
UNITED STATES ACADEMIC DECATHLON®

ECONOMICS

LEVEL TEST 2: MEDIUM DIFFICULTY LEVEL

2020-2021

INSTRUCTIONS: On your answer sheet, mark the lettered space (a, b, c, d, or e) corresponding to the answer that BEST completes or answers each of the following test items.

1. Which of the following is NOT scarce?
 - a. capital
 - b. knowledge
 - c. the desire to consume
 - d. energy
 - e. the desire to work

2. In a market economy, what ensures that firms will produce products?
 - a. government mandates
 - b. supermarket requirements
 - c. regional preferences
 - d. self-interest
 - e. economic studies

3. Biscuit has five dog treats, Beignet has two dog treats, and Maggie the Mad Dog has three dog treats. There are no more dog treats in the cupboard. What would make this dog-treat economy Pareto Efficient?
 - a. The economy is already Pareto Efficient.
 - b. Biscuit should give one dog treat to Beignet.
 - c. Maggie should give one of her treats to Beignet.
 - d. Biscuit should give one dog treat to Beignet and throw the other one away.
 - e. Maggie should give one treat each to Biscuit and Beignet.

4. Someone might hire a microeconomist
 - a. to determine GDP
 - b. when deciding to invest in government bonds
 - c. to learn how recessions affect economies over the long term
 - d. to determine what interest rates will likely be next year
 - e. to determine what soybean prices will likely be next year

5. Which of the following is a statement that someone using normative economics might make?
- a. "When orange juice costs \$3 a gallon, consumers will purchase 1,000 gallons a day."
 - b. "We shouldn't lower the price ceiling for rent to \$500 a month"
 - c. "Two warplanes cost as much to build as one well-equipped high school."
 - d. "The bond market is dependent on interest rates."
 - e. "Susan buys normal goods when the economy is doing well."
6. Owning a lake and being able to catch and sell the fish contained in it is an example of
- a. imports
 - b. property rights
 - c. a common resource
 - d. rent-seeking behavior
 - e. a public good
7. Which of the following is most likely a perfectly competitive commodity?
- a. a specific brand of soda
 - b. automobiles
 - c. bicycles
 - d. wheat
 - e. crayons
8. A good's price and the quantity demanded have a _____ relationship.
- a. negative
 - b. positive
 - c. non-correlated
 - d. multiplier
 - e. disproportionate
9. As the price of a good increases, the opportunity cost of consuming the good _____.
- a. decreases
 - b. increases
 - c. remains unchanged
 - d. slopes horizontally
 - e. slopes vertically

10. Typically, Javaris purchases name-brand laundry detergent. However, he was recently forced to cut back on his hours at work. As a result of his decreased income, he chooses to purchase generic laundry detergent. For Javaris, name-brand detergent is a/an
- a. superior good
 - b. inferior good
 - c. normal good
 - d. abnormal good
 - e. complementary good
11. When a decline in the price of one good causes a decline in the demand for another good, those goods are
- a. superior goods
 - b. complements
 - c. normal goods
 - d. inferior goods
 - e. substitutes
12. If the number of consumers in a market increases, the demand in that market will _____.
- a. increase
 - b. decrease
 - c. match supply exactly
 - d. remain unchanged
 - e. slope rightward
13. Advanced technology that lowers the cost of producing an item without affecting the quality will cause the supply curve to
- a. lay horizontally
 - b. straighten vertically
 - c. shift leftward
 - d. shift rightward
 - e. shift downward
14. How many combinations of price and quantity exist in which the market is in equilibrium?
- a. 100
 - b. 0
 - c. It depends on what product the market is for.
 - d. an infinite number
 - e. 1

