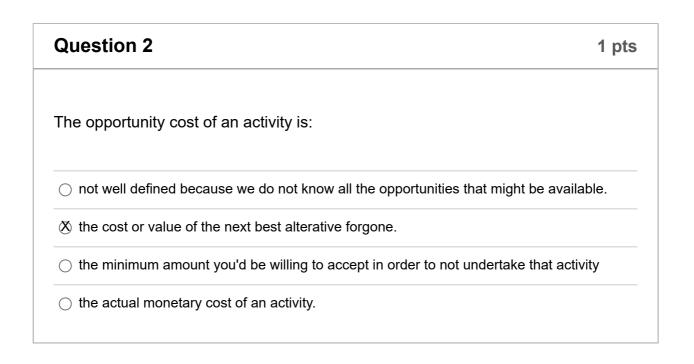
Competition 2021

(1) This is a preview of the published version of the quiz

Started: 18 Aug at 12:53

Quiz instructions

Question 1	1 pts
What is Economics?	
○ Economics is the study of trade and how gains from trade are possible.	
○ Economics is the study of the state, government, politics and policy.	
 Economics is the study of how wealth is created. 	
⊗ Economics is the study of scarcity and choice.	



Question 3

1 pts

Suppose, in the market for coffee, the following two events took place at the same time.

Favourable weather results in excellent coffee crops harvested.

New research suggests that coffee has beneficial health effects.

We would expect that:

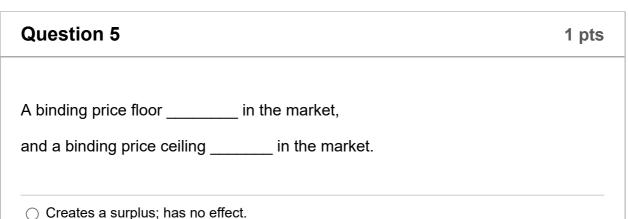
X equilibrium quantity traded would rise; equilibrium price may rise, fall, or stay the same.

 \bigcirc equilibrium quantity traded may rise, fall, or stay the same; equilibrium price would rise.

○ equilibrium quantity traded would rise; equilibrium price would rise.

 \bigcirc equilibrium quantity traded would rise; equilibrium price would fall.

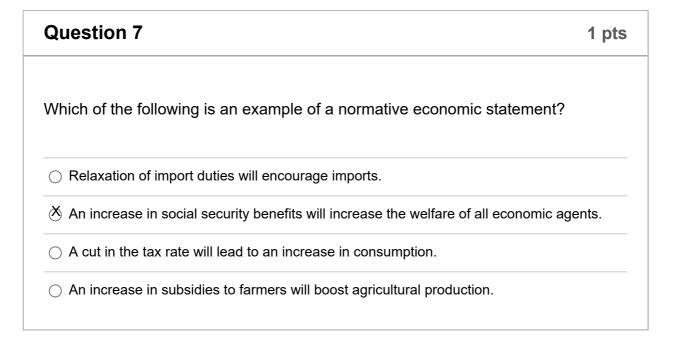
Question 4	1 pts
The assumption that a firm operates in a competitive market for its product that:	implies
\bigcirc the firm faces the same price, even if the demand for its product changes.	
\bigcirc the firm's marginal cost is constant.	
\bigotimes the firm faces the same price, even if the quantity it supplies changes.	
\bigcirc the firm will shut-down if marginal cost is below average cost.	



X Creates a surplus; creates a shortage.

○ Creates a shortage; has no effect.

Question 6	1 pts
The "free-rider effect" refers to:	
\bigcirc The fact that public goods will be adequately supplied by the market mechanism	
○ The tendency of individuals to attempt to use public transportation for free.	
✗ The tendency of individuals to forego purchase of public goods and wait to const those purchased by others.	ume
\bigcirc The tendency of individuals to provide public goods so that others can benefit from the tendency of individuals to provide public goods so that others can be explicitly from the tendency of the tendency of the tendency of the tendency of ten	om them.



Question 8

1 pts

Which of the following statements is true?

0	Normative economics is free from	the value	judgments,	tastes,	and preferen	ces of
	economic agents.					

 \bigotimes Positive economics generates objective descriptions that can be verified with data.

- \bigcirc Normative economics describes what people actually do.
- \bigcirc Positive economics describes what people ought to do.

Question 9	1 pts
Which of the following is a topic studied by microeconomists?	
○ Aggregate demand and aggregate supply in an economy.	
\bigcirc Economic growth as a means to alleviate poverty.	
\bigotimes Energy consumption by a firm.	
○ Nationwide inflation rate.	

