Historical Milestones in Microeconomic Thought

Microeconomics · Practice Test · 15 Questions

1. In his 1890 work 'Principles of Economics', which economist famously introduced the concept of the 'representative firm' to bridge the gap between individual firm behavior and industry-wide equilibrium?

A) Alfred Marshall
B) Léon Walras
C) Vilfredo Pareto
D) Irving Fisher

2. The 'Edgeworth Box', a graphical tool used to illustrate exchange and efficiency in resource allocation, was first introduced in 1881 by which mathematician and economist?

A) Francis Ysidro Edgeworth
B) William Stanley Jevons
C) John Bates Clark
D) Carl Menger

3. Which 1951 paper by Kenneth Arrow, titled 'Social Choice and Individual Values', formally demonstrated that it is impossible to derive a social preference ordering from individual preferences that satisfies a set of specific criteria?

A) The Impossibility Theorem
B) The General Equilibrium Theorem
C) The Welfare Maximization Theorem
D) The Collective Rationality Theorem

4. The 'Cobweb Theorem', explaining cyclical fluctuations in prices and quantities in markets with time-lagged supply responses, was independently formalized in 1930 by which three economists?

A) Tinbergen, Ricci, and Schultz
B) Keynes, Hayek, and Friedman
C) Robinson, Chamberlin, and Sraffa
D) Cournot, Bertrand, and Stackelberg

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5. In 1933, Joan Robinson published 'The Economics of Imperfect Competition', which simultaneously introduced the concept of 'monopsony' and which other market structure analysis?

A) Monopolistic competition
B) Oligopoly feedback loops
C) Contestable markets
D) Asymmetric information theory

6. Which economist, in the 1960 paper 'The Problem of Social Cost', established that under conditions of zero transaction costs, private bargaining will lead to an efficient outcome regardless of the initial allocation of property rights?

A) Ronald Coase
B) A.C. Pigou
C) James Buchanan
D) Gordon Tullock

7. The 'St. Petersburg Paradox', which challenged expected utility theory and was formally analyzed by Daniel Bernoulli in 1738, pertains to what specific economic concept?

A) Diminishing marginal utility of wealth
B) The theory of risk-neutral investment
C) Rational choice under bounded uncertainty
D) The transition from barter to currency

8. What 1950 game theory concept, credited to John Nash, represents a situation where no player can increase their payoff by unilaterally changing their strategy, assuming other players' strategies remain constant?

A) Nash Equilibrium
B) Zero-Sum Stability
C) Cooperative Optimal
D) Dominant Strategy Equilibrium

9. In 1970, George Akerlof published 'The Market for Lemons', which utilized the used-car market to provide the first rigorous microeconomic analysis of which market failure?

A) Asymmetric information
B) Externalities
C) Public goods provision
D) Natural monopoly pricing

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10. Which economist introduced the concept of 'X-inefficiency' in a 1966 article, arguing that firms often operate inside their production possibility frontiers due to a lack of competitive pressure?

A) Harvey Leibenstein
B) Herbert Simon
C) Tjalling Koopmans
D) Gerard Debreu

11. The 'Hicks-Allen' demand analysis, which replaced the requirement for measurable cardinal utility with ordinal utility through indifference curves, was presented in which year?

A) 1934
B) 1928
C) 1941
D) 1950

12. Which economic work, published in 1838 by Antoine Augustin Cournot, is credited with first using the calculus-based framework to analyze the behavior of firms in an oligopoly?

A) Researches into the Mathematical Principles of the Theory of Wealth
B) The Wealth of Nations
C) Principles of Political Economy and Taxation
D) The Theory of Value

13. What term, coined by Frank Knight in his 1921 book 'Risk, Uncertainty, and Profit', distinguishes quantifiable probability risks from unknown, non-measurable future states?

A) Knightian uncertainty
B) Systemic volatility
C) Asymmetric prediction
D) Stochastic ambiguity

14. The 'Clark-Wicksteed-Wicksell' theorem, formulated in the 1890s, relates the exhaustion of the total product in a competitive market to which condition of the production function?

A) Constant returns to scale
B) Increasing marginal returns
C) Decreasing returns to scale
D) Linear homogeneity of degree zero

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15. In 1971, which economist published 'The Theory of Economic Regulation', arguing that regulation is often acquired by the industry and designed for its benefit, rather than for the public interest?

A) George Stigler
B) Milton Friedman
C) Gary Becker
D) Sam Peltzman

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