

Economics: A Christian Worldview – Quiz 7B

- _____ 1. What is the main lesson of the “seat belt laws” example in the unintended-consequences section?
- A. Safety rules rarely affect behavior in a negative way.
 - B. People may change behavior in response to laws, producing mixed results.
 - C. Drivers become more cautious under regulation when state governments add needed laws.
 - D. Traffic deaths are caused mainly by road design.
- _____ 2. The *invisible hand* refers to the idea that _____.
- A. governments can quietly guide markets without voters noticing
 - B. prices are fixed by hidden business agreements
 - C. people pursuing their own interests unintentionally benefit others
 - D. trade works best when all participants have equal wealth
- _____ 3. Even if the tariff only raised the French beet price to match the American price, the consumer of beets would still lose because _____.
- A. imported goods would practically disappear entirely
 - B. the domestic quality of beets would decline immediately
 - C. the buyer loses a dollar that could have been used elsewhere
 - D. producers would stop selling in local stores and focus more on online sales
- _____ 4. No group of planners can know exactly _____.
- A. how many people prefer imported food
 - B. how many businesses use steel
 - C. which goods should have tariffs and at what rate
 - D. all of these
- _____ 5. What is wrong with the claim that capitalism rewards greed and selfishness?
- A. It ignores that free markets have the tendency of outlawing self-interest.
 - B. It confuses sinful motives with voluntary exchange that can serve others.
 - C. It assumes private property does not exist, which hinders free trade from working.
 - D. It proves that government is morally neutral.
- _____ 6. Which of the following is a modern form of an *exaction*?
- A. volunteer labor
 - B. private lending
 - C. inflation
 - D. all of these
- _____ 7. How do higher taxes slow economic growth?
- A. They make imported goods too cheap for sellers.
 - B. They reduce saving and investment in better tools and technology.
 - C. They increase the supply of private credit.
 - D. They make capital easier to replace.
- _____ 8. Higher taxes can also lower production because they _____.
- A. make many customers prefer to buy imported luxuries instead of domestic ones
 - B. discourage entrepreneurship, investment, and extra work
 - C. require all firms to reduce their supply of goods and services
 - D. eliminate competition among sellers
- _____ 9. What is the main error in the claim, “High taxes help the economy, because look at all the jobs created on that government project”?
- A. It ignores how interest rates are set.
 - B. It assumes all spending is affected by inflation.
 - C. It sees the visible project, but not the private ones lost to taxation.
 - D. It underestimates how fast projects are built.
- _____ 10. What happens to interest rates when savings increase?
- A. They disappear completely, or fall close to zero percent.
 - B. They rise sharply.
 - C. They tend to fall.
 - D. They become fixed by law.

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