

Economics: A Christian Worldview – Quiz 5A

- _____ 1. Inflation is best defined as ____.
- A. a general rise in prices for many reasons C. an increase in the quantity of money/credit
B. a drop in the supply of goods D. a temporary shortage of consumer items
- _____ 2. In the baseball card example, the main point is that ____.
- A. when more of something exists, each unit is worth less
B. collectors can cause inflation by driving up the price of items
C. price controls protect scarce goods from being snapped up too quickly
D. all of these
- _____ 3. In the “angel Gabriel doubles everyone’s money” illustration, who benefits the most?
- A. those who save the additional money that they receive
B. those who live in rural areas, out of the reach of banks
C. those who spend the new money before prices fully adjust
D. those who are employed by small businesses
- _____ 4. Inflation harms the poor especially because they ____.
- A. tend to own a great deal of land, rather than other types of property
B. benefit too much from cheaper credit
C. have less control over banking institutions
D. receive new money later and suffer more from rising prices
- _____ 5. Currency debasement in ancient times referred to ____.
- A. rulers insisting that buyers and sellers use gold and silver as money
B. setting interest rates too low to allow money lenders to profit
C. replacing the use of gold as money with items such as cattle
D. reducing the precious metal content of coins
- _____ 6. Giving every family huge amounts of money would not make society instantly richer because ____.
- A. many families would refuse to spend it to get its full value
B. real wealth consists of actual goods and services, not money units
C. banks would be tempted to lend the extra money at higher rates
D. prices of goods and services would automatically fall
- _____ 7. In a free economy, if people save more money, interest rates generally ____.
- A. fall, because more money is available to lend
B. rise, because lenders become greedier
C. stay fixed by laws added to the books
- _____ 8. The price system is remarkable because ____.
- A. it allows a few planners to direct everything more efficiently
B. countless buyers and sellers continuously adjust prices and production
C. it works mainly for luxury goods, since buyers of those goods have more money
D. it tends to remove the need for competition, which drives down prices
- _____ 9. During a hurricane, a temporary rise in gasoline prices can help by ____.
- A. making gas disappear more quickly so suppliers know how much more they need
B. guaranteeing that everyone gets the same amount of gasoline
C. proving that sellers are exploiting buyers by raising their prices during a crisis
D. discouraging less urgent purchases so supply remains for those who need it most
- _____ 10. The main lesson of “I, Pencil” is that ____.
- A. government direction in some rare cases is necessary for ordinary products
B. simple goods are easy for one expert (or a group of experts) to make
C. free people with scattered knowledge can cooperate without a central mastermind
D. factory presidents are the one group of individuals who fully understand production

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