

Harvard Pre-Collegiate Economics Challenge 2012
Quiz Bowl Round 1

1. If consumers suddenly discover that frozen yogurt is more delicious than previously thought, what will happen to the demand curve for frozen yogurt?
(Shifts up or right)

2. What graph shows the various combinations of output that the economy can produce given the available factors of production and the available production technology?
(Production Possibilities Frontier)

3. When a monopoly increases the quantity it sells, what is the effect on the price?
(Price falls)

4. What term is used to describe a demand curve whose elasticity is infinite?
(Perfectly Elastic OR Perfectly Elastic Demand Curve)

5. What is the name of the situation where shared resources are consumed more than is desirable from the standpoint of society?
(The Tragedy of the Commons)

6. What is the current un-adjusted U.S. unemployment rate, to the nearest 1%?
(8%)

7. What term describes the above-equilibrium wages paid to workers to encourage high productivity?
(Efficiency Wages)

8. Consider a small open economy. What will happen to the amount of investment if government spending increases?
(Remains the same)

9. In an effort to help the American economy recover from the 2008 recession, the Central Bank has bought financial assets in order to increase the money supply. This policy is better known as what?
(Quantitative Easing OR QE)

10. What term do economists use to describe the costs of inflation associated with the opportunity cost of time and holding money, which, in theory, leads to more frequent trips to the bank?
(Shoe leather Costs)

11. What happens to the demand for a normal good if income increases?
(Demand increases)

12. Often due to a large increase in the money supply, what term describes very high or out of control increase in the price level like that seen in Zimbabwe in 2008.

(Hyperinflation)

13. An economic system in which no allocation of goods can be arranged to make one person better off without making another person worse off is known as what?

(Pareto Efficient or Pareto Optimal)

14. Who is the current chairman of the Council of Economic Advisors?

(Alan Krueger)

15. Consider a small open economy. What will happen to its interest rates if global savings contract?

(Increase)

16. Which international economic body does the acronym OECD stand for?

(Organization for Economic Co-operation and Development)

17. Glinda has just resigned from her job and is looking for another one. During this period, she is considered unemployed. What is this type of unemployment called?

(Frictional unemployment)

18. A manufacturer produces gadgets using labor and capital. Keeping the amount of capital constant, each additional unit of labor increases the number of gadgets produced by a smaller and smaller amount. What is this effect formally called?

(Diminishing Marginal Returns)

19. Which 20th century British economist wrote *General Theory* and advocated the use of monetary and fiscal policy to mitigate the effects of the business cycle?

(John Maynard Keynes)

20. People with insurance against automobile theft tend to be less cautious about locking their cars. What is this effect formally called?

(Moral hazard)

Tie-Breaker Questions:

1. Order the following types of businesses from least capital intensive to most capital intensive: railroads, passenger airlines, pizza delivery.

(Pizza; Airline; Railroad)

2. What term is used to describe the fall in total surplus that results from a market distortion, such as a tax or subsidy?

(Deadweight Loss)

Harvard Pre-Collegiate Economics Challenge 2012
Quiz Bowl Round 2

1. A firm's average variable cost is higher than the price of its product. Does the firm continue production in the short run?

(No)

2. How many regional Federal Reserve Banks are there in the U.S.?

(12)

3. When the quantity of a good demanded responds only slightly to changes in its price, the demand for that good is said to be _____?

(Inelastic)

4. Which law passed by Congress in 1890 aimed to reduce the market power of the large and powerful "trusts" that were seen as dominating the economy at the time?

(Sherman Anti-Trust Act)

5. In a world with two countries, A and B, if country A's net exports rise, what happens to country B's net exports?

(Fall)

6. If the international cost to produce a car is lower than the US cost to produce a car, would you expect the US to be a net importer or net exporter of cars?

(Importer)

7. If Mustardland has much lower GDP per capita than Relishia, which country would be predicted to have a higher growth rate?

(Mustardland [this is due to the catch-up effect])

8. Which branch of economics deals with behavior in strategic situations?

(Game Theory)

9. What is the term for the political philosophy espoused by Milton Friedman, according to which the role of government should be constrained to punishing crimes and enforcing voluntary agreements, and government should not intervene with regard to income distribution or social issues?

(Libertarianism)

10. If a carrot is worth three onions and a potato is worth four onions, what is the opportunity cost in onions of one carrot and three potatoes?

(15 onions)

11. What is the name of the federal entitlement program that provides low-income people with healthcare, by providing grants to the states?

