

ECO404 FINAL TERM MCQS SOLVED

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1. Which one of the following types of government regulation does limit competition and create artificial market power?
 - ☐ a. Licensing regulations
 - ☐ b. Patents
 - ☐ c. Copyrights
 - ☐ d. All of the above limit competition and create artificial market power.
2. Which of the following is a law designed to protect the consumers of products?
 - ☐ a. Warranty Act of 1975
 - ☐ b. Federal Trade Commission Act of 1914
 - ☐ c. 1990 Nutrition Labeling Act
 - ☐ d. All of the above are designed to protect the consumers of products.
3. If an increase in output by a firm imposes uncompensated costs on other firms, these costs are referred to as
 - ☐ a. external diseconomies of production.
 - ☐ b. external economies of production.
 - ☐ c. external diseconomies of consumption.
 - ☐ d. external economies of consumption.
4. If an increase in output by a firm confers uncompensated benefits to other firms, these benefits are referred to as

- ☐ a. external diseconomies of production.
 - ☒ b. external economies of production.
 - ☐ c. external diseconomies of consumption.
 - ☐ d. external economies of consumption.
5. If the consumption expenditures of some individuals impose uncompensated costs on other individuals, these costs are referred to as
- ☐ a. external diseconomies of production.
 - ☐ b. external economies of production.
 - ☒ c. external diseconomies of consumption.
 - ☐ d. external economies of consumption.
6. If the consumption expenditures of some individuals confer uncompensated benefits on other individuals, these benefits are referred to as
- ☐ a. external diseconomies of production.
 - ☐ b. external economies of production.
 - ☐ c. external diseconomies of consumption.
 - ☒ d. external economies of consumption.
7. Government regulation of natural monopolies typically sets the market price so that the level of output corresponds to the point of intersection between long-run
- ☐ a. marginal cost and marginal revenue.
 - ☐ b. marginal cost and demand.
 - ☐ c. average cost and marginal revenue.
 - ☒ d. average cost and demand.
8. Natural monopolies will produce a socially optimal level of output if government subsidies ensure an economic profit of zero and the market price is set by regulators at the point of intersection between long-run
- ☐ a. marginal cost and marginal revenue.
 - ☐ b. marginal cost and demand.
 - ☐ c. average cost and marginal revenue.
 - ☒ d. average cost and demand.
9. Which of the following is a complication encountered by public utility regulatory commissions when they set rates?

- ☐ a. It is difficult to determine the economic value of a public utility's fixed assets.
- ☐ b. Public utilities typically engage in price discrimination, so many different rates must be determined.
- ☐ c. The services provided by public utilities are typically jointly produced, so the allocation of costs among different services is difficult or impossible.
- ☐ d. All of the above are problems that are encountered when regulatory commissions set rates.

10. The Averch-Johnson effect refers to

- ☐ a. the inefficiencies that result when regulators set public utility rates too high or too low.
- ☐ b. the tendency toward natural monopoly in firms that have downward-sloping long-run average cost curves.
- ☐ c. the 9 to 12 month time lag between recognition of a need for rate revision and action by regulatory commissions.
- ☐ d. All of the above are correct.

11. Which of the following made monopolization and restraint of trade illegal?

- ☐ a. Robinson-Patman Act
- ☐ b. Sherman Act
- ☐ c. Clayton Act
- ☐ d. None of the above is correct.

12. Which of the following prohibits tying contracts?

- ☐ a. Robinson-Patman Act
- ☐ b. Sherman Act
- ☐ c. Clayton Act
- ☐ d. None of the above is correct.

13. Which of the following made it illegal to charge unreasonably low prices with the intention of destroying competition or eliminating competitors?

- ☐ a. Robinson-Patman Act
- ☐ b. Sherman Act
- ☐ c. Clayton Act
- ☐ d. None of the above is correct.

14. Which of the following stated that "unfair methods of competition" are unlawful?

- ☐ a. Robinson-Patman Act
- ☐ b. Sherman Act
- ☐ c. Clayton Act
- ☐ d. None of the above is correct.

15. The Wheeler-Lea Act was designed to protect consumers from

- ☐ a. monopoly.
- ☐ b. unfair methods of competition.
- ☐ c. false or deceptive advertising.
- ☐ d. None of the above is correct.

16. Most antitrust actions have been settled by means of

- ☐ a. dissolution and divestiture.
- ☐ b. an injunction.
- ☐ c. a consent decree.
- ☐ d. fines and jail sentences.

17. Which of the following is illegal?

- ☐ a. Price discrimination
- ☐ b. Collusion
- ☐ c. Monopoly
- ☐ d. Interlocking directorates

18. Which of the following industries was deregulated during the 1970s and 1980s?

- ☐ a. Airlines
- ☐ b. Electricity generation and distribution
- ☐ c. Telecommunications
- ☐ d. Banking

19. Which of the following protect domestic producers from foreign competition?

- ☐ a. Import tariffs
- ☐ b. Import quotas
- ☐ c. Voluntary export restrictions
- ☐ d. All of the above protect domestic producers from foreign competition.

20. Which of the following will result from the imposition of an import tariff on a commodity?

- ☐ a. The supply of the commodity will increase.
- ☐ b. The price of the commodity will increase.
- ☐ c. Domestic production of the commodity will increase.
- ☐ d. All of the above will result from an import tariff.

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