

---

# UNITED STATES ACADEMIC DECATHLON®

## ECONOMICS

### LEVEL TEST 3: HARD 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 best illustrates the concept of scarcity?
  - a. Killing two birds with one stone.
  - b. Deciding how much of your paycheck to save and how much to spend.
  - c. Bringing reusable shopping bags to the store to cut down on plastic waste.
  - d. Ordering water instead of soda to limit your sugar intake.
  - e. Choosing to become a veterinarian instead of a computer programmer.
  
2. A prediction that the consumption of orange juice will fall to 1,000 gallons a day when the price increases to \$5 a gallon is an example of \_\_\_\_\_ economics.
  - a. positive
  - b. normative
  - c. efficient
  - d. competitive
  - e. trade-off
  
3. An economy consists of 20 people and a total of \$100. 18 people have \$1.50 each, 1 person has \$3, and 1 person has \$70. Which of the following actions would make the economy Pareto efficient?
  - a. Redistributing wealth so that each person has \$5.
  - b. Giving the richest person \$1.50 and splitting the rest evenly.
  - c. Ensuring that everyone has \$1.50 and eliminating the remainder of the money.
  - d. Adding money to the economy until everyone has \$70.
  - e. No changes should be made because the economy is currently Pareto efficient.
  
4. An example of an opportunity cost of going to college which does not involve an explicit payment is the
  - a. monetary cost of classes
  - b. income one forfeits by sitting in class instead of working
  - c. cost of books and a dorm room
  - d. interest paid on student loans
  - e. fees required to apply to colleges
  
5. Economists assume that consumers
  - a. do not understand that some goods are complements
  - b. have no grasp of the market
  - c. behave exactly as the Federal Reserve expects
  - d. make rational cost-benefit calculations
  - e. do not take opportunity costs into account

6. Alvin's employer cuts his hours at work, thereby reducing Alvin's income. Which of the following will Alvin buy MORE of?
  - a. superior goods
  - b. normal goods
  - c. inferior goods
  - d. related goods
  - e. demand goods
  
7. A large-scale economic downturn will cause which of the following?
  - a. The demand curve for normal goods will shift rightward.
  - b. The supply curve for normal goods will shift rightward.
  - c. The demand curve for superior goods will shift leftward.
  - d. The demand curve for inferior goods will shift rightward.
  - e. The supply curve for inferior goods will shift leftward.
  
8. The cost of producing widgets decreases due to a technological improvement, while at the same time consumers become wary of widgets because the media reports that they are dangerous to use. Due to these changes, the supply curve will shift \_\_\_\_\_ and the demand curve will shift \_\_\_\_\_.
  - a. rightward; leftward
  - b. rightward; rightward
  - c. leftward; leftward
  - d. leftward; rightward
  - e. leftward; leftward
  
9. Lyft's effect on the taxi industry is a modern day example of \_\_\_\_\_ work.
  - a. Marx's
  - b. Keynes'
  - c. Hayek's
  - d. Tullock's
  - e. Schumpeter's
  
10. Which of the following describes a scenario in which a consumer surplus is created?
  - a. Cliff and Carly value a cup of coffee at \$3, and they purchase \$4 cups of coffee.
  - b. Brody is willing to pay \$1.50 for a gallon of gasoline, and gasoline is \$1.50 a gallon.
  - c. Ayden takes his parents out to eat at a fancy restaurant and the bill is \$300.
  - d. Helena would pay \$5 for an ice cream cone, and purchases one for \$2.
  - e. Stacie and Anthony purchased pork chops for \$1 a pound but wouldn't pay any more than that for pork chops.
  
11. A campaign to warn consumers about the health effects of sugary drinks, if effective, will lead to
  - a. a higher price elasticity of demand
  - b. a lower market equilibrium price
  - c. decreased consumer confidence
  - d. increased entry of producers into the market
  - e. increased total surplus

12. The government imposes a price ceiling of \$400 on automobiles. One effect of the price ceiling is
- an increase in the number of automobiles on the market
  - a decreased consumer surplus
  - a decrease in the number of automobiles on the market
  - an increased producer surplus
  - an increase in price elasticity
13. The government imposes rent controls in a city, and apartments can rent for no more than \$600 a month. One effect of the rent control is
- fewer landlords are willing to rent their property
  - fewer tenants are interested in renting apartments
  - there is excess producer surplus
  - the market for housing becomes perfectly competitive
  - the demand curve for housing shifts leftward
14. The government introduces a new tax on turnip producers of \$.35 per pound of turnips sold. Which of the following scenarios is the most likely to occur?
- Producers will produce more turnips.
  - Consumers will pay more for turnips.
  - Consumer surplus will increase.
  - Producer surplus will increase.
  - Producers will charge less for turnips.
15. The equilibrium price for a bushel of wheat is \$7, and at that price 700 bushels are sold. The government establishes a price floor of \$10 per bushel of wheat, and at that price 450 bushels are sold. Which of the following long run scenarios will occur after the price floor takes effect?
- There will be fewer producers in the market.
  - Demand for wheat will increase.
  - There will be excess consumer surplus.
  - There will be excess producer surplus.
  - There will be excess total surplus.
16. The equilibrium price for oranges is \$2 per pound and the equilibrium quantity is 2,000 pounds. What is total revenue?
- \$2
  - \$1,000
  - \$2,500
  - \$4,000
  - \$2,000

