

Competition 2021

⚠ This is a preview of the published version of the quiz

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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 2

1 pts

The opportunity cost of an activity is:

- not well defined because we do not know all the opportunities that might be available.
- the cost or value of the next best alternative forgone.
- the minimum amount you'd be willing to accept in order to not undertake that activity
- the actual monetary cost of an activity.

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:

- equilibrium quantity traded would rise; equilibrium price may rise, fall, or stay the same.
- equilibrium quantity traded may rise, fall, or stay the same; equilibrium price would rise.
- equilibrium quantity traded would rise; equilibrium price would rise.
- 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 implies that:

- the firm faces the same price, even if the demand for its product changes.
- the firm's marginal cost is constant.
- the firm faces the same price, even if the quantity it supplies changes.
- the firm will shut-down if marginal cost is below average cost.

Question 5

1 pts

A binding price floor _____ in the market,
and a binding price ceiling _____ in the market.

- Creates a surplus; has no effect.

- Creates a shortage; creates a surplus.
- Creates a surplus; creates a shortage.
- Creates a shortage; has no effect.

Question 6**1 pts**

The "free-rider effect" refers to:

- 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 consume those purchased by others.
- The tendency of individuals to provide public goods so that others can benefit from them.

Question 7**1 pts**

Which of the following is an example of a normative economic statement?

- Relaxation of import duties will encourage imports.
- An increase in social security benefits will increase the welfare of all economic agents.
- A cut in the tax rate will lead to an increase in consumption.
- An increase in subsidies to farmers will boost agricultural production.

Question 8**1 pts**

Which of the following statements is true?

- Normative economics is free from the value judgments, tastes, and preferences of economic agents.
- Positive economics generates objective descriptions that can be verified with data.
- Normative economics describes what people actually do.
- 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.
- Economic growth as a means to alleviate poverty.
- 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.
- The total output of an economy.

Question 11**1 pts**

Which of the following statements is true?

- A rational consumer makes his decisions depending on what the majority chooses.
- All rational economic agents attempt to maximise their income.
- 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?

- A situation where only one individual or firm makes an optimal decision.
- A situation where no economic agent would benefit by changing his or her behaviour.
- 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. Working part-time pays her \$20 per hour. What is the student's opportunity cost of surfing the web for 5 hours?

- \$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
- before and after comparisons.
- 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?

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

- You disagree, because both coupons entail 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**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.
- fair trade union practices.
- globalisation.
- traditionalism.

Question 18**1 pts**

The use of government regulations and barriers to control trade is referred to as _____.

- actualisation
- liberalisation
- protectionism
- 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
- redistribute funds via transfer payments
- increase the volume of exports
- reduce the number of transactions in an economy

Question 21**1 pts**

A black market can emerge for a good if _____.

- the production of the good is subsidised
- the good is taxed heavily
- the consumption of the good is subsidised
- there is an excess supply of a good

Question 22**1 pts**

Those who support big government are mainly concerned about _____, and those who support a small government are mainly concerned about _____.

- 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
- Government laws establishing property rights
- Supplemental nutrition assistance programs (vouchers given to low-income individuals to purchase food)

Question 24**1 pts**

A network externality occurs when _____.

- 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
- 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.
- Demand economies of scale arise because of network effects.
- Economies of scale prevent entry into a market.

Question 26**1 pts**

If a monopolist decides to charge a higher price for its product, it will yield a _____ revenue per unit sold and _____ number of units sold.

- lower; lower
- higher; higher
- higher; lower
- lower; higher

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.
- 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.
- 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

- a positive externality
- 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 _____.

- a fall in consumption
- an increase in employment
- a fall in investment
- an increase in tax rates

Question 30**1 pts**

If government decides to provide generous unemployment benefits, it is likely to _____.

- decrease the rate of unemployment in an economy
- increase the duration of unemployment
- 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 seems to be. Such behavior is an example of _____.

- herding
- rational behaviour
- signaling
- sniping

Question 32**1 pts**

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?

- Only the mechanic will gain.
- You will trust him, and he will cooperate.
- Neither of you will gain from trade.
- 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 Spain. If the annual growth rate is 1.5% in Germany and 4% in Spain, how long will it take 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 _____.

- falls; falls
- rises; remains unchanged
- rises; falls

- falls; remains unchanged

Question 35**1 pts**

Which of the following statements is true?

- Technological innovation always leads to unemployment in an economy as a whole.
- Technological innovation may cause wages to fall for some workers in an economy
- Technological innovation reduces the demand for goods and services in an economy.
- Technological innovation increases wages for all workers in an economy.

Question 36**1 pts**

Which of the following statements is true?

- 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 boost labor productivity.
- 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

- a decrease in the demand for consumer goods
- high tax rates
- a decrease in real GDP

Question 38**1 pts**

A sudden fall in housing prices lower the confidence of households. Assuming all else equal, this is likely to lead to a(n) _____.

- increase in the demand for construction workers
- decline in current consumption
- 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 they have _____.

- absolute advantage in the production of goods or services
- comparative advantage in the production of goods or services
- the lowest value added in the production of goods or services
- 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.
- European consumers purchase the smartphones assembled in Vietnam.

Question 41

1 pts

In the current world economy, rising trade protectionism tends to

- increase prices and lower trade.
- speed up the formation of global supply chain.
- raise the productivity for the importing country.
- 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
- achieve an equitable distribution of wealth
- exploit gains from specialisation
- 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
- 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 earning a salary of \$90,000. If the price index in 2001 was 500 and the price index in 2020 was 1800, what was Alice's 2020 salary in 2001 dollars?

- \$25,000
- \$37,500
- Price inflation renders such a comparison meaningless
- \$32,400

Question 45**1 pts**

An increase in the wage rate **always**

- shifts the supply of labor.
- increases the hours of work an individual chooses.
- decreases the hours of leisure an individual chooses.

makes the individual better off.

Question 46**1 pts**

A government budget surplus _____ interest rates and causes the exchange rate to _____.

- lowers; remain unchanged.
- lowers; appreciate.
- raises; remain unchanged.
- lowers; depreciate.

Question 47**1 pts**

The balance of trade is:

- Must sum to zero
- The value of exports minus the value of imports
- The volume of exports minus the volume of imports
- The value of exports minus the sum of the value of imports and net capital outflow

Question 48**1 pts**

Gross Domestic Product is defined as:

- The market value of all final and intermediate goods and services produced by resources owned by a country's citizens in a given period of time.

- 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**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
- 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,

- increases and the interest rate increases
- increases and the interest rate decreases.
- decreases and the interest rate increases
- decreases and the interest rate decreases

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