



MCQ 1. Price Discrimination

In the case of a monopolist applying price discrimination, the deadweight loss:	
A	can be zero
B	will always be higher than in the case of perfect competition
C	will always be higher than in the case of a monopolist that does not price discriminate
D	is equal to the total consumer surplus in the case of perfect competition

MCQ 2. Entry Game

Consider a game with an entrant and an incumbent. The entrant moves first, and the incumbent observes this decision. The entrant can either enter the market or stay out. If the entrant stays out, the game ends with the entrant receiving a payoff of 0 and the incumbent receiving a payoff of 3. If the entrant enters the market, the incumbent must decide whether to prevent or allow entry. If the incumbent prevents entry, the entrant receives -2, and the incumbent receives -1. If the incumbent allows entry, the entrant receives 3, and the incumbent receives 2. What are the payoffs for each player if they both follow their optimal strategy?	
A	The entrant receives 0, the incumbent receives 3.
B	The entrant receives -2, the incumbent receives -1.
C	The entrant receives 3, the incumbent receives 2.
D	The entrant receives 0, the incumbent receives 2.

MCQ 3. Opportunity Cost

In a city, there are two car factories, Factory A and Factory B. Factory A can produce 100 red cars or 200 yellow cars per batch, while Factory B can produce 50 red cars or 150 yellow cars per batch. Which factory has the higher opportunity cost of producing one yellow car?	
A	Both factories have the same opportunity cost
B	Factory A
C	There is not enough information to answer
D	Factory B

MCQ 4. Consumer Behavior

There are 4 consumers in the market for sweaters. Consumer 1 is willing to spend £40 on a sweater, Consumer 2 is willing to spend £35, Consumer 3 is willing to spend £25, and Consumer 4 is willing to spend £20. Each consumer only wants to buy one sweater. If the market price for sweaters is £28, what is the total consumer surplus in this market?	
A	Consumer surplus is equal to £19.
B	Consumer surplus is equal to £16.
C	Consumer surplus is equal to £8.
D	It is impossible to calculate consumer surplus in this market without more information about the market demand curve.

MCQ 5. Taxes

In a market of price-taking firms, the market (inverse) supply curve is $P = (1/2)Q$ and the (inverse) demand curve is $P = 100 - (1/3)Q$, where P refers to price and Q refers to quantity. 'Tax burden' refers to how the tax on each unit sold is shared between producers and consumers. If the government imposes a per-unit tax on this market, then:

A	the consumers will bear more of the tax burden than the firms
B	the firms will bear more of the tax burden than the consumers
C	the tax burden on consumers and firms will be the same
D	the distribution of the tax burden cannot be determined from the information given.

MCQ 6. Price Elasticity of Demand

The price of apples decreases from USD 2.00 per kilogram to USD 1.82 per kilogram, causing the quantity demanded to increase from 100 kilograms to 118 kilograms. Calculate the price elasticity of demand for apples and determine if the demand is elastic, inelastic, or unit elastic.

A	Elasticity = -1.5; Demand is elastic.
B	Elasticity = -0.5; Demand is inelastic.
C	Elasticity = -1.0; Demand is unit elastic.
D	Elasticity = -2.0; Demand is elastic.

MCQ 7. Price Elasticity of Demand

Alvin, Simon, and Theodore are neighbors taking their families for a weekend trip to a mountain chalet an hour's drive from the city. They meet at the neighborhood gas station before starting their trip. Before seeing the gas prices, they discuss their plans. Alvin says he will definitely fill his tank because it is empty. Simon wants to buy as much gas as he can, spending €50. Theodore says he still has some gas but would buy a few more liters if the price per liter is exactly €2. Which of the following statements about their price elasticity of demand for gas is correct?

