Introduction to Microeconomics

CREDIT HOURS
3

LEVEL
LOWER

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www.excelsior.edu/contentguides
Before You Choose This UExcel Exam

Uses for the Examination

- Excelsior College, the test developer, recommends granting three (3) semester hours of lower-level undergraduate credit to students who receive a letter grade of C or higher on this examination. The examination may be used to help fulfill a core requirement for Business degrees, as a Social Science general education course, or as a free elective for all Excelsior College degree programs that allow for free electives.

- Other colleges and universities also recognize this exam as a basis for granting credit or advanced standing.

- Individual institutions set their own policies for the amount of credit awarded and the minimum acceptable grade.

Exam-takers who have applied to Excelsior College should ask their academic advisor where this exam fits within their degree program.

Exam-takers not enrolled in an Excelsior College degree program should check with the institution from which they wish to receive credit to determine whether credit will be granted and/or to find out the minimum grade required for credit. Those who intend to enroll at Excelsior College should ask an admissions counselor where this exam fits within their intended degree program.

Examination Length and Scoring

The examination consists of approximately 120 questions, most of which are multiple choice; for samples of all the item types on this exam, see the sample items in the back of this guide. Some items are unscored, pretest items. The pretest items are embedded throughout the exam and are indistinguishable from the scored items. You will have two (2) hours to complete the examination. Your score will be reported as a letter grade.

UExcel Exam Resources

Excelsior College Bookstore

The Excelsior College Bookstore offers recommended textbooks and other resources to help you prepare for UExcel exams.

The bookstore is available online at (login required): www.excelsior.edu/bookstore

UExcel Practice Exams

The official UExcel practice exams are highly recommended as part of your study plan. Once you register for your UExcel exam, you are eligible to purchase the corresponding practice exam, which can be taken using any computer with a supported Web browser. Each practice exam includes two forms that you may take within a 180-day period.
Excelsior College Library

Enrolled Excelsior College students can access millions of authoritative resources online through the Excelsior College Library. Created through our partnership with the Sheridan Libraries of The Johns Hopkins University, the library provides access to journal articles, books, websites, databases, reference services, and many other resources. Special library pages relate to the nursing degree exams and other selected exams. To access it, visit www.excelsior.edu/library (login is required).

Our library provides:

• 24/7 availability
• The world’s most current authoritative resources
• Help and support from staff librarians

Online Tutoring

Excelsior College offers online tutoring through SMARTTHINKING™ to connect with tutors who have been trained in a variety of academic subjects. To access SMARTTHINKING, go to www.excelsior.edu/smartthinking. Once there, you may download a copy of the SMARTTHINKING Student Handbook as a PDF.

Preparing for UExcel Exams

Take Charge of Your Own Learning

At Excelsior College, independent, self-directed study supported by resources we help you find is not a new concept. We have always stressed to exam takers that they are acting as their own teacher, and that they should spend as much time studying for an exam as they would spend in a classroom and on homework for a corresponding college course in the same subject area.

Begin by studying the content outline contained in this content guide, at its most detailed level. You will see exactly which topics are covered, and where chapters on those topics can be found in the Recommended Resources. You will see exactly where you might need to augment your knowledge or change your approach.

The content outline, along with the Learning Outcomes for this exam and recommended textbooks, will serve as your primary resources.

How Long Will It Take Me to Study?

A UExcel exam enables you to show that you’ve learned material comparable to one or more 15-week college-level courses. As an independent learner, you should study and review as much as you would for a college course. For a 3-credit course in a subject they don’t know, most students would be expected to study nine hours per week for 15 weeks, for a total of 135 hours.

Study Tips

Become an active user of the resource materials. Aim for understanding rather than memorization. The more active you are when you study, the more likely you will be to retain, understand, and apply the information.

The following techniques are generally considered to be active learning:

• preview or survey each chapter
• highlight or underline text you believe is important
• write questions or comments in the margins
• practice re-stating content in your own words
• relate what you are reading to the chapter title, section headings, and other organizing elements of the textbook
• find ways to engage your eyes, your ears, and your muscles, as well as your brain, in your studies
• study with a partner or a small group (if you are an enrolled student, search for partners on MyExcelsior Community)
• prepare your review notes as flashcards or create recordings that you can use while commuting or exercising

When you feel confident that you understand a content area, review what you have learned. Take a second look at the material to evaluate your understanding. If you have a study partner, the two of you can review by explaining the content to each other or writing test questions for each other to answer. Review questions from textbook chapters may be helpful for partner or individual study, as well.

