

ECON 1100 – Global Economics (Section 06)
Exam #4 – Spring 2011 (Version A) – Answer Key

1. _____ refers to a regime in which the state regulates nearly all aspects of public and private behavior.
C. Totalitarianism
2. _____ was a central figure in the formulation of the ideas of Utilitarianism, which argues that society should “strive for the greatest happiness for the greatest number of people.”
D. Jeremy Bentham
3. Suppose that for the world as a whole the current fertility rate is below the “replacement fertility rate.” This observation would imply that
A. total global population must be decreasing over time.
4. _____ says that in order for a tax to be “fair,” two individuals of equal economic capacity should have equal tax burdens.
B. The notion of horizontal equity
5. During the first decade of the 21st Century, unemployment rates in most Western European countries were _____ the unemployment rate in the United States.
B. higher than
6. Friedrich von Hayek
A. wrote the “Road to Serfdom,” in which he argued that Socialism would lead to Totalitarianism as central planning replaced individual decision making.
7. _____ refers to the periodic but irregular fluctuation in overall macroeconomic activity which occurs over time.
D. The Business Cycle
8. One of the “6 Determinants of Productivity, Income, and Wealth” is “acquired skills,” which refers to the recognition that differences in income or wealth across individuals could result from differences in
B. the valuable experience that individuals gain through education, training, and employment.
9. _____ wrote “The General Theory of Employment, Interest, and Money.”
A. John Maynard Keynes

10. The “Golden Share” refers to
D. None of the above answers are correct.
11. Consider the following two statements: (1) “Fiscal Policy can never have any stimulative impact on the economy” and (2) “Inflation is caused primarily by too much growth in the money supply.” Most economist would
D. agree with Statement (2) but disagree with Statement (1).
12. During Margaret Thatcher’s time as Prime Minister, the highest marginal tax rate on earned income in Britain
B. was decreased from 83% to 40%.
13. One of the arguments in favor of Privatization was that it could “create popular capitalism.” This argument
D. noted that as a result of privatization, there would be a boost in the number of people who directly had an ownership stake in business enterprises.
14. Tina earns \$500,000 per year. As a result, her Average Tax Rate is
C. 6%
15. It appears as if this tax is a
B. Regressive Tax
16. If the government of Miltonvania (a small, landlocked city-state in central Europe, with an economy highly dependent upon ballpoint pen production) had revenues of \$600,000,000 and expenditures of \$750,000,000 in 2011, then in 2011 this government
B. realized a budget deficit of \$150,000,000.
17. _____ was President of France from 1944 to 1946, during which time key sectors of the economy were Nationalized, the size and scope of social welfare programs were increased, and the country began to rely upon indicative planning.
D. Charles de Gaulle
18. In 2008, the birth rate in the United States was approximately
C. 2.10, roughly equal to the “replacement fertility rate” for the country.
19. Which of the following is NOT one of the primary policy tools used by a central bank?
B. Setting income tax rates.

20. The discussion in lecture of the professional career of Cincinnati Bengals quarterback Greg Cook (along with the comparison to the careers of Drew Brees and Chad Pennington) illustrated how
- A. advances in healthcare can result in members of the workforce being more productive.
21. In most industrialized countries, the role of government in the economy _____ during the first part of the twentieth century and subsequently _____ during the last part of the twentieth century.
- B. increased; decreased.
22. _____ refers to the time it takes for an enacted stabilization policy to have an impact on macroeconomic outcomes.
- C. An Implementation Lag
23. The U.S. economy grew for an uninterrupted 10 year period from
- B. March 1991 through March 2001.
24. Incomes may differ across different individuals in a free market society due to
- B. some factors which are under the control of the individual (such as “how much education to acquire”) and some factors which are beyond the control of the individual (such as their “endowment at birth of natural talent and ability”).
25. Which of the following countries impose a “flat tax” on income, resulting in taxation outcomes which are “proportional”?
- D. More than one (perhaps all) of the above answers is correct.
26. _____ refers to unselfish concern for the welfare of others.
- C. Altruism
27. The Beveridge Report
- A. outlined a series of social programs to “slay the five giants” of want, disease, ignorance, squalor, and idleness, which were plaguing British society at the end of World War II.
28. The arguments made by John Maynard Keynes suggest that during an economic downturn, the government should
- C. run a budgetary deficit, in order to stimulate the economy by replacing missing private spending with government spending.
29. There was widespread labor strife (with simultaneous strikes by railway engineers, ambulance drivers, gravediggers, garbage collectors) in
- A. Great Britain during the late 1970’s.

30. The “Top 1% of wage earners” in the U.S. earn roughly 21.20% of all income earned in the U.S. Under the current U.S. Federal Income Tax, these workers pay roughly
C. 39.38% of all income taxes paid.
31. The “Treaty of Rome”
B. established a “common market” in Europe in 1957 and was the precursor to the European Union.
32. _____ relied primarily upon free market institutions, but with a significant “social safety net.”
D. The German Social Market Economy
33. Fabians were
C. British socialists who sought to replace the “scramble for private gain” with “collective welfare.”
34. Which of the following industries would NOT be considered part of the “Commanding Heights” of an economy?
D. None of the above answers is correct (since each choice would be considered part of the “Commanding Heights” of an economy).
35. In Germany the _____ was known as the “Economic Miracle.”
C. prolonged period from the mid 1950’s through the mid 1970’s, during which the country experienced considerable economic growth, low levels of unemployment, and low levels of inflation
36. _____ was Prime Minister of Great Britain when the country Nationalized the Commanding Heights of its economy after World War II.
A. Clement Atlee
37. Focusing on the “Average Tax Rate” of the “Bottom 50% of Income Earners” in the United States under the Federal Income Tax, this figure _____ between 1980 and 2000 and then _____ between 2000 and 2008.
C. decreased from 6.10% down to 4.60%; decreased further from 4.60% down to 3.01%
38. A “mixed economy consensus” emerged throughout much of Europe following World War II as a result of the
A. bad economic outcomes that were experienced in most market based European economies during the 1930’s.
39. _____ refers to increases in the money supply intended to stimulate overall macroeconomic activity.
C. Expansionary Monetary Policy

40. The “General Commission on Planning” (a government agency intended to institute a system of Indicative Planning, by way of setting targets and priorities for investment in key sectors of the economy)
- B. is a French government agency that was established in 1946 and originally headed by Jean Monnet.