17. If a country's cost to produce a product is less than the world price, it would be beneficial to the country to become a/an
- a. dictatorship
  - b. democracy
  - c. importer
  - d. tariff-holder
  - e. exporter
18. Melanie owns a small shop that produces hand-crafted teddy bears. Each month, she pays \$700 in rent and pays \$1,200 for marketing and advertising. To produce 500 bears, she must also pay \$400 in employee wages, \$1,000 in raw materials, and \$1,500 for sewing equipment rental. Melanie's \_\_\_\_\_ costs are higher than her \_\_\_\_\_ costs.
- a. marginal; variable
  - b. marginal; fixed
  - c. variable; fixed
  - d. fixed; variable
  - e. fixed; marginal
19. Which of the following is an example of a government regulation to resolve an externality?
- a. A new tax on gasoline pays for a highway that will connect two towns.
  - b. Industries are taxed based on their CO<sub>2</sub> emissions to discourage air pollution.
  - c. A property tax helps to build a new school.
  - d. Industries are taxed based on their total revenue.
  - e. Citizens pay taxes for new streetlights designed to minimize criminal activity.
20. A local mechanic's shop offers those with older cars a 50% discount on oil changes every Tuesday. This is an example of
- a. price gouging
  - b. a marginal reduction
  - c. an externality
  - d. the profit motive
  - e. price discrimination
21. At the grocery store, one can choose between 15 types of paper towel, each produced by a different manufacturer, and each with different qualities. Paper towels are therefore an example of
- a. perfect competition
  - b. monopolistic competition
  - c. cartel behavior
  - d. price discrimination
  - e. resource allotment

22. Video streaming has low rivalry in consumption and high excludability. These factors indicate that it is a
- a. collective good
  - b. private good
  - c. common resource
  - d. public good
  - e. connected good
23. A necessity with a low elasticity of demand has an equilibrium price of \$1 a pound and an equilibrium quantity of 1,000 per day. The government imposes a price floor of \$1.10 a pound. The average consumer does not alter their consumption. The firms selling the product hire lobbyists to ensure that the price floor remains in effect. This behavior is known as
- a. logrolling
  - b. price discrimination
  - c. pork barrel
  - d. rent seeking
  - e. marginal income
24. Consider a product in which the monthly percentage change in quantity supplied is 7%, and the percentage change in price is 10%. What is the price elasticity of supply for this product?
- a. elastic
  - b. inelastic
  - c. unit elastic
  - d. perfectly inelastic
  - e. perfectly elastic
25. If two demand curves pass through the same point, the curve that is \_\_\_\_\_ will have a higher elasticity.
- a. vertical
  - b. steeper
  - c. flatter
  - d. rounder
  - e. perpendicular
26. A country has a GDP of \$8,000,000, and a total population of 2,000,000. 1.6 million people are employed, 200,000 are actively looking for work, and 200,000 are either too young or too old to work. What is the average labor productivity of the country?
- a. \$5
  - b. \$4
  - c. \$2
  - d. \$8,000,000
  - e. \$6,000,000

27. When inflation increases, which of the following is TRUE?
- a. The aggregate demand curve shifts rightward.
  - b. The government should print more money.
  - c. Banks are forced to close to prevent bank runs.
  - d. Rent seeking behavior halts.
  - e. Money is worth less.
28. Which of the following would NOT be counted in U.S. GDP?
- a. a Japanese car made in America and sold in Mexico
  - b. a haircut at the local salon
  - c. fish caught off the coast of California by fishermen.
  - d. the plastic used to create a pair of scissors
  - e. fish caught in a private lake and sold at a farmer's market
29. You have invested \$100,000 in a company by purchasing stock. Later, this company declares bankruptcy and states that it will be unable to return funds to all of its investors. If you had known this information ahead of time, which asset class would you have invested in?
- a. bonds
  - b. stocks
  - c. index funds
  - d. mutual funds
  - e. cash donation
30. Last year, a small country had total income equal to \$1,700,000. What was the total expenditure in that country last year?
- a. \$3,400,000
  - b. \$850,000
  - c. \$1,700,000
  - d. \$425,000
  - e. \$4,000,000
31. For the year 2015, the Nominal GDP was \$4,500 and Real GDP was \$6,250. What is the GDP deflator?
- a. 72
  - b. 28,125,000
  - c. 1750
  - d. .72
  - e. .1750

