

**Economics I** Microeconomics (EFA 3)  
**Midterm test – Wednesday, 15 November 2017**  
 (30 min. test as part of learning portfolio)

Please note:

- At first please check the exam paper: are there 4 pages / all pages well readable?
- Please only work in the exam paper; use the boxes for your answers. Do not use own paper.
- Your calculations should be shown. The complete solution (calculation) must be comprehensible!
- You can achieve 30 points in 30 minutes! => one minute is approximately worth one point; please consider the indicated scores. The tasks are formulated that way that usually short answers are required. Therefore do not spend too much time on "inferior" tasks!
- Permitted are: Pens, ruler, calculator (without word processing function), paper dictionary English-German / German-English (no electronic translators).
- Please do not use a pencil (except in diagrams) nor red pens!
- **Mobile Phones have to be switched off!**

<b>Name:</b>																				
<b>First Name:</b>																				
<b>MatrikelNo:</b>																				

**Good Luck !**

*Please do **not** enter anything below here:*

No. / Points:	
1.	(10 +)
2.	(10)
3.	(10)
<b>Σ</b>	<b>( 30)</b>

Mark	<i>(max 100 %)</i>
Date:	
Signature:	

## 1 MC Questions

[Check **only ONE answer** – each question if worth 1.5 points ⇒ 10 + 5 **Bonus** points ]

- i. Which of the following is NOT a resource as the term is used by economists?
  - A) land
  - B) labour
  - C) buildings
  - D) money
- ii. A likely effect of government policies that redistribute income and wealth from the wealthy to the poor is that those policies
  - A) enhance equality.
  - B) reduce efficiency.
  - C) reduce the reward for working hard.
  - D) All of the above are correct.
- iii. Which of the following phrases best captures the notion of efficiency?
  - A) absolute fairness
  - B) equal distribution
  - C) minimum waste
  - D) equitable outcome
- iv. Resources are
  - A) scarce for households but plentiful for economies.
  - B) plentiful for households but scarce for economies.
  - C) scarce for households and scarce for economies.
  - D) plentiful for households and plentiful for economies.
- v. The statement "every supply creates its own demand" was coined by
  - A) John Maynard Keynes
  - B) David Ricardo.
  - C) Adam Smith.
  - D) Jean Baptiste Say.
- vi. Which of the following can lead to market failure?
  - A) externalities
  - B) presidential elections
  - C) market power
  - D) A and C are correct.
- vii. The term "invisible hand" was coined by
  - A) John Maynard Keynes
  - B) David Ricardo.
  - C) Adam Smith.
  - D) Jean Baptiste Say.
- viii. The term "productivity"
  - A) means the same thing as "efficiency."
  - B) is seldom used by economists, as its meaning is not precise.
  - C) refers to the quantity of goods and services produced from each unit of (labour) input.
  - D) refers to the variety of goods and services from which households can choose when they shop.
- ix. Sustainability can best be described as
  - A) maximizing short term Welfare.
  - B) focussing on long-term quality of life.
  - C) a way to measure GDP.
  - D) an ecological approach to GDP.
- x. When two persons trade goods
  - A) one person always gains at the expense of the other.
  - B) both persons usually gain from the exchange.
  - C) one person usually gains at the expense of the other.
  - D) the overall well-being of the two persons remains unchanged.

(10 + 5 Bonus)

## 2 Basic Problems

[10 points]

- 2.1 Why do we have to study Economics and operate economically? (=what is the **basic economic problem** to be solved in every society? – ***describe, not only the name***) [3 pt]

- 2.2 To achieve the **principal objective** (which ... ?) economists distinguish between the **Allocation** and **Distribution** target. Describe these in your own words. [4 pt]

- 2.3 **Trade-offs** are important in Economics. Provide one example on a society level and one on your individual level. Explain/define the concepts you use. [3 points]

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### 3 Market Structures and Market outcomes

[10 points]

3.1 In a perfect competition market you observe the following data:

price (€)	demand	supply
0	12000	0
5	6000	5000
10	0	10000

3.2 Derive the demand- and the supply-function.

[2 points]

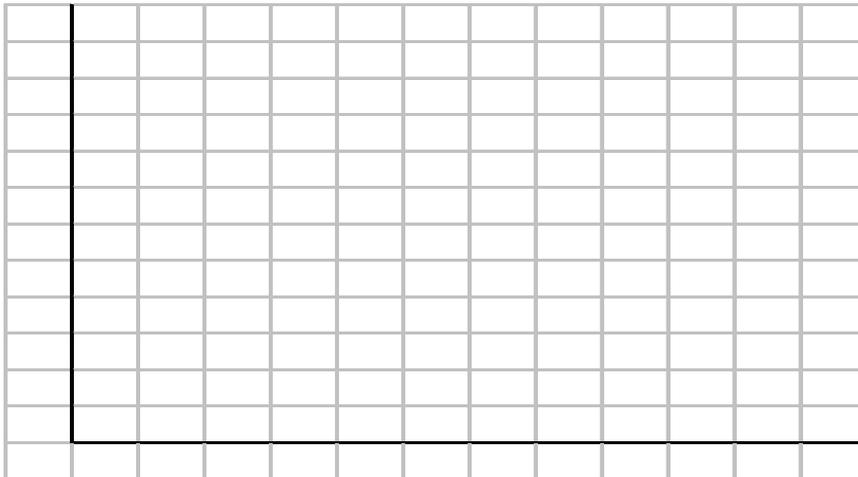
3.3 Compute the market equilibrium ( $p^*$  and  $q^*$ ).

[3 points]

3.4 Draw these functions in a graph. Show the market equilibrium.

(Make sure to choose the appropriate scale for both axes - and don't forget to label them!)

[3 points]



3.5 Define the meaning of equilibrium (in words, not just the formula)

[2 points]

( 10)