Using UExcel Practice Exams

We recommend taking the first form of the practice exam when you begin studying, to see how much you already know. After taking the first practice exam,
check your performance on each question and find out why your answer was right or wrong. This feedback will help you improve your knowledge of the subject and identify areas of weakness that you should address before taking the exam. Take the second form of the practice exam after you have finished studying. Analyze your results to identify the areas that you still need to review.

Although there is no guarantee, our research suggests that students who do well on the practice exams are more likely to pass the actual exam than those who do not do well (or do not take advantage of this opportunity).

About Test Preparation Services
Preparation for UExcel® exams and Excelsior College® Examinations, though based on independent study, is supported by Excelsior College with a comprehensive set of exam learning resources and services designed to help you succeed. These learning resources are prepared by Excelsior College so you can be assured that they are current and cover the content you are expected to master for the exams. These resources, and your desire to learn, are usually all that you will need to succeed.

There are test-preparation companies that will offer to help you study for our examinations. Some may imply a relationship with Excelsior College and/or make claims that their products and services are all that you need to prepare for our examinations.

Excelsior College is not affiliated with any test preparation firm and does not endorse the products or services of these companies. No test preparation vendor is authorized to provide admissions counseling or academic advising services, or to collect any payments, on behalf of Excelsior College. Excelsior College does not send authorized representatives to a student's home nor does it review the materials provided by test preparation companies for content or compatibility with Excelsior College examinations.

To help you become a well-informed consumer, we suggest that before you make any purchase decision regarding study materials provided by organizations other than Excelsior College, you consider the points outlined on our website at www.excelsior.edu/testprep.
recommends you use these resources as the most appropriate information when ordering textbooks from the college's bookstore (see page 1 of this content guide). You should allow ample time to obtain resources and to study sufficiently before taking the exam, so plan appropriately and systematically.

A word about textbook editions: Textbook editions listed in the UExcel content guides may not be the same as those listed in the bookstore. Textbook editions may not exactly match up in terms of table of contents and organization, depending upon the edition. However, our team of exam developers checks exam content against every new textbook edition to verify that all subject areas tested in the exam are still adequately available in the study materials. If needed, exam developers will list supplemental resources to ensure that all topics in the exam are still sufficiently covered. Public libraries may have the textbooks you need, or may be able to obtain them for you through interlibrary loan to reduce textbook costs. You may also consider financial aid, if you qualify, to further help defray the steep cost of textbooks. A section on OER has been included in this guide to help you locate additional resources to augment your study.

Textbooks

This textbook was used by the examination development committee to verify all questions on the exam.


This textbook may be purchased from the Excelsior College Bookstore (login required). www.excelsior.edu/bookstore

Reducing Textbook Costs

Many students know it is less expensive to buy a used textbook, and buying a previous edition is also an option. The Excelsior College bookstore includes a buyback feature and a used book marketplace, as well as the ability to rent digital versions of textbooks for as long as students need them. Students are encouraged to explore these and the many other opportunities available online to help defray textbook costs.

A Word About Open Educational Resources

Open educational resources (OER) are educational materials available for study at no cost on the Web. Some OER are available for anyone to access any time. Others, such as Massive Open Online Courses (MOOCs), require sign-up and are only available during certain windows. Please note that some MOOC providers offer certificates of completion or other products or services for a fee. No MOOC or other OER is a complete substitute for the content guide and officially Recommended Resources listed here in this content guide. However, by definition, MOOCs are essentially free of charge and include access to a main body of learning materials that may help you in your learning.

Being an independent learner preparing for credit by exam, you may not need any of the fee-based options that are offered elsewhere online. But if you are looking for a coherent academic course for self-study, lectures on specific topics, or audio or visual materials that fit your learning style better than print materials alone, a MOOC or other type of OER may be your answer. Keep in mind that none of these OER were designed by Excelsior, nor are they guaranteed to match the exam content outlines completely. They are simply another tool available in your study kit.

We highly encourage using the Recommended Resources. In the content outline, you will see that the topics in the exam are referenced to specific portions of recommended textbooks. Using OER alone will not ensure you've completely covered the content in the exam, or it may not cover some topics in sufficient-enough depth without the use of the formal, recommended textbooks.