(Medicaid)

12. Where does the supply of loanable funds come from?

(National saving)

13. If a firm's average total cost is lower than the price of its product, would it continue production?

(Yes)

14. In a single prisoner's dilemma where two players both have the option to defect or not defect, what is each player's dominant strategy?

(Both players should defect)

15. What is the term economists use to describe a declining overall price level?

(Deflation)

16. If Mexico has an absolute advantage in building cars and trucks, and Brazil has a comparative advantage in building trucks, which country is more likely to export trucks to the other?

(Brazil)

17. Which international organization, which handles disputes over quotas and tariffs, grew out of the GATT accords?

(World Trade Organization or WTO)

18. If the real interest rate in Canada rises, what will happen to Canada's Net Foreign Investment?

(Decrease)

19. What effect would the imposition of an import quota by the US have on the value of the dollar?

(Appreciates or increases)

20. Which European country was recently officially determined to have defaulted on its Sovereign debt?

(Greece)

Tie-Breaker Questions:

1. In a perfectly competitive market, is marginal revenue above, below, or equal to average revenue?

(Equal to)

2. If the marginal cost of a slice of pizza is \$2 in a restaurant and \$0 at HPEC, where would you expect someone to eat more pizza?

(HPEC)

Harvard Pre-Collegiate Economics Challenge 2012
Quiz Bowl Round 3

1. What effect would a decline in the U.S. real interest rate have on U.S. Net Foreign Investment?
(Net foreign Investment rises)
2. Name the institution that has partially taken on the role of lender of last resort for the Eurozone:
(The ECB or European Central Bank)
3. Which of the following is economic investment: Bob buys a pizza delivery van, or Stacy buys 10 shares of Domino's stock?
(Buying the delivery van)
4. How do improvements in technology affect the supply curve?
(Shift the supply curve down or right)
5. The Phillips Curve shows the short-term inverse relationship between which two variables?
(Inflation and Unemployment)
6. What is the term for an increase in the value of a currency relative to foreign currency?
(Appreciation)
7. Money that has intrinsic value is called
(commodity money)
8. Today, the CPI is at 300. Annual inflation for the next year is four percent. What will the CPI be in a year?
(312)
9. The market for laptops is an example of this market structure, where many firms sell differently branded products?
(Monopolistic Competition)
10. Suppose there are economies of scale in the production of social networks. How many firms would make social networks in equilibrium?
(One)
11. Suppose Apple forces you to buy a web browser as part of buying a computer. This is an example of which anti-competitive practice?
(Bundling)

12. If a binding quantity cap is imposed on housing in one part of a city, what happens to the demand for housing in other parts of the city, a substitute?

(Rises or shifts outward)

13. In a monopoly, quantity produced is determined by the intersection of which two curves?

(MR and MC, or Marginal Revenue and Marginal Cost)

14. Are prices higher under perfect competition or under monopoly?

(Monopoly)

15. Progressive, Regressive, or flat: Which describes a lump-sum tax?

(Regressive)

16. Name the 18th century author who coined a well-known term to describe the equilibrating and self-regulating nature of free markets.

(Adam Smith)

17. What market structure should exist in a market with increasing marginal returns?

(Monopoly)

18. A demand or supply curve with an elasticity of 0 is referred to as what type of curve?

(Perfectly inelastic)

19. What is the second-largest economy in the world?

(China)

20. Which of the following industries has recently undergone substantial horizontal consolidation via mergers in the United States: airlines, fast food, or car insurance?

(Airlines)

Tie-Breaker Questions:

1. The pleasure that I get from eating ten donuts is less than ten times the pleasure I get from eating one donut. What is the economic term for this phenomenon?

(Diminishing marginal utility)

2. If a country has an absolute advantage in every good that it produces, would it still be beneficial for that country to engage in international trade?

(Yes)