15. If there is excess supply, it encourages producers to
- lower prices
 - raise prices
 - shift the supply curve
 - shift the demand curve
 - readjust the CPI
16. If a customer values something more than what they actually pay for it, that amount is referred to as
- consumer satisfaction
 - total surplus
 - demand goods
 - consumer surplus
 - consumer willingness
17. If the supply curve is above the demand curve, which of the following is TRUE?
- The cost of an additional unit to consumers exceeds the value to producers.
 - The bond market is experiencing falling returns.
 - The cost to producers of an additional unit exceeds the value to consumers.
 - The total cost exceeds the producer surplus.
 - Variable costs are unable to be changed by producers.
18. One negative effect monopolies can have on consumers is they
- overstate inflation
 - increase the total surplus
 - increase the consumer surplus
 - supply goods at more than equilibrium quantities
 - sell goods at higher prices than competitive firms would
19. The Coase Theorem states that if property rights are well defined and negotiation costs are low, then
- bargaining between the parties involved can resolve externalities
 - the government must intervene
 - the externality can only be resolved in court
 - there are no externalities
 - there must be a positive externality
20. Pork barrel politics, rent-seeking behavior, and logrolling may all contribute to
- lower government spending
 - greater fiscal responsibility
 - wasteful government spending
 - wasteful consumer spending
 - monopolies and oligarchies

21. Which of the following is a private good?
- a. satellite radio
 - b. a city street
 - c. a lighthouse
 - d. a video-streaming service
 - e. a pizza
22. Which of the following is a common resource?
- a. satellite radio
 - b. a city street
 - c. a lighthouse
 - d. a video-streaming service
 - e. a pizza
23. A tax on computers will cause the demand curve for computers to
- a. straighten vertically
 - b. lay horizontally
 - c. shift leftward
 - d. shift rightward
 - e. shift upward
24. If the government establishes a price floor on milk, which of the following would occur?
- a. Producers will not sell as much milk as they would like.
 - b. Producers will not be able to meet the demand for milk.
 - c. Consumers will purchase more milk than they did previously.
 - d. Governments will profit from the deadweight loss.
 - e. Consumer surplus will increase.
25. Overall, price controls
- a. increase government profits
 - b. increase the quality of products
 - c. increase total surplus
 - d. decrease total surplus
 - e. decrease the elasticity of products
26. Which of the following is NOT directly tied to the economic growth of a country?
- a. increased living standards for the average consumer
 - b. an overall higher educational standard for citizens
 - c. an increase in Real GDP
 - d. an increase in GDP per capita
 - e. an increase in the use of price controls

27. Women entering the labor force in greater numbers during the twentieth century caused
- a leftward shift of the aggregate supply curve
 - an increase in Real GDP per capita
 - a leftward shift of the aggregate demand curve
 - a decrease in Real GDP per capita
 - a decrease in consumption
28. A large number of recent college graduates looking for their first job will, in the short term,
- cause the unemployment rate to rise
 - cause the unemployment rate to fall
 - raise inflation
 - lower inflation
 - raise GDP per capita
29. Recessions and expansions are part of
- measuring the CPI
 - measuring the GDP deflator
 - the business cycle
 - the GDP cycle
 - the unemployment cycle
30. An economy produces only sugar and milk. Sugar sells for \$2 a pound and milk sells for \$1 a gallon. In 2020, the economy sold 300 pounds of sugar and 200 gallons of milk. What was the GDP of the economy in 2020?
- \$300
 - \$200
 - \$600
 - \$800
 - The GDP cannot be determined from the information given.
31. To produce a railcar, a company uses \$12,000 worth of steel and \$3,000 worth of piping. The railcar sells for \$150,000. What is the total cost of intermediate goods listed?
- \$12,000
 - \$150,000
 - \$3,000
 - \$15,000
 - \$10,000