If the OER course you choose does not include a textbook for reference and you do not have significant practical theory-based experience in the field of study, use a college textbook to ensure adequate preparation for the exam, and use the exam's content outline as a guide.

Combined with comparable college textbooks, OER provides you with a variety of choices in knowledge sources and learning experiences, to enhance your understanding of the subject matter.

Choosing Open Educational Resources

Most sites for university-based OER can be searched through www.ocwconsortium.org and/or www.oercommons.org.
Sites that specialize in Web courses designed by college professors under contract with the website sponsor, rather than in Web versions of existing college courses, include:

www.education-portal.com
www.opencourselibrary.org (abbreviated as OCL)

We have included specific courses that cover material for one or more UExcel® exams from the sites in the listings above. It’s worth checking these sites frequently to see if new courses have been added that may be more appropriate or may cover an exam topic not currently listed.

In addition, sites like Khan Academy (www.khanacademy.com) and iTunes U feature relatively brief lessons on very specific topics rather than full courses. Full courses are also available on iTunes U (http://www.apple.com/education/ipad/itunes-u/). We have chosen a few courses and collections for this listing.

Other Online Resources
This section of the OER Guide is provided to allow learners to independently search for resources. Send an e-mail to OER@excelsior.edu if you have questions about a resource’s credibility.

Open Online Textbooks
Boundless open textbooks
https://www.boundless.com/open-textbooks/

BookBoon
http://bookboon.com/en/textbooks-ebooks

Flatworld Knowledge
http://catalog.flatworldknowledge.com/#our-catalog

College Readiness
Khan Academy
http://www.khanacademy.org/

Hippocampus
http://www.hippocampus.org/

Open Course Library
http://opencourselibrary.org/colig-110-college-success-course/

Study Aids
Education Portal
http://education-portal.com/
Content Outline

General Description of the Examination

The UExcel Introduction to Microeconomics examination is based on material typically taught in a one-semester, three-credit, introductory course in microeconomics.

The examination measures knowledge, understanding, and application of the terminology used in economics and the concepts of market behavior, market structures, resource markets, and government issues and policies.

Those beginning to study for this exam should be familiar with concepts covered in high-school level algebra.

Learning Outcomes

After you have successfully worked your way through the recommended study materials, you should be able to demonstrate the following learning outcomes:

1. Demonstrate a thorough understanding of the principles of economics that apply to the functions of individual decision makers, both consumers and producers within the larger economic system.
2. State the nature and functions of product markets.
3. Understand the nature and functions of factor markets.
4. Use graphs and tables to illustrate cost and revenue of firms in different market structures.
5. Comprehend the role of government in promoting greater efficiency and equity in the economy.
6. Illustrate the usefulness of economic analysis in real-world situations.
Content Outline

The content outline describes the various areas of the test, similar to the way a syllabus outlines a course. To fully prepare requires self-direction and discipline. Study involves careful reading, reflection, and systematic review.

The major content areas on the Introduction to Microeconomics examination, the percent of the examination, and the hours to devote to each content area are listed below.

<table>
<thead>
<tr>
<th>Content Area</th>
<th>Percent of the Examination</th>
<th>Hours of Study</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Introduction to Economics and the Economy</td>
<td>25%</td>
<td>34</td>
</tr>
<tr>
<td>II. Markets and Behavior</td>
<td>20%</td>
<td>27</td>
</tr>
<tr>
<td>III. Market Structures</td>
<td>20%</td>
<td>27</td>
</tr>
<tr>
<td>IV. Resource Markets</td>
<td>20%</td>
<td>27</td>
</tr>
<tr>
<td>V. Government Issues and Policies</td>
<td>15%</td>
<td>21</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

**NOTE:** Occasionally, examples will be listed for a content topic to help clarify that topic. However, the content of the examination is not limited to the specific examples given.