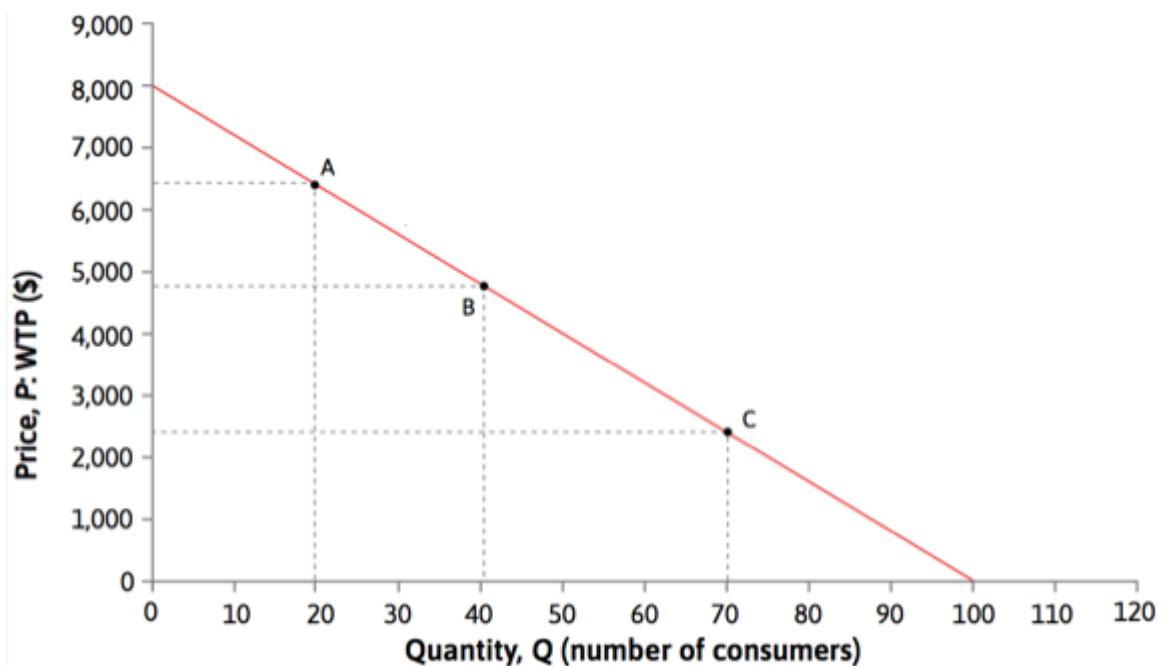
A	Price elasticity demand for gas is 0 for Alvin, demand is unitary elastic for Simon and perfectly elastic for Theodore.
B	Price elasticity demand for gas is 1 for Alvin, 0 for Simon and 2 for Theodore.
C	Price elasticity demand for gas is -1 for Alvin, unitary elastic for Simon and demand for gas is perfectly elastic for Theodore.
D	Price elasticity demand for gas 1 for Alvin, 0 for Simon and demand for gas is perfectly price inelastic for Theodore.

MCQ 8. Taxes

Which of the following statements is correct regarding the impact of taxes?	
A	a tax on gasoline has a greater deadweight loss in the short run than in the long run and a tax on alcohol generates a larger deadweight loss than a tax on luxury watches
B	a tax on gasoline has a greater deadweight loss in the long run than in the short run and a tax on alcohol generates a smaller deadweight loss than a tax on luxury watches
C	a tax on gasoline has a greater deadweight loss in the short run than in the long run and a tax on alcohol generates a smaller deadweight loss than a tax on luxury watches
D	a tax on gasoline has a greater deadweight loss in the long run than in the short run and a tax on alcohol generates a larger deadweight loss than a tax on luxury watches

MCQ 9. Monopoly Pricing

The demand curve of a price-setting firm (monopoly) is shown below.



