Multiple Choice Questions

1. Land owned by an individual or a group of individuals is an example of the economic concept of
   A. Physical capital
   B. Human capital
   C. Public property
   D. Private property

2. Written and recorded works, ideas, formulas and other creative intangible property that are owned by an individual or a group of individuals are examples of the economic concept of
   A. Physical capital
   B. Public property
   C. Intellectual property
   D. Personal effects

3. A right granted by government to an inventor to be the exclusive seller of that invention for a limited period of time is called a
   A. Patent
   B. Copyright
   C. Trademark
   D. Tangible asset

4. A right granted by government to a creator of a written or recorded work to be the exclusive seller of that work for a limited period of time is called a
   A. Patent
   B. Copyright
   C. Trademark
   D. Tangible asset
5. A right granted by the government to a business to be the exclusive user of a phrase, logo, or name of such a business is called a
   A. Patent
   B. Copyright
   C. Trademark
   D. Tangible asset

6. A written agreement where each party is bound to provide other parties with goods, services or financial consideration in exchange for other goods, services or financial considerations is a
   A. Patent
   B. Tangible asset
   C. Contract
   D. Physical asset

7. Effective contracts between buyers and sellers promote efficiency by
   A. Making sellers better off at the expense of buyers
   B. Making buyers better off at the expense of sellers
   C. Making lawyers better off at the expense of buyers and sellers
   D. Making both buyers and sellers better off

8. An essential economic role of government, even in the absence of "market failure", is
   A. Enforcement of contracts between buyers and sellers
   B. Provision of free public education
   C. Operation of the postal service
   D. Ownership of key modes of public transportation

9. Enforcement of private property rights is ordinarily entrusted to the
   A. Military
   B. Government
   C. Individual property owners
   D. Social conscience of buyers and sellers
10. Enforcement of laws protecting rights to physical property and personal safety is ordinarily entrusted to the
A. Individual property owners involved
B. Social conscience of buyers and sellers
C. Police and criminal justice system
D. Civil court system

11. Enforcement of laws protecting rights to intellectual property and performance of contractual obligations is ordinarily entrusted to the
A. Individual property owners involved
B. Social conscience of buyers and sellers
C. Police and criminal justice system
D. Civil court system

12. A country without a stable and effective government capable of protecting private property rights and enforcing private contracts will typically
A. Fail to develop a healthy economy
B. Fail to avoid persistent government budget deficits
C. Develop a liberal, multi-party parliamentary democracy
D. Fail to prevent excessive foreign direct investment

13. A patent that confers the monopoly right to produce an essential prescription drug tends to increase the incentive to develop new and better prescription drugs while
A. Imposing no cost upon society as a whole
B. Lowering the cost of prescription drugs to the public
C. Eliminating the monopolist's costs of defending its rights to the patent
D. Creating a "deadweight loss" of monopoly-induced inefficiency

14. The legal state that allows debtors to be protected from the actions of creditors is
A. Insolvency
B. Indigence
C. Incompetence
D. Bankruptcy
15. The debtor obligated to debt repayments larger than his greatest possible earnings
   A. Has little incentive to work in order to repay the debt
   B. Could be imprisoned under current U.S. bankruptcy law
   C. Will have to work overtime or a second job to repay the debt
   D. Will repay the debt in order to avoid being called a 'deadbeat'

16. The potential harm one person might do to another person through accidental, negligent or
   purposeful injury is
   A. Always reflected in equilibrium prices in perfectly competitive markets
   B. Always neglected in equilibrium prices in perfectly competitive markets
   C. Easily incorporated into private contracts between willing buyers and sellers
   D. Always central to the concept of 'civil liability'

17. Individuals behaving responsibly who happen to harm others when involved in a true
   accident are protected in most U.S. states by
   A. The possibility early parole
   B. Free public provision of a competent defense attorney
   C. Limitation on their civil liability
   D. Unlimited civil liability

18. Individuals who do harm to others while behaving irresponsibly or negligently would, in
   most U.S. states, encounter
   A. Total elimination of all civil liability
   B. Free public provision of a competent defense attorney
   C. Limitation on their civil liability
   D. Unlimited civil liability

19. Economic losses that might be recovered through legal action can include
   A. Only current monetary losses
   B. Only current non-monetary losses
   C. Both current monetary and current non-monetary losses
   D. Both current and future monetary and non-monetary losses
20. A person who would work for 25 more years earning $100,000 per year and discounts the future at an interest rate of 5% per year has an annually-compounded discounted expected present value of current and future earnings equal to
A. $0.5 million
B. $0.9 million
C. $1.1 million
D. $1.4 million

21. A person who would work for 35 more years earning $62,000 per year and discounts the future at an interest rate of 6.5% per year has an annually-compounded discounted expected present value of current and future earnings equal to
A. $433,252
B. $596,728
C. $848,591
D. $998,256

