INTERNATIONAL ECONOMICS OLYMPIAD

2026
Economics and Finance
Multiple choice questions

MCQ 1. Elasticity

A digital news platform lowers its monthly subscription price from €12 to €9. The number of subscribers rises from 80,000 to 100,000.

In addition to subscription revenue, the platform earns €5 per subscriber per month from advertising and incurs a variable service cost of €1 per subscriber per month.

Fixed costs are unchanged.

Using the midpoint method, which statement is correct?

A	Demand is price elastic. Subscription revenue and monthly profit both rise.
B	Demand is unit elastic. Subscription revenue is unchanged, but monthly profit rises.
C	Demand is price inelastic. Subscription revenue and monthly profit both fall.
D	Demand is price inelastic. Subscription revenue falls, but monthly profit rises by €20,000.

MCQ 2. Combined market shock

In the EV market, a battery breakthrough cuts production costs while the government removes purchase subsidies, both at once. The effect on equilibrium price (P*) and quantity (Q*) is:

A	P* falls; Q* indeterminate
B	P* indeterminate; Q* falls
C	P* and Q* both rise
D	P* rises; Q* falls

MCQ 3. Government intervention

The solar-panel market has demand $Q_d = 500 - 4 \cdot P$ and supply $Q_S = 6 \cdot P - 100$. The government pays producers a per-unit subsidy of $s = 25$. The new equilibrium quantity and the price paid by consumers (P_d) are:

A	Q* = 320, P_d = 45
B	Q* = 300, P_d = 50
C	Q* = 320, P_d = 70
D	Q* = 280, P_d = 45

MCQ 4. Protectionism and friend-shoring

An electronics producer switches from the lowest-cost global suppliers to higher-cost suppliers located in allied countries. Ignoring any national-security benefit, which is the most likely effect?	
A	Lower unit costs and lower consumer prices because international trade expands.
B	No efficiency cost, because both the old and new suppliers are foreign.
C	Higher production costs and consumer prices, with trade diverted away from lower-cost suppliers.
D	A guaranteed fall in total imports with no effect on prices.

MCQ 5. Consumer choice

Mira has utility $U = A \cdot B$ and Theo has utility $U = (A \cdot B)^2$ over apples (A) and bananas (B). They face the same prices and the same budget. Mira buys 5 kg of apples. Theo buys:	
A	2.5 kg.
B	5 kg.
C	10 kg.
D	Cannot be determined without the prices

MCQ 6. Monopoly

A monopolist faces $P(Q) = 140 - 2 \cdot Q$ and cost $C(Q) = 50 + 20 \cdot Q + Q^2$. Profit is maximised where:	
A	P = MC, giving Q = 30
B	MR = MC, giving Q = 20
C	AC = MC, giving Q = 12
D	Total revenue is maximised, giving Q = 35

MCQ 7. Oligopoly

Two firms with $MC = 20$ face demand $P = 140 - Q$ (where: $Q = q_1 + q_2$). Firm 1 chooses quantity first. Firm 2 follows. Equilibrium (q_1, q_2) is:	
A	(60, 30)
B	(40, 40)
C	(45, 45)
D	(30, 60)

MCQ 8. Externalities

In a competitive market, inverse demand is: $P = 100 - Q$, and firms' marginal private cost is: $MPC = 20 + Q$. Production causes pollution with marginal external cost $MEC = \frac{Q}{2}$. Which pair gives the socially efficient quantity Q^* and the constant per-unit Pigouvian tax t^* that implements it?	
A	$Q^* = 40, t^* = 0$
B	$Q^* = 30, t^* = 20$
C	$Q^* = 32, t^* = 20$
D	$Q^* = 32, t^* = 16$

MCQ 9. Public goods: efficient provision and free-riding?