A price-setting firm (monopoly) may find it optimal to produce at

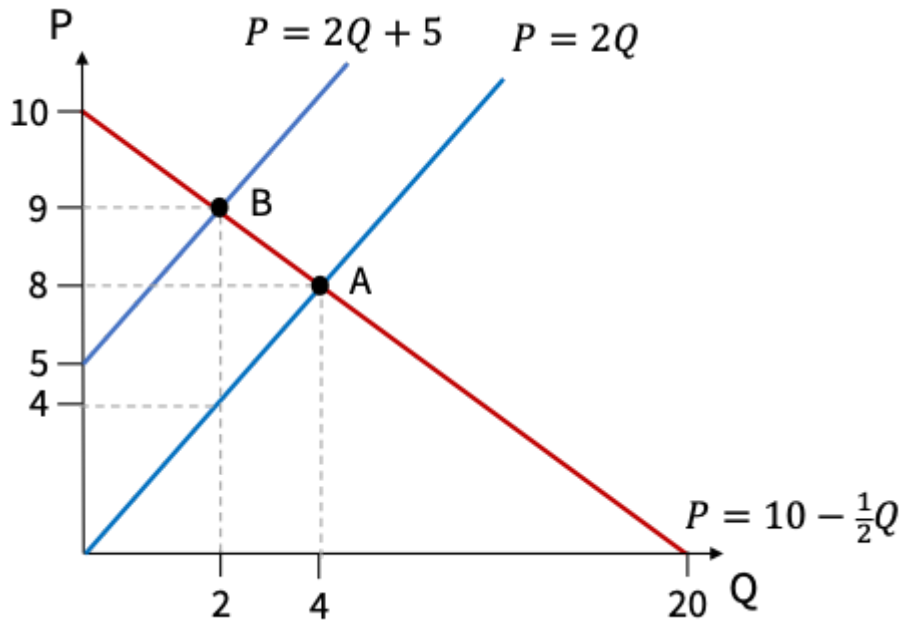
A	points A or B only
B	points A, B, and C
C	point A only
D	points B and C only

MCQ 10. Output Gap

Which of the following best describes the concept of the “output gap”?	
A	The difference between total imports and total exports
B	The difference between actual output and potential output
C	The gap between the rich and the poor
D	The difference between government revenue and expenditure

MCQ 11. Taxes

The diagram below shows the effect of a per-unit tax of \$5 on suppliers, where A represents the pre-tax equilibrium and B represents the after-tax equilibrium. P refers to price and Q refers to quantity.



If the government imposed a proportional tax of 50%, then compared to the outcomes under the per-unit tax,

A	consumer surplus would be smaller
B	the tax revenue would be lower
C	the equilibrium quantity would be lower
D	producer surplus would be lower

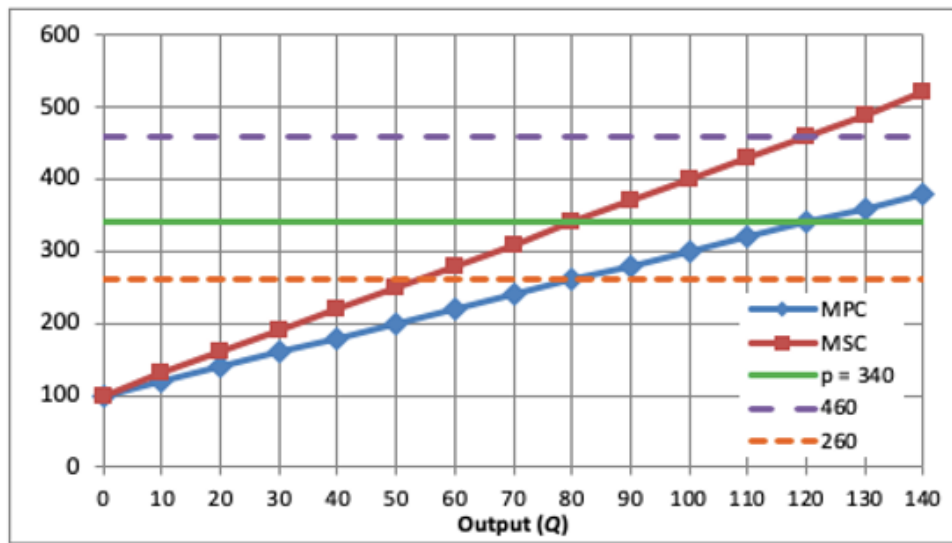
MCQ 12. Free-rider problem

Alexandra and Bob can each choose how hard to work on a task. Each person's output is £80 if they are lazy, and £160 if they work hard. The cost of effort is £0 if they are lazy, and £70 if they work hard. The total output is shared equally between them. For example, if Alexandra puts in her effort but Bob does not, her net income is £120 - £70 = £50. If both workers are completely selfish, then in the equilibrium outcome they will each end up with a net income of:

A	£90
B	£80
C	£50
D	£70

MCQ 13. Externalities

A robot factory is located next to a student dormitory, and the production noise prevents the students from sleeping. The graph below shows the Marginal Private Cost (MPC) and Marginal Social Cost (MSC) of robot production.

