



World Economics Cup
Fundamentals (Sample Questions)



Instructions:

This is a sample for the Fundamentals module of the competitive events of the World Economics Cup.

The test consists of 100 single-choice questions. You have **60 minutes** to finish this test. The test gives 1 point to each question. Please fill the separate answer sheet with your pencil/pen.

ATTENTION: NO paper or online reference materials are allowed during the test; NO discussions are allowed during the test; Calculators without networking function and blank scratch paper are allowed during the test; Mobile phones and electronic dictionaries are NOT allowed during the test.

Please report to your test center supervisors immediately if you have any questions regarding the test material, etc. However, academic questions about the test itself will not be answered.

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- 1) Scarcity is when _____.
 - A) there is not enough productive resources and unlimited wants
 - B) there are few products
 - C) resources meet all needs
 - D) where there are few needs

- 2) Productive resources are _____.
 - A) inputs that produce goods and services that people want
 - B) jobs that produce products
 - C) available in unlimited quantities
 - D) plentiful

- 3) A _____ is the example of a service.
 - A) concert t-shirt
 - B) restaurant meal
 - C) dry-cleaning fluid
 - D) taxi-cab ride

- 4) Economics is about _____.
 - A) choices
 - B) forms of government
 - C) money
 - D) jobs

- 5) _____ is an example of a renewable resource.
 - A) Copper
 - B) Timber
 - C) Coal
 - D) Oil

- 6) _____ is an example of an exhaustible resource.
 - A) Corn
 - B) Timber
 - C) Oil
 - D) Cotton

- 7) _____ is a form of economics that focuses on the performance of the economy as a whole, especially the national economy.
 - A) Macroeconomics
 - B) Consumer economics
 - C) Microeconomics
 - D) Federal economics

- 8) Economics that examines the factors that influence individual economic choices and how markets coordinate the choices of various decision makers is _____.
 - A) macroeconomics
 - B) choice economics
 - C) socioeconomics
 - D) microeconomics

- 9) Which of the following is **false** about a pure market economy?
 - A) markets are regulated by the government
 - B) resource owners have property rights
 - C) markets answer the what, how, and for whom questions
 - D) prices guide resources to the most productive use

- 10) An example of a public good, in an economic context is _____.
A) federal government college loans
B) national defense spending
C) lower home mortgage rates
D) farm subsidies
- 11) The ____ economy is an economic system in which all resources are government-owned, and production is coordinated by the central plans of government.
A) pure market
B) traditional
C) mixed
D) command
- 12) The U.S. economy can best be described as a _____ economy.
A) traditional
B) pure market
C) mixed
D) command
- 13) _____ is a factor that would be the most likely to help an economy to grow.
A) Less immigration
B) Lowering education standards
C) Increased size of the labor force
D) Reduction of exports
- 14) Traditional economies are often influenced by _____.
A) customs and religions
B) government
C) consumers
D) markets
- 15) The ____ economy produces the highest standard of living for its citizens.
A) transitional
B) traditional
C) command
D) market-oriented
- 16) The most important economic decision makers in the market economies are _____.
A) households
B) the president
C) corporate leaders
D) government
- 17) _____ occurs when households try to increase their level of satisfaction and sense of well-being.
A) Utility management
B) Utility effort
C) Productivity
D) Utility maximization
- 18) The earned income tax credit _____.
A) causes middle-class families to get a greater income tax refund
B) causes lower income families to pay higher income taxes
C) supplements wages to the working poor

- D) supplements wages to the hardest working people in the United States
- 19) By-products of consumption or consumption that imposes costs on third parties are known as ____ externalities.
A) non-exclusive
B) negative
C) exclusive
D) positive
- 20) The function of monetary policy is to _____.
A) ensure uniform currency
B) encourage inflation
C) determine denominations of money
D) regulate the money supply
- 21) A public utility is _____.
A) a place that is open to the public
B) a government-owned and regulated monopoly
C) a corporation
D) an individually owned monopoly open to the public
- 22) The group of laws that reduce anticompetitive behavior and promote competition in the marketplace where competition is desirable are known as ____ laws.
A) trust
B) business ownership
C) usury
D) antitrust
- 23) When it is cheaper for one firm to serve the market than for two or more firms to do so, that firm is called a _____.
A) multinational corporation
B) oligopoly
C) monopoly
D) natural monopoly
- 24) Exhaustible resources _____.
A) are limited
B) do not concern economies
C) are abundant
D) can be drawn on indefinitely
- 25) _____ are the inputs used to produce the goods and services that people want.
A) Assets
B) Productive resources
C) Liabilities
D) Human resources
- 26) The ____ reflects the rise and fall of economic activity relative to the long-term growth trend of the economy.
A) historic patterns
B) GDP
C) leading economic indicators
D) business cycle
- 27) ____ is the lowest point in the business cycle.

