

## Section 4: Quiz

# Providing a Safety Net



### A. Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

#### Column I

- \_\_\_\_\_ 1. an income level below that which is needed to support a household
- \_\_\_\_\_ 2. direct payments of money to eligible poor people
- \_\_\_\_\_ 3. level of economic well-being
- \_\_\_\_\_ 4. goods and services provided for free or at greatly reduced prices
- \_\_\_\_\_ 5. government aid to the poor

#### Column II

- a. standard of living
- b. welfare
- c. poverty threshold
- d. cash transfers
- e. in-kind benefits

### B. Main Ideas

Write the letter of the correct ending in the blank provided.

- \_\_\_\_\_ 6. Various federal, state, and local government programs help to raise people's standard of living because
  - a. people living in areas of poverty cannot afford to pay their taxes.
  - b. the standard of living is too low.
  - c. certain groups of people have fewer opportunities to be productive.
  - d. people expect to maintain that standard of living.
- \_\_\_\_\_ 7. The most common in-kind benefits are
  - a. coupons, food stamps, subsidized housing, and legal aid.
  - b. food giveaways, food stamps, subsidized housing, and legal aid.
  - c. food giveaways, food stamps, housing reimbursements, and legal aid.
  - d. food giveaways, food stamps, subsidized housing, and tuition reimbursements.
- \_\_\_\_\_ 8. All of the following programs provide direct cash transfers EXCEPT
  - a. Temporary Assistance for Needy Families (TANF).
  - b. Worker's Compensation.
  - c. Social Security.
  - d. Medicaid.
- \_\_\_\_\_ 9. Health insurance for the elderly, the poor, and the disabled is provided by
  - a. Medicare and Medicaid under the Social Security program.
  - b. Medicare and Medicaid under the unemployment insurance program.
  - c. Worker's Compensation and Medicaid under the Social Security program.
  - d. Medicare and Worker's Compensation under the unemployment insurance program.
- \_\_\_\_\_ 10. Education programs make the economy more productive by
  - a. adding to human capital and labor productivity.
  - b. reducing payments to unemployed people.
  - c. providing more jobs for educators.
  - d. reducing injuries on the job.

1-c, 2-d, 3-a, 4-e, 5-b, 6-c, 7-b, 8-d, 9-a, 10-a



Section 1: Qu  
**Understanding Demand****A. Key Terms**

Briefly define or identify each of the following.

1. law of demand \_\_\_\_\_
2. substitution effect \_\_\_\_\_
3. income effect \_\_\_\_\_
4. market demand schedule \_\_\_\_\_

**B. Main Ideas**

Write the letter of the correct answer in the blank provided.

- \_\_\_\_ 5. Why does an economist create a market demand curve?
  - a. to learn what demands the market will make under unusual conditions
  - b. to have an idea of how a market would change if conditions in an area changed
  - c. to predict how people will change their buying habits when prices change
  - d. to show how various conditions can change the demand for a good
- \_\_\_\_ 6. What is the effect of the interaction of buyers and sellers on a market?
  - a. agreement on the price and the quantity traded
  - b. association of both supply and demand with income
  - c. theoretical relationship between price and use
  - d. desire for goods that cannot actually be afforded
- \_\_\_\_ 7. What does it mean when an economist says that a consumer has demand for a good or service?
  - a. The consumer is able to afford the good or service, but may be unwilling to buy it.
  - b. The consumer wants the good or service but may not actually have the money for it.
  - c. The consumer is able to buy the good or service but not at the price demanded.
  - d. The consumer is willing and able to buy the good or service at the specified price.
- \_\_\_\_ 8. How do economists measure the consumption of a good?
  - a. the amount of money spent to buy a good
  - b. the amount of a good that is bought
  - c. the amount of a good that is bought for a specific amount of money
  - d. the amount of good that is actually used rather than bought
- \_\_\_\_ 9. How does the substitution effect work when the price of an item drops?
  - a. The item becomes less and less popular as its price drops.
  - b. The substitutes for the item also suffer a drop in prices.
  - c. Consumers buy the item as a substitute for other things.
  - d. Consumers buy the item even if they do not particularly want it.
- \_\_\_\_ 10. If prices rise and income stays the same, what is the effect on demand?
  - a. More is bought of some goods and less of others.
  - b. Fewer goods are bought.
  - c. More goods are bought.
  - d. Demand stays the same.



