



MicroE

1. Which of the following is a characteristic of a public good?

- A. Rivalrous
- B. Excludable
- C. Non-rivalrous
- D. Private

2. The concept of “marginal rate of transformation” (MRT) relates to:

- A. The rate at which one good can be transformed into another in production
- B. The rate at which one good is substituted for another in consumption
- C. The change in total utility from consuming an additional unit
- D. The price elasticity of demand



3. A firm's long-run average cost curve is derived from:

- A. The short-run average cost curves of all possible output levels
- B. The marginal cost curve
- C. The fixed cost curve
- D. The variable cost curve

4. In a monopoly, the marginal revenue curve lies:

- A. Above the demand curve
- B. Below the demand curve
- C. At the same level as the demand curve
- D. Parallel to the average total cost curve

5. Which of the following is true about perfect competition in the long run?

- A. Firms will operate where marginal revenue equals marginal cost
- B. Firms will earn economic profits
- C. Firms will produce at a level where average total cost is minimized
- D. All firms will exit the market



6. The term “deadweight loss” refers to:

- A. The loss in consumer surplus due to a price floor
- B. The loss in producer surplus due to a price ceiling
- C. The loss of total welfare due to market inefficiencies
- D. The decrease in total revenue from price changes

7. Which of the following is not a condition for price discrimination to be effective?

- A. The ability to segment the market
- B. Different elasticities of demand in different segments
- C. A perfectly competitive market
- D. Preventing resale between consumers

8. In the context of labor markets, the concept of “human capital” refers to:

- A. The physical assets owned by a worker
- B. The skills, education, and experience of workers
- C. The financial capital invested in businesses



D. The natural resources available to workers

9. Which of the following represents a non-excludable good?

- A. A sandwich in a restaurant
- B. A private park
- C. Clean air
- D. A subscription magazine

10. In game theory, a “dominant strategy” is one that:

- A. Provides a higher payoff regardless of the opponent’s actions
- B. Minimizes the opponent’s payoff
- C. Is the most profitable in a given situation
- D. Always results in a Nash equilibrium

11. Which of the following is not a characteristic of an oligopoly?

- A. Few firms



- B. Interdependence among firms
- C. Homogeneous products
- D. Barriers to entry

12. The “prisoner’s dilemma” illustrates:

- A. The benefits of cooperation in a competitive environment
- B. The cost of non-cooperation when both players act in their self-interest
- C. The optimal solution in a monopolistic market
- D. The efficiency of a competitive market

13. In the context of externalities, a “negative externality” is best exemplified by:

- A. Education
- B. Pollution
- C. Public parks
- D. Vaccination



14. The income effect of a price change occurs when:

- A. The price of a good changes, affecting the consumer's real income and thus their purchasing power
- B. The price of a good changes, affecting the quantity demanded due to substitution
- C. The price of a good changes, directly impacting the firm's production costs
- D. The price of a good changes, affecting the supply of the good

15. The "law of diminishing marginal returns" applies to:

- A. Consumer behavior in response to price changes
- B. The increasing costs of production as output rises
- C. The reduction in additional satisfaction as more units of a good are consumed
- D. The increase in total revenue as more units are sold



16. In monopolistic competition, firms typically:

- A. Do not have market power
- B. Face a perfectly elastic demand curve
- C. Engage in non-price competition
- D. Produce identical products

17. The concept of “allocative efficiency” is achieved when:

- A. Marginal cost equals average total cost
- B. The price of a good equals its marginal cost
- C. Total revenue equals total cost
- D. Firms maximize their profit

18. A “Giffen good” is a type of:

- A. Normal good
- B. Inferior good
- C. Luxury good
- D. Necessity



19. A “price floor” is effective when:

- A. It is set below the equilibrium price
- B. It is set above the equilibrium price
- C. It is equal to the equilibrium price
- D. It is set at the average cost price

20. “Monopsony” refers to a market structure where:

- A. There is a single seller and multiple buyers
- B. There is a single buyer and multiple sellers
- C. There are multiple buyers and multiple sellers
- D. There are multiple buyers and sellers with price setting power

21. The “income elasticity of demand” measures:

- A. The responsiveness of demand to changes in consumer income
- B. The responsiveness of supply to changes in consumer income
- C. The change in demand with a change in the price of a substitute good
- D. The change in supply with a change in the price of a complement



22. In the context of a natural monopoly, the firm's average cost curve is:

- A. Increasing with output
- B. Decreasing with output
- C. Constant with output
- D. U-shaped

23. The "law of demand" is demonstrated by:

- A. The inverse relationship between price and quantity demanded
- B. The direct relationship between price and quantity demanded
- C. The horizontal demand curve
- D. The vertical demand curve