I. Introduction to Economics and the Economy

25 PERCENT OF EXAM | 34 HOURS OF STUDY

Ch. 1, Limits, Alternatives, and Choices
Ch. 2, The Market System and the Circular Flow
Ch. 3, Demand, Supply, and Market Equilibrium

A. Limits, alternatives, and choices
   1. The economic perspective
   2. Theories, principles, and models
   3. Microeconomics and macroeconomics
   4. Individuals’ economizing problem
   5. Society’s economizing problem
   6. Production possibilities model
   7. Unemployment, growth, and the future

B. The market system and the circular flow
   1. Economic systems
   2. Characteristics of the market system
   3. The five fundamental questions
   4. The “invisible hand”
   5. The demise of the command systems
   6. The circular flow model

C. Demand, supply, and market equilibrium
   1. Markets
   2. Demand
   3. Supply
   4. Market equilibrium
   5. Government-set prices
II. Markets and Behavior

A. Elasticity, consumer surplus, and producer surplus
   1. Price elasticity of demand
   2. Price elasticity of supply
   3. Cross elasticity and income elasticity of demand
   4. Consumer and producer surplus

B. Consumer behavior
   1. Law of diminishing marginal utility
   2. Theory of consumer behavior
   3. Utility maximization and the demand curve
   4. Applications and extensions

C. The costs of production
   1. Economic costs
   2. Short-run production relationships
   3. Short-run production costs
   4. Long-run production costs
   5. Applications and illustrations

III. Market Structures

A. Pure competition
   1. Four market models
   2. Pure competition: characteristics and occurrence
   3. Demand as seen by a purely competitive seller
   4. Profit maximization in the short run: total-revenue-total-cost approach
   5. Profit maximization in the short run: marginal-revenue-marginal-cost approach
   6. Marginal cost and short-run supply
   7. Profit maximization in the long run
   8. Pure competition and efficiency

B. Pure monopoly
   1. An introduction to pure monopoly
   2. Barriers to entry
   3. Monopoly demand
   4. Output and price determination
   5. Economic effects of monopoly
   6. Price discrimination
   7. Regulated monopoly

C. Monopolistic competition and oligopoly
   1. Monopolistic competition
   2. Price and output in monopolistic competition
   3. Monopolistic competition and efficiency
   4. Product variety
   5. Oligopoly
   6. Oligopoly behavior: a game-theory overview
   7. Three oligopoly models
8. Oligopoly and advertising
9. Oligopoly and efficiency

IV. Resource Markets

20 PERCENT OF EXAM | 27 HOURS OF STUDY

Ch. 14, The Demand for Resources
Ch. 15, Wage Determination
Ch. 16, Rent, Interest, and Profit
Ch. 17, Natural Resource and Energy Economics

A. The demand for resources
   1. Significance of resource pricing
   2. Marginal productivity theory of resource demand
   3. Determinants of resource demand
   4. Elasticity of resource demand
   5. Optimal combination of resources
   6. Marginal productivity theory of income distribution

B. Wage determination
   1. Labor, wages, and earnings
   2. General level of wages
   3. A purely competitive labor market
   4. Monopsony model
   5. Three union models
   6. Bilateral monopoly model
   7. The minimum-wage controversy
   8. Wage differentials
   9. Pay for performance

C. Rent, interest, and profit
   1. Economic rent
   2. Interest
   3. Economic profit
   4. Income shares

D. Natural resource and energy economics
   1. Resource supplies: doom or boom?
   2. Energy economics
   3. Natural resource economics

V. Government Issues and Policies

15 PERCENT OF EXAM | 21 HOURS OF STUDY

Ch. 16, Public Finance: Expenditure of Taxes
Ch. 4 Appendix, Information Failures
Ch. 5 Appendix, Public Choice Theory and Voting Paradoxes
Ch. 19, Antitrust Policy and Regulation
Ch. 24, International Trade

A. Public choice theory and the economics of taxation
   1. Revealing preferences through majority voting
   2. Government failure
   3. Apportioning the tax burden
   4. Tax incidence and efficiency loss

B. Antitrust policy and regulation
   1. The antitrust laws
   2. Antitrust policy: issues and impacts
   3. Industrial regulation
   4. Deregulation
   5. Social regulation

C. International trade
   1. Some key facts
   2. The economic basis for trade
   3. Comparative advantage
   4. Supply and demand analysis of exports and imports
   5. Trade barriers
   6. The case for protection
   7. The World Trade Organization
Sample Questions

The sample questions give you an idea of the level of knowledge expected in the exam and how questions are typically phrased. They are not representative of the entire content of the exam and are not intended to serve as a practice test.

Rationales for the questions can be found on pages 13–15 of this guide. In that section, the correct answer is identified and each answer is explained. The number in parentheses at the beginning of each rationale refers to the corresponding section of the content outline. For any questions you answer incorrectly, return to that section of the content outline for further study.

