | |  | b. | repeat-purchase item. | |  | c. | free rider good. | |  | d. | public good. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 72. Brand names such as "Coca Cola" or "Nike"   |  |  |  | | --- | --- | --- | |  | a. | raise the cost of goods because they require advertising to make consumers aware of the brand name and, therefore, generally increase the price of products to consumers without producing any benefit to them. | |  | b. | generally convey little information about a product to consumers. | |  | c. | benefit consumers by assuring them of a known quality level when they buy a product that they have little previous first-hand knowledge about. | |  | d. | provide the most value to consumers for goods that are repeat-purchase items. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 73. Which of the following is a true statement regarding why the government produces public goods?   |  |  |  | | --- | --- | --- | |  | a. | Public goods are valued highly by some but not by the majority. | |  | b. | Because of the electoral system, the public sector tends towards producing those goods that help politicians get elected. | |  | c. | Some goods should be produced whether they are economically efficient or not. | |  | d. | Because it is difficult to exclude those who do not pay for public goods. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: The role of government | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *OTHER:* | On-line Practice | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 74. Suppose that the producers of copper are permitted to emit harmful pollutants, free of charge, into the air. How will the price and output of copper products in a competitive market compare with their values under conditions of ideal economic efficiency?   |  |  |  | | --- | --- | --- | |  | a. | The price will be too high, and the output will be too large. | |  | b. | The price will be too low, and the output will be too large. | |  | c. | The price will be too low, and the output will be too small. | |  | d. | The price will be too high, and the output will be too small. |  |  |  | | --- | --- | | *ANSWER:* | b | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *OTHER:* | On-line Practice | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 75. Which of the following provides an example of an externality?   |  |  |  | | --- | --- | --- | |  | a. | a paper pulp mill releasing pollution into the atmosphere | |  | b. | persons driving during a busy rush hour | |  | c. | a drunk driver operating a car on a public highway | |  | d. | all of the above |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *OTHER:* | On-line Practice | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 76. Which of the following provides the best example of a public good?   |  |  |  | | --- | --- | --- | |  | a. | elementary and secondary education | |  | b. | residential trash pickups provided by a local government | |  | c. | an unscrambled television signal | |  | d. | the medical services provided by a local hospital |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *OTHER:* | On-line Practice | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 77. Which of the following is true of public goods?   |  |  |  | | --- | --- | --- | |  | a. | They can only be supplied by the government. | |  | b. | They will tend to be supplied efficiently by the private sector when markets are competitive. | |  | c. | It is difficult to establish a one-to-one link between payment and receipt of such goods. | |  | d. | From an efficiency standpoint, private markets will tend to supply an excessively large amount of public goods. |  |  |  | | --- | --- | | *ANSWER:* | c | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *OTHER:* | On-line Practice | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 78. Markets provide the efficient amount of a good or service when   |  |  |  | | --- | --- | --- | |  | a. | externalities are present. | |  | b. | monopoly exists. | |  | c. | public goods are present. | |  | d. | competition is present and externalities and public goods are absent. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Moderate | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Comprehension | | *OTHER:* | On-line Practice | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |

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| 79. The "free rider problem" occurs in connection with   |  |  |  | | --- | --- | --- | |  | a. | private goods. | |  | b. | both public and private goods. | |  | c. | goods that are not scarce. | |  | d. | public goods. |  |  |  | | --- | --- | | *ANSWER:* | d | | *POINTS:* | 1 | | *DIFFICULTY:* | Easy | | *QUESTION TYPE:* | Multiple Choice | | *HAS VARIABLES:* | False | | *NATIONAL STANDARDS:* | United States - BUSPROG: Analytic - BUSPROG: Analytic | | *STATE STANDARDS:* | United States - AK - DISC: Markets, market failure, a - DISC: Markets, market failure, and externalities | | *TOPICS:* | The Potential Shortcomings of the Market | | *KEYWORDS:* | Bloom's: Knowledge | | *OTHER:* | On-line Practice | | *DATE CREATED:* | 5/19/2016 3:07 PM | | *DATE MODIFIED:* | 5/19/2016 3:07 PM | |