A city is deciding how much coverage Q of a flood-warning system to provide. Districts A and B receive the same level of coverage. Their marginal willingness to pay for additional coverage is: $MB_A = 80 - Q$ and $MB_B = 70 - Q$. The system is non-rival and non-excludable within the city. Its marginal cost is constant at 60 monetary units. Which statement is correct?	
A	The efficient level is Q=15, because the average marginal willingness to pay should equal marginal cost.
B	The efficient level is Q=20, because only the district with the highest marginal willingness to pay determines demand.
C	The efficient level is Q=30, because the districts' individual quantities demanded should be added horizontally.
D	The efficient level is Q=45, because the districts' marginal willingness to pay should be added vertically; voluntary private provision may nevertheless be lower because of free-riding.

MCQ 10. Asymmetric information

Used cars are 50% "peaches" (buyers value 14,000, owners will accept ≥ 11,000) and 50% "lemons" (buyers value 6,000, owners accept ≥ 3,000); buyers cannot tell them apart. The likely outcome is:	
A	All cars sell at the average 10,000
B	Only peaches sell, 11,000–14,000
C	Only lemons sell, 3,000–6,000
D	No cars sell

MCQ 11. Two-sided platforms and Network effects

A digital communication platform is free to users and earns revenue from advertisers. As more users join, the platform becomes more useful to other users and more attractive to advertisers. Which combination of effects is present?

A	Economies of scale on both sides only.	
B	A negative network effect among users and an economy of scope in advertising.	
C	A direct same-side network effect among users and an indirect cross-side network effect between users and advertisers.	
D	Only an indirect network effect, because users do not pay a price.	

MCQ 12. Pricing in the digital economy

A software firm offers a free basic tier and a paid premium tier. Versus a single price, this freemium/versioning design can raise profit mainly by:

A	Letting customers self-select	
B	Eliminating fixed costs	
C	Forcing marginal-cost pricing	
D	Removing network effects	

MCQ 13. Labour market: monopsony and minimum wages

A town has a single large employer. To employ L workers, the firm must pay **every worker** the wage w(L) shown below. The marginal revenue product, MRP, is the additional revenue generated by each successive worker.

Number of workers (L)	**1**	**2**	**3**	**4**	**5**
Wage paid to every worker w(L)	10	12	14	16	18
(MRP) of the L^{th} worker	30	24	20	17	15

The firm cannot pay different wages to different workers. The government introduces a minimum wage of 16.

Compared with the unregulated outcome, what happens?

A	The wage rises from 14 to 16, and employment rises from 3 to 4 workers.	
B	The wage rises from 14 to 16, but employment falls from 3 to 2 workers.	
C	The wage remains 14, and employment remains at 3 workers.	
D	The wage rises from 14 to 18, and employment rises from 3 to 5 workers.	

MCQ 14. Game theory (dominant strategy)

Banks A and B simultaneously decide whether to adopt a new trading system. The payoffs are as follows. If neither adopt: 12 each. One adopts: adopter 18, other 6. Both adopt: 9 each. The Nash equilibrium is:

A	Neither adopts
B	Both adopt
C	Only one adopts
D	There is no equilibrium here

MCQ 15. Game theory (backward induction)

A potential entrant decides whether to Enter a market or Stay Out. If it enters, the incumbent then chooses to Fight a price war or Accommodate. Payoffs (entrant, incumbent): Stay Out → (0, 10); Enter then Accommodate → (3, 4); Enter then Fight → (−2, 1). What does subgame-perfect reasoning predict?

A	The entrant stays out, because the incumbent will fight to protect its monopoly.
B	The entrant enters and the incumbent accommodates, because fighting is not credible once entry has occurred.
C	The entrant enters and the incumbent fights, since fighting gives the incumbent its highest payoff.
D	There is no equilibrium, because the firms' interests are directly opposed.

MCQ 16. Capital budgeting

A company has a fixed investment budget of €10 million. It is considering four independent and indivisible projects. The net present value of each project has already been calculated using the appropriate risk-adjusted discount rate.

