

# Feb 14 & 15 Econ Challenge Practice

Most of these questions pertain to micro.

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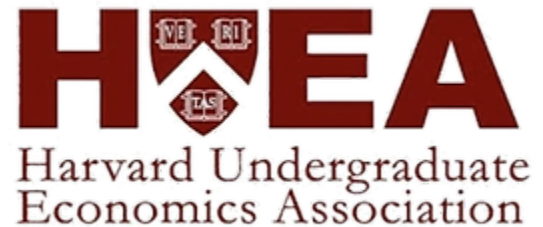
## Wednesday Agenda

1. Announcements: HPEC [Interest Form](#). Meet with your teams!
2. Finish the [test](#) from last Thursday *with your teams*: Macro regional 2012 (#5-15)
  - a. Answers:
    - 5) D
    - 6) C
    - 7) C
    - 8) B
    - 9) A
    - 10) D
    - 11) E
    - 12) B
    - 13) D
    - 14) D
    - 15) E

3. Quiz Bowl

## Quiz Bowl

1. What degree of price discrimination occurs when a producer charges a different price to different consumer groups? (3rd)
2. In 1832 the president of the US began a campaign to decentralize and eventually dissolve the central bank. This campaign was known as the Bank War. Which US President headed the campaign? (Andrew Jackson - he saw this large concentration of power as corrupt and favoring the merchants and not the farmers and artisans)
3. In production theory, what defines the long run? (all resource inputs can change)
4. Why is the aggregate supply curve vertical? (In the long run, potential output is not influenced by price)
5. High cholesterol runs in Victoria's family, so she chooses to get health insurance. What market failure has occurred? (adverse selection)
6. What is Pigou's solution to a positive externality? (subsidies)
7. A flower shop hires employees to manage the front of the store and help sell products. The employees do not actively try to convince customers to buy flowers because their pay is the same regardless of how many flowers are sold, even though the owner's pay is determined by



the volume of sales. This difference in incentives is a demonstration of which economic phenomenon? (Principal-agent problem)

8. When a bagel shop benefits from opening before a competitor, we call this a (first-mover advantage)
9. What is usury? (Charging interest at an exorbitant rate)
10. Assume your income increases dramatically to \$1 million per year. Assuming you are like most other people, will your marginal propensity to consume likely increase, decrease, or stay the same? (decrease)
11. In response to the economic conditions of the Great Recession, the Federal Reserve engaged in an innovative policy known as? (Quantitative easing OR large scale asset purchases)
12. Name one member of the President's Council of Economic Advisors (Jason Furman, Sandra Black, Jay Shambaugh)
13. In the market for coffee, the price elasticity of supply is 1, and the price elasticity of demand is -0.8. If the government imposes a sin tax on the sale of coffee. Who will bear more of the tax incidence? (consumers, because their demand is more inelastic)
14. Katie over-ordered meat at a hot pot restaurant and felt the need to finish it all, even though she was already full. This led to a stomachache later. Despite the fact that she would have been better off eating only until she was satisfied and wasting some food, Katie wanted to "get her money's worth." What economic concept is this an example of? (sunk cost fallacy)

## Thursday Agenda

### Quiz Bowl

15. Which two countries hold the largest amount of US public debt? (China and Japan)
16. What government agency reports the CPI? (The Bureau of Labor Statistics (BLS))
17. International monetary policy trilemma states that a country cannot have a fixed exchange rate, free capital flow, and what else at the same time? (Independent Money Policy)
18. What are positional goods? (Goods people buy to establish social status.)
19. What does the y-intercept and the slope of an individual's consumption function, which maps consumption against income, represent respectively (autonomous consumption, MPC)
20. What law states that as income rises, the proportion of income spent on food falls, even if the actual expenditure on food rises? (Engel's Law - Engel curve maps price against income)
21. Restricting immigration has the same effect on a given occupation's wages and employment as what kind of unionism? (exclusive - decrease supply labor)
22. In product markets, the existence of positive economic profit signals to capitalists that an untapped market is available to be exploited by expanding production. What plays essentially the same role in labor markets that economic profits play in product markets? (wage differentials)

23. Expanding on the last question, what seemingly untapped labor market 5 years ago has become oversaturated, and what effect has this had on wage and employment? (programmers, decrease wage, increase employment)
24. What are three factors influencing the interest rate on a loan? (risk, length of loan, expected vs real inflation, etc)
25. Besides being a unit of account and a store of value, money is also (medium of exchange)
26. What is it called when nominal wages are slow to fall even in the face of high unemployment? (sticky wages)
27. One reason why consumer expectations are a powerful influence on the economy is this concept: When households and firms cut their spending in anticipation of tough economic times in the future, this depresses the economy, a self fulfilling prophecy. What is this called? (paradox of thrift)
28. The idea that changes in the MS have no real effect on the economy in the long-run is called what? (money neutrality)
29. This economist won the Nobel Prize in economics in 2023 for her work in gender gaps in the labor market. (Claudia Goldin!)
30. The amount of spending that a consumer would do if she had 0 disposable income is called what? (autonomous consumption)
31. The ratio of nominal GDP to real GDP is the what? (GDP deflator)
32. As an incentive for better performance, some employers, like Costco, pay wages above the market equilibrium wage rate. What is this wage called? (efficiency wage)
33. The maximum price at which a consumer would buy a good is called her? (reservation price)
34. An equilibrium condition in which a country does not trade with other countries is known as what? (autarky)