

Economic Olympiad of Ireland – Sample Paper 2

- 1) Suppose you find €20. If you choose to use €20 to go to a football game, your opportunity cost of you going to the game is
 - a) Nothing because you found the money
 - b) €20 (because you could have used the €20 to buy other things)
 - c) €20 (because you could have used the €20 to buy other things) plus the value of your time spent at the game.
 - d) €20 (because you could have used the €20 to buy other things) plus the value of your time plus the value of the dinner that you purchased at the game.
 - e) None of the above.

- 2) Productivity can be increased by
 - a) Raising the minimum wage
 - b) Raising union wages
 - c) Improving education of workers
 - d) Restricting trade with foreign countries.

- 3) Points on a production possibility frontier are
 - a) Efficient
 - b) Inefficient
 - c) Unattainable
 - d) Normative
 - e) None of the above

- 4) Which of the following statements is normative?
 - a) Printing too much money causes inflation
 - b) People work harder if the wages are higher
 - c) The unemployment rate should be lower
 - d) Large government deficits cause an economy to grow more slowly.

- 5) A perfectly competitive market has
 - a) At least one seller
 - b) At least a few sellers
 - c) Many buyers and many sellers
 - d) Firms that set their own prices
 - e) None of the above

- 6) The demand for which of the following is likely to be most price inelastic
 - a) Airline tickets
 - b) Bus tickets
 - c) Taxi rides
 - d) Luxury clothing

- 7) Maria earns \$12 per hour in her current job and works 35 hours a week. Her disutility of effort is equivalent to a cost of \$2 per hour of work. If she loses her job, she will receive unemployment benefit equivalent to \$6 per hour. Additionally, being unemployed has psychological and social costs equivalent to \$1 per hour. Then:
- a) The employment rent per hour is \$ 3.
 - b) Maria's reservation wage is \$6 per hour.
 - c) If she is offered a job with the wage \$11 and disutility of \$0,5, she will refuse.
 - d) If she is offered a job with the wage \$14 and disutility of \$3, she will take it

- 8) The table represents market demand Q for a good at different prices P.

| | | | | | | | | | | |
|---|-------|-------|-------|-------|-------|-------|------|------|------|-------|
| Q | 100 | 200 | 300 | 400 | 500 | 600 | 700 | 800 | 900 | 1,000 |
| P | \$270 | \$240 | \$210 | \$180 | \$150 | \$120 | \$90 | \$60 | \$30 | \$0 |

The firm's unit cost of production is \$60. Based on this information, which of the following is correct?

- a) At $Q=100$, the firm's profit is \$20,000.
 - b) The profit-maximizing output is $Q=400$.
 - c) The maximum profit that can be attained is \$50,000
 - d) The firm will make a loss at all outputs of 800 and above.
- 9) Which of these measures will by itself decrease the Gini co-efficient of income distribution?
- a) Flat rate income tax
 - b) Regressive income tax
 - c) Progressive income tax
 - d) Income tax at the rate of 80% for the richer half of the population and income tax at the rate of 20% for the poorer half.
- 10) If a consumer always spend 15% of their income on food, then the Income Elasticity of Demand (YED) for food is
- a) 0.15
 - b) 1.00
 - c) 1.15
 - d) None of the above

- 11) Which side of the market is more likely to lobby the government for a price floor.

- a) Neither buyers nor sellers desire a price floor.
- b) Both buyers and sellers desire a price floor.
- c) The sellers
- d) The buyers

- 12) If a buyer is willing to pay €150 for a coat but she actually gets it for €110. Her consumer surplus is

- a) €150
- b) €110
- c) €40

- d) None of the above
- 13) If one person's consumption of a good diminishes other people's use of the good, the good is said to be
- A common resource
 - A club good
 - Rival in consumption**
 - Excludable
- 14) When a Government steps in to provide a service such as National Defence due to a missing market this is known as
- Partial market failure
 - Complete market failure**
 - Complete market inefficiency
 - Perfectly Public Good provision
- 15) If a person can be prevented from using a good, the good is said to be
- A common resource
 - Public good
 - Rival in consumption
 - Excludable**
- 16) Which one of the following statements is correct
- Bargaining between affected parties is always effective in reducing the inefficiencies caused by externalities, even in the presence of transaction costs
 - All externalities result in the good producing the external effect being overused.
 - The market price of pesticides is unlikely to take into account the full social cost of their use.**
 - Reducing air travel is an unfortunate and inefficient by-product of taxing flights.
- 17) The marginal tax rate is
- Total taxes paid divided by total income.
 - Taxes paid by one extra worker
 - The amount that taxes increase from an additional Euro of income**
 - Total income divided by the total taxes paid
- 18) Accounting profit is equal to total revenue minus
- Implicit costs
 - Explicit costs**
 - Marginal costs
 - Variable costs
- 19) Calculate the four firm concentration ratio of the top four firms in the vaccine industry.