Question 10	1 pts
Which of the following is a topic studied by macroeconomists?	
○ The savings of a single household.	
○ The productivity of an agricultural farm.	
○ Price determination in a market.	
\bigotimes The total output of an economy.	

Question 11

Which of the following statements is true?

 \bigcirc A rational consumer makes his decisions depending on what the majority chooses.

○ All rational economic agents attempt to maximise their income.

- \bigotimes A budget constraint is an economic tool that can be used to analyse the trade-off between the consumption of two goods.
- A trade-off refers to the exchange of goods between economic agents through the barter system or mutual exchange

Question 12	1 pts
Which of the following best describes equilibrium?	
\bigcirc A situation where only one individual or firm makes an optimal decision.	
\bigotimes A situation where no economic agent would benefit by changing his or her behav	iour.
\bigcirc A situation where the government intervenes to allocate resources.	
 A situation where economic agents do not optimise as they do not have perfect information. 	

Question 13	1 pts
A student has two options: she can either surf the web or work part-time. V part-time pays her \$20 per hour. What is the student's opportunity cost of s the web for 5 hours?	0
⊗ \$100	
○ \$50	
○ \$4	
○ \$20	

Question 14	1 pts
Spending more time commuting in exchange for a lower monthly rent is an example of	
◯ a marginal optimisation	
\bigcirc before and after comparisons.	
𝔅 a trade-off	
○ optimisation using total value	
Question 15	1 pts

The automobile market in the United States is often said to be highly competitive. But it is not perfectly competitive. What makes this market not perfectly competitive?

 \bigcirc An individual car buyer can dictate what price he or she pays for a vehicle.

 \bigcirc An individual seller can dictate what price a consumer pays for a vehicle.

○ More than three major car companies exist in this market.

 ∞ Different car companies make different vehicles with different features.

Question 16

1 pts

Your friend has clipped two coupons from the Sunday paper. The first coupon is for a \$5 off of a \$10 shampoo, and the second one is for a \$5 off of a \$50 haircut. Your friend says the first coupon is more valuable.

\mathbf{X}	You disagree,	because	both cou	pons ei	ntail a \$5	saving.

○ You disagree, because haircut coupons are harder to find.

- You agree, because the first coupon is for a product, while the second one is for a service.
- You agree, because the first coupon entails a 50% savings versus a 10% savings in the second one.

Question	17
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1 pts

There was no McDonald's in China until 1990. By the end of 2019, China has the third most McDonald's locations in the world, with 2,200 outlets. This is an outcome of _____.

○ the protectionist policies adopted by the Chinese government.

- \bigcirc fair trade union practices.
- \bigotimes globalisation.
- traditionalism.

Question 18	1 pts
The use of government regulations and barriers to control trade is refe	rred to as
⊖ liberalisation	
⊗ protectionism	
⊖ globalisation	
⊖ globalisation	

Question 19	1 pts
Traffic congestion is an example of a	
⊖ free-rider problem	
⊗ negative externality	
○ pecuniary externality	
○ positive externality	

Question 20	1 pts
One reason governments impose taxes is to	
○ increase competition among producers	
\bigotimes redistribute funds via transfer payments	
\bigcirc increase the volume of exports	
\bigcirc reduce the number of transactions in an economy	

Question 21	1 pts
A black market can emerge for a good if	
\bigcirc the production of the good is subsidised	
\bigotimes the good is taxed heavily	
\bigcirc the consumption of the good is subsidised	
\bigcirc there is an excess supply of a good	

Question 22	1 pts
Those who support big government are mainly concerned about those who support a small government are mainly concerned about	_, and [,]
⊗ social inequality; social efficiency	
○ market competition; social efficiency	
⊖ social inequality; market competition	
⊖ social efficiency; social inequality	

Question 23	1 pts
Which of the following is not an example of the welfare state?	
 Unemployment insurance benefits 	
 Government-financed healthcare 	
\bigotimes Government laws establishing property rights	
 Supplemental nutrition assistance programs (vouchers given to low-income individ purchase food) 	luals to

 Question 24
 1 pts

 A network externality occurs when _____.

