

EconBowl Practice Test 1- Individual

You have 60 minutes to complete 50 multiple-choice questions.

1. Which of the following is an example of fiat money?

- Dollar bills
- Gold coins
- Arrowheads used as a medium of exchange
- Instant noodles used as money in prisons

2. What is a sunk cost?

- An irrational action that is not regretted by the actor
- The cost of pursuing something else irrationally
- Costs of all boats that have sunk in the past
- A cost that cannot be recovered

3. Which of the following is true according to Keynesian economists?

- The economy is inherently stable
- Fiscal policy is more effective than monetary policy
- The investment demand curve is relatively elastic
- Inadequate supply is to blame for periods of stagnation

4. A high marginal propensity to consume implies which of the following?

- A high savings rate
- A small change in consumption when income increases
- A low propensity to save
- A high marginal tax rate

5. Which of the following will result in a decrease in a nation's money supply?

- A decrease in the discount rate
- An increase in the reserve requirement
- Increase in government expenditures
- Purchasing of government securities by the fed

6. It is unlikely that the unemployment rate will ever fall to zero because of

- Cyclical unemployment
- Frictional unemployment
- Seasonal unemployment
- Structural unemployment

7. If California can use \$1 to produce 1,000 apples or 200 avocados, and Baja California can use \$2 to produce 500 avocados and 1,100 apples, how would each nation specialize in producing apples or avocados?

- They should not, as Baja California has the absolute advantage in both.
- California specializes in apples and Baja California specializes in avocados

California specializes in avocados and Baja California specializes in apples
California specializes in avocados and Baja California specializes in avocados

8. What is the independent variable in the interest-savings curve?

Real GDP
Nominal interest rate
Real GNI
Real interest rate

9. How would the nominal interest rate be affected if the Federal Reserve took action to increase the money supply?

Increase
Decrease
Stay the same
The Federal Reserve cannot change the money supply

10. What school of economic thought promotes the idea of an upward-sloping aggregate supply curve in the short run and a vertical supply curve in the long run?

Keynesian
Chicago School
Neoclassical
Neo-Keynesian

11. Which of the following would not be included in any possible market basket for CPI calculation?

Bagels
Bus tickets
Military equipment
Ambulance bills

12. The law of diminishing marginal utility is useful for explaining the

Shape of the total cost curve
Shape of the production possibilities frontier
Law of demand
Diminishing marginal product of capital

13. Which of the following is likely to have the most elastic demand?

A good with a vertical demand curve
Cigarettes
Sprite
Insulin

14. The socially optimal price for a natural monopoly is where

Average revenue equals zero
Marginal revenue equals zero

Marginal revenue equals marginal cost

The marginal cost curve intersects the demand curve

15. The official unemployment rate often understates the actual unemployment rate because it

Ignores underemployed and discouraged workers

Excludes frictional unemployment

Ignores the duration of unemployment

Includes jobs created by the underground economy

16. If the average variable cost of producing 5 units of a good is \$100 and the average variable cost of producing 6 units is \$150, the marginal cost of increasing output from 5 to 6 units is

\$50

\$250

\$300

\$400

17. A per-unit tax is different from a lump-sum tax in that

It shifts marginal cost

It shifts total costs

It does not change the level of output

It's revenue is constant regardless of demand

18. A cartel is usually the result of

A set of perfectly competitive firms that agree to produce at the same price

A set of competitors in an oligopoly that agree to restrict output to maximize joint profits.

A natural monopoly

A monopoly that is also a monopsony

19. Assume the reserve requirement is 10% and commercial banks hold no excess reserves. How much money is created through loans following a deposit of \$5,000 into a bank?

\$5000

\$10000

\$45000

\$50000

20. Which of the following is a close approximation of societal welfare?

The Consumer Price Index

Real GDP Per Capita

The Inflation Rate

Gross National INcome

21. With an increased tariff on steel, which of the following people would be benefitted?

- A domestic automotive manufacturer
- An international steel producer
- A merchant who ships steel and other materials cross countries
- A domestic steel worker

22. A tax imposed on a supplier will more likely be passed on to the consumer in the form of price increase if

- price elasticity of demand is highly elastic.
- price elasticity of demand is highly inelastic.
- price elasticity of demand is unit elastic.
- wage elasticity of demand is highly inelastic.

23. If a pizza shop sees an increase in the price of cheese, a variable cost, and a decrease in its rent, a fixed cost, it would cause which of the following?

- An upward shift in AFC
- A downward shift in ATC
- A downward shift in AVC
- An upward shift in MC

24. If nominal interest rates are expected to fall in the future, the current demand for money would

- Decrease
- Increase
- Rise, then fall
- Stay the same

25. If the United States economy is currently at equilibrium, which of the following would occur if taxes were significantly decreased?

