

Answers
Microeconomics Midterm
ECN150
Spring 2011
Wake Forest University
Instructor: McFall

Name: _____Key_____

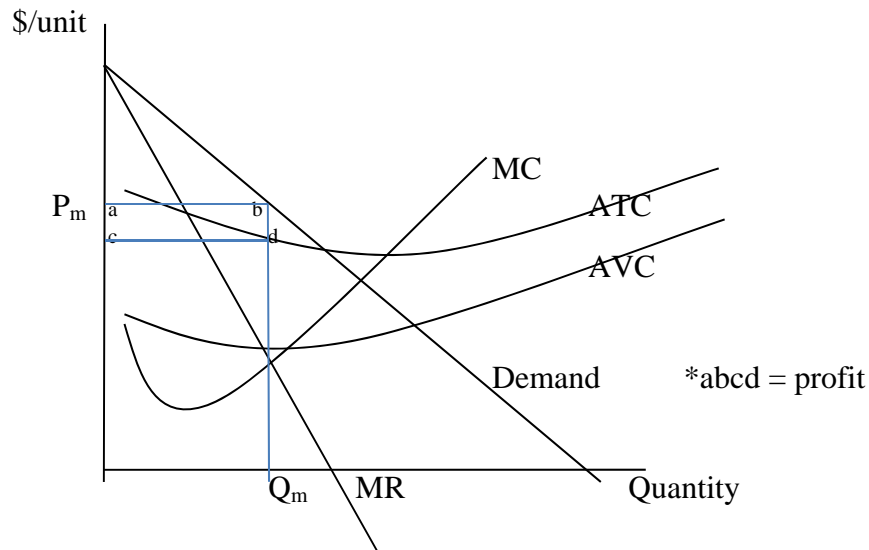
Section I- Multiple Choice (4 points per question)

- | | | |
|-------|-------|---------|
| 1. D | 2. B | 3. B |
| 4. A | 5. D | 6. DEI |
| 7. E | 8. G | 9. A |
| 10. D | 11. B | 12. N/A |
| 13. A | 14. B | 15. D |

Section II- True or False (2 points per question)

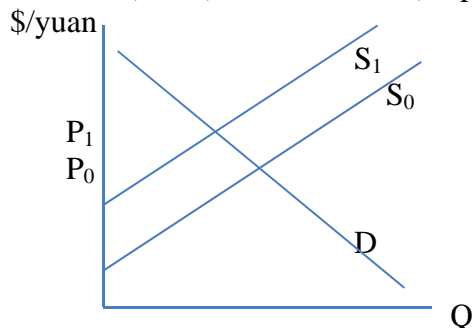
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|------|------|------|------|------|
| 1. F | 2. F | 3. T | 4. T | 5. F |
|------|------|------|------|------|

Section III- Graphical Interpretation (20 points)



- a) Mick's needs to create a barrier to entry because it is earning positive economic profits. These positive profits will provide an incentive for competitors to enter the market. Mick's needs to have a barrier in order to keep those competitors at bay.
- b) Mick's could legally be a monopoly by simply being better than others. He could be a temporary legal monopoly by applying for and receiving a patent.
- c) Micks' can't run aground of the antitrust laws laid forth in the Sherman and Clayton Acts. These acts make it illegal for businesses to bundle goods, intimidate competition, engage in anticompetitive horizontal or vertical integration, collude with competitors, or dump.

Section IV- (Short) Short Answer (10 points)



The Chinese are making their currency less scarce, which is represented by S_0 . If China quit manipulating the currency, then supply would decrease and the dollar would depreciate against the renminbi. (P_0 to P_1)

Geithner's comments reflect a worry that the US government has regarding China's currency manipulation, which has artificially lowered the value of the renminbi, made Chinese exports appear to be less expensive than they actually are, and given China an unfair advantage in world trade market. These actions harm US firms that would like to export their goods but can't because Chinese goods are relatively less expensive.