1. An individual has an income of $100 and is looking to buy an amount of two types of products, music downloads and cellphone applications. The price of downloads is $2. The price of cellphone applications is $4. Which combination is on this consumer’s budget line?
   1) 30 music downloads and 15 cell phone applications
   2) 40 music downloads and 20 cell phone applications
   3) 25 music downloads and 10 cell phone applications
   4) 20 music downloads and 15 cell phone applications

2. Why is the United States considered one of the highly free economic systems in the world by the Heritage Foundation?
   1) A high percentage of public schools provide free lunch to students from low-income families.

3. The inverse relationship between price and quantity demanded is graphically represented by the demand curve that is of which description?
   1) upward sloping
   2) horizontal
   3) downward sloping
   4) vertical

4. Which is an example of elastic demand?
   (Select the 2 that apply.)
   1) A 10 percent increase in price leads to a 5 percent decrease in quantity demanded.
   2) An 8 percent increase in price leads to a 2 percent decrease in quantity demanded.
   3) A 5 percent increase in price leads to a 10 percent decrease in quantity demanded.
   4) A 2 percent increase in price leads to a 5 percent decrease in quantity demanded.
   5) A 5 percent increase in price leads to a 5 percent decrease in quantity demanded.

2) State government is free to do many things such as issue driver licenses, create and collect state income taxes, and set legal drinking and smoking ages.

3) Many stores in the US economy often offer free samples to customers to try their products.

4) Businesses, workers, and consumers have a high degree of freedom in using economic resources, producing goods, choosing jobs, and buying goods.
5. What does the graph below illustrate?

It illustrates a typical

1) total utility curve.
2) average utility curve.
3) marginal utility curve.
4) total cost curve.

6. In the graph below, which curve is most likely to represent average fixed cost?

1) A
2) B
3) C
4) D

7. Which term refers to a market structure in which many firms sell a differentiated product, entry is relatively easy, firms have some control over price, and there is considerable nonprice competition?

1) pure competition
2) pure monopoly
3) monopolistic competition
4) oligopoly

8. What approach is most likely to give a firm monopoly power?

1) paying its workers more
2) opening more new stores
3) obtaining a patent on its product
4) launching an advertising campaign

9. Why do firms produce so many different types of the same product, such as cereal?

1) Companies in purely competitive industries have to produce different varieties of their product just to stay alive.
2) Pure monopolies produce different varieties of their product just to please the government and keep away any regulation.
3) Advertising firms put pressure on firms to create variety, which creates business for the advertising firms.
4) Companies in monopolistic competitive industries face zero long-run economic profits, and product variety helps keep positive economic profits in the short run.

10. What will happen if the demand for automobiles increases?

1) The demand for labor will decrease.
2) The quantity of labor demanded will decrease.
3) The demand for labor will increase.
4) The quantity demanded of labor will increase.

11. In a labor market that is considered to be a bilateral monopoly, what will the equilibrium wage be?

The equilibrium wage will be

1) the monopolistic wage.
2) the perfectly competitive wage.
3) logically indeterminate.
4) the monopsonistic wage.
12. What is fertility rate is required to keep a population constant?
   1) 1.1
   2) 1.5
   3) 2.1
   4) 2.5

13. Many political candidates move their position toward the center when going from a primary election campaign to a general election campaign. This behavior is best explained by which model?
   1) the mean-voter model
   2) the median-voter model
   3) the average-voter model
   4) the consensus-voter model

14. Which legislation contains this provision?

   “Every contract, combination in the form of a trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations is declared to be illegal.”
   1) Celler-Kefauver Act
   2) Sherman Act
   3) Federal Trade Commission Act
   4) Clayton Act

15. Which is an argument against the validity of the cheap foreign labor argument?

   1) Gains from trade are fundamentally based on comparative advantage, not absolute advantage.
   2) What is important is the wage of the worker, not the labor cost per unit of output.
   3) Lower wages necessarily translate into lower labor cost per unit of output.
   4) Gains from trade are only based on absolute advantage.
Rationales

1. (IA4)
   1) \((30 \times 2) + (15 \times 4) = 120 > 100\)
   2) \((40 \times 2) + (20 \times 4) = 160 > 100\)
   3) \((25 \times 2) + (10 \times 4) = 90 < 100\)
   *4) \((20 \times 2) + (15 \times 4) = 100\) which is on the budget line

2. (IB2)
   1) Free economic system is not defined on the basis of free food.
   2) State rights is a political concept, not the basis for defining an economic system.
   3) This is a promotion practice and has nothing to do with a free economic system.
   *4) This describes freedom of enterprise and freedom of choice, the two types of freedom that are fundamental to a free economic system.