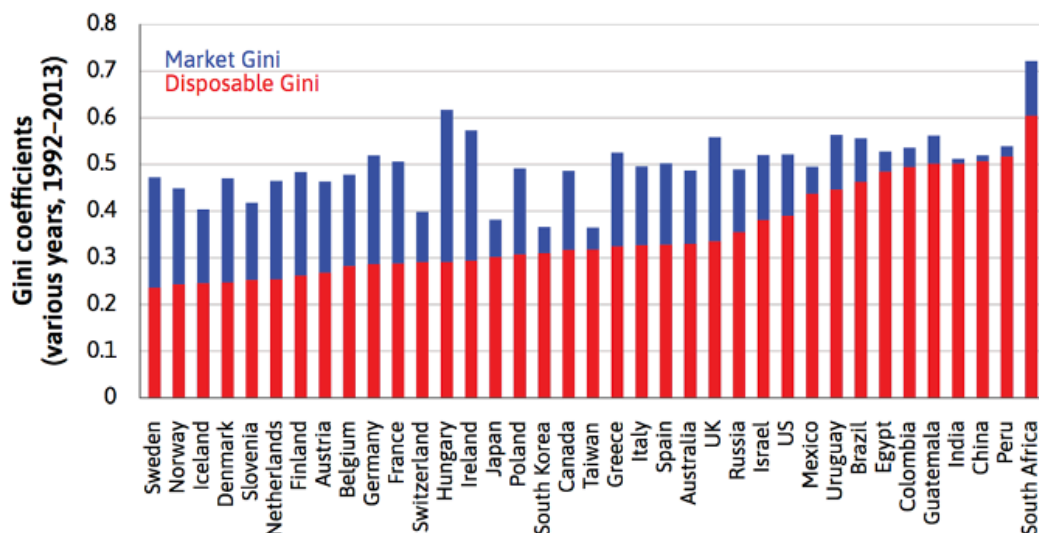


The robot market is competitive, and the market price is £340. If a court rules that students have the right to sleep quietly, what is the maximum amount the factory would offer to produce at the Pareto-efficient level of production?

A	£14,400
B	£12,800
C	£9,600
D	£6,400

MCQ 14. Inequality

Fill in the blank: In the graph shown below, countries with a larger difference between the height of the blue bar (Market income Gini) and the red bar (Disposable income Gini) are likely to have _____ income taxation systems.



A	more regressive
B	lump-sum
C	proportional
D	more progressive

MCQ 15. Transaction Costs

Which of the following are not transaction costs?	
A	Costs of lawyers certifying the sale of an apartment
B	Costs of renovating a new apartment
C	The cost of finding a suitable agent to sell the apartment
D	Costs for appraising the price of an apartment

MCQ 16. Unemployment

Which of the following accurately describes the concept of the “natural rate of unemployment” and its significance for monetary policy?	
A	The rate of unemployment that can be achieved without causing inflation to rise
B	The lowest possible rate of unemployment an economy can achieve
C	The rate of unemployment that results from cyclical factors
D	The rate of unemployment targeted by central banks to maintain economic growth

MCQ 17. Nobel Prize

According to the research of the 2023 Nobel Laureate in Economics, which statement is correct?	
A	Female labor force participation was almost certainly decreasing during the 19th century.
B	Most of the earnings gap that remains today between men and women stems from earnings differences between – rather than within – occupations.
C	For the OECD countries, on average men have been educating themselves to a greater extent than women, and this difference has been increasing over time.
D	The negative earnings impact of parenthood falls equally on both mothers and fathers.

MCQ 18. Monetary Policy

What is the primary purpose of a central bank's open market operations?	
A	To regulate the stock market
B	To control the money supply and interest rates
C	To provide loans to businesses
D	To manage the national debt

MCQ 19. Fiscal Policy

Which of the following is an example of an automatic stabilizer in the economy?	
A	Tax cuts during a recession
B	Unemployment benefits increasing as more people lose their jobs
C	A government bailout for banks
D	Interest rate cuts by the central bank

MCQ 20. Stagflation

Consider an economy experiencing both high inflation and high unemployment, a situation known as stagflation. Which of the following policy mixes would be most appropriate to address both issues simultaneously?	
A	Increase interest rates and decrease government spending
B	Increase government spending and decrease interest rates
C	Implement structural reforms to enhance productivity and apply targeted fiscal measures to support employment
D	Decrease taxes and increase money supply