

19 Multiple choice questions

1. Tragedy of the Commons

- a. A parable that illustrates why common resources get used more than is desirable from the standpoint of society as a whole.
- b. A tax or charge equal to the external cost per unit of pollution
- c. A market structure in which a few large firms dominate a market
- d. a market in which there are many buyers but only one seller

2. perfect competition

- a. a market structure in which a large number of firms all produce the same product
- b. A market structure in which a few large firms dominate a market
- c. a market structure in which barriers to entry are low and many firms compete by selling similar, but not identical, products
- d. a market in which there are many buyers but only one seller

3. Market Failure

- a. a market in which there are many buyers but only one seller
- b. a market structure in which a large number of firms all produce the same product
- c. A tax or charge equal to the external cost per unit of pollution
- d. A situation in which a market left on its own fails to allocate resources efficiently.

4. Pollution Tax

- a. a market in which there are many buyers but only one seller
- b. A tax or charge equal to the external cost per unit of pollution
- c. A tax meant to counterbalance a negative externality
- d. "Federal Reserve to Cut Interest Rates"

5. Negative Externality

- a. The harm, cost, or inconvenience suffered by a third party because of actions by others
- b. The existence of spillover benefits upon third parties from the production of a good.
- c. a market in which there are many buyers but only one seller
- d. A market structure in which a few large firms dominate a market

6. providing Public Goods
 - a. "Bayfield Public Library Gets Funding for New Equipment"
 - b. "Court Case Awards Property Owners"
 - c. "Federal Reserve to Cut Interest Rates"
 - d. "Minnesota to Sue Tobacco Firms to Recover Health Care Cost"

7. redistributing Income
 - a. "Social Security Payments to Increase by 4% Next Year: Cost of Living Allowance Up"
 - b. "Federal Reserve to Cut Interest Rates"
 - c. "Minnesota to Sue Tobacco Firms to Recover Health Care Cost"
 - d. A tax or charge equal to the external cost per unit of pollution

8. stabilizing the Economy
 - a. "Bayfield Public Library Gets Funding for New Equipment"
 - b. "Federal Reserve to Cut Interest Rates"
 - c. "Court Case Awards Property Owners"
 - d. "Minnesota to Sue Tobacco Firms to Recover Health Care Cost"

9. correcting for Externalities
 - a. "Federal Reserve to Cut Interest Rates"
 - b. "Bayfield Public Library Gets Funding for New Equipment"
 - c. "Minnesota to Sue Tobacco Firms to Recover Health Care Cost"
 - d. "Court Case Awards Property Owners"

10. Pigovian Tax
 - a. A tax or charge equal to the external cost per unit of pollution
 - b. "Federal Reserve to Cut Interest Rates"
 - c. "Court Case Awards Property Owners"
 - d. A tax meant to counterbalance a negative externality

11. Positive Externality
 - a. A positive or negative environmental stimulus that motivates behavior.
 - b. The harm, cost, or inconvenience suffered by a third party because of actions by others
 - c. The existence of spillover benefits upon third parties from the production of a good.
 - d. A tax or charge equal to the external cost per unit of pollution

12. public goods
 - a. a commodity or service that is provided without profit to all members of a society, either by the government or a private individual or organization
 - b. A tax or charge equal to the external cost per unit of pollution
 - c. A positive or negative environmental stimulus that motivates behavior.
 - d. a market in which there are many buyers but only one seller

13. maintain Legal and Social Framework
 - a. A tax meant to counterbalance a negative externality
 - b. "Federal Reserve to Cut Interest Rates"
 - c. "Minnesota to Sue Tobacco Firms to Recover Health Care Cost"
 - d. "Court Case Awards Property Owners"

14. maintain Competition
 - a. "Court Case Awards Property Owners"
 - b. "US Investigation Seeks to Find if Aluminum Producers Conspired to Cut Output, Broke Antitrust Laws"
 - c. "Federal Reserve to Cut Interest Rates"
 - d. "Minnesota to Sue Tobacco Firms to Recover Health Care Cost"

15. monopolistic competition
 - a. a market structure in which barriers to entry are low and many firms compete by selling similar, but not identical, products
 - b. a market in which there are many buyers but only one seller
 - c. a market structure in which a large number of firms all produce the same product
 - d. A market structure in which a few large firms dominate a market

16. Cap and Trade
 - a. A tax meant to counterbalance a negative externality
 - b. a market in which there are many buyers but only one seller
 - c. A market structure in which a few large firms dominate a market
 - d. Market-based system of pollution control whereby individual businesses can buy and sell emission credits even while the total level of industry pollution is capped at some level.

17. monopoly

- a. a market in which there are many buyers but only one seller
- b. A tax meant to counterbalance a negative externality
- c. "Court Case Awards Property Owners"
- d. A market structure in which a few large firms dominate a market

18. oligopolistic competition

- a. a market in which there are many buyers but only one seller
- b. a market structure in which a large number of firms all produce the same product
- c. a market structure in which barriers to entry are low and many firms compete by selling similar, but not identical, products
- d. A market structure in which a few large firms dominate a market

19. Incentive

- a. "Federal Reserve to Cut Interest Rates"
- b. a market in which there are many buyers but only one seller
- c. A tax meant to counterbalance a negative externality
- d. A positive or negative environmental stimulus that motivates behavior.