32. When exports exceed imports, a country is running a(n)
- a. trade deficit
 - b. trade surplus
 - c. trade increase
 - d. cartel
 - e. budget surplus
33. Real GDP is calculated by using
- a. the market value of all the goods and services in an economy
 - b. the market value of all intermediate goods in an economy
 - c. prices in a single year to value production in other years
 - d. CPI multiplied by inflation
 - e. prices in a single year to value production in the same year
34. The Consumer Price Index (CPI) measures inflation by
- a. adding substitution bias
 - b. measuring the total value of goods and services
 - c. obtaining the cost of an ever-changing market basket of goods and services
 - d. obtaining the cost of five items that everyone uses
 - e. obtaining the cost of a fixed market basket of goods and services
35. All of the following are equal EXCEPT
- a. GDP
 - b. total exports
 - c. total production
 - d. total expenditures
 - e. total income
36. New workers entering the labor force are a source of
- a. frictional unemployment
 - b. structural unemployment
 - c. cyclical unemployment
 - d. labor unemployment
 - e. unemployment deflation
37. The ratio of those in the labor force to the working-age population is called the
- a. unemployment rate
 - b. inflation rate
 - c. business cycle
 - d. labor force participation rate
 - e. nominal unemployment rate

38. Why is keeping inflation low an important goal of monetary policy?
- a. to prevent hyperinflation
 - b. to preserve purchasing power
 - c. to increase the number of jobs
 - d. to prevent the printing of more money
 - e. none of the above
39. All of the following are determinants of average labor productivity EXCEPT
- a. physical capital
 - b. human capital
 - c. natural resources
 - d. technological knowledge
 - e. inflation
40. A common financial intermediary is a/an
- a. tax collector
 - b. bank
 - c. debt collector
 - d. bond
 - e. import
41. During WWII, the Soviet Union
- a. fought with America against Germany
 - b. fought with Germany against America
 - c. created the CMEA
 - d. was unable to join in military battles
 - e. was able to launch the first space satellite
42. The Truman Doctrine stated that
- a. American foreign policy was to stop Soviet expansion
 - b. America would cease producing nuclear weapons
 - c. Western Germany now belonged to the U.S.S.R.
 - d. the New Deal was over
 - e. WWII was over
43. The SALT talks were designed to
- a. stop the spread of democracy
 - b. divide East and West Germany
 - c. deescalate the development of nuclear weapons
 - d. get Khrushchev elected
 - e. explain to the American people what the opportunity costs of war are

44. Which president participated in the “Kitchen Debate” with Khrushchev?
- a. Kennedy
 - b. Eisenhower
 - c. Nixon
 - d. Truman
 - e. Reagan
45. The theme of the “Kitchen Debate” was that
- a. Soviets without kitchens were unable to live fulfilling lives
 - b. the average American had a better quality of life than the average Soviet
 - c. Cold War casualties were suffering in the Ukraine
 - d. proxy wars were too expensive to fight
 - e. the country who reached space first would win the Cold War
46. The term “Cold War” refers to the fact that the war
- a. lasted a long time
 - b. was fought in Siberia
 - c. created thousands of orphans
 - d. was not fought directly
 - e. had great opportunity costs
47. The Soviet Union’s centralized planning of the economy meant that
- a. total surplus remained high
 - b. consumer surplus remained high
 - c. consumers were unable to get the products that they wanted
 - d. producers created products that consumers were excited about
 - e. small businesses flourished
48. Eisenhower’s “Chance for Peace” speech explored which of the following economic concepts?
- a. rationality
 - b. PPFs
 - c. aggregate demand curves
 - d. the Federal Reserve
 - e. opportunity costs
49. Gorbachev is known for
- a. creating Marxism
 - b. developing programs to reform the Soviet economy
 - c. waging a proxy war in Korea
 - d. ending Soviet poverty
 - e. dividing East and West Germany

50. During the Cold War, which of the following feats did the Soviet Union achieve?
- a. Every soviet citizen graduated college.
 - b. The Polish government was overthrown.
 - c. The first satellite was launched.
 - d. A new banking system was developed.
 - e. The Bretton Woods System was launched.