

8. What economic principle best explains the following paradox? At a birthday party, a person who loves chocolate cake and who ate three pieces of cake earlier in the party, turns down the opportunity to eat the last piece of chocolate cake.

- a. Fear of embarrassment is a stronger motive than personal self-indulgence.
- b. Diminishing marginal utility makes additional cake less satisfying.
- c. "Weight-watcher's guilt" becomes stronger after two pieces of cake.
- d. Nothing is free.

9. Assume that the price of rental apartments is set by law below the market clearing price. In this case, the assumption that people economize would help predict all the following consequences except:

- a. Landlords will not keep the apartments maintained as well as they did before the rent prices were set by the law.
- b. A shortage of rental apartments will develop.
- c. Renters will pay more for related apartment services after rent prices are set by the law.
- d. Apartments will be built at an increasing rate.

10. In economics, marginal means:

- a. Too close to call.
- b. Additional.
- c. Discounted.
- d. Cost or benefit.

11. Use the table below to answer the following question: What is the marginal cost of making the fourth automobile?

	Autos	Total cost	
a.	\$45,000	1	\$20,000
b.	\$20,000	2	\$30,000
c.	\$10,000	3	\$40,000
d.	\$5,000	4	\$45,000

12. A past cost is a(n)

- a. Average cost
- b. Sunk cost
- c. Opportunity cost
- d. Overhead cost

13. Laws requiring that higher minimum wages be paid to workers will probably result in

- a. Increased levels of employment
- b. Lower levels of employment
- c. Higher wages for college professor.
- d. Higher prices for consumers

14. McDonald's, Burger King, and Wendy's are examples of businesses operating in this type of market structure

- a. Pure competition
- b. Monopolistic competition
- c. Pure oligopoly.
- d. Monopoly