- Contraction and deflation
- Contraction and inflation
- Expansion and deflation
- Expansion and infaltion

26. When real GDP is greater than potential GDP, we have

- A negative rate of unemployment
- An unemployment rate below the natural rate of unemployment
- An unemployment rate at the natural rate of unemployment
- An unemployment rate above the natural rate of unemployment

27. Joe compares the price of two types of gum. What function of money is used here?

- Unit of Account
- Store of Value

Medium of Exchange

Speculation

28. In what phase of the business cycle is the economy at the lowest point?

Expansion

Contraction

Peak

Trough

29. When was the last change to the US federal minimum wage?

2021

2020

2016

2009

30. A rightward shift in the PPC will likely result in:

A leftward shift in LRAS

A decline in imports

A rightward shift in LRAS

Increased inflation

31. The USA's debt has increased yet again! What is going to happen to interest rates?

Increase

Decrease

No Change

Ambiguous

32. The Federal Reserve of the US decides to purchase \$300 million in bonds. What happens to the Interest Rate and the Quantity of Loanable Funds, respectively?

Increase, Decrease

Decrease, Increase

Decrease, Decrease

Increase, Increase

33. Ian's gas station is the only station in 30 miles of mountainous terrain. What is the market structure for gas on this stretch of terrain?

Monopoly

Oligopoly

Perfect Competition

Monopolistic Competition

34. Who was the 2020 winner of the Nobel Prize in Economics?

Paul Milgrom

Micheal Kremer
Abhijit Banerjee
Paul Krugman

35. What type of good is a public park? Assume that there is enough space for everyone.

Club good
Private good
Common good
Public good

36. In Econland, there is a beautiful lake with a variety of fish. However, the fish population is in rapid decline due to overfishing! What is this an example of?

Free rider effect
Fallacy of Composition
Tragedy of Commons
Veblenesque effect

37. Which of the following has the largest negative externality?

Procrastinating on your homework
Recycling your trash
Smoking in a city street
Watching your favorite Twitch streamer who your friend hates

38. Which of the following is not a responsibility of the government in a mixed-market economy?

Provide goods and services
Regulate against false advertising
Control all aspects of the economy
Ensure consumer and worker safety

39. An increase in the minimum wage will impact employment less if the demand for labor is

Relatively elastic
Relatively inelastic
Unit elastic
Low

40. Which of the following is not a school of economic thought?

Neoclassical
Marxian
Carnegie
Swiss

41. When was OPEC founded?

1960

1978

1988

2013

42. What range of values for the Herfindahl–Hirschman Index indicate moderate concentration

100 to 1,500

1,500 to 2,500

2,500 to 5,000

5,000 to 10,000

43. From February 2020 to February 2021, the U.S. M2 money supply has increased by what percent?

22%

26%

36%

10%

44. Which recent change announced by the Chinese government caused Chinese stocks in the educational sector to fall during the summer of 2021

All educational services must be administered by companies controlled by the Chinese government

All companies in the Chinese education and tutoring sector must become non-profits

Private tutors and tutoring companies will not be allowed to charge anything for their services starting 2022.

Foreign investment in Chinese educational companies is illegal and international shareholders had to sell their share immediately

45. What is the acronym for the best-performing and most popular tech companies, and what does it stand for?

BANANA - ByteDance, Apple, Netflix, Amazon, Nvidia, Alphabet

FAANG - Facebook, Apple, Amazon, Netflix, Google

MAFIA - Microsoft, Apple, Facebook, Intel, Apple

TSMC - Tesla, SpaceX, Microsoft, Craigslist

46. What was Adam Smith's theory of the determination of value according to Wealth of Nations?

Value is based on the work put into a good

Value is subjective and varies between person to person depending on their needs and wants

Value is pegged by money

There is intrinsic value in goods, value is not "created"

47. Which stock exchange crashed first in 1929?

The New York Stock Exchange
The Nasdaq
The London Stock Exchange
The American Stock Exchange

48. Which of the following actions does not artificially create scarcity?

Rent-seeking behavior in trade
Selling a rare diamond
Distribution of NFTs
Hoarding a rare diamond

49. What is an assumption of economics that is likely untrue in the American private sector?

Perfect information
Scarcity
Profit motive
Market economy

50. If TikTok starts a trend involving milk crates, and cost for plastic sharply increases, what is the effect on the price and quantity of milk crates?

Price increase, ambiguous change in quantity
Price decrease, ambiguous change in quantity
Quantity increase, ambiguous change in price
Quantity decrease, ambiguous change in price