History of Microeconomic Thought

Microeconomics · Practice Test · 20 Questions

1. Which economist first introduced the concept of the 'Edgeworth Box' to illustrate exchange between two individuals in his 1881 work 'Mathematical Psychics'?

A) Francis Ysidro Edgeworth
B) Vilfredo Pareto
C) Leon Walras
D) Alfred Marshall

2. In 1951, Kenneth Arrow published a landmark paper that proved which impossibility theorem concerning the aggregation of individual preferences?

A) The Impossibility of Price Equilibrium
B) The General Impossibility Theorem
C) The Social Welfare Function Impossibility
D) The Competitive Equilibrium Impossibility

3. The term 'X-inefficiency', which describes the difference between efficient behavior and observed behavior in firms, was coined by which economist in 1966?

A) Harvey Leibenstein
B) Herbert Simon
C) Ronald Coase
D) George Stigler

4. Which 1970 paper by George Akerlof introduced the 'market for lemons' model, demonstrating how asymmetric information leads to market failure?

A) The Market for Quality
B) The Market for Lemons: Quality Uncertainty and the Market Mechanism
C) Asymmetric Information and Used Cars
D) Information Asymmetry in Competitive Markets

5. Ronald Coase's 1960 paper 'The Problem of Social Cost' is famous for formulating the Coase Theorem, which argues that under what specific condition will private parties bargain to an efficient outcome?

A) High transaction costs
B) Zero transaction costs
C) Perfect competition
D) Perfect information

6. What is the name of the 1838 work by Antoine Augustin Cournot that first mathematically modeled oligopolistic competition?

- A) Recherches sur les principes mathématiques de la théorie des richesses
- B) The Theory of Oligopoly
- C) Principles of Political Economy
- D) Mathematical Investigations of Market Equilibrium

7. In the history of utility theory, which economist introduced the concept of the 'ordinal' utility function in his 1906 work 'Manual of Political Economy'?

- A) John Hicks
- B) Vilfredo Pareto
- C) Paul Samuelson
- D) Francis Edgeworth

8. The Slutsky equation, which decomposes the effect of a price change into substitution and income effects, was first published in 1915 by which economist?

- A) Eugen Slutsky
- B) John Hicks
- C) R.G.D. Allen
- D) Alfred Marshall

9. Who is credited with introducing the concept of 'Monopolistic Competition' in his 1933 book 'The Theory of Monopolistic Competition'?

- A) Edward Chamberlin
- B) Joan Robinson
- C) John Maynard Keynes
- D) Arthur Pigou

10. In 1952, Harry Markowitz published 'Portfolio Selection', which applied microeconomic principles to finance. What concept did he pioneer?

- A) Modern Portfolio Theory
- B) Capital Asset Pricing Model
- C) Arbitrage Pricing Theory
- D) Efficient Market Hypothesis

11. The 'Robinson-Patman Act' of 1936, a landmark piece of U.S. microeconomic legislation, primarily aimed to regulate what?

- A) Price discrimination
- B) Monopoly formation
- C) Labor unions
- D) International trade tariffs

12. In 1944, John von Neumann and Oskar Morgenstern published 'Theory of Games and Economic Behavior', which established which field as a microeconomic tool?

A) Game theory
B) Behavioral economics
C) Evolutionary biology
D) Econometrics

13. Which economist coined the term 'Consumer Surplus' in his 1844 paper 'On the Measurement of the Utility of Public Works'?

A) Jules Dupuit
B) Alfred Marshall
C) William Stanley Jevons
D) Leon Walras

14. The 'Hotelling's Law' (or Principle of Minimum Differentiation) was first proposed by Harold Hotelling in 1929 to describe what?

A) Spatial competition
B) Monopolistic pricing
C) Market entry barriers
D) Natural resource depletion

15. Who proposed the 'Pigouvian tax' as a solution to externalities in his 1920 work 'The Economics of Welfare'?

A) Arthur Pigou
B) Alfred Marshall
C) A.C. Pigou
D) John Bates Clark

16. The 'Giffen Good' is named after Sir Robert Giffen, who was alleged to have observed this phenomenon in which commodity during the Irish Potato Famine?

A) Potatoes
B) Bread
C) Rice
D) Corn

17. What 1974 paper by Michael Spence introduced the concept of 'signaling' in labor markets?

A) Market Signaling
B) The Theory of Job Market Signaling
C) Signaling and Education
D) Information and the Labor Market

18. Which economist introduced the 'Engel Curve', describing the relationship between income and quantity demanded, in 1857?

A) Ernst Engel
B) Friedrich Engels
C) Alfred Marshall
D) Leon Walras

19. The 'Edgeworth paradox' in 1925 challenged the stability of which market model by showing that it might not reach a stable equilibrium?

A) Bertrand competition
B) Cournot competition
C) Perfect competition
D) Monopolistic competition

20. In 1947, Paul Samuelson published 'Foundations of Economic Analysis', which popularized the use of which methodology in microeconomics?

A) Comparative statics
B) Behavioral analysis
C) Game theory
D) Dynamic programming