24. A "price ceiling" set above the equilibrium price:

- A. Creates a surplus
- B. Creates a shortage
- C. Has no effect on the market
- D. Reduces consumer surplus



25. “Economic profit” is calculated by:

- A. Total revenue minus explicit costs only
- B. Total revenue minus implicit costs only
- C. Total revenue minus explicit and implicit costs
- D. Total revenue minus fixed costs only

26. The “marginal product of labor” refers to:

- A. The total output produced by labor
- B. The additional output produced by an additional unit of labor
- C. The total cost of employing labor
- D. The change in total cost with an additional unit of labor

27. In a perfectly competitive market, the long-run equilibrium price:

- A. Is above the average total cost
- B. Is below the average total cost
- C. Equals the average total cost
- D. Equals the marginal cost



28. “Consumer surplus” is maximized when:

- A. The price is equal to the marginal cost
- B. The market is at equilibrium
- C. The quantity demanded is maximized
- D. The price is set above the equilibrium level

29. “Cost-push inflation” occurs when:

- A. The cost of production increases, leading to higher prices
- B. Demand increases, leading to higher prices
- C. The money supply decreases, leading to higher prices
- D. Wages decrease, leading to higher prices

30. The concept of “price elasticity of supply” measures:

- A. The responsiveness of quantity supplied to a change in price
- B. The responsiveness of quantity demanded to a change in price
- C. The responsiveness of supply to a change in income
- D. The responsiveness of supply to a change in production costs



31. In a monopoly, the “price maker”:

- A. Has no control over the price
- B. Sets the price equal to marginal cost
- C. Can influence the price by changing output
- D. Sets the price equal to average total cost

32. The “substitution effect” describes:

- A. The change in quantity demanded due to a change in relative prices
- B. The change in demand due to an increase in income
- C. The change in supply due to a change in production costs
- D. The change in consumer preferences over time

33. The “short-run” refers to a period in which:

- A. All inputs can be varied
- B. At least one input is fixed
- C. All costs are variable
- D. Firms can achieve economies of scale



34. “Marginal cost” is defined as:

- A. The total cost divided by output
- B. The change in total cost from producing one more unit
- C. The average variable cost of production
- D. The total cost of production divided by the number of units

35. In a market with a “monopolistic competition” structure, firms:

- A. Sell identical products
- B. Have no control over prices
- C. Engage in product differentiation
- D. Face a perfectly elastic demand curve

36. The “efficiency” of a market can be assessed by:

- A. The level of competition
- B. The degree of price discrimination
- C. The maximization of total surplus
- D. The number of firms in the market



37. The “total cost” of production is:

- A. The sum of fixed costs and variable costs
- B. The sum of marginal costs and average total costs
- C. The sum of average fixed costs and average variable costs
- D. The cost of production

divided by output

38. In the context of a “natural monopoly,” the firm:

- A. Faces high average costs as output increases
- B. Has many competitors in the market
- C. Faces low average costs as output increases
- D. Is unable to achieve economies of scale

39. The “inelastic demand” for a good indicates that:

- A. A change in price leads to a proportionally larger change in quantity demanded
- B. A change in price leads to a proportionally smaller change in quantity



demanded

- C. The price and quantity demanded are not related
- D. The good is a luxury item

40. The “break-even price” for a firm is:

- A. The price at which total revenue equals total cost
- B. The price at which marginal cost equals marginal revenue
- C. The price at which average variable cost equals average total cost
- D. The price at which fixed cost equals variable cost

41. The concept of “diminishing marginal utility” means that:

- A. The additional satisfaction from consuming each additional unit decreases
- B. The total utility increases with each additional unit consumed
- C. Marginal utility remains constant regardless of consumption
- D. Total utility decreases with each additional unit consumed



42. In the context of a “public good,” the term “free rider” refers to:

- A. A consumer who benefits from a good without paying for it
- B. A firm that produces a good without charging a price
- C. A government that provides a good without collecting taxes
- D. A consumer who pays more than the market price

43. The “monotonic preference” implies:

- A. Consumers always prefer more of a good to less
- B. Consumers have no preference between different goods
- C. Consumers’ preferences are not affected by changes in consumption
- D. Consumers prefer less of a good to more

44. In “oligopoly,” firms may:

- A. Act independently of one another
- B. Collude to set prices or output levels
- C. Produce identical goods with no differentiation
- D. Have no barriers to entry



45. The “Gini coefficient” is used to measure:

- A. The degree of income inequality in a society
- B. The elasticity of demand for a good
- C. The efficiency of production in an economy
- D. The level of market concentration

