

2007 NATIONAL ECONOMICS CHALLENGE
NCEE/Goldman Sachs Foundation

Round IV – Quiz Bowl
Regional Competition, Adam Smith Division

1. You may want to use pencil and paper for this:

Suppose a monopolist is producing 800 units of output at a point where marginal revenue and marginal cost are equal. If the price that is charged by the monopolist is \$5 per unit, what is the monopolist's total profit if average total costs are \$3 at this point? **(Answer: \$1600).**
2. What is the marginal federal income tax rate of the one-hundred thousandth dollar earned by a *single* U.S. taxpayer? **(Answer: 28%).**
3. If the average propensity to save is 0.15 and total income is one million dollars, what is total savings? **(Answer: \$150,000).**
4. Suppose at a binding price ceiling of \$200 per unit, there are 20,000 units of a product sold. If the price ceiling is eliminated, give me a viable price-quantity exchanged pair that may now be observed. **(Answer: Any price greater than \$200 and any quantity exchanged greater than 20,000).**
5. What do you call a good for which the income effect of a price increase dominates the substitution effect? **(Answer: Giffen Good)**
6. A permanent reduction in income tax rates, a sustained increase in energy costs, a decrease in consumer confidence, or a widespread technological advance. Which of these is most likely to create stagflation? **(Answer: a sustained increase in energy costs).**
7. Imagine a world in which households could only hold two financial assets: money and bonds. If a financial innovation caused the demand for money to decline, what would happen to interest rates and the price of bonds in order to restore equilibrium in the market for money? **(Answer: interest rates would fall and the price of bonds would rise)**
8. At an interest rate of 4%, using the rule of 72, approximately how many years will it take for a \$1000 deposit to grow to \$4000? **(Answer: 36 years)**
9. In August 1998, what country devalued its currency causing turmoil to develop in world financial markets? **(Answer: Russia)**

10. The John Bates Clark Medal is awarded biannually to an American economist who is judged to have made a significant contribution to economic thought and knowledge and is under what age? (**Answer: 40 years old**)
11. Idaho, Rhode Island, Montana, or Wyoming. Which one of these states DOES NOT have a state income tax? (**Answer: Wyoming**)
12. 15 weeks, 30 weeks, 45 weeks, or 60 weeks. At the end of 2006, what was the average length of time that an unemployed worker remained unemployed (**Answer: 15 weeks---the actual number was 15.9 weeks**)
13. Of the following 4 employment sectors, which accounts for the largest share of U.S. employment: Financial Activities, Manufacturing, Government, or Construction (**Answer: Government—16%**)
14. Which of the following is the largest in dollar terms: National Debt, M2, Consumer Credit Outstanding, Currency in Circulation? (**Answer: National Debt**)
15. You may need paper and pencil for this: Two points on a linear demand function are (Q=100, P=\$10) and (Q=50, P=\$20). What is the lowest price at which quantity demanded would equal 0? (**Answer: \$30**)
16. Spain, Ireland, Germany, or France: Which country currently has the lowest measured unemployment rate? (**Answer: Ireland**)
17. Which of the following has the highest current purchasing power: 1 Japanese Yen, 1 Euro, 1 British Pound, 1 Canadian Dollar. (**Answer: 1 British Pound**)
18. In the 2006 Worldwide Cost of Living Survey conducted by Mercer Human Resource Consulting, what was named the most expensive city in the World? (**Answer: Moscow**)
19. Which of the following expenditure categories has the greatest weight in the construction of the Consumer Price Index?: Food and Beverages, Housing, Transportation, or Medical Care. (**Answer: Housing**)
20. Feeder cattle, 13-week Treasury Bills, Whole Chicken Fryers, or the Canadian Dollar. Which of these does not have a futures contract traded at the Chicago Mercantile Exchange? (**Answer: Whole Chicken Fryers**).
21. Which measure magically transforms the income distribution of a country into a single number? (**Gini coefficient**)

22. Listen carefully: Suppose that a U.S. worker can produce 100 computers or 5 cars in the same amount of time that a Mexican worker can produce 10 computers or 1 car. In what area does Mexico have a comparative advantage, and what is the highest price that the U.S. would pay to purchase this good from Mexico? (**cars, 20 computers**)
23. What is the yield to maturity on a one-year discount bond with a face value of \$100, which is currently priced at \$90? (**11.11%**)
24. For the supply curve of labor to bend backward, what has to be true about the relationship between the income and substitution effect of a wage increase? (**income effect > substitution effect**)
25. What is Pigou's government solution to a positive externality? (**subsidies**)
26. What two numbers are added together to construct a misery index? (**inflation rate and unemployment rate**).
27. Which of the following information is released on a weekly frequency: Dow Jones Industrial Average, Initial Jobless Claims, New Factory Orders, or Consumer Confidence (**Answer: Initial Jobless Claims**)
28. When an economy allows trade and becomes an importer of a good, what happens to each of the following: Consumer surplus, Producer surplus, Total surplus? (**Consumer surplus increases, Producer surplus decreases, and Total surplus increases**)
29. When someone consumes an additional unit of an economic good, what happens to her total utility and her marginal utility? (**Total utility increases and marginal utility decreases**).
30. (The Department of Labor, the FDIC, the Comptroller of the Currency, or the Federal Reserve): Which of these does not serve as a bank regulator? (**The Department of Labor**)

Tiebreaker: Prior to entering public service, Federal Reserve Board chairman Ben Bernanke was chair of the economics department at what university? (**Princeton**)