3. (IC2)
   1) Demand curve is downward sloping.
   2) The inverse relationship between price and quantity demanded implies that the demand curve must be downward sloping.
   *3) The typical demand curve that illustrates the inverse relationship between price and quantity demanded must be downward sloping.
   4) See 3).

4. (IIA1)
   1) This is an example of inelastic demand because the change in price produces a smaller percentage change in quantity demanded.
   2) See 1).
   *3) This is an example of elastic demand because the change in price produces a larger percentage change in quantity demanded.
   *4) See 3).
   5) This is not an example of elastic demand because the change in price does not result in a larger percentage change in quantity demanded.

5. (IIB1)
   *1) It plots units consumed per meal (x-axis) against total utility (y-axis).
   2) Average utility is not a valid curve.
   3) The marginal utility curve plots units consumed per meal (x-axis) against marginal utility (y-axis), not total utility.
   4) The total cost curve plots quantity (x-axis) against total costs (y-axis).

6. (IIC3)
   *1) A represents average fixed cost.
   2) B represents average variable cost.
   3) C represents average (total) cost.
   4) D represents marginal cost.

*correct answer
7. (IIIA1)
1) This is a market structure in which a very large number of firms sell a standardized product, into which entry is very easy, in which the individual seller has no control over the product price, and in which there is no nonprice competition. It is a market characterized by a very large number of buyers and sellers.
2) A pure monopoly is a market structure in which one firm is the sole seller for a product or service.
*3) Monopolistic competition is characterized by a relatively large number of sellers producing differentiated products.
4) Oligopoly involves only a few sellers of a standardized or differentiated product.

8. (IIIB2)
1) Worker pay may be affected by a firm’s monopoly status, but by itself cannot turn a firm into a monopoly. Pay is not a barrier to entry.
2) A larger number of stores does not prevent other firms from entering the industry.
*3) A patent will (at least for 20 years) create a legal barrier to entry for this firm’s competitors.
4) An ad campaign does not prevent other firms from entering the industry.

9. (IIIC4)
1) Companies in purely competitive industries produce a homogenous good, so there can be no different varieties produced.
2) A pure monopoly company produces a good that has few, if any, substitutes. There would be little motivation to produce different varieties of their product, especially to forestall government regulation.
3) A firm would produce varieties of its good if it increased the producing firm’s profit, not the profit of the advertising firm.
*4) This is correct. The introduction of a new variety of the company’s product will often produce a short-run boost in profits and put off to another day the certain zero long-run economic profits.

10. (IVA2)
1) If the demand for automobiles were to increase, we would not expect the demand for labor to decrease. We would expect it to increase.
2) If the demand for automobiles were to increase, we would not necessarily expect the quantity of labor demanded to decrease. The quantity of labor demanded will decrease only if the price of labor increases.
*3) If the demand for automobiles were to increase, we would expect the demand for labor to increase also.
4) If the demand for automobiles were to increase, we would not expect the quantity demanded of labor to increase. The quantity of demanded labor will only increase if the price of labor decreases.

11. (IVB5)
1) The monopolistic wage is the wage that the monopoly would want, but the monopsonist will want to hire fewer workers at a lower wage rate, so this would not be an equilibrium point.
2) The perfectly competitive wage is where the unrestricted market demand and supply curves intersect. This would not be the choice of either the monopolist or the monopsonist.
*3) The monopsonist will seek a below competitive equilibrium wage and the monopolist will seek an above equilibrium wage; therefore, the resulting wage is logically indeterminate. It will depend on the negotiating skills of each party.
4) The monopsonistic wage is below the wage that the monopoly would want.

12. (IVD1)
1) See 3).
2) See 3).
*3) Taking into account infant and child mortality, a total fertility rate of about 2.1 births per woman per lifetime is necessary to keep the population constant, since 2.1 children equals 1 child to replace the mother, 1 child to replace the father, and 0.1 extra child who can be expected to die before becoming old enough to reproduce.
4) See 3).
13. (VA1)
   1) The candidate will choose a policy that the appeals to the middle, or median, voter since that will generate the largest number of votes.

