

# Test for the Regional Round

## Economic Olympiad 2016/2017

Organizer and main partner of the Economic Olympiad:



### ***Instructions for students:***

*The test contains four sections. The questions in the first section contain only one correct answer for which you can earn 5 points. Points are not deducted for incorrect answers. 45 minutes are reserved for the test.*

*The Economic Olympiad is organized by the Institute of Economic Education (INEV) in cooperation with the Czech National Bank (CNB). The Economic Olympiad test was created by the Institute of Economic Education (INEV) under the supervision of members of the Department of Economics of the University of Economics.*

## **Part 1 (25 points)**

**1. The main approach of modern economics towards understanding often complex economic phenomena is:**

- a) methodological collectivism: economics studies the society as a whole and from understanding the general it tries to infer conclusion about individual parts.
- b) methodological individualism: economics studies economic agents and from this it infers principles for larger units.
- c) astrology: predictions of the future based on the zodiac.
- d) statistical analysis of data from opinion polls.
- e) neurophysics: the attempt to understand human behaviour from measuring brain activity of individual agents.

**2. Monopoly often exhibits:**

- a) falling total costs as output rises
- b) falling fixed costs as output rises
- c) falling average costs as output rises
- d) falling variable costs as output rises
- e) falling wage costs as output rises

**3. The type of unemployment that exists in market economies independent of the business cycle is called:**

- a) counter-cyclic
- b) cyclic
- c) involuntary
- d) unnatural
- e) natural

**4. If a country wants to join the Eurozone, its ratio of public debt to GDP should not dwell for a long time above:**

- a) 2%
- b) 50%
- c) 60%
- d) 3%
- e) size of debt is irrelevant

**5. Mr. Jones can mow a 100m<sup>2</sup> lawn in 2 hours, and he can cook lunch in 1 hour. Mrs. Wilson can mow the same lawn in 1 hour and can cook the same lunch in 2 hours. They each have available 4 hours of time. It will be beneficial for both of them to engage in an exchange where:**

a) Mr. Jones fully specializes in mowing the lawn and Mrs. Wilson in cooking. Altogether they will have mown 200m<sup>2</sup> of lawn and cooked 2 lunches.

b) Mr. Jones fully specializes in mowing the lawn and Mrs. Wilson in cooking. Altogether they will have mown 400m<sup>2</sup> of lawn and cooked 4 lunches.

c) Mr. Jones fully specializes in cooking and Mrs. Wilson fully specializes in lawn mowing. Altogether they will have mown 400m<sup>2</sup> of lawn and cooked 4 lunches

d) Mr. Jones fully specializes in cooking and Mrs. Wilson fully specializes in lawn mowing. Altogether they will have mown 200m<sup>2</sup> of lawn and cooked 2 lunches

e) Mr. Jones and Mrs. Wilson will divide up their time 50-50 between both activities. Altogether they will have mown 200m<sup>2</sup> of lawn and cooked 2 lunches

## Part 2 (25 points)

In a small village, the wages of local factory employees have grown. The workers of this factory would like to go for a beer after work. Show in the demand and supply model how the wage growth of workers will have an impact on the price of beer in the local village and its amount in the medium term. Describe both the axes and the curves. Explain this impact with your words.

### **Part 3 (25 points)**

**The Czech National Bank has recently abandoned its exchange rate commitment. So far, the koruna seems to be strengthening. Describe in your words how this strengthening of the Czech crown will have an impact on exports of goods and services from the Czech Republic. What will be the impact on imports of goods and services to the Czech Republic? Finally, try to answer what will be the impact on the so-called net exports of goods and services.**

**Part 4 (25 points)**

**Mr. Novák borrowed 100,000 CZK this year. Next year, as well as after next year, he will pay CZK 60,000 to the bank. This will repay his debt. How high is the annual interest rate?**