

MINNESOTA ECONOMICS CHALLENGE

Sample Questions for David Ricardo Division

1. Disposable income is personal income minus what?
(taxes/personal taxes)
2. What law says that as the price of a good falls, more of it will be purchased?
(law of demand)
3. What type of business organization has the advantage of limited liability?
(corporation)
4. If Sally pays 1000 British pounds for English china and the exchange rate is \$2 per pound, what is the dollar price of the china?
(\$2000)
5. What was the March 2009 U.S. unemployment rate?
(8.5%)
6. A situation in which there are no inherent forces to produce change is called what?
(equilibrium)
7. Which type of productive resource is gold?
(natural/land)
8. The price paid to use someone else's money is called what?
(interest)
9. A closed economy is one without what sector?
(foreign/international)
10. It would be easier for German manufacturers to sell their cars in the U.S. if the euro did what?
(depreciated in value with respect to the U.S. dollar)

11. In the Eastern time zone, what time is the closing bell sounded at the New York Stock Exchange?
(4:00 pm)
12. If Kim has a marginal propensity to save of 0.2, how much of an increase in her income of \$1000 would she spend?
(\$800)
13. Unlike an economic good, a free good is not what?
(scarce)
14. It is generally assumed that the behavior of firms in a market economy is guided by their pursuit of what?
(profits/economic profits)
15. The natural rate of unemployment includes what two types of unemployment?
(frictional and structural)
16. A good that is produced abroad and sold domestically is called a what?
(import)
17. The income payment for the services of land resources is called what?
(rent)
18. Which is worth the least today: a U.S. dollar, a British pound, or a European euro?
(U.S. dollar)
19. Accounting, economic, or normal--which kind of profits is eliminated in the long run under perfectly-competitive conditions?
(economic)
20. If the Consumer Price Index rose from 150 last year to 156 this year, what is the indicated rate of inflation?
(4%)
21. If the U.S. dollar depreciates, what happens to the cost of foreign imports to Americans?
(rises)

22. Unemployment can be reduced with an increase in aggregate what?
(demand/expenditures)

Sample Questions for Joan Robinson Division

1. An economic person is assumed to engage in what kind of behavior?
(rational/maximizing/optimizing)
2. Which form of business organization limits the liability of owners for the debts of the business?
(corporation)
3. Keynesian economics focuses on government management of aggregate what?
(demand)
4. The federal minimum wage law is an example of the government setting a price what?
(floor)
5. Following an “easy money” policy means to do what?
(expanding money supply/lower interest rates)
6. Greenbacks were used to finance what war?
(U.S. Civil War)
7. The interest rate banks charge their best commercial customers is called what?
(the prime rate)
8. Other than human, capital, and natural resources, what fourth resource is needed in a capitalistic economy?
(entrepreneurial)
9. What was the value of the Consumer Price Index in its base period?
(100)

10. The concept of derived demand suggests that one way to increase the demand for iron ore is to increase the demand for what?
(steel products)
11. If the equilibrium price and quantity exchanged in a market both fell as a result of a shift in only one market curve, which curve shifted and in what direction?
(demand; decreased/shifted to the left)
12. What tax is the largest source of revenue for most local governments?
(property taxes)
13. Give an example of a contractionary monetary policy.
(raising interest rates/reducing money supply)
14. Portability, durability, and divisibility are desirable properties for what?
(money)
15. Give an example of a fiscal policy that would reduce aggregate demand.
(reduce government spending/raise taxes)
16. Other than competition, what basic economic concept is a game of musical chairs based on?
(scarcity)
17. What are the two principal accounts that make up a country's balance of payments?
(current and capital)
18. FICA contributions support what two federal programs?
(Social Security and Medicare)
19. Horizontal, vertical, or conglomerate—which type of merger is most likely to reduce competition?
(horizontal)
20. If you spend \$100 to buy a new coat, is the opportunity cost of your purchase most likely to be greater than, less than, or equal to \$100?
(greater than)