22. A person who would work for 15 more years earning $35,000 per year and discounts the future at an interest rate of 5.5% per year has an annually-compounded discounted expected present value of current and future earnings equal to
A. $201,723
B. $351,315
C. $622,881
D. $856,225

23. Estimation of the present value of lost current and future income must consider
A. The expected length of working life
B. Any possible future raises
C. Any risk of unemployment
D. All of the above
24. Consider two workers who are identical in every respect (including wages) except that one works in an industry whose workers are subject to a higher risk of long and frequent spells of uncompensated unemployment. Compared to the worker facing the lower risk of unemployment, the discounted expected present value of current and future earnings of the worker facing the higher risk of unemployment would be
A. Higher
B. Equal
C. Lower
D. Unfair

25. A solid and defensible jury award that punishes negligent behavior can be good for the economy primarily because it
A. Takes from the rich and gives to the poor
B. Compensates the injured party for all damages
C. Reassures the public that the legal system is 'fair'
D. Discourages imprudent or reckless behavior

26. A jury award that wildly overstates non-monetary losses can harm the economy primarily because it
A. Takes from the rich and gives to the poor
B. Still fails to adequately compensate the injured party for all damages
C. Enriches greedy plaintiff's lawyers
D. Causes overly-cautious buyers and sellers to avoid mutually beneficial transactions

27. A lawyer who agrees to take as compensation a percentage of any judgment or settlement is
A. A contingency attorney
B. Violating the legal profession's code of ethics
C. Typically only employed as a defense attorney
D. All of the above
28. A lawsuit that joins together the similar concerns of many injured parties is
A. A violation of the legal profession's code of ethics
B. A violation of the laws of most U.S. states
C. A class action lawsuit
D. Unlikely to adequately compensate the plaintiff’s attorneys when successful

29. Politically, contingency attorneys in the U.S. overwhelmingly favor
A. Democrats
B. Republicans
C. Libertarians
D. Independents

(In Figure TB 21.1, notation on curve shift reads "External Cost = $3.00 per unit")

30. Refer to Figure TB 27.1. The expected damage to innocent third parties per unit of the
good produced is $3.00 (an "externality" as defined in Chapter 16). An unregulated
competitive market for the product produces a quantity of 800 million units, which sell for a
price of $12 per unit. The competitive industry would produce the socially optimal quantity of
this product if the expected per unit cost to producers of this product due to just and
reasonable lawsuits were
A. $0.33
B. $1.00
C. $1.50
D. $3.00
31. Refer to Figure TB 27.1. The expected uncompensated damage to innocent third parties per unit of the good produced is $3.00 (an "externality" as defined in Chapter 16). An unregulated competitive market for the product produces a quantity of 800 million units, which sell for a price of $12 per unit. If the competitive industry were producing the socially optimal quantity of this product, the market price of the product per unit would be
   A. $6.50
   B. $12.00
   C. $13.50
   D. $16.50

32. Refer to Figure TB 27.1. The expected uncompensated damage to innocent third parties per unit of the good produced is $3.00 (an "externality" as defined in Chapter 16). An unregulated competitive market for the product produces a quantity of 800 million units, which sell for a price of $12 per unit. If the competitive market price reflected the full social cost per unit of producing and consuming this product (i.e., both private and external costs), the quantity produced by this competitive industry would be
   A. 400 million units
   B. 600 million units
   C. 800 million units
   D. 950 million units

33. Refer to Figure TB 27.1. The expected uncompensated damage to innocent third parties per unit of the good produced is $3.00 (an "externality" as defined in Chapter 16). An unregulated competitive market for the product produces a quantity of 800 million units, which sell for a price of $12 per unit. If the expected cost to producers of this product due to unreasonable jury awards in frivolous lawsuits were $8.00 per unit produced, the quantity of the good produced by this competitive industry would be
   A. Greater 800 million units
   B. Greater than the socially optimal quantity but less than 800 million units
   C. Equal to the socially optimal quantity
   D. Less than the socially optimal quantity
34. Refer to Figure TB 27.1. The expected uncompensated damage to innocent third parties per unit of the good produced is $3.00 (an "externality" as defined in Chapter 16). An unregulated competitive market for the product produces a quantity of 800 million units, which sell for a price of $12 per unit. If the expected cost to producers of this product due to unreasonable jury awards in frivolous lawsuits were larger than $13.50 per unit produced, the quantity of the good produced by this competitive industry would be
A. 0 units
B. 400 million units
C. 600 million units
D. 800 million units

35. Refer to Figure TB 27.1. The expected uncompensated damage to innocent third parties per unit of the good produced is $3.00 (an "externality" as defined in Chapter 16). An unregulated competitive market for the product produces a quantity of 800 million units, which sell for a price of $12 per unit. The amount producers of this product could reasonably afford to spend per unit produced in order to successfully insulate themselves from possible just and reasonable jury awards in lawsuits is
A. $0.00
B. $1.50
C. $3.00
D. $12.00