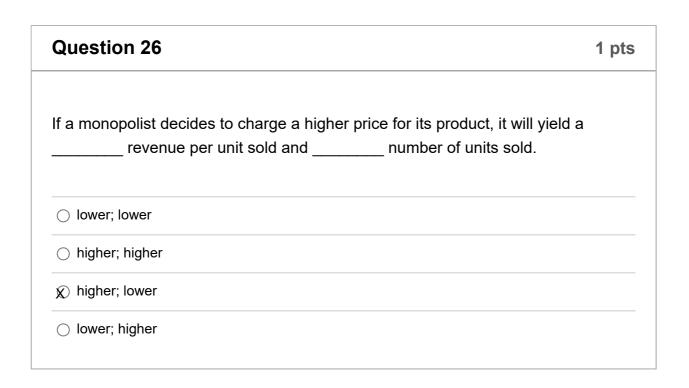
 O the government interferes to prevent the concentration of market power in the hands of a few firms

🗴 the value of a product (e.g., WhatsApp) increases as more consumers start to use it

○ firms collude to sell products at a price higher than the equilibrium market price

 \bigcirc a firm that has control over key resources auctions the resources off to other firms

Question 25	1 pts
Which of the following statements is true?	
○ Network effects arise because of economies of scale.	
 Network effects provide incentives for new sellers to enter the market. 	
\bigotimes Demand economies of scale arise because of network effects.	
○ Economies of scale prevent entry into a market.	



Question 27 1 pts Which of the following statements is true?

- The lower the risk in an investment, the higher the expected return will be.
- O The higher the principal amount of an investment, the lower will be the rate of interest offered on the investment.
- ∞ The higher the risk in an investment, the higher the expected return will be.
- O The higher the principal amount of an investment, the higher will be the rate of interest offered on the investment.

Question 28

1 pts

You went to a craft show and paid an exorbitant price for an embroidered shawl that the seller said was hand embroidered and had been imported from India. Several months later, you found a similar shawl in another showroom at a much lower price and realized that the one you bought was not imported. This is an example of a market with

- \bigcirc a positive externality
- \bigcirc the free-rider problem
- ∞ asymmetric information
- a negative externality

Question 29

1 pts

If nominal wages are downwardly rigid, a countercyclical policy during a recession leads to ______.

 \bigcirc a fall in consumption

 \mathbf{X} an increase in employment

 \bigcirc a fall in investment

○ an increase in tax rates

Question 30	1 pts
If government decides to provide generous unemployment benefits, it is like	ly to
○ decrease the rate of unemployment in an economy	
\bigotimes increase the duration of unemployment	
\bigcirc increase the motivation to look for a job	
⊖ decrease consumption expenditure in the current period	

Question 31	1 pts
We often choose the school we attend on the basis of how popular it seem Such behavior is an example of	s to be.
\bigotimes herding	
⊖ rational behavour	
⊖ signaling	
⊖ sniping	

Question 32	1 pts
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Your car broke down while you were driving to the office one morning. You took it to the nearest service center and were told by the mechanic that you need to pay \$500 for the repair. You are uncertain about whether to trust him. If you do not trust him, you have to take it to another service center, which is far away and inconvenient. If you trust him, he can either cooperate or defect (do an honest job

or not). If he does an honest job, both of you will gain from the trade. If he does not do an honest job, he will gain \$500 while you will lose your money. Clearly, he will gain more by defecting rather than by cooperating with you. Which of the following will happen in equilibrium?

 \bigcirc Only the mechanic will gain.

 \bigcirc You will trust him, and he will cooperate.

 \bigotimes Neither of you will gain from trade.

 \bigcirc You will trust him, and he will defect.

Question 33	1 pts
In 2019, GDP per capita is 41,428 Euro in Germany and 26,680 Euro in Sp the annual growth rate is 1.5% in Germany and 4% in Spain, how long will i for Spain to catch up with Germany in terms of GDP per capita?	
⊖ It will never happen	
○ 12	
○ 14	
∞ 18	

Question 34	1 pts
If the aggregate price level, but nominal wages stay fixed, labor demand	
$\widehat{\chi}$ falls; falls	
⊖ rises; remains unchanged	
⊖ rises; falls	

○ falls; remains unchanged

Question 35

1 pts

Which of the following statements is true?

 \bigcirc Technological innovation always leads to unemployment in an economy as a whole.

 \otimes Technological innovation may cause wages to fall for some workers in an economy

 \bigcirc Technological innovation reduces the demand for goods and services in an economy.

 \bigcirc Technological innovation increases wages for all workers in an economy.

Question 36	1 pts
Which of the following statements is true?	
\bigcirc Firms usually tend to cut wages instead of laying off people to cut costs.	
∞ None of the other answers are correct.	
 Firms tend to decrease wages in periods of contracting economic activity to boos productivity. 	t labor
\bigcirc Firms tend to increase wages in periods of contracting economic activity to boost	morale.