32. Which of the following is one reason that the GDP deflator may be more accurate than the CPI as a measure of inflation?
- a. The CPI only measures domestic products produced in foreign countries.
  - b. The GDP deflator is used by government offices while the CPI is created by a private firm.
  - c. The CPI measures new goods and services while the GDP deflator does not.
  - d. The GDP deflator adjusts to changing consumption patterns more quickly than the CPI.
  - e. The GDP deflator uses a fixed market basket of goods and services while the CPI is based on overall consumption.
33. Suppose an economy has a population of 1 million. Of them, 400,000 are retired or otherwise not looking for work. There are currently 400,000 people employed in this economy. What is the unemployment rate?
- a. 10%
  - b. 33%
  - c. 20%
  - d. 50%
  - e. 2.5%
34. If the U.S. experiences a recession, which type of unemployment would certainly rise?
- a. structural
  - b. cyclical
  - c. frictional
  - d. recessionary
  - e. capital
35. Real GDP for June, 2020 was \$8,000,000. The total population is 1,000,000, the number of full-time employees is 500,000, 200,000 people are structurally unemployed, and 100,000 people are frictionally unemployed. What is Real GDP per capita?
- a. \$160
  - b. \$8,000,000
  - c. \$8
  - d. \$16
  - e. \$1,000,000
36. If the U.S. were to abolish patent and copyright laws, we would expect GDP to \_\_\_\_\_ in the short run.
- a. remain unchanged
  - b. level out
  - c. double
  - d. decrease
  - e. increase

37. Birdfeeders, Inc. wishes to raise money to develop a new product line. If they want to avoid paying interest, which of the following should they choose?
- a. a bank business loan
  - b. a bond issue
  - c. a personal line of credit
  - d. revolving credit
  - e. a stock issue
38. Diversification is important to mutual fund holders because
- a. while the return on some investments are falling, the others should rise
  - b. investing in many banks leads to lower interest rates
  - c. the bond market often collapses
  - d. government price floors cannot affect diversified mutual funds
  - e. a mutual fund that is not diversified is illegal
39. Inflation has begun to spiral out of control. What measure might the Federal Reserve take in an attempt to lower it?
- a. print more money
  - b. buy bonds
  - c. sell bonds
  - d. create new banking institutions
  - e. establish a mutual fund
40. An increase in the government's deficit would cause the savings supply curve to
- a. shift rightward
  - b. shift leftward
  - c. shift downward
  - d. appear U-shaped
  - e. appear vertical
41. Countries which were battlegrounds for Cold War proxy wars
- a. had higher GDPs than the U.S.S.R. and America
  - b. were under complete U.S. control
  - c. were under complete U.S.S.R. control
  - d. had lower GDPs than the U.S.S.R. and America
  - e. were communist
42. A factor that may have overstated the impact of the Marshall Plan was
- a. it was never signed
  - b. a drought that killed honeybees and plants could not cross-pollinate
  - c. European workers were protesting and not working
  - d. calculation errors in compiling GDP the year before the plan
  - e. a harsh winter that depleted coal and led to harvest failures



43. Centralized economic planning leads to
- a. increasing quality of goods and services
  - b. decreasing quality of goods and services
  - c. an improved standard of living for the average consumer
  - d. lower inflation
  - e. less cyclical unemployment
44. After WWII, labor productivity in East Germany
- a. decreased
  - b. increased
  - c. remained the same
  - d. was no longer measured
  - e. fell to zero
45. One reason for the development of the Bretton Woods system was
- a. to create an environment in which countries could easily trade with one another
  - b. the U.S.S.R had a monopoly on oil production
  - c. it funded proxy wars designed to spread democracy
  - d. it helped to compensate for Germany's division and loss of labor
  - e. it removed politicians from global economic policymaking
46. The Council for Economic Assistance (CEMA) did which of the following?
- a. facilitated the post-WWII economy of Western Europe
  - b. created the World Bank
  - c. was passed by congress to aid Western Europe for military expenditures only
  - d. was created by Eisenhower to fund proxy wars
  - e. facilitated the post-WWII economy of Eastern Europe
47. The cyclical unemployment caused by the Great Depression may have been alleviated by WWII in what way?
- a. The Truman doctrine created social services like welfare.
  - b. Unemployed people could join the army.
  - c. Increasing structural unemployment decreases cyclical unemployment.
  - d. The Council for Mutual Economic Assistance provided employment and support for American families.
  - e. The U.S. sent unemployed people to do humanitarian work in East Germany.
48. Which of the following is TRUE of the U.S.S.R. Cold War economy?
- a. It had zero unemployment.
  - b. Medical care was the only free social service.
  - c. Producers were protected from the discipline of the market.
  - d. GDP was well below that of most developing nations.
  - e. It focused on food production instead of industrialization.

49. President Reagan believed that lowering tax rates would
- a. increase tax revenue
  - b. deplete the national budget
  - c. increase unemployment
  - d. allow the U.S. to compete with the U.S.S.R.'s tax rates
  - e. create a steeper supply curve
50. Which of the following is an example of an American opportunity cost of participating in the Cold War?
- a. Research used in the space race also improved economic output.
  - b. Higher defense spending stimulated the economy.
  - c. Government funds spent on missiles were not available for school construction.
  - d. The SALT II talks helped to reduce defense spending.
  - e. Government deficits increased due to higher defense spending.