Project	**Initial investment (€m)**	**NPV (€m)**
A	6	2.8
B	5	2.5
C	4	1.9
D	3	1.2

Unused funds generate zero NPV. Which combination of projects should the company undertake to maximise shareholder value?

A	Projects A and D
B	Projects B and C
C	Projects A and C
D	Projects B and D

MCQ 17. National accounts

Which transaction does NOT directly add to this year's GDP?		
A	A firm builds a new warehouse.	
B	An investor buys shares on the stock market.	
C	The government pays public-sector salaries.	
D	A café sells coffee to customers.	

MCQ 18. Unemployment, labour-force participation, and discouraged workers

A country has a working-age population of 1,500. Initially, 828 people are employed and 72 are unemployed and actively seeking work. The remaining people are outside the labour force, including 60 discouraged workers. Following reports of improved job opportunities, all 60 discouraged workers begin actively seeking work and are available to start, but none has found a job yet. Which statement is correct?		
A	The unemployment rate remains at 8.0%, while the labour-force participation rate rises from 60% to 64%.	
B	The unemployment rate falls from 8.0% to 7.5%, while the labour-force participation rate rises from 60% to 64%.	
C	The unemployment rate rises from 8.0% to 14.67%, while the labour-force participation rate remains at 60%.	
D	The unemployment rate rises from 8.0% to 13.75%, while the labour-force participation rate rises from 60% to 64%, even though no one has lost a job.	

MCQ 19. GDP vs GNi

A foreign-owned company operates a factory within a country and produces goods there. Which statement is correct?		
A	The factory's production is excluded from the country's GDP because the company is foreign-owned.	
B	The factory's production is included in the country's GDP because it takes place within the country.	
C	Only the wages paid to domestic workers are included in the country's GDP.	
D	The production is included only if the goods are sold to domestic consumers.	

MCQ 20. Money & banking

The central bank injects $1,000 of new reserves into a banking system. The reserve requirement ratio is 10%, banks hold no excess reserves, and the public holds no additional cash. What is the maximum total increase in deposits?		
A	$900	
B	$1,000	
C	$9,000	
D	$10,000	

MCQ 21. Inequality and the Lorenz curve

The table shows the percentage of total income received by each population quintile.

Economy A	Economy B
6	3
11	8
16	13
25	26
42	50

Which statement is correct?

A	Economy A has the higher Gini coefficient because its top quintile receives less income.
B	The two economies have the same Gini coefficient because each row sums to 100.
C	The Gini coefficients cannot be compared without knowing nominal GDP.
D	Economy B has the higher Gini coefficient because its Lorenz curve lies below Economy A's at the intermediate cumulative shares.

MCQ 22. Comparative advantage

The table shows the maximum output that one worker can produce in one day if the worker specialises entirely in either cloth or wine.

Country	Cloth (units)	Wine (units)
Atlantis	8	4
Borealis	1	2

Which statement is correct?

A	Atlantis has a comparative advantage in wine because it can produce more wine than Borealis.
B	Borealis has a comparative advantage in cloth because it gives up fewer units of wine to produce one unit of cloth.
C	Atlantis has a comparative advantage in cloth, while Borealis has a comparative advantage in wine.
D	There can be no gains from trade because Atlantis has an absolute advantage in producing both goods.

MCQ 23. Environmental Economics

Factories A and B each initially emit 10 tonnes of carbon. The government sets a cap of 12 tonnes of total emissions and initially gives each factory 6 emission permits. Each permit allows its holder to emit one tonne, and permits can be traded.

If a_A and a_B denote tonnes of emissions abated, the factories' marginal abatement costs, in thousand euros per tonne, are:

$MAC_A = a_A$ and

$MAC_B = 2 + 2 \cdot a_B$.

Assume a competitive permit market and no transaction costs. Which outcome will occur?

