1. The era of regulation of the airline industry by the Civil Aeronautics Board, compared with a free market in airline passenger service after CAB’s elimination, was characterized by,
   a. lower prices
   b. cross-subsidization in the form of service to smaller cities.
   C. Lower wages.
   D. All of the above.

2. The application regarding the use of taxi medallions (licenses) indicated that:
   a. the use of such medallions raised the pay of those hired to drive taxis.
   B. The medallions had no effect on the price or quantity of rides.
   C. The value of medallions would be reduced if more were issued.
   D. None of the above are true.

3. Restricting the importation of automobiles into the United States, would lead to:
   a. higher prices for automobiles sold in the US
   b. a smaller total sum of US producers’ and consumers’ surplus.
   C. An increase in the producers’ surplus of domestic producers of cars.
   D. All of the above.

4. Suppose a firm facing smooth convex isoquants spends equal dollar amounts on capital and labor to attain an output of 100 units. If the wage of labor goes up by 30% relative to its initial level, one expects that the minimum cost of attaining output of 100 units will go up by:
   a. Exactly 15%.
   B. More than 15%.
   C. Exactly 30%.
   D. less than 15% = (½)30%.

5. Economies of scale are implied by
   a. increasing returns to scale.
   B. diminishing marginal rate of technical substitution.
   C. Fixed coefficients of production.
   D. all of the above.
6. Economies of scope are characterized by:
   a. a declining average cost of producing a given type of output.
   B. a declining marginal cost of producing a given type of output.
   C. a lower total cost of producing two types of output in one firm rather than in separate firms
   D. none of the above.

7. A given short run average total cost curve
   a. lies entirely above the long run average cost curve.
   B. is tangent to the long run average cost curve at one point and is above it at other output levels.
   C. is tangent to the long run average cost curve at one point and is below it at other output levels.
   D. none of the above are true.

8. If 30 out of 90 identical firms were destroyed by a disaster, one would expect that in the following short run:
   a. industry output would go down by less than 1/3.
   b. the output of each of the remaining firms would stay the same.
   c. both a and b are true.
   d. none of the above are true.

9. In the short run, a firm will stay in business as long as price exceeds
   a. the minimum level of average total cost.
   b. the minimum level of average fixed cost.
   c. the minimum level of marginal cost.
   d. the minimum level of average variable costs.

10. Under a regime of rent control like that displayed in Figure I, the loss of producers’ surplus from rent control is.
    A. \((T + U)\)  b. \((F+G)\)  c. \((T+N)\)  d. \((L - M)\)

11. Suppose a competitive firm is in equilibrium, then the price of one of its inputs rises. What will happen?
    a. The firm will hire less of the higher priced input.
    b. The firm will produce less output.
    c. The firm's cost curves will shift upward.
    d. All of the above.

12. For a competitive firm in the short run, a higher output price, other things being the same, leads to:
    a. greater output and increased profit.
    b. greater output but reduced profit.
    c. greater profit but reduced output.
    d. Less output and less profit.
13. The term *increasing-cost industry* is used to describe (in the long run):
   a. an industry whose supply curve is perfectly elastic.
   b. an industry whose isoquants shift outward as the industry expands.
   c. an industry in which the prices of one or more inputs are bid up as output expands.
   d. an industry where the expansion path of each firm is positively sloping.

14. If the long-run supply curve is upward sloping, then a rise in price due to a demand shift leads to a new long-run situation where:
   a. there are zero economic profits for each firm.
   b. there is the same level of producers’ surplus as before.
   c. there are the same number of firms.
   d. all of the above are true.

15. Generally, market supply is:
   a. More elastic in the long run than in the short run.
   b. More elastic the higher the price.
   c. Both a and b are true.
   d. All of the above are true.

16. For a given excise tax and a given downward sloping demand curve, the more elastic the supply curve, a. the greater the share of the tax burden on the supply side.
B. The greater the fall in equilibrium quantity due to the tax.
C. The smaller the price increase to the demand side.
D. All of the above are true.

17. When a competitive industry is in long-run equilibrium, which of the following statements will be true?
   a. Price will equal long-run marginal cost.
   b. Price will equal short-run marginal cost.
   c. Price will equal long-run minimum average cost.
   d. All of the above.

