Foundations of Microeconomics: Historical Milestones

Microeconomics · Answer Key · 10 Questions

1. Which classical economist is widely credited with developing the concept of the 'invisible hand' to explain how markets self-regulate through individual self-interest?

A) Karl Marx
B) John Maynard Keynes
C) Adam Smith
D) David Ricardo

2. The development of marginal utility theory, which states that the satisfaction a consumer gains from consuming an additional unit of a good decreases, is a key contribution of which school of thought?

A) Classical Economics
B) Neoclassical Economics
C) Marxian Economics
D) Keynesian Economics

3. What foundational concept, explored by economists like Alfred Marshall in his book 'Principles of Economics', describes the relationship between the price of a good and the quantity demanded, holding other factors constant?

A) The Law of Supply
B) The Law of Demand
C) The Law of Diminishing Returns
D) The Law of Comparative Advantage

4. Who is known for the theory of 'imperfect competition' and the concept of 'monopolistic competition', challenging the prevailing idea that markets were either perfect or pure monopolies?

A) Milton Friedman
B) John Stuart Mill
C) Edward Chamberlin
D) Friedrich Hayek

5. The 'Chicago School of Economics', influential in the mid-20th century, is strongly associated with which economic perspective that emphasizes free markets and limited government intervention?

A) Keynesianism
B) Monetarism
C) Behavioral Economics
D) Institutional Economics

6. What economic principle, famously articulated by David Ricardo, explains the benefits of trade between entities even if one entity has an absolute advantage in producing all goods?

A) The Law of One Price
B) The Law of Supply and Demand
C) The Law of Comparative Advantage
D) The Law of Increasing Returns

7. The Austrian School of Economics, with key figures like Ludwig von Mises and Friedrich Hayek, fundamentally critiqued which economic system for its inability to rationally allocate resources?

A) Capitalism
B) Socialism
C) Mercantilism
D) Feudalism

8. In the early 20th century, the development of game theory, which analyzes strategic interactions between rational decision-makers, was pioneered by mathematicians and economists including whom?

A) Paul Samuelson
B) John Nash and Oskar Morgenstern
C) Joseph Schumpeter
D) Joan Robinson

9. What term describes the economic concept, prominent in the work of Thorstein Veblen, where consumers purchase goods not for their utility but for conspicuous display and to signal social status?

A) Rational Choice Theory
B) Network Effects
C) Conspicuous Consumption
D) Asymmetric Information

10. The concept of 'market failure', where the free market does not allocate resources efficiently, was extensively discussed and analyzed by which influential economist and his contemporaries?

A) Milton Friedman
B) John Maynard Keynes
C) Arthur Pigou
D) George Stigler