

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