46. The “average total cost” (ATC) is:

- A. Total cost divided by the quantity produced
- B. Total revenue divided by the quantity produced
- C. Marginal cost divided by quantity produced
- D. Average fixed cost plus average variable cost

47. “Fixed costs” are:

- A. Costs that change with the level of output
- B. Costs that remain constant regardless of output levels
- C. Costs that vary with the price of inputs
- D. Costs associated with variable production factors



48. In a “perfectly competitive market,” the long-run equilibrium price:

- A. Is determined by government regulation
- B. Is above the average total cost
- C. Equals the minimum average total cost
- D. Is equal to the marginal revenue

49. The “producer surplus” is:

- A. The difference between the price at which a good is sold and the cost of production
- B. The total revenue minus total cost
- C. The total amount of profit earned by a firm
- D. The difference between marginal cost and average total cost

50. The “substitution effect” of a price change occurs when:

- A. A change in the price of a good leads to a change in the quantity demanded due to the good becoming more or less expensive relative to



other goods

B. A change in the price of a good leads to a change in the total utility derived from the good

C. A change in income leads to a change in the quantity demanded of a good

D. A change in the price of a good leads to a change in the marginal utility

Answers

1. C

2. A

3. A

4. B

5. C

6. C

7. C

8. B

9. C



10. A
11. C
12. B
13. B
14. A
15. C
16. C
17. B
18. B
19. B
20. B
21. A
22. B
23. A
24. C
25. C
26. B
27. C
28. B



- 29. A
- 30. A
- 31. C
- 32. A
- 33. B
- 34. B
- 35. C
- 36. C
- 37. A
- 38. C
- 39. B
- 40. A
- 41. A
- 42. A
- 43. A
- 44. B
- 45. A
- 46. A
- 47. B



48. C

49. A

50. A

MacroE

1. The “natural rate of unemployment” refers to:

- A. The rate of unemployment that occurs when the economy is at full employment
- B. The rate of unemployment during a recession
- C. The rate of unemployment that is observed during periods of economic boom
- D. The rate of unemployment that is zero

2. The “Phillips Curve” illustrates the relationship between:

- A. Inflation and unemployment
- B. Interest rates and investment



- C. National income and government spending
- D. Exchange rates and trade balances

3. Which of the following is a tool of monetary policy?

- A. Government spending
- B. Taxation
- C. Open market operations
- D. Minimum wage laws

4. “Crowding out” occurs when:

- A. Increased government spending leads to a decrease in private investment
- B. Decreased government spending leads to an increase in private investment
- C. Increased government spending leads to an increase in private investment
- D. Decreased government spending leads to a decrease in private investment



5. The “Liquidity Trap” refers to a situation where:

- A. Interest rates are so low that monetary policy becomes ineffective
- B. High inflation leads to a loss of liquidity
- C. The government cannot sell bonds to the public
- D. Banks cannot lend money to businesses

6. The “Marginal Propensity to Consume” (MPC) measures:

- A. The fraction of additional income that is saved
- B. The fraction of additional income that is spent on consumption
- C. The total amount of consumption relative to total income
- D. The change in total consumption relative to changes in income

7. The “GDP deflator” is used to:

- A. Adjust nominal GDP for inflation
- B. Measure the overall level of prices in the economy
- C. Calculate the growth rate of real GDP
- D. Compare GDP across different countries



8. The “Multiplier Effect” refers to:

- A. The increase in total output resulting from an initial increase in spending
- B. The decrease in aggregate demand resulting from an increase in taxes
- C. The effect of interest rates on investment spending
- D. The impact of inflation on real wages

9. “Fiscal policy” primarily involves:

- A. Changes in interest rates
- B. Adjustments to government spending and taxation
- C. Modifications to the money supply
- D. Regulations on financial institutions

10. “Real GDP” is:

- A. GDP adjusted for inflation
- B. GDP measured at current market prices
- C. The sum of nominal GDP and inflation
- D. The difference between nominal GDP and government spending



11. The “IS-LM model” represents:

- A. The relationship between investment and savings in the goods market and liquidity preference in the money market
- B. The relationship between income and savings in the capital market and money market
- C. The interaction between inflation and unemployment in the labor market
- D. The trade-off between investment and monetary policy

12. The “Taylor Rule” is used to determine:

- A. The optimal interest rate set by the central bank
- B. The level of government spending required for full employment
- C. The optimal tax rate for maximizing government revenue
- D. The balance of trade between countries

13. “Stagflation” is characterized by:

- A. High inflation and high unemployment
- B. High inflation and low unemployment



- C. Low inflation and high unemployment
- D. Low inflation and low unemployment

14. “Monetary base” includes:

