

Microeconomics in Western Europe: Fundamental Concepts

Microeconomics · Answer Key · 15 Questions

1. Which of the following is a primary characteristic of a perfectly competitive market, often observed in sectors like agriculture across Western Europe?

- A) Few buyers and sellers
- B) Differentiated products
- C) Many buyers and sellers with identical products**
- D) Significant barriers to entry

2. In the context of the European Union, what does the law of demand generally state about the relationship between the price of a good and the quantity demanded?

- A) As price increases, quantity demanded increases
- B) As price decreases, quantity demanded decreases
- C) As price increases, quantity demanded decreases**
- D) Price has no effect on quantity demanded

3. Consider a luxury car manufacturer in Germany. If the price of steel, a key input, increases, what is the likely immediate effect on the firm's supply curve?

- A) It shifts to the right
- B) It shifts to the left**
- C) It remains unchanged
- D) It becomes perfectly elastic

4. What concept describes the benefit or satisfaction a consumer derives from consuming a good or service, a factor influencing purchasing decisions in France?

- A) Marginal cost
- B) Producer surplus
- C) Utility**
- D) Opportunity cost

5. A decrease in the price of a substitute good, such as Italian pasta for Dutch consumers, would likely lead to what change in the demand for a complementary good like French wine?

- A) An increase in demand
- B) A decrease in demand**
- C) No change in demand
- D) An increase in supply

6. What is the term for the additional cost incurred by a firm in producing one more unit of output, a crucial factor for Swedish manufacturing companies?

- A) Total cost
- B) Average cost
- C) Marginal cost**
- D) Fixed cost

7. When a single firm has significant control over the market price of a good or service, it is likely operating in which type of market structure, exemplified by some utilities in the UK?

- A) Perfect competition
- B) Monopolistic competition
- C) Oligopoly
- D) Monopoly**

8. What does the concept of 'price elasticity of demand' measure in relation to consumer behavior in Spain?

- A) The change in supply due to price changes
- B) The responsiveness of quantity demanded to a change in price**
- C) The total revenue generated by a product
- D) The cost of production

9. In a country like Belgium, if the government imposes a per-unit tax on a good, how is the burden of this tax typically shared between consumers and producers?

- A) Entirely by consumers
- B) Entirely by producers
- C) Shared between consumers and producers**
- D) Eliminated by the market

10. What is the term for the benefit that producers receive beyond the minimum they would be willing to accept for a good or service, often seen in the competitive Danish electronics market?

- A) Consumer surplus
- B) Total revenue
- C) Producer surplus**
- D) Economic profit

11. When the marginal benefit of consuming an additional unit of a good is less than its price, what does this suggest about consumer decision-making in the Netherlands?

- A) The consumer will buy more
- B) The consumer will buy less**
- C) The consumer is maximizing utility
- D) The price is too low

12. What is the economic term for the value of the next best alternative foregone when a choice is made, a consideration for individuals in Austria?

- A) Sunk cost
- B) Marginal benefit
- C) Opportunity cost**
- D) Fixed cost

13. In a market economy like that of Switzerland, prices are primarily determined by the interaction of:

- A) Government regulation and subsidies
- B) Consumer preferences and producer costs
- C) Supply and demand**
- D) Labor unions and employer associations

14. What does a firm aim to maximize in the long run in a competitive market like that found in Portugal?

- A) Total revenue
- B) Market share
- C) Profit**
- D) Employee satisfaction

15. Which microeconomic concept explains why a firm might reduce its output if the price of its product falls below its average variable cost in the short run, applicable to Finnish manufacturing?

- A) Law of diminishing returns
- B) Shutdown point**
- C) Economies of scale
- D) Perfect price discrimination