Harvard Pre-Collegiate Economics Challenge 2012
Quiz Bowl Round 4

1. What effect would the imposition of an import quota by the US have on the real interest rate?
(No effect)
2. What is the maturity period of the longest-dated bonds sold by the U.S. government?
(30 years)
3. If the Fed decides that it is necessary to reduce inflation, what does it do with bonds?
(Sells)
4. Which is more frequently used as a reserve currency, the Euro or the U.S. Dollar?
(Dollar)
5. What market condition do firms face in a fully unionized labor market?
(Monopsony)
6. Education and work experience develop which factor of production?
(Human capital)
7. Consider a product market consisting of chips, hot dogs, and salsa. Identify the pair of goods that are most likely to be substitutes.
(Chips, Hot Dog)
8. Considering the same product market of chips, hot dogs, and salsa, identify the pair of goods that are most likely to be complements.
(Salsa, Chips)
9. The total number of workers, including the employed and the unemployed is called:
(The labor force)
10. Which of the following is typically considered an inferior good: fresh fruit, sporting event tickets, or public transportation?
(Public transportation)
11. What is the economic term for economy-wide fluctuations in production and economic activity over months or years?
(Business cycles)
12. The term for spending on capital equipment, inventories, and structures, including household purchases of new housing is:
(Investment)
13. The combination of falling output and rising prices is called:
(Stagflation)

14. What happens to prices when a firm in a perfectly competitive market increases production?
(Prices are unchanged)

15. The Laffer curve describes the hypothetical relationship between which two variables?
(Tax rates and government revenue)

16. In which type of market is the demand curve faced by a firm equal to the firm's marginal revenue curve?
(Perfectly competitive)

17. What term do economists use to describe the costs of inflation associated with changing nominal prices?
(Menu Costs)

18. How large is the Keynesian multiplier predicted by Ricardian Equivalence or complete crowding out?
(Zero)

19. A monopoly with marginal cost of seven maximizes profits and charges everyone the same price. There are three customers who are willing to pay ten and four customers who are willing to pay eight. What will the price be?
(Ten)

20. Who is the current head of the Federal Reserve Board?
(Ben Bernanke)

Tie-Breaker Questions:

1. When income rises, what type of good falls in consumption?
(Inferior Good)

2. Which is a public good: Fish or fireworks displays?
(Fireworks)

Harvard Pre-Collegiate Economics Challenge 2012
Quiz Bowl Round of 16

1. To the nearest trillion dollars, what is US GDP?
(\$14 Trillion or \$15 Trillion)
2. What impact would a binding minimum wage have on unemployment?
(Unemployment increases)
3. If the March Madness basketball tournament leads people to take more leisure time and work less, what effect will it have on GDP?
(Decrease)
4. If the March Madness basketball tournament leads people to take more leisure time and work less, what effect will it have on total utility?
(Increase)
5. Suppose Larry gets three utils of enjoyment from a bagel and twelve utils from a slice of pizza. What is his marginal rate of substitution between the two foods?
(Four bagels per slice of pizza, or one-quarter slice of pizza per bagel. Note: do not accept answers without units)
6. What is the name of the effect that leads one to consume more of other goods as one good becomes more expensive?
(Substitution effect)
7. If above-average temperatures lead people to crave ice cream and make it more expensive to keep ice cream cold, what will happen to the price of ice cream?
(Increase)
8. What is the name for long-run average total cost declining as output increases?
(Economies of scale)
9. Money without intrinsic value that is used as money because of government decree is called:
(Fiat money)
10. What is the name of the effect that leads one to consume more of other goods as one good becomes less expensive?
(Wealth effect or Income effect)
11. If the Fed decides to reduce the money supply, what does it do with bonds?
(Buys)
12. When there is only one buyer in a market, how does price differ from the price in a perfectly competitive market?
(The price is lower)

13. Which market would experience larger deadweight losses from a tax: a market where both demand and supply are inelastic or a market where both demand and supply are elastic?

(Elastic)

14. What is the term for a large, sudden movement of funds out of a country?

(Capital flight)

15. A tax on capital gains is likely to discourage which activity?

(Saving)

16. When a new technology allows cameras to be put into phones, what happens to the demand curve for cameras?

(Shifts up or right)

17. Which is included in the M1 measure of the money supply: money market accounts or demand deposits?

(Demand deposits)

18. Which governmental body prevents bank runs by insuring depositors' bank accounts?

(FDIC or Federal Deposit Insurance Corporation)

19. If you are offered a choice between a candy bar and another identical candy bar, what are your economic profits from your choice, in candy bars?

