

Economics Olympiad of Ireland –

Sample Paper 1 –

- 1) Economics is the study of how
 - a) To fully satisfy our unlimited wants
 - b) **Society manages its scarce resources**
 - c) To reduce our wants until we are satisfied
 - d) To avoid having to make trade-offs
 - e) Society manages its unlimited resources

- 2) A rational person does not act unless
 - a) The action makes money for the person
 - b) The action is ethical
 - c) The action produces marginal costs which are greater than marginal revenue.
 - d) **The action produces marginal revenue which are greater than marginal costs.**
 - e) None of the above.

- 3) Which of the following is *not* a factor of production?
 - a) Land
 - b) Labour
 - c) Capital
 - d) **Money**
 - e) None of the above

- 4) Positive statements are
 - a) Microeconomic
 - b) Macroeconomic
 - c) Statements of prescription that involve value judgements
 - d) **Statements of description that can be tested**
 - e) None of the above

- 5) You have spent €1,000 on a burger stand based on estimates of sales of €2,000. The burger stand is nearly completed, but now you estimate total sales to be only €800. You can complete the burger stand for another €300. Should you complete the stand? (Assume that the hot dogs cost you nothing) **a) Yes**
 - b) No
 - c) There is not enough information to answer the question.

- 6) Jack is consuming his 3rd coffee which give 10 utils at a cost of €2.50. He also consumers his 2nd slice of cake for €5. How much utility should the 2nd slice of cake give Jack if he is to maximise his utility according to the Equi-marginal Principle? a) 10 utils
b) 15 utils
c) 20 utils
d) 25 utils
- 7) Because people respond to incentives, we would expect that if the average salary of accountants increases by 50% while the average salary of teachers increases by 20%. a) The points for CAO courses that lead to accounting qualifications will increase.
b) The points for CAO courses that lead to teaching qualifications will increase at the expense of courses that lead to an accounting type qualification.
c) Fewer students will attend college.
d) None of the above.
- 8) An increase in the price of beef provides
a) Information that tells consumer to buy more beef.
b) Information that tells consumers to buy less pork.
c) Information that tells producers to produce more beef.
d) No information because the prices in a market are managed by planning boards.
- 9) If an increase in the price of blue jeans leads to an increase in the demand for tennis shoes, then blue jeans and tennis shoes are a) Substitutes
b) Complements
c) Normal goods
d) Inferior goods
e) None of the above
- 10) If an increase in consumer income leads to a decrease in the demand for camping equipment, then camping equipment is a) A complementary goods
b) A substitute
c) A normal good
d) An inferior good
e) None of the above
- 11) In general, a flatter demand curve is likely to be
a) Price elastic
b) Price inelastic

- c) Unit price elastic
 - d) A necessity
 - e) None of the above
- 12) For a price ceiling to be a binding constraint (to have a meaningful impact) on the market, the government must set it
- a) Above the equilibrium price
 - b) **Below the equilibrium price**
 - c) Precisely at the equilibrium price
 - d) At any price because all price ceilings are binding constraints
- 13) Producer surplus is the area
- a) **Above the supply curve and below the price.**
 - b) Below the supply curve and above the price.
 - c) Above the demand curve and below the price.
 - d) Below the demand curve and above the price.
 - e) Below the demand curve and above the supply price.
- 14) When an individual purchases a car in a congested urban area, it generates
- a) An efficient market outcome
 - b) A technology spillover
 - c) A positive externality
 - d) **A negative externality**
- 15) A public good is
- a) Both rival in consumption and excludable
 - b) **Neither rival in consumption nor excludable**
 - c) Rival in consumption but not excludable
 - d) Not rival in consumption but excludable
- 16) A progressive tax system is one where
- a) Marginal tax rates are low
 - b) Marginal tax rates are high
 - c) Higher income taxpayers pay more taxes than do lower income taxpayers
 - d) **Higher income taxpayers pay a greater percentage of their incomes in tax than do lower income taxpayers.**
- 17) The competitive firm maximises profit when it produces output up to the point where
- a) Marginal cost equals total revenue
 - b) Marginal revenue equals average revenue
 - c) **Marginal cost equals marginal revenue**
 - d) Price equals variable cost

- 18) According to the human capital view of education, education
- a) **Increases human capital and wages of workers**
 - b) Only helps to sort out workers into high ability and low ability workers.
 - c) Has no impact on the ability of workers
 - d) Can make any worker into a superstar
- 19) An example of a transfer payment is
- a) Wages
 - b) Profit
 - c) Rent
 - d) Government purchases
 - e) **Unemployment benefits**
- 20) Gross domestic product is the sum of market value of the
- a) Intermediate goods
 - b) Manufactured goods
 - c) Normal goods and services
 - d) Inferior goods and services
 - e) **Final goods and services**
- 21) If nominal GDP in 2020 exceeds nominal GDP in 2019, then the production of output must have
- a) Risen
 - b) Fallen
 - c) Stayed the same
 - d) **Risen or fallen because there is not enough information to determine the what happened to real output.**
- 22) In 2019, the CPI was 124.0. In 2020 it was 130.7. What was the rate of inflation over this period?
- a) 5.1%
 - b) **5.4%**
 - c) 6.7%
 - d) 30.7%
 - e) You cannot know without knowing the base year.
- 23) If a depositor puts €100 in a bank account that earns 4% annually, how much will be in the account after 5 years? a) €104.00
- b) €120.00

- c) €121.67
 - d) €123.98
 - e) €400.00
- 24) If the ECB sets the reserve ratio at 25%, the value of the money multiplier (of new deposits) is
- a) 0.25
 - b) 4
 - c) 5
 - d) None of the above
- 25) Suppose a cup of coffee is €1.5 in Germany and \$0.50 in the US. If purchasing power parity holds, what is the nominal exchange rate between Euros and Dollars?
- a) 1/3 Euro per Dollar
 - b) 3 Euros per Dollar
 - c) 1.5 Euro per Dollar
 - d) 0.75 Euro per Dollar
- 26) Suppose that there is an injection of €30 m. $MPC = 0.8$, $MPM = 0.3$ and $MPT = 0.3$. What will be the monetary value of the multiplier? a) €7.5
- b) €39.5
 - c) €37.5m
 - d) €42.5
- 27) The Central Bank of Ireland is part of the
- a) European Central Bank
 - b) European Central Bank Alliances
 - c) Irish Banking and Regulators Alliance
 - d) European System of Central Banks
- 28) _____ first advocated the use of Fiscal Policy to stimulate economies during the Great Depression. a) Joel Schumpeter
- b) Adam Smith
 - c) David Ricardo
 - d) Thomas Malthus
 - e) None of the above.
- 29) _____ gave us the Canons of Taxation
- a) Joel Schumpeter

- b) John Maynard Keynes
- c) David Ricardo
- d) Thomas Malthus
- e) **None of the above**

30) Which of the following happened at the beginning of the 21st Century?

- a) The Great Depression
- b) The Collapse of Gold Standard
- c) The Emergency
- d) **The Great Recession**