

2007 NATIONAL ECONOMICS CHALLENGE
NCEE/Goldman Sachs Foundation

Round IV – Quiz Bowl
Regional Competition, David Ricardo Division

1. (1955, 1965, 1975, 1985, or 1995); which was the last year the U.S. reported an annual trade surplus? **(1975)**
2. Whose presidential campaign advisor/strategist coined the phrase: "It's the economy, stupid."? **(Bill Clinton)**
3. If Henry Ford paid his workers \$5 per day in 1914 when the CPI was 10, what would be an equivalent salary in 2006 with the CPI equal to 201? **(\$100.50)**
4. Suppose one pound of coffee cost \$5 in the U.S. and 500 yen in Japan. What would the exchange rate of yen per dollar be if purchasing power parity holds? **(100 yen per \$1.00)**
5. When government provides subsidies to firms, what happens to the market price and quantity exchanged of the subsidized good? **(Market price falls and quantity exchanged rises)**
6. What country ranks highest in the Heritage Foundation's 2007 Index of Economic Freedom? **(Hong Kong)**
7. Belgium, Germany, Italy, Switzerland, or Spain: Which of these countries does not claim the Euro as its currency? **(Switzerland)**
8. Using the classical equation of exchange what is income velocity of money if the money supply equals \$500 billion and nominal GDP is \$10 trillion? **(20)**
9. Where are open market operations executed? **(Federal Reserve Bank of New York)**
10. During which decade was the average inflation rate the highest? (1940s, 1950s, 1960s, or 1970s) **(1970s)**
11. A _____ is said to exist when a single firm can supply a good or service at a lower market cost than could two or more firms. Fill in the blank? **(natural monopoly)**
12. What is the highest possible value of a Herfindahl Index? **(10,000)**
13. If the income elasticity of demand is 3, by how much must income increase in order to increase the amount of a normal good purchased by 60 percent? **(20%)**

14. At a price of \$4, the market for a popular breakfast cereal is in equilibrium at 100 units purchased per month. Suppose a lobbying effort by the cereal's producer is successful at getting the government to impose a binding price floor for the item. Name a possible price and a possible market quantity exchanged that will now be observed in this market. (**price must be anything higher than \$4 and quantity exchanged is lower than 100 units**)
15. A country that experiences technological regress will likely see what happen to output and its price level in the short run? (**output will fall and the price level will increase**)
16. An improvement in human capital, an increase in population, a technological advance, or an increase in the capital stock: Which of these is not associated with an increase in real per capita output? (**an increase in population**)
17. If the yield to maturity on a non-indexed 10-year Treasury Bond is 7% and the yield on a similar vintage 10-year Treasury Inflation Protected 10-year Bond is 4%, what does the difference in these yields represent? (**the expected annual inflation rate, 3%, over the next 10 years**)
18. Within \$10,000, what is the 2007 earnings threshold at which a worker is no longer responsible for paying Social Security taxes? (**\$97,500**)
19. If a firm's total revenue can be expressed as $5Q$ (5 times the quantity it produces), what is this firm's marginal revenue? (**5**)
20. M2, industrial production, new orders, or average workweek: Which of these is NOT a component of the Index of Leading Economic Indicators? (**Industrial production**)
21. "The job of the _____ is to take away the punch bowl just as the party gets going". Fill in the blank from this saying by a famous economist. (**Federal Reserve; the saying is by former fed Chairman William McChesney Martin**).
22. 30%, 50%, 70%, or 90%: Approximately what share of national income is earned by labor? (**70%**)
23. Suppose that the government requires all fuel providers to use a 10% corn-based ethanol mixture in all gasoline products. What effect will this have on the long-run price of chicken and the quantity of chicken purchased? (**Chicken prices will rise and chicken purchases will fall**)
24. What is the value of the marginal product of labor in a competitive market when the wage rate is \$20, the marginal product of labor is 5 units of output and the price of the competitively produced good is \$4? (**\$20**)

25. What type of trade barrier involves placing a governmental limit on the quantity of a good that may be imported? (**Quota**)
26. In percentage terms, what is the highest required reserve ratio that a bank must use when calculating required reserves against savings deposits? (**0%--banks are only required to hold reserves against checking deposits**)
27. In personal finance, what does the term “APR” stand for? (**Annual percentage rate**)
28. Proprietor’s income, corporate profits, employee compensation, net exports, rental income, or net interest: Which of these is not included in the definition of national income? (**Net exports**)
29. What happens to interest rates and the equilibrium quantity of business fixed investment when money demand rises at the same time that the Fed is pursuing a tighter monetary policy? (**Interest rates rise and investment falls**).
30. As a percentage of all workers employed, which of the following countries has the highest union membership rate: Sweden, Italy, United Kingdom, Germany, United States, or France? (**Sweden—84%**)

Tie-breaker: How long is the normal term of a member of the Board of Governors of the Federal Reserve System? (**14 years**)