

Advanced Economic Principles

Economics · Practice Test · 10 Questions

1. Which economist is credited with formulating the 'Law of Comparative Advantage' in his 1817 work 'On the Principles of Political Economy and Taxation'?

- A) Adam Smith
- B) David Ricardo
- C) John Stuart Mill
- D) Thomas Malthus

2. What does the 'Gini coefficient' measure in an economy?

- A) Inflation volatility
- B) Market concentration
- C) Income inequality
- D) Public debt-to-GDP ratio

3. In the context of the Phillips curve, what is the theoretical relationship described between the two variables?

- A) Inflation and unemployment
- B) Interest rates and money supply
- C) GDP growth and trade deficit
- D) Savings rate and capital investment

4. What is the term for a market structure characterized by a single buyer?

- A) Monopoly
- B) Oligopsony
- C) Monopsony
- D) Duopoly

5. Which economic theory suggests that government spending stimulates demand and boosts economic activity, particularly during recessions?

- A) Supply-side economics
- B) Austrian school
- C) Keynesian economics
- D) Monetarism

6. The 'Liquidity Trap' occurs when monetary policy becomes ineffective because:

- A) Interest rates are near zero
- B) The central bank is insolvent
- C) Hyperinflation is rampant
- D) Trade barriers are too high

7. What is represented by the 'Lorenz Curve'?

- A) The relationship between tax rates and revenue
- B) The cumulative distribution of income
- C) The cost of producing a specific good
- D) The time value of money

8. Who is the author of 'The General Theory of Employment, Interest and Money', published in 1936?

- A) Friedrich Hayek
- B) Milton Friedman
- C) John Maynard Keynes
- D) Paul Samuelson

9. Which term refers to the cost of the next best alternative foregone when making a decision?

- A) Sunk cost
- B) Marginal cost
- C) Opportunity cost
- D) Fixed cost

10. In international trade, what is a 'non-tariff barrier'?

- A) An import quota
- B) A value-added tax
- C) A reduction in corporate tax
- D) An increase in customs duty