- A) Peak
 - B) Downtrend
 - C) Trough
 - D) Expansion
- 28) ___ is **not** part of the coincident indicators.
- A) Industrial production
 - B) Personal wealth
 - C) Total employment
 - D) Personal income
- 29) In the business cycle periods of expansion are often followed by periods of ____.
- A) concession
 - B) growth
 - C) recession
 - D) prosperity
- 30) To take advantage of a lower opportunity cost to produce certain goods, countries ____.
- A) import most goods
 - B) have higher labor costs
 - C) specialize
 - D) must have an educated labor force
- 31) In order to establish a comparative advantage, a country must have all the following **except** ____.
- A) labor
 - B) small population
 - C) mineral deposits
 - D) capital
- 32) An exchange rate refers to the ____.
- A) value of the US dollar
 - B) cost to exchange goods
 - C) charges applied to a trade imbalance
 - D) dollar cost of a foreign currency
- 33) The dollar has been used for many years as an international medium of exchange because ____.
- A) there is an unlimited supply of dollars in the world
 - B) it can be traded for gold at the U.S. Treasury
 - C) it cannot be counterfeited
 - D) it has held a relatively steady value over many years
- 34) A quota tends to ____.
- A) benefit consumers
 - B) lower the US price below the world price
 - C) keep the quality of imports high
 - D) raise the U.S. price above the world price
- 35) People tend to borrow more money ____.
- A) during inflationary times
 - B) when interest rates are low
 - C) when the government remains neutral
 - D) when interest rates are high
- 36) Banks reduce risks to savers by ____.

- A) diversification of funds
 - B) charging low interest rates
 - C) charging high interest rates
 - D) building strong vaults
- 37) An amount owed is considered a(n) _____.
A) investment
B) liability
C) asset
D) equity
- 38) On a balance sheet, assets equal _____.
A) liabilities minus equity
B) liabilities
C) equity minus liabilities
D) liabilities plus equity
- 39) The Fed requires banks to hold in reserve _____.
A) their equity balance
B) a fraction of checkable deposits
C) all balanced accounts
D) their liability accounts
- 40) One of the ways the Fed can lower the money supply is by _____.
A) buying stock
B) selling bonds
C) selling stock
D) buying bonds
- 41) In the short run, changes in the money supply _____.
A) cause inflation
B) cause deflation
C) mean a lower interest rate
D) cause changes in the economy through changes in interest rates
- 42) Money growth and inflation have _____.
A) a direct relationship
B) never occurred together
C) no relationship
D) an inverse relationship
- 43) The Fed's primary assets are _____.
A) stocks and bonds
B) U.S. government securities
C) Federal Reserve notes
D) its buildings and equipment
- 44) The Fed has direct control over _____.
A) credit card interest
B) interest rates on home mortgages
C) the discount rate
D) interest on personal loans

- 45) _____ measures the market value of all final goods and services produced in the United States during a given period, usually a year.
- A) Gross domestic product
 - B) Net production
 - C) Consumer price index
 - D) Productivity
- 46) Total income for an entire group of people is referred to as _____ income.
- A) personal
 - B) aggregate
 - C) gross
 - D) net
- 47) Macroeconomics indicate that the greatest amount of spending in the United States is on _____.
- A) net exports
 - B) government
 - C) investment
 - D) consumption
- 48) The most important category of investment is new _____.
- A) exports
 - B) physical capital
 - C) imports
 - D) stocks
- 49) Gross domestic product does **not** include _____.
- A) media advertising
 - B) domestic housework
 - C) assembly lines
 - D) raw materials
- 50) Newspaper headlines read: Business Orders Down Nationwide/Workers Laid Off/Households Cutting Back on Spending. What conclusion could be drawn from the headlines?
- A) a possible recession is near
 - B) interest rates are high
 - C) a depression is unavoidable
 - D) consumer confidence is high
- 51) The ____ shows how much output U.S. producers are willing and able to supply at each price level.
- A) equilibrium market
 - B) aggregate supply curve
 - C) aggregate demand curve
 - D) GDP per capita
- 52) Macroeconomics are affected positively by _____.
- A) lack of consumer confidence
 - B) government deficit spending
 - C) increased demand for exports
 - D) high unemployment rates
- 53) _____ examines how people use their scarce resources to satisfy their unlimited wants.
- A) Economics
 - B) Budgeting
 - C) Research
 - D) Prioritizing