| Firm | Sales (€Bn) | Market share |
|-------|-------------|--------------|
| 1 | 10 | 20% |
| 2 | 15 | 30% |
| 3 | 11 | 22% |
| 4 | 9 | 18% |
| 5 | 3 | 6% |
| 6 | 2 | 4% |
| Total | 50 | 100% |

Is it

- €45 Bn
- €90 Bn

- c) 90%
- d) 80%

20) According to the rule of 72 how long will it take for an economy with growth of 6% on average to double its output.

- a) 6 years
- b) 9 years
- c) 10 years
- d) 12 years

21) Which of the following policies will most likely increase the Gini coefficient? (Consider only the immediate effects)

- a) A lump-sum tax of €100 imposed on every citizen.
- b) A fixed subsidy of €10 for every citizen.
- c) Removing the regressive income tax.
- d) None of the above

22) If GNP @Current Market Prices is €300m, depreciation of €20m occurred, indirect taxation amounted to €25m and subsidies of €7m were received.

The value of GNP@ Factor Cost is

- a) €282m
- b) €302m
- c) €318m
- d) None of the above

23) The table shows the level of national income, consumption, investment, government spending, exports and imports at the end of Year 1.

| Year | National Income | Consumption | Investment | Government Spending | Exports | Imports |
|------|-----------------|-------------|------------|---------------------|---------|---------|
| 2019 | €9,800m | €5,100 | €3,100 | €2,100 | €2,300 | €2,800 |
| 2020 | | €5,200 | €3,500 | €1,900 | €2,600 | €3,050 |

The Value of National Income in 2020 is

- a) €9,800m
- b) €16,050m
- c) €10,950
- d) €10,150

24) See table on Q22. The Marginal Propensity to Spend is

- a) .29
- b) .75
- c) .25
- d) .40

25) If money supply grows by 5% and real output grows by 2%, prices should rise by

- a) 5%
- b) Less than 5%
- c) More than 5%
- d) None of the above

- 26) If the nominal interest rate is 6% and the inflation rate is 3%, the real interest rate is
- a) 3%
 - b) 6%
 - c) 9%
 - d) 18%
 - e) None of the above
- 27) If a nation has an absolute advantage in the production of a good
- a) It can produce that good at a lower opportunity cost than its trading partner
 - b) It can produce that good using fewer resources than its trading partner.
 - c) It can benefit by restricting imports of that good.
 - d) It will specialise in the production of that good and export it.
 - e) None of the above is true.
- 28) Which one of the following statements is correct?
- a) Maintaining fiscal balance (balanced budget) in a recession helps to stabilise an economy.
 - b) Automatic stabilizers refer to the fact that economic shocks are partly offset by consumers smoothing their consumption in the face of variable income.
 - c) The multiplier on a fiscal stimulus is higher when the economy is functioning at full capacity.
 - d) A fiscal stimulus can be implemented by raising spending to directly increase demand or by cutting taxes to increase private sector demand.
 - e) None of the above is correct
- 29) During the 1950s Ireland experienced austerity, massive out-migration and the country was near insolvent. This was not helped by political instability. This all changed in 1958 when
- a) Friedman began advising the Irish Government
 - b) Ireland joined the then Common Market (now EU)
 - c) The IMF intervened.
 - d) John Maynard Keynes launched the New Deal
 - e) T.K. Whittaker produced his Economic Development report.
- 30) In 2015 the Sustainable Development Goals were adapted. Which of the following is not a Sustainable Goal.
- a) No Poverty
 - b) Gender Equality
 - c) Responsible Consumption and Production
 - d) Partnership for Goals
 - e) All of the above are Sustainable Development Goals