INO1 Principles of Economics Exam Version 3

Section: Economics • **Total Questions:** 10 • **Format:** Verified Q&A

1. A recent news report suggests that 30 firms that grow and export walnuts decide to form a cartel that aims to raise the price of walnuts and reduce output to increase profit. What can be predicted about the future of this cartel

(A) The cartel will probably not be successful because the number of firms forming the cartel is too low.

(B) The cartel will probably be successful because agreements among domestic firms are easily enforceable, and walnuts are grown in a limited number of areas.

(C) The cartel will probably not be successful because the number of firms is unmanageable and there are substitutes for walnuts.

(D) The cartel will probably be successful because the demand for walnuts is highly elastic.

2. The federal government substantially increases educational subsidies, which increases productivity. Which effect does this situation have on the long-run aggregate supply (LRAS) curve

(A) It shifts to the left.

(B) It shifts to the right.

(C) It becomes flatter.

(D) It becomes steeper.

3. Which statement accurately reflects the absolute advantage and comparative advantage of corn?

(A) Country A has the absolute advantage in corn, and Country B has the comparative advantage in corn

(B) Country B has the absolute advantage and comparative advantage in corn

(C) Country B has the absolute advantage in corn, and Country A has the comparative advantage in corn

(D) Country A has the absolute advantage and comparative advantage in corn

4. The larger firms in an industry have market shares of 20%, 10%, 5%, 18%, 8% and 12%. The largest firm has now acquired the smallest of these firms. What is the four-firm concentration ratio after this acquisition

(A) 72

(B) 68

(C) 65

(D) 60

5. Which formula correctly calculates gross domestic product (GDP)

(A) Consumption + Investment + Government – Net Exports
(B) Consumption + Investment + Government – Exports
(C) Consumption + Investment + Government + Exports
(D) Consumption + Investment + Government + Net Exports

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6. Which market structure is characterized by firms that have no market power and create no barriers to market entry?

(A) Monopoly
(B) Monopolistic competition
(C) Oligopoly
(D) Perfect competition

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7. Which challenges are highlighted by the Phillips curve

(A) Monetary challenges of lowering prices and environmental damage
(B) Political challenges of providing jobs and reducing imports
(C) Financial challenges of increasing GDP and government spending
(D) Fiscal challenges of reducing unemployment and inflation

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8. Which question would be studied by a macroeconomist?

(A) Can a tax on alcohol reduce the number of fatalities on freeways?
(B) What percentage of an individual's consumer income is spent on medicine?
(C) What is the market price of corn?
(D) What is the impact of a constitutional amendment on the federal budget?

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9. Why are production possibility curves usually bowed out from the origin

(A) Resources are homogeneous and can only be substituted on a one-to-one basis
(B) Resources are heterogeneous and are imperfect substitutes for each other
(C) Resources include capital and labor and cannot be substituted for each other
(D) Resources include land and labor and are perfect substitutes for each other

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10. Which characteristic is associated with a traditional economy?

(A) Privately owned goods and services are standard
(B) Trade is heavily dependent on bartering rather than money
(C) Prices and production are driven by competition
(D) The government decides how to distribute capital resources