

Practice Questions for Test 2, ECON 4350, Darren Grant. This is intended to give you a flavor of the type of questions that might appear on your test. Answers are given at bottom, so I recommend folding over and answering blind first, then looking at the answers. You will find practice questions of all three types: multiple choice from the notes, multiple choice from the book, and free response.

1. Which was not an aspect of markets that was discussed in class?
 - a) information
 - b) institutions
 - c) competition

2. The book contained a historical discussion of which market or markets?
 - a) physician services
 - b) hospital services
 - c) both

3. Small area variation involves which of the following?
 - a) prices
 - b) outcomes quality
 - c) procedure intensity

4. Briefly describe the key features of the process why which physicians become trained and licensed.

5. Of these three things—physician licensure, economies of scale in hospitals, and information problems—which one is a barrier to entry?

Answers and Brief Explanation:

1. The answer is b. We spent a day discussing each of the other two.

2. The answer is b.

3. The answer is c, as discussed in class and in your book.

4. Licensure comes at the end of a long process. First is completing an undergraduate education and getting admitted to medical school. Then medical school lasts four years, followed by a residency of at least three years, and possibly a fellowship. After all that you take the state medical board exam. Once you pass that, you are licensed.

5. In the physician market, licensure was a barrier to entry. In contrast, while economies of scale do exist in the physician and hospital markets, they are not strictly a barrier to entry. They do not prevent you from entering this market should you wish to do so. The same is true for information problems.