   *2) Appealing to the middle, or median, voter will generate the largest number of votes.

   3) See 1).

   4) See 1).

14. (VB1)
   1) The Celler-Kefauver Act amended the Clayton Act by prohibiting one firm from obtaining the physical assets of another firm when the effect would be reduced competition.

   *2) This is from the Sherman Act of 1890, which outlawed restraints of trade as well as monopolization.

   3) The Federal Trade Commission Act created the five-member Federal Trade Commission, which has joint federal responsibility with the U.S. Justice Department for enforcing the antitrust laws.

   4) The Clayton Act was designed to strengthen and make explicit the intent of the Sherman Act.

15. (VC6)
   1) Comparative advantage is the basis of trade. A nation can have lower absolute wages, but what is important is the wage rate relative to the productivity level. Lower wages do not necessarily imply cheaper per unit production costs.

   *2) Labor cost per unit of output matters more than wages when calculating average cost of production.

   3) Cost per unit of output is a function of both wage rates and productivity levels.

   4) Trade is fundamentally based on comparative advantage.
Registering for Your Exam

Register Online

www.excelsior.edu/examregistration
Follow the instructions and pay by Visa, MasterCard, American Express, or Discover Card.

Examination Administration

Pearson Testing Centers serve as the administrator for all Excelsior College computer-delivered exams. The Disability Services office at Excelsior College is responsible for considering requests for reasonable accommodations (exceptions for individual students with documented disabilities). If you are requesting an accommodation due to a disability, download and complete a Request for Accommodation form that can be accessed by visiting the Excelsior College website at www.excelsior.edu/disability-services.

Computer-Delivered Testing

You will take the exam by computer, entering your answers using either the keyboard or the mouse. The system is designed to be as user-friendly as possible, even for those with little or no computer experience. On-screen instructions are similar to those you would see in a paper examination booklet.

Before taking your exam, we strongly encourage you to go on a virtual tour of the testing center. To access this tour, click the What to Expect in a Pearson VUE test center at the following link: home.pearsonvue.com/test-taker/security.aspx

You also will receive a small, erasable whiteboard if you need one. You may not take your own calculator, if the exam calls for it. One will be provided on the testing screen. See example below

On the Day of Your Exam

Important Reminders

On the day of your exam, remember to:

- dress comfortably: the computer will not mind that you’re wearing your favorite relaxation outfit
- arrive at the test site rested and prepared to concentrate for an extended period
- allow sufficient time to travel, park, and locate the test center
- be prepared for possible variations in temperature at the test center due to weather changes or energy conservation measures
• bring your ID, but otherwise, don’t weigh yourself down with belongings that will have to be kept in a locker during the test.

**Academic Honesty Nondisclosure Statement**

• All test takers must agree to the terms of the Excelsior College Academic Honesty Policy before taking an examination. The agreement will be presented on screen at the Pearson VUE Testing Center before the start of your exam.

• Once the test taker agrees to the terms of the Academic Honesty Nondisclosure Statement, the exam will begin.

If you choose not to accept the terms of the agreement

• your exam will be terminated

• you will be required to leave the testing center

• you will not be eligible for a refund. For more information, review the Student Policy Handbook at www.excelsior.edu/studentpolicyhandbook.

Student behavior is monitored during and after the exam. Electronic measures are used to monitor the security of test items and scan for illegal use of intellectual property. This monitoring includes surveillance of Internet chat rooms, websites, and other public forums.

**Information About UExcel Exams for Colleges and Universities**

A committee of teaching faculty and practicing professionals determines the learning outcomes to be tested on each exam. Excelsior College Center for Educational Measurement staff oversee the technical aspects of test construction in accordance with current professional standards. To promote fairness in testing, we take special care to ensure that the language used in the exams and related materials is consistent, professional, and user friendly. Editorial staff perform systematic quantitative and qualitative reviews to ensure accuracy, clarity, and compliance with conventions of bias-free language usage.

Excelsior College, the test developer, recommends granting three (3) semester hours of lower-level undergraduate credit to students who receive a letter grade of C or higher on this examination. The examination may be used to help fulfill a core requirement for Business degrees, as a Social Science general education course, or as a free elective for all Excelsior College degree programs that allow for free electives.

**Introduction to Microeconomics Exam Development Committee**

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