

Points (Test + Participation + Presentation):

Name

27-30: 5-A
24-26: 5-B
21-23: 4-C
18-20: 3-D
15-17: 2-E

Economic Policy

Multiple choice questions (1 point each)

Please pick the option that you think best answers the question, and copy your choice to the table on the other page!

1. Why the market is called the efficient method of allocating scarce resources?
 - a. because it makes sure that the price is fair for everyone
 - b. because it creates competition, and the incentive to work hard
 - c. because no one can cheat in a market allocation system
 - d. because in this case we do not need a government

2. Why is (or could be) there a trade-off between maximising votes and maximising welfare?
 - a. because the short-term orientation/memory of voters
 - b. because politicians can maximise their votes by limiting the welfare of their voters
 - c. because the welfare of the people depends on high taxes
 - d. because politicians are influenced by foreign ideologies

3. Neo corporatist economies...
 - a. are countries like the USA, where the interests of the corporations have a priority
 - b. are countries like Japan, where politicians have a great say in corporate issues
 - c. are countries like Hungary, where corporations receive a lot of government subsidies
 - d. are countries like Germany, where the government, the corporations and the employees make collective decisions

4. The Phillips-curve describes the trade-off between employment and prices, so if the unemployment rate has been decreasing for years in Hungary, we can expect ...
 - a. a surplus in the central budget
 - b. prices to decrease as well because of the increased supply
 - c. a steady decline in growth
 - d. prices to increase

5. Which of the below is NOT responsible for creating transaction costs in the markets?
 - a. difficult access to information
 - b. high wages
 - c. poor infrastructure
 - d. complicated tax system

6. Education creates positive externalities. What is the major failure with the market allocation of education services?
 - a. demand is lower than optimal, because external benefits cannot be used to pay for the price
 - b. supply is lower than optimal, because external costs increase the burden of schools
 - c. demand is higher than optimal, because everyone wants to study because of the external benefits
 - d. supply is higher than optimal, because all firms can profit from opening schools

7. Friedman suggested that governments tend to make nonrational decisions...
 - a. because they are corrupt
 - b. because they compete with markets
 - c. because they spend taxes on people with unknown preferences
 - d. because they compete for the votes of the people

8. Which of the below actions does NOT belong to the income redistribution function of the government?
 - a. collecting income taxes
 - b. giving food coupons to the poor
 - c. paying the bills of the police force
 - d. creating government sponsored pension schemes

