

# Introduction to Economics

2016-2017, I Semester | Exam questions (75 questions)

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Chair: International Economics

## Questions for TEST 1

1. What are the Ten Principles of Economics? Explain briefly each of them.
2. What is the main problem of Economy and what is the solution? Discuss.
3. What is the *Opportunity Cost*? Explain briefly.
4. What is the difference between *Marginal Cost* and *Marginal Benefit*? Explain briefly with example.
5. What are the main characteristics of *Market Economy*? Explain.
6. Explain briefly the terms: Market Failure and Market Power. Give examples to them.
7. How do we satisfy our wants and needs in a global economy? Explain.
8. What is inflation, and what causes it?
9. How are inflation and unemployment related in the short run?
10. Draw the Circular Flow Model and explain how it works.
11. Draw the *Production Possibilities Frontier* and give an example.
12. Define *Positive and Normative Statements*. Give an example of each.
13. Which concepts does the *Production Possibilities Frontier* illustrate?
14. Why do economists sometimes offer conflicting advice to policymakers?
15. Explain the terms *Absolute Advantage and Comparative Advantage*. Give examples.
16. What is the role of *Comparative Advantage in International Trade*?
17. Will a nation tend to export or import goods for which it has a comparative advantage? Explain briefly.
18. How trade expands the set of consumption possibilities? Show on a graph.
19. Draw the budget constraint for a person with income of \$1,000 if the price of Coca-Cola is \$5 and the price of pizza is \$10. What is the slope of this budget constraint?
20. Explain the term indifference curve. Illustrate the graph.
21. Explain The Consumer's Budget Constraint with the graph.
22. Discuss four properties of indifference curves.
23. Explain two extreme examples of indifference curves and illustrate graphs.
24. Discuss The Consumer's optimal choice and illustrate graph.
25. Explain how changes in prices affect the consumer's choice and illustrate graph.

## Questions for TEST 2

26. Explain the term *Competitive Market* with examples.
27. What is a market? What does it mean for a market to be competitive?
28. Explain the term *Demand* and identify its determinants
29. Explain the term *Supply* and identify its determinants
30. Explain demand curve and supply curve. Illustrate the graphs.
31. Compare market demand and individual demand and illustrate graphs to them.
32. What are the determinants of the quantity of individual supply?
33. What are the factors of production? Explain briefly.
34. Explain what is the production function and illustrate graph.
35. What is the value of marginal product of labor? Explain briefly and illustrate graph.
36. Explain what is the Equilibrium in Labor Market and illustrate a graph.
37. Explain Shifts in Labor Supply and Shifts in Labor Demand and illustrate graphs.
38. Discuss the other factors of production: land and capital. Explain with graph the markets for land and capital.
39. Explain the term *Externalities* with examples.
40. What are the Negative Externalities in production? Give an example and illustrate a graph.
41. What are the Positive Externalities in production? Give an example and illustrate a graph.
42. Explain Consumption Externalities and illustrate graphs of them.
43. Explain briefly the term Transaction Costs.
44. Discuss different types of goods and give examples.
45. What is the Free Rider problem? Explain.
46. What are some Important Public Goods? Explain and give examples.
47. Explain the term Human Capital.
48. Explain Minimum Wage Laws, Unions and Efficiency Wages.
49. Define compensating differential and give an example.
50. Explain briefly what is Discrimination and give an example of how discrimination might persist in a competitive market.

### Questions for TEST 3

51. Explain the terms *poverty rate and poverty line*. Give examples and illustrate a graph.
52. What does the poverty rate measure? Discuss three potential problems in interpreting the measured poverty rate.
53. Explain briefly the terms utilitarianism and utility. Give examples.
54. Explain what is Welfare and give examples to it.
55. Discuss antipoverty programs and give some examples of policies that help to reduce poverty.
56. Explain what is Productivity and what is the importance of it?
57. List and describe four determinants of a country's productivity.
58. Discuss the significance of saving and Investment. Give examples.
59. Explain briefly what are Diminishing returns and Catch-up effects.
60. How does the rate of population growth influence the level of GDP per person?
61. What is the opportunity cost of investing in capital? Do you think a country can "over-invest" in capital? What is the opportunity cost of investing in human capital?
62. What is unemployment? What are the types of Unemployment? Explain with examples.
63. How to calculate the Consumer Price Index? Explain.
64. What are the main problems in measuring The Cost of living? Discuss.
65. Explain Real and Nominal Interest Rates. Illustrate graphs.
66. What is technological knowledge? Explain with examples.
67. Explain the consequences of investment from abroad. Discuss with examples.
68. How does the rate of population growth influence the level of GDP per person?
69. Explain how higher saving leads to a higher standard of living. What might deter a policymaker from trying to raise the rate of saving?
70. What is the role of education in the economic growth of the country? Discuss.
71. Give an example of how discrimination might persist in a competitive market
72. Explain what is economic mobility. Discuss with examples
73. What are the pros and cons of in-kind (rather than cash) transfers to the poor?
74. List the four components of GDP. Give an example of each.
75. Discuss with examples the economy's income and expenditure.