- A. Currency in circulation and reserves held by banks at the central bank
- B. Total money supply in the economy
- C. Government bonds held by the central bank
- D. The total amount of loans issued by commercial banks

15. The “quantity theory of money” suggests that:

- A. The money supply is directly proportional to the price level
- B. The money supply has no effect on the price level
- C. The price level is inversely proportional to the money supply
- D. Changes in the money supply have a delayed effect on the price level

16. The “Phillips Curve” is vertical in the long run because:

- A. The long-run aggregate supply curve is vertical



- B. Inflation expectations adjust over time
- C. Unemployment rates cannot fall below the natural rate
- D. All of the above

17. “Automatic stabilizers” are:

- A. Government policies that change in response to economic conditions without additional government action
- B. Policies enacted by the central bank to stabilize the economy
- C. Fiscal policies that are adjusted manually by lawmakers
- D. Fixed policies that do not respond to changes in the economy

18. “Money neutrality” implies that:

- A. Changes in the money supply only affect nominal variables and not real variables in the long run
- B. The money supply has a direct impact on real output and employment
- C. The central bank has no control over the money supply
- D. Changes in money supply affect both nominal and real variables equally



19. “Quantitative easing” is:

- A. A policy where the central bank buys long-term securities to increase the money supply and lower interest rates
- B. A policy where the government increases taxes to reduce the money supply
- C. A strategy to reduce inflation by tightening monetary policy
- D. A method of controlling the exchange rate

20. The “natural rate hypothesis” suggests that:

- A. The economy tends to return to the natural rate of unemployment in the long run
- B. The natural rate of unemployment is always zero
- C. The natural rate of unemployment is influenced by government policies
- D. The economy can achieve lower unemployment without increasing inflation

21. “Capital flight” refers to:

- A. The rapid outflow of capital from a country due to economic instability



or high taxation

B. The transfer of capital from one sector to another within the same economy

C. The influx of foreign capital into a domestic economy

D. The movement of capital between different banks within the same country

22. The “income-expenditure model” focuses on:

A. The relationship between income and the level of aggregate spending in the economy

B. The interaction between government spending and taxation

C. The impact of interest rates on investment

D. The balance of trade between exports and imports

23. “Open market operations” refer to:

A. The buying and selling of government securities by the central bank to influence the money supply

B. The adjustment of tax rates by the government

C. The regulation of interest rates by commercial banks



D. The imposition of trade tariffs

24. “Economic growth” is best measured by:

- A. The percentage change in real GDP over time
- B. The percentage change in nominal GDP over time
- C. The difference between nominal GDP and the GDP deflator
- D. The rate of change in the money supply

25. “Aggregate demand” includes:

- A. Total spending on goods and services in the economy
- B. The total money supply in the economy
- C. The total output produced by firms
- D. The total value of exports minus imports

26. “Cost-push inflation” occurs when:

- A. Rising production costs lead to an increase in overall price levels
- B. Increased consumer demand leads to higher prices
- C. The money supply increases rapidly, leading to higher prices



D. Interest rates fall, leading to higher prices

27. The “real interest rate” is:

- A. The nominal interest rate adjusted for inflation
- B. The nominal interest rate set by the central bank
- C. The interest rate on government bonds
- D. The rate of return on investment

28. “Fiscal stimulus” refers to:

- A. Government measures to increase spending and/or cut taxes to boost economic activity
- B. The central bank’s actions to change interest rates
- C. Policies aimed at reducing inflation
- D. The imposition of trade restrictions

29. The “Laffer Curve” illustrates:

- A. The relationship between tax rates and tax revenue
- B. The trade-off between inflation and unemployment



- C. The effect of monetary policy on economic growth
- D. The impact of interest rates on investment

30. “Nominal GDP” measures:

- A. The total value of goods and services produced in the economy at current market prices
- B. The total value of goods and services adjusted for inflation
- C. The total output of goods and services produced in the economy
- D. The real income of individuals in the economy

31. The “Solow Growth Model” emphasizes:

- A. The role of technological progress and capital accumulation in long-term economic growth
- B. The impact of monetary policy on short-term fluctuations
- C. The relationship between government spending and inflation
- D. The effects of trade policy on economic development



32. “Inflation targeting” is a monetary policy strategy that:

- A. Aims to maintain a specified inflation rate or range
- B. Focuses on reducing unemployment to zero
- C. Targets a balanced government budget
- D. Aims to control exchange rates

33. “Velocity of money” is:

- A. The rate at which money circulates in the economy
- B. The change in the money supply over time
- C. The total value of transactions in the economy
- D. The rate of change in nominal GDP