# Section 2: Quiz

## Shifts of the Demand Curve

### A. Key Terms

Match the definitions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

#### Column I

- \_\_\_\_\_ 1. two goods that are used together
- \_\_\_\_\_ 2. goods that consumers demand more of when incomes increase
- \_\_\_\_\_ 3. goods used in place of one another
- \_\_\_\_\_ 4. goods for which demand falls as income increases

#### Column II

- a. normal goods
- b. inferior goods
- c. complements
- d. substitutes

### B. Main Ideas

Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 5. What is the meaning of the phrase *ceteris paribus* to an economist?
  - a. the way that economists consider the changes in demand for a good
  - b. a conjecture about the changes in consumer behavior
  - c. an assumption that nothing but the price of an item will change
  - d. a projection about the change in availability of a good
- \_\_\_\_\_ 6. What do economists call a situation in which consumers buy a different quantity than they did before, at every price?
  - a. a change in demand
  - b. a change in expectations
  - c. a shift in size of the demand curve
  - d. a move along the demand curve
- \_\_\_\_\_ 7. How can expectations about the future change consumer behavior?
  - a. Immediate demand for a good will drop if its price is expected to stay the same.
  - b. Immediate demand for a good can rise if the good is expected to be plentiful.
  - c. Immediate demand for a good will go up if its price is expected to rise.
  - d. Immediate demand for a good is not related to future expectations.
- \_\_\_\_\_ 8. How can population changes affect demand for certain goods?
  - a. Different levels of demand will cause different prices.
  - b. More people demanding goods will cause prices to rise.
  - c. Demand will exceed supply under some population conditions.
  - d. People at different stages of their lives have different demands.
- \_\_\_\_\_ 9. How can the demand for one good be affected by increased demand for another one?
  - a. When goods are bought together, increased demand for one will decrease demand for the other.
  - b. If goods are used together, increased demand for one will increase demand for the other.
  - c. If goods are substitutes for each other, increased demand for one will increase demand for the other.
  - d. A drop in price for a good will increase demand for the good and its substitute.
- \_\_\_\_\_ 10. What causes a change in the demand curve or a shift in demand?
  - a. a decrease in price
  - b. an increase in price
  - c. a change in an area other than price
  - d. a change in price and availability



Section 3: Quiz  
**Elasticity of Demand****A. Key Terms**

Briefly define or identify each of the following.

1. elastic \_\_\_\_\_
2. inelastic \_\_\_\_\_
3. total revenue \_\_\_\_\_

**B. Main Ideas**

Write the letter of the correct answer in the blank provided.

- \_\_\_\_ 4. What does elasticity of demand measure?
  - a. an increase in the quantity available
  - b. a decrease in the quantity demanded
  - c. how buyers will cut back or increase their demand when price rises or falls
  - d. the amount of time consumers need to change their demand for a good
- \_\_\_\_ 5. When elasticity of demand for a good is exactly 1, how is demand described?
  - a. unitary elastic
  - b. balanced
  - c. exactly equal
  - d. inelastic
- \_\_\_\_ 6. How does elasticity affect a company's pricing policy?
  - a. If demand is inelastic at the current price, the company knows that an increase in price would reduce total revenues.
  - b. If demand is elastic at the current price, the company knows that an increase in price would reduce total revenues.
  - c. If demand is unitary elastic, the company knows that a decrease in price would decrease total revenues.
  - d. If demand is unitary elastic, the company knows that an increase in price would increase total revenues.
- \_\_\_\_ 7. How does the price range affect the elasticity of demand for a product?
  - a. Demand for all goods is elastic if the price is low enough.
  - b. Demand for a good can be elastic at a low price but inelastic at a high price.
  - c. Demand for a good can be inelastic at a low price, but elastic at a high price.
  - d. Price range has little or no effect on elasticity of demand for a good.
- \_\_\_\_ 8. Which of the following is an example of a good for which the demand is likely to become more elastic over time if price changes dramatically?
  - a. prescription medicine
  - b. gourmet food
  - c. electricity
  - d. shoe polish
- \_\_\_\_ 9. How does a person's perception of whether a good is a necessity or a luxury affect his or her purchases of it?
  - a. Different people will have different concepts of necessity and luxury.
  - b. People who have a lot of money will buy goods even if they think they are a luxury.
  - c. A good that is perceived as expensive will no longer be considered a necessity.
  - d. A good that is perceived as a necessity will be purchased even if the price rises.
- \_\_\_\_ 10. What effect does the availability of many good substitutes have on the elasticity of demand for a good?
  - a. Demand is elastic.
  - b. Demand is inelastic.
  - c. Demand is unitary elastic.
  - d. Demand is not affected.