A	Each factory abates 4 tonnes, no permits are traded, and the permit price is 7.	
B	Factory A abates 2 tonnes and buys 2 permits from B; factory B abates 6 tonnes, and the permit price is 6.	
C	Factory A abates 8 tonnes and sells 4 permits to B; factory B does not abate, and the permit price is 8.	
D	Factory A abates 6 tonnes and sells 2 permits to B; factory B abates 2 tonnes, and the permit price is 6.	

MCQ 24. Covered interest parity and carry trades

The one-year risk-free interest rate is 6% in Melonia and 2% in Orangia. The current spot exchange rate is

1 orange=1.50 melon.

Assume there are no transaction costs, capital controls, or default risk, and that one-year forward contracts are available.

Which statement is correct?

A	Covered interest parity implies a one-year forward rate of approximately 1.44 melons per orange.	
B	Covered interest parity implies a one-year forward rate of 1.50 melons per orange, because hedging eliminates the interest-rate differential.	
C	Covered interest parity implies a one-year forward rate of approximately 1.56 melons per orange, so the melon trades at a forward discount relative to the orange.	
D	Since Melonia has a higher interest rate, borrowing oranges and investing in melons without a forward contract guarantees a risk-free profit.	

MCQ 25. Growth & innovation

A country wants to sustain innovation-led growth. However, dominant firms sometimes block innovative entrants, while workers displaced by new technologies may face long periods of unemployment or costly retraining. Which institutional package is most consistent with sustained long-run growth while limiting the adjustment costs of creative destruction?		
A	Protect incumbent firms from new entry and subsidise them permanently in return for preserving existing jobs.	
B	Give successful innovators very broad and long-lasting protection from competition, while compensating workers who lose their jobs.	
C	Provide appropriately designed rewards for innovation, keep markets open to entry and challenge, and offer temporary income support, retraining, and mobility assistance to displaced workers.	
D	Maximise competition by removing most protections for innovators and rely entirely on workers to adjust without public support.	

MCQ 26. AI answers and the supply of content

Writing a useful article costs a publisher \$300. Under an AI-answer interface, the publisher would earn only \$125 from clicks and receive no licence fee, although the article would create \$500 of information value for students. What is the most likely outcome and problem?		
A	The article is produced because its social value exceeds its private cost.	
B	The article is not produced because students impose a negative consumption externality.	
C	The article is produced only if the search platform is a natural monopoly.	
D	The article is not produced even though it is socially valuable, because the publisher cannot appropriate enough of the benefit it creates.	

MCQ 27. Causal inference

What mainly makes a natural experiment more credible than a plain observational comparison?		
A	It guarantees identical treatment and control groups.	
B	It removes all measurement error.	
C	It generates variation in who is treated that is plausibly unrelated to their characteristics.	
D	It lets one observe the same person both treated and untreated.	

MCQ 28. Inflation and the real return on saving

A student deposits €1,200 for one year at a nominal interest rate of 5%. Inflation over the year is 8%, with no taxes or fees. Which statement is correct?		
A	The real return is +5%.	
B	The real return is 0%.	
C	The final nominal balance is €1,200.	
D	The real return is approximately −2.78%.	

MCQ 29. CAPM

Assume that stock A earns 10% expected return, while stock B earns 15% expected return. If stock returns are a fair compensation for the time value of money plus the fair compensation for the stock's exposure to systematic risk, then which of the following statements is true:	
A	stock A has higher expected volatility of returns.
B	stock B has higher expected volatility of returns.
C	stock A has more systematic risk exposure.
D	stock B has more systematic risk exposure.

MCQ 30. Portfolio return and diversification

An investor is considering two stocks: Stock A: Expected return of 15% and standard deviation of 24% Stock B: Expected return of 8% and standard deviation of 14% The investor creates a portfolio by combining the two stocks. Which statement about the portfolio's risk is most accurate?	
A	The portfolio's standard deviation must be between 14% and 24%.
B	The portfolio's standard deviation could be less than 14%.
C	The portfolio's standard deviation must equal the weighted average of 14% and 24%.
D	The portfolio's standard deviation must be greater than 24%.