(Zero)

20. What will happen to the price level if the money supply increases?

(Increases)

Tie-Breaker Questions:

1. Name the measure of happiness or satisfaction used most often in microeconomics:

(Utility)

2. Growth and the business cycle are the two key areas of study of which part of economics?

(Macroeconomics)

Harvard Pre-Collegiate Economics Challenge 2012
Quiz Bowl Quarterfinal Round

1. If the Fed wants to raise interest rates, does it buy or sell bonds?
(Sells)
2. Who is the economist currently serving as Prime Minister of Italy?
(Mario Monti)
3. Is the marginal product of \$1000 in capital likely to be higher in a rich country or a poor country?
(in a poor country)
4. What immediate effect would the imposition of a tariff by the US have on US net exports?
(no effect)
5. What is the current federal minimum wage?
(\$7.25)
6. The immediate predecessor of the current Chairman of the Federal Reserve, this economist has received blame for monetary policy contributing to the financial crisis of 2008.
(Alan Greenspan)
7. Seigniorage refers to the ability to do what?
(Print money)
8. If two bonds are similar but bond A has a higher price than bond B, which has a higher yield?
(Bond B)
9. Which of the following is NOT a factor of production: human capital, land, interest, or labor?
(Interest)
10. If a monopoly is able to discriminate based on price, what happens to the consumer surplus?
(Decreases)
11. If a monopoly is able to discriminate based on price, what happens to total surplus?
(Increases)
12. Two government sponsored enterprises known as the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation are more commonly referred to by which two names?
(Fannie Mae and Freddie Mac)

13. One year ago, the GDP deflator was 250 and nominal GDP was 1,000 dollars; this year, the GDP deflator is 300 and nominal GDP is 1,500 dollars. What was the rate of real GDP growth over the past year?

(25%)

14. Founded in July of 2011 as part of the Dodd-Frank Wall Street Reform, which federal agency has the primary responsibility for regulating consumer finance in the US?

(Consumer Financial Protection Bureau OR Consumer Protection Bureau OR CFPB)

15. Does the Consumer Price Index overstate or understate true inflation?

(Overstate)

16. Consider two countries: one produces soda, and has just discovered a technological advancement to produce soda more efficiently. The other produces pizza, which is becoming harder to produce. Will the price of soda in terms of pizza appreciate, depreciate, or remain the same?

(Depreciate)

17. What is the highest marginal U.S. personal income tax rate?

(35%)

18. If losing a candy bar that costs \$3 does not move Amy between indifference curves, how much money would she pay to not lose the candy bar?

(\$0)

19. Consider three types of product markets: competitive, oligopoly, and monopoly. In which type of market would game theory be the most relevant?

(Oligopoly)

20. If supply for gasoline is less elastic than demand, who bears most of the cost of a per-unit tax charged at the pump, producers or consumers?

(Producers)

Tie-Breaker Questions:

1. A good that is both non-rival and non-excludable is known as a what?

(Public Good)

2. When a supply curve is deemed perfectly inelastic, its elasticity is equal to what value?

(Zero)

Harvard Pre-Collegiate Economics Challenge 2012
Quiz Bowl Semifinal Round

1. Social security payments and donations to charity are two examples of monetary transactions that are not included in GDP. What do economists call this type of transaction?
(Private transfers or transfers)
2. Who is the current head of the International Monetary Fund, or IMF?
(Christine Lagarde)
3. Sometimes used to determine the welfare of an economy that allows trade, what term is defined by the relative prices of exports and imports?
(Terms of Trade)
4. Bill is willing to pay \$25,000 to buy his first car, and \$15,000 to buy his second car. If cars cost \$18,000, what is Bill's consumer surplus?
(\$7,000)
5. Which type of debt does the Fed usually use to conduct open market operations?
(U.S. Government debt or Treasury bills/bonds)
6. Which rule included in the Dodd-Frank Wall Street Reform Act gets its name from a former Chairman of the Federal Reserve?
(The Volcker Rule)
7. LIBOR, the average interest rate that leading banks in London charge to other banks when loaning funds, is an acronym for what?
(London Interbank Offered Rate)
8. If someone strictly prefers A to B and B to C, and also prefers C to A, is that person rational in an economic sense?
(No)
9. Name one of the two economists who developed prospect theory, which describes behavioral economic phenomena like loss aversion.
(Kahneman or Tversky)
10. How do changes in the price of a good shift the supply curve for that good?
(Don't shift the supply curve)
11. Currently pinned between 0% and 0.25% percent, name the interest rate at which banks typically trade overnight balances.
(The Federal Funds Rate)
12. Is the income elasticity of a typical household's demand for toilet paper positive or negative?
(Negative)

13. Name one of the three large “nationally recognized statistical rating organizations,” or bond rating companies, in the U.S.

(Moody’s, Fitch, or S&P/Standard & Poor’s)

14. In the market for a popular breakfast cereal, the equilibrium quantity is 200 units and the equilibrium price is \$5. Suppose the government imposes a binding price floor for the item. Name a new possible price and a possible market quantity exchanged in this market.

