SFU Economics, Micro comp 2009-1, A. Karaivanov

TRUE/FALSE/UNCERTAIN (6 pts each) Justify your answer in less than 10 lines. No points will be given for correct answers without justification.

1. In a competitive economy if each firm is profit maximizing then the value of aggregate profits is also maximized.

2. Requiring all drivers to wear seat belts lowers the number of automobile accidents.

3. The number of doctors per capita has expanded rapidly in the US since 1970. Yet income per physician has also risen sharply during this period. This is evidence of the monopoly power of the association of doctors (the American Medical Association).

4. If one hedge fund manager is more capable than others in the sense of achieving larger expected return than other hedge fund managers given equal variances and other moments of returns then the hedge fund business cannot be a competitive industry.

5. A higher wage rate in a community could lower hours worked by each person if hours worked by a person depend positively on the hours worked by others in the community.

SFU Economics, Micro comp 2009-2, A. Karaivanov

TRUE/FALSE/UNCERTAIN (6 pts each) Justify your answer in less than 10 lines. No points will be given for correct answers without justification.

1. Robbery involves a simple transfer of wealth and as such does not reduce the wealth of society as a whole.

2. If everyone lived forever the real rate of interest would be zero.

3. The decision of various governments last Fall to 'bail out' large financial institutions in trouble is unambiguously efficiency-enhancing because of the systemic risk of collapse of the financial sector these institutions' bankruptcy would have caused.

4. Suppose in an economy with only two consumption goods people make their consumption choices by picking a point in their budget set at random. The law of demand would not hold in this economy.

5. Raising the minimum driving age to 18 will decrease the number of students dropping out of high school.