- 54) Politicians running for national office are concerned about current ____ conditions.
- A) microeconomic
 - B) macroeconomic
 - C) consumer behavior
 - D) personal salary
- 55) The market clearing price is also called the ____ price.
- A) equilibrium
 - B) unit
 - C) fair market
 - D) sale
- 56) ____ causes prices to move to reach equilibrium in competitive markets.
- A) The government
 - B) The Federal Reserve Board
 - C) Individual buyers and sellers
 - D) The stock market
- 57) ____ is an important indicator about the relative scarcity of a product or service.
- A) The "invisible hand"
 - B) Product popularity
 - C) Market price
 - D) Cost of production
- 58) Checking the want ads for a job instead of going door to door ____.
- A) increases newspaper circulation
 - B) reduces your transaction costs
 - C) reduces the number of jobs available
 - D) increases job competition
- 59) All of the following reduce demand **except** ____.
- A) an increase in consumer income
 - B) a decrease in the price of a substitute
 - C) a decrease in consumer income
 - D) a decline in the number of consumers
- 60) As long as the demand curve slopes downward, a leftward shift of the supply curve ____.
- A) increases price but reduces the quantity
 - B) increases price and increases the quantity
 - C) decreases demand
 - D) increases supply
- 61) An example of a commodity would be ____.
- A) an automobile
 - B) a bushel of wheat
 - C) a one-of-a-kind brand
 - D) a book that has a copyright
- 62) In long-run equilibrium, firms in monopolistic competition are said to operate ____.
- A) with efficiency
 - B) with balanced capacity
 - C) with excess capacity
 - D) free of government interference

- 63) An oligopoly is comprised of ___ firm(s).
A) one
B) many
C) a few
D) most
- 64) Natural monopolies such as electric transmission firms or gas delivery systems are regulated by government to protect _____ interests.
A) government
B) public
C) entrepreneurial
D) special
- 65) An economy 's maximum sustained output in the long run is known as its _____.
A) resource quotient
B) maximum output
C) fiscal policy
D) potential output
- 66) The amount by which actual output in the short run exceeds the economy's potential is called _____.
A) a contract gap
B) potential output
C) an expansionary gap
D) aggregate supply
- 67) A combination of high inflation and high unemployment is known as _____.
A) superficial inflation
B) superflation
C) natural rate of unemployment
D) stagflation
- 68) A deficit _____.
A) indicates the government is owed money
B) is always followed by a balanced budget
C) is necessary for government to run effectively
D) is a way of billing future taxpayers for today ' s spending
- 69) One of the ways the government finances its debt is with the sale of _____.
A) stamps
B) stocks
C) real estate
D) bonds
- 70) ___ measures how much output is produced from given inputs.
A) Capital deepening
B) Productivity
C) Standard of living
D) Capital
- 71) ___ includes the machines, buildings, roads, airports, communications networks, and other manufactured creations used to produce goods and services.
A) Physical capital
B) Productive assets
C) Labor productivity
D) Human capital

- 72) An increase in the quantity and quality of capital per worker is called _____.
A) capital interest
B) capital growth
C) capital deepening
D) inflated capital
- 73) The demand for a resource is tied to the _____.
A) value of the output produced by that resource
B) latest social trends
C) economic conditions
D) available supply
- 74) The demand for roofers would ____ if the price of shingles dropped by 50 percent.
A) fluctuate downward
B) rise
C) not be affected
D) fall
- 75) An economic boom _____.
A) reduces the need for human capital
B) has no impact on the workforce
C) has a direct impact on the workforce
D) frequently occurs during recession
- 76) The law of ____ states that each additional increment of one good requires the economy to give up successively larger increments of the other good.
A) supply and demand
B) increasing opportunity cost
C) productivity
D) diminishing return
- 77) ____ means being able to do something using fewer resources than other producers require.
A) Specialization
B) Division of labor
C) Absolute advantage
D) Comparative advantage
- 78) ____ sorts the production process into separate tasks to be carried out by separate workers.
A) Division of labor
B) Absolute advantage
C) Flattened organization
D) Comparative advantage
- 79) A public good _____.
A) must be approved by voters
B) is available everyone
C) can be purchased by the public
D) can only be enjoyed by taxpayers
- 80) ____ tax is **not** an example of the ability-to-pay tax principle.
A) Income
B) Property
C) Sales
D) Luxury