MCQ 31. Bond valuation

Pickles Inc. has a bond with five years remaining until maturity. The bond has a $1,000 face value and an 8% annual coupon rate, with coupon payments made semiannually. The bond has just made a coupon payment, so the next coupon will be paid exactly six months from today. The annualized six-month government bond yield is 4.1%, and the government bond yield curve is assumed to be flat. Pickles Inc. has an AA+ credit rating, which requires a 2.0% annual credit spread over the government bond yield. [hint: both rates are quoted using simple interest] What is the bond's fair value today?	
A	$923.17
B	$1,000.00
C	$1,080.83
D	$1,174.70

MCQ 32. Money & monetary policy

In a small economy with its own currency, households and firms increasingly use a private stablecoin pegged to a foreign currency. Retail prices, wages, and contracts are increasingly quoted in the stablecoin, and residents use it for a large share of everyday payments and transaction balances. What is the central bank's main macroeconomic concern?	
A	Stablecoin use necessarily increases the domestic money supply by the same amount.
B	The central bank becomes directly responsible for guaranteeing the stablecoin's value.
C	Changes in the domestic policy interest rate may have less influence on spending, borrowing, and inflation because economic decisions depend increasingly on foreign-currency conditions.
D	The stablecoin automatically eliminates exchange-rate and financial-stability risks.

MCQ 33. Human capital and portfolio choice

Nora and Leo are both 30 years old and have the same financial wealth, expected lifetime income, and tolerance for risk. For both, the present value of future labour income is much larger than their current financial wealth. Nora has a secure salaried job with predictable earnings that are only weakly related to stock-market returns. Leo works for a young technology firm; his salary and bonuses vary with the technology sector, and he already owns shares in his employer. Under a life-cycle approach that treats human capital as part of total wealth, which recommendation is most appropriate?	
A	Both should hold the same financial portfolio because human capital cannot be traded.
B	Leo should hold more technology shares because his knowledge of the sector makes those investments less risky for him.
C	Nora should hold more bonds because stable labour income should be combined with stable financial income.
D	Nora can hold a larger share of diversified equities, while Leo should reduce exposure to investments whose returns are correlated with his labour income and employer.

MCQ 34. Credit score

Anne and Daisy are college friends. At graduation, they accept similar jobs and earn the same salary. They also have the same amount of savings, make the same down payment, and have no other outstanding debts. During college, Daisy had a credit card in her own name, with a parent as co-signer. The account was reported to the credit bureaus. She used the card for groceries and routine monthly expenses, kept the balance well below the card's credit limit, and paid the full statement balance on time every month. Anne paid for the same types of expenses with a debit card and has never had a credit card or loan. They now apply individually to the same lender for identical auto loans. Assuming all other relevant factors are equal, which statement is most accurate?	
A	Anne and Daisy will necessarily receive the same interest rate because they have the same income, savings, and outstanding debts.
B	Daisy is more likely to receive a lower interest rate because she has established a positive credit history that provides evidence of her ability and willingness to repay borrowed money on time.
C	Anne is more likely to receive a lower interest rate because never borrowing money proves that she is financially responsible and therefore presents less risk to the lender.
D	Anne's history of using a debit card will be evaluated in the same way as Daisy's history of making on-time credit-card payments.

MCQ 35. Insurance

RoadSafe Insurance currently offers collision coverage with a $1,000 deductible for an annual premium of $900. The company estimates that, based on its existing claims data, it could eliminate the deductible and instead charge an annual premium of $1,180, leaving its expected profit unchanged. A policymaker argues that the two policies are economically equivalent: under the first policy, drivers pay part of the cost only when an accident occurs; under the second, they pay that amount in advance through a higher premium. Which statement best identifies what may be missing from the policymaker's reasoning?	
A	The policies are economically equivalent because changing when drivers pay does not change the expected cost of accidents.
B	The estimate may not remain valid because eliminating the deductible could affect drivers' loss-prevention efforts, repair choices, and willingness to submit small claims.
C	Eliminating the deductible should reduce insurance costs because transferring every loss to the insurer creates greater diversification.
D	The primary purpose of a deductible is to prevent high-risk drivers from purchasing insurance rather than to influence behavior after coverage begins.

