

SAMPLE QUESTION PAPER ECONOMICS

- 1. The fundamental economic problem faced by all societies is:**
 - a. unemployment
 - b. inequality
 - c. poverty
 - d. scarcity
- 2. The bowed shape of the production possibilities curve illustrates:**
 - a. the law of increasing marginal cost
 - b. that production is inefficient
 - c. that production is unattainable
 - d. the demand is relatively inelastic
- 3. The price elasticity of demand is the:**
 - a. percentage change in quantity demanded divided by the percentage change in price
 - b. percentage change in price divided by the percentage change in quantity demanded
 - c. dollar change in quantity demanded divided by the dollar change in price
 - d. percentage change in quantity demanded divided by the percentage change in quantity supplied
- 4. If there is a price ceiling, which of the following is NOT likely to occur?**
 - a. rationing by first-come, first-served
 - b. black markets
 - c. gray markets
 - d. sellers providing goods for free that were formerly not free
- 5. The demand for labor is the same as the**
 - a. marginal revenue product
 - b. marginal physical product
 - c. marginal cost
 - d. wage
- 6. When my income was \$100,000, I paid \$10,000 in taxes. When my income became \$200,000, I paid \$40,000 in taxes. My marginal tax rate is:**
 - a. 10%
 - b. 20%
 - c. 30%
 - d. 40%
- 7. Which of the following groups is most hurt by unexpected inflation?**
 - a. workers with cost of living adjustments in their labor contracts
 - b. homeowners
 - c. people with large debts to pay for their homes and cars
 - d. people with large retirement savings held in savings accounts
- 8. Which of the following is true about the Federal Reserve System (Fed)?**
 - a. it is a system of 12 central banks
 - b. its Board of Governors is elected by a vote of the people
 - c. its main policy-making body is the FDIC
 - d. it accepts deposits from the public and makes loans to businesses
 - e. all of the above
- 9. "Crowding out" means that**
 - a. a government budget deficit lowers interest rates and causes investment spending to rise
 - b. an increase in marginal tax rates lowers production

- c. a government budget deficit raises interest rates and causes investment spending to fall
- d. a government budget deficit raises American exports and lowers American imports

10. If the nominal interest rate is 5% and the inflation rate is 2%, the real interest rate is:

- a. 2%
- b. 3%
- c. 5%
- d. 7%
- e. 2 ½%