18. With a price ceiling like rent control imposed on a perfectly competitive industry, one expects
   a. the sum of producers’ and consumers’ surplus to rise.
   b. producers’ surplus to decline.
   c. both a and b are true.
   d. none of the above are true.

19. If the price of output went from $4 to $7 and the quantity supplied went from 8 to 10, then producer surplus will go up by an amount:
   a. between $6 and $14
   b. between $14 and $24.
   c. between $24 and $30
   d. between $30 and $40.
   E. Between $40 and $70.
20. If the long-run average cost curve is falling (has a negative slope) at output $q_0$, then at $q_0$:
   a. long-run marginal cost is below long-run average cost.
   b. the cost function exhibits economies of scale.
   c. both (a) and (b) are true.
   d. none of the above are true.

21. The assumptions of perfect competition include all of the following except:
   a. firms and consumers have perfect information.
   b. the goods in each industry are homogeneous (standardized).
   c. firms are "price-takers."
   d. factors of production cannot change industries in the long run.

22. An industry with a perfectly elastic long run supply curve is one where
   a. input prices are constant as the industry output expands.
   b. producers' surplus is at a positive constant level at all industry output levels in the long run situation.
   c. both (a) and (b) are true.
   d. none of the above are true.

23. If the wage for labor is constant with respect to the output level of the industry, the short-run market supply curve is the:
   a. horizontal sum of the firm's marginal cost curves above the minimum ATC
   b. horizontal sum of firms' marginal cost curves above the minimum AVC.
   c. horizontal sum of firms' average variable cost curves.
   d. vertical sum of the firm's marginal cost curves.

24. The competitive firm maximizes its profits in the short run by choosing output such that:
   a. marginal cost = price, if marginal cost is above average variable cost.
   b. marginal cost = price, if marginal cost is above average total cost.
   c. price = average variable cost, if marginal cost is above average variable cost.
   d. none of the above

25. A monopolist with a marginal cost of $12 and facing an elasticity of demand of 3 will charge a price equal to
   a. $12  b. $18  c. $24  d. $36

26. If a firm operated plants A and B which both produce chairs of an identical type, it would keep its short run total cost of producing a given total of chairs as low as possible by distributing production between plants so that
   a. average variable cost levels are the same in plants A and B.
   b. marginal cost levels are the same in plants A and B.
   c. average fixed cost levels are the same in plants A and B.
   d. none of the above are true.
27. Producer surplus can be described as the
   a. the area below price and above the supply curve.
   B. the area between the demand and supply curves.
   C. the area below the supply curve.
   D. the area above price and below the demand curve

28. The output demand curve for a perfectly competitive firm:
   a. has the same elasticity as the market demand curve.
   b. is perfectly elastic.
   c. is perfectly inelastic.
   d. has an elasticity inversely related to the market elasticity of demand.

29. An excise tax will cause greater excess burden:
   a. the smaller the elasticity of supply and the greater the elasticity of demand.
   B. the greater the elasticity of supply and the greater the elasticity of demand.
   C. the smaller the elasticity of supply and the smaller the elasticity of demand.
   D. the greater the elasticity of supply and the smaller the elasticity of demand.

30. A profit-maximizing monopolist always:
   a. operates on the elastic portion of its demand curve.
   B. Operates where the elasticity of demand is one.
   C. Operates on the inelastic portion of a demand curve.
   D. Can end up on an elastic or inelastic portion of its demand curve depending upon the shape of its marginal cost curve.

31. A natural monopoly is one where:
   a. the long run average cost curve is negatively sloping to an output that intersects the market demand curve.
   B. Products are sold which are produced in an environmentally safe manner.
   C. A natural resource is being produced, such as oil, fish, or copper.
   D. It is the result of a patent being granted.

32. The long-run average cost curve:
   a. Is drawn holding input prices constant.
   b. Is drawn holding technology constant.
   c. Is drawn assuming that the firm is on its long run expansion path.
   d. All of the above are true.

33. In the Figure I picture of the effect of a rent ceiling on the market for apartments, the change in consumer surplus due to the rent ceiling is:
   a. F-M   B. T-U   C. B+U   d. L -M
Figure I