34. The “output gap” measures:

- A. The difference between actual GDP and potential GDP
- B. The difference between nominal GDP and real GDP
- C. The difference between exports and imports
- D. The difference between government spending and revenue



35. “Aggregate supply” refers to:

A. The total amount of goods and

services that producers are willing and able to supply at different price levels

B. The total spending by households, businesses, and government

C. The total value of exports and imports

D. The total amount of money in circulation

36. “Hyperinflation” is:

A. Extremely high and typically accelerating inflation

B. Moderate and stable inflation

C. Inflation that occurs only in specific sectors

D. A situation of falling prices across the economy

37. “Real Business Cycle Theory” attributes economic fluctuations to:

A. Changes in technology and productivity



- B. Variations in government spending and taxation
- C. Shifts in monetary policy
- D. Changes in consumer preferences

38. “Forward guidance” is a monetary policy tool that:

- A. Provides information about future policy intentions to influence economic expectations
- B. Adjusts interest rates to control inflation
- C. Directly changes the money supply
- D. Implements fiscal measures to boost demand

39. “Purchasing Power Parity” (PPP) theory states that:

- A. In the long run, exchange rates should adjust so that identical goods cost the same in different countries
- B. Currency values fluctuate based on market sentiment
- C. Trade balances are determined by the difference in national income
- D. Interest rates are the main determinant of exchange rate movements



40. “Nominal GDP” growth does not account for:

- A. Inflation
- B. Changes in production
- C. Changes in employment
- D. Changes in government spending

41. The “Kuznets Curve” suggests that:

- A. Economic inequality initially increases during economic development but decreases in later stages
- B. Economic growth leads to increasing levels of income equality
- C. Income inequality has no relationship with economic development
- D. Economic development reduces poverty without affecting inequality

42. “Demand-pull inflation” is caused by:

- A. An increase in aggregate demand leading to higher prices
- B. An increase in production costs leading to higher prices
- C. A decrease in the money supply leading to higher prices
- D. A reduction in government spending leading to higher prices



43. “Exchange rate pass-through” refers to:

- A. The extent to which changes in the exchange rate affect domestic prices
- B. The movement of capital between countries due to exchange rate fluctuations
- C. The effect of domestic inflation on the exchange rate
- D. The impact of trade policies on exchange rates

44. “Balance of payments” is:

- A. A record of all economic transactions between residents of a country and the rest of the world
- B. The difference between exports and imports of goods and services
- C. The total amount of foreign reserves held by a central bank
- D. The difference between government spending and revenue

45. “The Taylor Rule” adjusts the nominal interest rate based on:

- A. The deviation of actual inflation from the target inflation rate and the



deviation of actual output from potential output

- B. The level of government debt and the unemployment rate
- C. The growth rate of the money supply and the exchange rate
- D. The balance of trade and fiscal deficits

46. “Supply-side economics” focuses on:

- A. Increasing production by improving incentives for producers and reducing regulatory barriers
- B. Increasing aggregate demand through government spending
- C. Managing inflation through monetary policy
- D. Balancing the government budget through higher taxes

47. “The Laffer Curve” suggests that:

- A. There is an optimal tax rate that maximizes government revenue
- B. High tax rates always increase government revenue
- C. Low tax rates always increase government revenue
- D. Tax rates have no impact on government revenue



48. “The Fisher Effect” describes:

- A. The relationship between nominal interest rates, real interest rates, and inflation
- B. The impact of monetary policy on the real economy
- C. The effect of fiscal policy on interest rates
- D. The relationship between exchange rates and trade balances

49. “The Quantity Theory of Money” assumes that:

- A. Velocity of money is constant
- B. Velocity of money changes with the money supply
- C. The money supply and real output are inversely related
- D. Inflation is independent of the money supply

50. “Austerity measures” typically involve:

- A. Reducing government spending and increasing taxes to reduce budget deficits
- B. Increasing government spending and cutting taxes to stimulate growth
- C. Implementing trade barriers to protect domestic industries



D. Expanding monetary policy to increase the money supply

Answers

1. A
2. A
3. C
4. A
5. A
6. B
7. A
8. A
9. B
10. A
11. A
12. A
13. A
14. A



- 15. A
- 16. D
- 17. A
- 18. A
- 19. A
- 20. A
- 21. A
- 22. A
- 23. A
- 24. A
- 25. A
- 26. A
- 27. A
- 28. A
- 29. A
- 30. A
- 31. A
- 32. A
- 33. A



34. A

35. A

36. A

37. A

38. A

39. A

40. A

41. A

42. A

43. A

44. A

45. A

46. A

47. A

48. A

49. A

50. A