 Question 37
 1 pts

 One of the main reasons for hyperinflation episodes is _____.
 ______.

 ℘ large government budget deficits
 ______.

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()	a decrease	in ine	nemann	IOF	consumer	annas
	a decrease		aomana	101	oonounior	goodo

 \bigcirc high tax rates

 \bigcirc a decrease in real GDP

Question 38	1 pts
A sudden fall in housing prices lower the confidence of households. Assum else equal, this is likely to lead to a(n)	ing all
\bigcirc increase in the demand for construction workers	
∞ decline in current consumption	
\bigcirc increase in the overall price level	
⊖ fall in the unemployment rate	

Question 39	1 pts
Market prices will adjust so that individuals choose occupations in which th have	iey
○ absolute advantage in the production of goods or services	
\bigotimes comparative advantage in the production of goods or services	
\bigcirc the lowest value added in the production of goods or services	
\bigcirc the highest opportunity cost in the production of goods or services	

Question 40

1 pts

Which of the following is an example of a service export of New Zealand?

 ∞ Weta Studio in Wellington completes the special effects for a Hollywood blockbuster.

○ A Kiwi purchases 100 shares of Apple Inc. traded in the Nasdaq.

○ A New Zealand citizen migrates to Australia.

 \bigcirc European consumers purchase the smartphones assembled in Vietnam.

Question 41	1 pts
In the current world economy, rising trade protectionism tends to	
\bigotimes increase prices and lower trade.	
\bigcirc speed up the formation of global supply chain.	
\bigcirc raise the productivity for the importing country.	
\bigcirc reduce jobs and profits in the protected industries.	

Question 42	1 pts
International trade enables an economy to	
○ specialise in the production of essential goods and services	
\bigcirc achieve an equitable distribution of wealth	
\bigotimes exploit gains from specialisation	
\bigcirc always specialise in the production of capital-intensive goods	

Question 43	1 pts
Which of the following increases aggregate demand	
○ A decrease in the price level	
X A new government program to build houses.	
○ A decrease in the money supply	
○ The repeal of an investment tax credit	

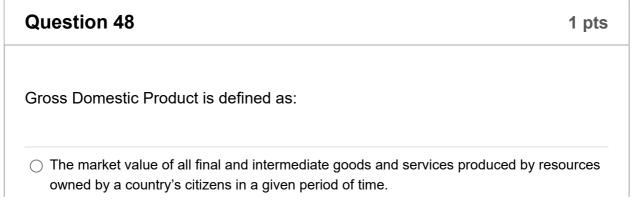
Question 44	1 pts
In 2001 Alice took a job at a salary of \$25,000. In 2020 she was e of \$90,000. If the price index in 2001 was 500 and the price index 1800, what was Alice's 2020 salary in 2001 dollars?	U
⊗ \$25,000	
○ \$37,500	
○ Price inflation renders such a comparison meaningless	
○ \$32,400	

Question 45	1 pts
An increase in the wage rate <u>always</u>	
\bigcirc shifts the supply of labor.	
\bigcirc increases the hours of work an individual chooses.	
\bigcirc decreases the hours of leisure an individual chooses.	

 \bigotimes makes the individual better off.

Question 46	1 pts
A government budget surplus interest rates and causes the exchang to	ge rate
◯ lowers; remain unchanged.	
⊖ lowers; appreciate.	
⊖ raises; remain unchanged.	
⊗ lowers; depreciate.	

Question 47	1 pts
The balance of trade is:	
⊖ Must sum to zero	
\bigotimes The value of exports minus the value of imports	
\bigcirc The volume of exports minus the volume of imports	
\bigcirc The value of exports minus the sum of the value of imports and net capital outflow	



- \bigotimes The market value of all final goods and services produced within a country in a given period of time.
- The market value of all final goods produced by a country's citizens in a given period of time.
- The total value of any good or service consumed within a country in a given period of time.

Question	49
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1 pts

If the price elasticity of supply for a product is 2, a price increase from \$1.00 to \$1.20 will cause the quantity supplied to:

○ Rise by 20 per cent

- Fall by 40 per cent
- \bigcirc Fall by 20 per cent
- 🗴 Rise by 40 per cent

Question 50	1 pts
People will want to hold less money if the price level,	
\bigcirc increases and and the interest rate increases	
\bigcirc increases and and the interest rate decreases.	
\bigotimes decreases and the interest rate increases	
⊖ decreases and the interest rate decreases	

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