MCQ 36. Equity crowdfunding

Maya wants to reopen the only grocery store in a small rural town. Financial projections suggest that the store will earn only modest profits. However, residents would also benefit from shorter travel times, local employment, and having reliable access to fresh food. Maya believes she could raise the required amount through either donation crowdfunding or equity crowdfunding. There is also a possibility that, if the store succeeds, a national grocery chain may eventually purchase it at a substantial price. Which statement best captures the trade-off between the two crowdfunding methods?	
A	Donation crowdfunding is always preferable because donated funds have no economic cost to the business.
B	Equity crowdfunding is always preferable because financial returns are the only meaningful benefits received by funders.
C	Donation crowdfunding may be well suited to financing the store's community benefits, which residents value even though those benefits do not appear in the store's profits. However, equity crowdfunding may be more appropriate if the business could later generate substantial profits or be sold, because the people who financed the venture would share in that financial upside.
D	The two methods are economically equivalent as long as they raise the same amount of money.

MCQ 37. Debt-based real-estate Crowdfunding

An investor commits €5,000 through a crowdfunding platform to a two-year loan to a property developer. The loan offers annual interest of 8% and is secured against the development. However, the platform does not guarantee repayment, and there is no active secondary market for the investment. Which statement is correct?	
A	The investor owns part of the property and earns the net rental income and any increase in its value.
B	Because the loan is secured against property, both the 8% return and repayment of the €5,000 are guaranteed.
C	The investor is a lender: default or insufficient recovery from the property may reduce the interest or principal received, and exiting before maturity may be difficult.
D	The investor can require the crowdfunding platform to redeem the investment at face value at any time.

MCQ 38. Time value of money

An investor deposits \$1,000 at the start of each of 4 years and withdraws the balance at the end of year 4. Returns are +10% every year except one crash year of −10%. By how much does the final balance differ if the crash is in year 1 rather than year 4 (case for year 1 minus case for year 4)?	
A	About \$530.

An investor deposits $1,000 at the start of each of 4 years and withdraws the balance at the end of year 4. Returns are +10% every year except one crash year of −10%. By how much does the final balance differ if the crash is in year 1 rather than year 4 (case for year 1 minus case for year 4)?

B	About $662.	
C	About $742.	
D	About $880.	

MCQ 39. Equity valuation

A stock is expected to pay dividends of $12 at the end of years 1 and 2; from year 3 they are expected to grow at the rate of 4% forever. The required rate of return is 9%. The value of these shares today is closest to:

A	$214	
B	$231	
C	$246	
D	$262	

MCQ 40. Expected NPV under project risk

All monetary amounts are in thousands of dollars. A company is considering Project C, a non-traded investment opportunity requiring an initial outlay of 90 today. One year from today, the economy will be in one of two states. There is a 60% probability of a strong economy, in which Project C will pay 110, and a 40% probability of a weak economy, in which it will pay 85. Projects A and B are already traded in the market:

Project	Price today	Payoff if economy is strong	Payoff if economy is weak
Project A	$80	$120	$60
Project B	$50	$40	$80

Projects A and B are divisible and can be traded in fractional quantities. Assume there are no transaction costs or arbitrage opportunities in the traded market. The table reports their complete payoffs at the end of the year.

What is the no-arbitrage fair value of Project C's future payoffs, and what is its NPV at the proposed investment cost?

A	Fair value = $100; NPV = $10.	
B	Fair value = $90; NPV = $0.	
C	Fair value = $85; NPV = −$5.	
D	The fair value cannot be determined without a discount rate.	