

CFA® SAMPLE QUESTION - LEVEL I

Economics

Q: "Import Quotas will create jobs, increasing the employment level of a nation"
Economic analysis indicates that this statement is:

CORRECT ANSWER:

Short Run

Long Run

Ⓐ TRUE

FALSE

First, trade restrictions prevent trading partners from developing the purchasing power needed to buy import goods from the protected country, therefore depressing the country's own export industry.

Second, the higher price of the protected domestic goods dampens domestic purchasing power, taking sales away from other domestic products.

Third, the jobs that would have been created in the import industry are never created.

Thus the number of jobs protected by import restrictions will be offset by jobs lost in the import/export industry in Long Term Horizon.



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