

Economics: A Christian Worldview – Quiz 5B

- _____ 1. The common *misuse* of the word “inflation” is using it to mean _____.
A. a decrease in savings B. rising prices C. increased productivity D. the value of gold coins
- _____ 2. Governments obtain money in three main ways: taxing, borrowing, and _____.
A. exporting
B. investing
C. inflating
D. privatizing
- _____ 3. The angel Gabriel illustration is mainly used to show that _____.
A. creating more money does not create more real wealth
B. prices tend to stay constant after money growth
C. everyone gains equally from new money
D. all of these
- _____ 4. Which group is usually hurt worst by inflation?
A. wealthy lenders
B. large corporations
C. central bankers
D. the poor
- _____ 5. The answer to the claim of “greedy business owners” is essentially that _____.
A. business owners do not seek profit as often as some of their critics claim
B. sellers can raise prices whenever they wish with little consequences
C. higher prices often reflect money that has lost value, not sudden greed
D. only larger companies and wealthier buyers respond to inflation
- _____ 6. Before modern printing presses and computers, rulers often inflated by _____.
A. doubling wages for all workers who were employed by the government
B. melting coins and reminting them with less precious metal
C. reducing interest on loans given by banking institutions
D. outlawing barter transactions and forcing the use of gold and silver
- _____ 7. In a free economy, when savings become scarcer, interest rates tend to _____.
A. fall, because money is less useful to borrowers
B. rise, because less money is available to borrow
C. remain unchanged by the lower supply
D. drop to zero via stronger competition
- _____ 8. The reading uses oranges and other goods to argue that the price of borrowing money should _____.
A. be set by expert planners who work in those specific industries
B. be determined by Congress
C. be determined by supply and demand like other prices
D. remain fixed to avoid recessions
- _____ 9. When government forbids higher prices on a product in high demand, _____.
A. more producers enter the market
B. consumers become less interested in buying it
C. production becomes less attractive, and the product becomes less available
D. inflation immediately disappears or becomes much lower
- _____ 10. “I, Pencil” emphasizes that no one person knows how to make a pencil in full, which illustrates _____.
A. why simple goods should be nationalized
B. the power of decentralized cooperation and the Invisible Hand
C. that pencils require very little knowledge to make because of their simplicity
D. all of these

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