

Midterm 3 Answer Section

MULTIPLE CHOICE

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| 1. | ANS: B
MSC: Definitional | DIF: 1 | REF: 10-0 | TOP: Externalities |
| 2. | ANS: D
MSC: Applicative | DIF: 2 | REF: 10-0 | TOP: Externalities |
| 3. | ANS: C
MSC: Applicative | DIF: 2 | REF: 10-0 | TOP: Externalities |
| 4. | ANS: D
MSC: Applicative | DIF: 2 | REF: 10-0 | TOP: Externalities |
| 5. | ANS: D
MSC: Analytical | DIF: 2 | REF: 10-1 | TOP: Negative externalities |
| 6. | ANS: C
MSC: Applicative | DIF: 2 | REF: 10-2 | TOP: Coase theorem |
| 7. | ANS: C
MSC: Applicative | DIF: 2 | REF: 11-1 | TOP: Excludability |
| 8. | ANS: C
MSC: Applicative | DIF: 2 | REF: 11-1 | TOP: Rivalry in consumption |
| 9. | ANS: D
MSC: Applicative | DIF: 1 | REF: 11-1 | TOP: Private goods |
| 10. | ANS: C
MSC: Applicative | DIF: 1 | REF: 11-1 | TOP: Public goods |
| 11. | ANS: B
MSC: Applicative | DIF: 2 | REF: 11-1 | TOP: Common resources, Public goods |
| 12. | ANS: B
MSC: Definitional | DIF: 1 | REF: 11-2 | TOP: Free riders |
| 13. | ANS: D
MSC: Applicative | DIF: 2 | REF: 11-2 | TOP: Public goods |
| 14. | ANS: C
MSC: Interpretive | DIF: 2 | REF: 12-2 | TOP: Taxes |
| 15. | ANS: C
MSC: Interpretive | DIF: 2 | REF: 12-2 | TOP: Taxes |
| 16. | ANS: A
MSC: Analytical | DIF: 2 | REF: 12-2 | TOP: Marginal tax rates |
| 17. | ANS: C
MSC: Analytical | DIF: 2 | REF: 12-2 | TOP: Marginal tax rates |
| 18. | ANS: B
MSC: Analytical | DIF: 3 | REF: 12-2 | TOP: Average tax rates |
| 19. | ANS: A
MSC: Definitional | DIF: 2 | REF: 12-2 | TOP: Lump-sum taxes |
| 20. | ANS: B
MSC: Definitional | DIF: 1 | REF: 12-3 | TOP: Ability-to-pay principle |

21.	ANS: A MSC: Definitional	DIF: 1	REF: 12-3	TOP: Ability-to-pay principle
22.	ANS: B MSC: Definitional	DIF: 1	REF: 12-3	TOP: Horizontal equity
23.	ANS: B MSC: Analytical	DIF: 2	REF: 12-3	TOP: Regressive taxes
24.	ANS: C MSC: Applicative	DIF: 1	REF: 12-3, 12-4	TOP: Taxes
25.	ANS: A MSC: Interpretive	DIF: 2	REF: 13-1	TOP: Economic profit
26.	ANS: D MSC: Interpretive	DIF: 1	REF: 13-1	TOP: Explicit costs
27.	ANS: C MSC: Definitional	DIF: 1	REF: 13-2	TOP: Diminishing marginal product
28.	ANS: D MSC: Interpretive	DIF: 1	REF: 13-3	TOP: Fixed costs
29.	ANS: C MSC: Interpretive	DIF: 2	REF: 13-3	TOP: Marginal cost
30.	ANS: D MSC: Analytical	DIF: 1	REF: 13-4	TOP: Average total cost
31.	ANS: A MSC: Analytical	DIF: 2	REF: 13-4	TOP: Economies of scale
32.	ANS: C MSC: Definitional	DIF: 1	REF: 14-1	TOP: Competitive markets
33.	ANS: B MSC: Applicative	DIF: 2	REF: 14-1	TOP: Total revenue
34.	ANS: C MSC: Applicative	DIF: 2	REF: 14-1	TOP: Marginal revenue
35.	ANS: B MSC: Applicative	DIF: 2	REF: 14-2	TOP: Marginal cost
36.	ANS: D MSC: Applicative	DIF: 2	REF: 14-2	TOP: Economic profit
37.	ANS: B MSC: Interpretive	DIF: 2	REF: 14-2	TOP: Profit maximization
38.	ANS: C MSC: Interpretive	DIF: 2	REF: 14-2	TOP: Profit maximization
39.	ANS: D MSC: Analytical	DIF: 2	REF: 14-2	TOP: Profit maximization
40.	ANS: D MSC: Definitional	DIF: 2	REF: 13-3	TOP: Average variable cost