(Any price higher than \$5, any quantity lower than 200)

15. If the market for saltwater is characterized by only a few sellers, while the market for freshwater is characterized by many sellers, which market has a higher Herfindahl index?

(Saltwater)

16. Name a type of monetary policy that can be pursued at the zero lower bound.

(Quantitative Easing or asset purchases)

17. In an industry with high fixed costs, which occurs at a lower quantity: the minimum of average total cost or the minimum of average variable cost?

(Average Variable Cost)

18. Free-floating international exchange rates are the result of the end of which agreement?

(Bretton Woods)

19. If a supply shock occurs, does the Phillips curve stay the same, move outwards, or move inwards?

(Moves outwards)

20. As the number of firms in an oligopolistic market increases, what happens to price?

(Price falls)

Tie-Breaker Questions:

1. Costs that change with the quantity of output produced are called:

(Variable costs)

2. What term is used to describe the market condition in which there are many firms but only one buyer?

(Monopsony)

Harvard Pre-Collegiate Economics Challenge 2012
Quiz Bowl Final Round

1. What term is used to describe closed economies, typically in the context of trade?
(Autarky)
2. Which type of economic theory contains an explanation for the development of new technology?
(Endogenous Growth Theory)
3. Playing baseball in the afternoons is worth \$10 to Billy, but when Billy plays baseball he always breaks one of Joe's windows, which costs \$5 to fix. If Joe has the right to stop Billy from playing baseball, what is one possible payment from Billy to Joe predicted by the Coase Theorem?
(Accept any answer between \$5 and \$10)
4. Loss Aversion refers to preferences about the amount of gains that behave strangely near which number?
(Zero)
5. In year 2000, the Dow Jones Industrial Index was at ten thousand. If the Dow grows at an annual rate of 6%, what will be its value (to the nearest power of ten) in year 2084?
(One million)
6. If banks raise reserve ratios, will each dollar of purchases by the Fed increase the money supply by a larger amount, by a smaller amount, or by the same amount as before the change in reserve ratios?
(Smaller amount)
7. A massive economic reorganization takes place tomorrow; as a result, Drew Faust has all the wealth on earth and everyone else has zero wealth. If Faust's marginal utility of consumption is always positive, is distribution Pareto optimal?
(Yes)
8. Does the zero lower bound problem affect real or nominal interest rates?
(Nominal)
9. The Fed announced in 2011 that it would revive a 1961 program known as Operation Twist. The goal of this program is to reduce the yields of bonds due in the far future relative to bonds due in the near future. Which type of bonds did the fed buy and which type did it sell, far future or near future?
(Buy bonds due in the far future, sell bonds due in the near future)
10. What type of preference curve, named after a former Harvard professor, describes individuals facing perfect complements?
(Leontief)

11. Which is the usual measure of unemployment in the United States, U6 or U3?
(U3)
12. The Harvard Undergraduate Economics Association wants to insure its risky competition. There is a 60% chance that no claims will arise. If a claim does arise, its dollar value will be \$1000 or \$5000 with equal probability. What should this insurance cost?
(\$1200)
13. To the nearest order of magnitude, what was the highest annual level of the U.S. trade deficit (which was attained in 2006)?
(\$1 Trillion)
14. What classes of variables does the classical dichotomy separate?
(Real and Nominal)
15. An economy consists of 3 people, Susan, Mary, and Anne. Susan is a student who is working part-time. Mary has been discharged from her job and actively looking for one. Annie is retired. What is the current unemployment rate?
(50%)
16. Name two of the three functions of money.
(Any two of: medium of exchange, store of value, unit of account)
17. If good A and good B are perfect substitutes and good A is twice as expensive as good B, how many units of good A will be purchased?
(0)
18. In 2008, the Fed began to buy what kind of real-estate-related securities for the first time?
Mortgage-backed securities or MBS
19. Assuming Jeremy Lin is risk-neutral and decides only based on money, if he would make \$1 million as an investment banker, and has only a ten percent chance of making it in the NBA, how much would making it in the NBA need to pay for him to play basketball?
(\$10 million)
20. What is the term for the theory that states that asset prices reflect all publically available information about the value of an asset?
(Efficient Markets Hypothesis)

Tie-Breaker Questions:

1. Assume that a company pays a proportional tax only on its profits. If this tax rate suddenly increases, what will be the short-run effect on production?
(No change)
2. True or False: Utility curves may intersect.
(False)