- 81) ____ is an example of a progressive tax.
- A) Sales tax
 - B) Federal and state income tax
 - C) Social Security tax (FICA)
 - D) Flat tax
- 82) When the marginal tax rate is high it ____.
- A) reduces people's incentive to work
 - B) stimulates the stock market
 - C) raises the after-tax income
 - D) encourages people to work longer hours
- 83) An excise tax is levied on things like ____.
- A) hamburgers
 - B) housing
 - C) clothing
 - D) cigarettes
- 84) The US government is ____.
- A) a representative democracy
 - B) a direct democracy
 - C) federation of states
 - D) a pure democracy
- 85) In an effort to maximize individual political support, politicians establish relationships with special interest groups. What expression best describes this relationship?
- A) Know where your bread is buttered.
 - B) The squeaky wheel gets the grease.
 - C) People who live in glass houses should not throw stones.
 - D) A penny saved is a penny earned.
- 86) Voters adopt a stance of rational ignorance when they ____.
- A) vote the wrong way on an issue
 - B) vote strictly along party lines
 - C) do not educate themselves on public matters
 - D) exercise poor judgment
- 87) Taxpayers are coerced because they ____.
- A) are forced to pay for programs they do not support
 - B) cannot change things by voting
 - C) exercise choice when funding programs
 - D) are forced to obey laws they do not support
- 88) The government finances goods (roads, schools, etc) and services (care of the elderly). Which statement represents this concept the best?
- A) The government produces the services but not the goods.
 - B) Government workers perform all the needed tasks.
 - C) Private firms charge more than the government for the same good or service.
 - D) The government hires private firms to produce some goods and services.
- 89) Real income refers to ____.
- A) your income minus taxes
 - B) your income minus taxes and benefits
 - C) how much money you actually earn

- D) how many goods and services you can buy
- 90) Low demand for a product and high supply will tend to ____ the price.
A) not affect
B) double
C) lower
D) raise
- 91) Supply indicates how much of a good producers _____.
A) are willing and able to offer
B) have sold
C) have yet to sell
D) produce
- 92) Elasticity of supply indicates how _____.
A) responsive producers are to a change in price
B) much the product costs
C) many products are in stock
D) adaptable the supply is
- 93) Which statement is the most accurate?
A) The elasticity of supply is typically greater with a greater quantity of products on hand.
B) The elasticity of supply typically is not affected by time at all.
C) The elasticity of supply is typically diminished the longer the period of adjustment.
D) The elasticity of supply is typically greater the longer the period of adjustment.
- 94) The process of turning an invention into a marketable product is called _____.
A) intrapreneurship
B) innovation
C) entrepreneurship
D) speculation
- 95) Entrepreneurs are _____.
A) lucky
B) wealthy
C) profit seekers
D) college-educated
- 96) An individual stockholder _____.
A) assumes little risk
B) has little say in a firm's operation
C) is an entrepreneur
D) oversees a firm's day-to-day operations
- 97) A charter _____.
A) is a partnership agreement
B) is a banking agreement
C) offers the legal authorization to organize a business as a corporation
D) is a stock option proposal
- 98) A partnership _____.
A) is a written application seeking permission from the state to form a corporation
B) is a business contract
C) is the same as a corporation
D) has no life of its own

- 99) During the contractionary phase of the business cycle:
- A) smaller companies expand into larger companies
 - B) unemployment generally rises
 - C) inflation typically increases
 - D) business profitability increases
- 100) If households decide to save more of their income, how does this affect the circular flow model?
- A) the model must be adjusted to include savings
 - B) circular flow of income does not change
 - C) circular flow of income is increased
 - D) circular flow of income is reduced

Answer Keys

- | | | | |
|-----|---|------|---|
| 1) | A | 54) | B |
| 2) | A | 55) | A |
| 3) | D | 56) | C |
| 4) | A | 57) | C |
| 5) | B | 58) | B |
| 6) | C | 59) | A |
| 7) | A | 60) | A |
| 8) | D | 61) | B |
| 9) | A | 62) | C |
| 10) | B | 63) | C |
| 11) | D | 64) | B |
| 12) | C | 65) | D |
| 13) | C | 66) | C |
| 14) | A | 67) | D |
| 15) | D | 68) | D |
| 16) | A | 69) | D |
| 17) | D | 70) | B |
| 18) | C | 71) | A |
| 19) | B | 72) | C |
| 20) | D | 73) | A |
| 21) | B | 74) | B |
| 22) | D | 75) | C |
| 23) | D | 76) | B |
| 24) | A | 77) | C |
| 25) | B | 78) | A |
| 26) | D | 79) | B |
| 27) | C | 80) | C |
| 28) | B | 81) | B |
| 29) | C | 82) | A |
| 30) | C | 83) | D |
| 31) | B | 84) | A |
| 32) | D | 85) | B |
| 33) | D | 86) | C |
| 34) | D | 87) | A |
| 35) | B | 88) | D |
| 36) | A | 89) | D |
| 37) | B | 90) | C |
| 38) | D | 91) | A |
| 39) | B | 92) | A |
| 40) | B | 93) | D |
| 41) | D | 94) | B |
| 42) | A | 95) | C |
| 43) | B | 96) | B |
| 44) | C | 97) | C |
| 45) | A | 98) | D |
| 46) | B | 99) | B |
| 47) | D | 100) | D |
| 48) | B | | |
| 49) | B | | |
| 50) | A | | |
| 51) | B | | |
| 52) | C | | |
| 53) | A | | |