

## Economics Workshops 2025 Mid-Term Test

Instructor: David Rees Name: \_\_\_\_\_

*Circle the correct answer to each question. There is only one correct answer to each question*

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1. The annual membership of a golf course goes up by 25%. 200 of the 400 members leave the club. What is the level of elasticity?
- a.  $E = -1$
  - b.  $E = -2$**
  - c.  $E = +2$

**P increases by 25%. S decrease by 50%. Therefore  $50/25 = 2$ .  $E = -2$**

2. If a rating agency changes the note for France from AA to AA-, the Interest Rate on government borrowing will probably
- a. Decrease
  - b. Remain the same
  - c. Increase**

**If the 'rating' gets worse, risk is considered higher, therefore investors want a higher IR because of increased risk.**

3. In France, subsidies to companies accounts for a fiscal revenue loss of about
- a. 211bn€**
  - b. 52bn€
  - c. 350m€

4. International inequality measures
- a. The gap between rich and poor in a country
  - b. The gap between rich and poor countries**
  - c. The gap between poor and rich areas in a country

5. Intranational inequality is measured by
- a. GDP
  - b. HDI
  - c. Gini score**

6. Geographical inequality is high in
- a. China**
  - b. The USA
  - c. France

7. Taxing wealth leaving France is called
- a. Corporation Tax
  - b. Exit Tax**
  - c. Wealth Tax

8. The EU Stability Pact states that
  - a. **Debt should not be more than 60% of GDP**
  - b. Debt should not be more than 3% of GDP
  - c. Deficit should not be more than 30% GDP

**This comes from the Maastricht Criteria to join the Euro. Deficit equal or less than 3% GDP and Debt equal to or less than 60% GDP, unless there are 'exceptional circumstances'.**

9. The Tax Burden measures
  - a. **The percentage of national income from tax receipts**
  - b. The percentage of taxes provided by Income Tax
  - c. The level of national borrowing necessary to complete the national budget
10. Why is GDP considered to be a poor measurement?
  - a. It is inaccurate
  - b. It doesn't account for imports
  - c. **It only accounts for economic measurements**

**Remember the case of the oil tanker crashing of the Greenland coast.**

11. Green GDP measures
  - a. **GDP minus environmental degradation**
  - b. The part of GDP that goes into the Green Economy
  - c. GDP plus environmental protection
12. The French contribution to the EU budget is
  - a. 2.5% GDP
  - b. **1% GDP**
  - c. 0.5% GDP
13. What is the European measurement of the Poverty Level?
  - a. **60% of the median salary**
  - b. Under 6€ per day
  - c. When a family cannot provide for basic welfare
14. If the government increases the Interest Rate
  - a. **Unemployment increases**
  - b. The currency value decreases
  - c. Exports increase

**Because 'money' (borrowing) becomes more expensive, so consumers spend less, companies sell less, and the economy cools down.**

15. If the government increases the Interest Rate
  - a. Consumer savings decrease
  - b. Prices increase
  - c. **Consumer consumption decreases**

**Because credit (borrowing) becomes more expensive.**

16. If the government increases the Interest Rate
- a. **Commercial investment decreases**
  - b. The currency value depreciates
  - c. Imports become more expensive

**Borrowing money to invest becomes more expensive at the same time as consumption diminishes**

17. If the currency value increases
- a. **Exports go down**
  - b. Exports increase
  - c. There is no effect on exports

**Because Euro goods now cost more in foreign currency.**

18. In fiscal terms, 'Boiling the Frog' means
- a. Killing expenditure by increasing taxes
  - b. **Increasing taxes gradually**
  - c. Reducing fiscal income

19. In which country did the Great Depression occur?
- a. France
  - b. United Kingdom
  - c. **United States**

**Following the 1929 Wall Street Crash and environmental degradation for farming**

20. To borrow money, most countries issue
- a. 2 year bonds
  - b. **10 year bonds**
  - c. 5 year bonds
21. A positive Multiplier Effect is when
- a. **The effect on GDP is greater than the investment made**
  - b. Money spent by the government is invested by shareholders
  - c. The national Interest Rate increases

22. The current French debt crisis since 2017 has mostly been caused by
- a. An increase in government spending
  - b. **A decrease of government fiscal revenue**
  - c. An increase in unemployment

**52bn€ 'lost' in revenue every year since 2017 (Macron)**

23. Who has a high marginal propensity to spend?
- a. A rich person
  - b. **A poor person**
  - c. A national government
24. To stimulate the economy, it is better to provide more money to
- a. Banks
  - b. Citizens with a high propensity to save
  - c. **Citizens with a high propensity to spend**

25. If the Interest Rate increases
- Currency value decreases
  - Currency value does not change
  - Currency value increases**

**Foreign investors buy Euros, attracted by the higher return (IR) on investment. Increased demand for Euros increases its market value.**

26. Sales are 100. Elasticity is -2. I increase the price by 20%. What are my new sales?
- 80
  - 60**
  - 120

**Price increases by 20%. Sales decrease by  $2 \times 20\%$  ( $E = -2$ ) = 40%.  $100 - 40 = 60$ .**

27. If citizens buy imported goods, the multiplier effect is
- Low**
  - High
  - No effect

**Money leaves the internal economy**

28. If the elasticity of beer consumption is -0.5 and the government increases alcohol duty on beer
- Government revenue will decline
  - Government revenue will increase**
  - 50% of beer drinkers will stop drinking beer

**Since beer consumption is inelastic ( $E$  is less than 1), then a 10% increase in price would lead to only a 5% reduction in consumption, so the tax revenue would increase.**

29. In which product do we 'tax taxes'?
- Bicycles
  - Petrol**
  - Essential food

**We take the 'value' of petrol, then add fuel tax. Then take the 'price' plus tax and add on VAT.**

30. HDI means
- The Human Development Index**
  - Human Direct Investment
  - Hunger and Disaster Indicator

31. Socialist countries are likely to have a higher \_\_\_\_\_ than neo-liberal countries
- Income per person
  - Tax burden**
  - Government debt

**A socialist country is concerned with the redistribution of wealth, and would be likely to have a high tax burden to pay for the high level of social services (public health, education, transport, aid etc.)**

32. In France, the fiscal revenue from VAT is about
- 50%**
  - 34%
  - 28%

33. Historically, people bricked up their windows because
- Glass was too expensive
  - Windows were taxed**
  - To avoid damage from riots

**If you're rich, you have a house. The richer you are, the more windows you have, so the estimation of wealth was based on how many windows you have. To avoid paying the window tax, you remove the window and fill the space with bricks.**

34. Which of these is a regressive tax?
- Corporation tax
  - Petrol duty**
  - Inheritance tax

**Because everyone pays the same, no matter how rich or poor you are**

35. Which of these is a direct tax?
- Income tax**
  - Tobacco duty
  - VAT

**Because the tax goes directly to the government**

36. Sales are 200. Elasticity is -1.5. I decrease the price by 10%. My new sales are
- 215
  - 230**
  - 175

**Price decreases by 10%. Sales increase by  $10 \times 1,5 = 15\%$ .  $200 \times 15\% = 230$**

37. IMF restructuring does **not** include
- Increasing taxes
  - Privatising national companies
  - Providing aid for public services**

**It links financial aid to a neoliberal policy of privatisation and a reduction of public services**

38. If I crash my car and end up in hospital for 3 months, it is
- Economically bad
  - Economically good**
  - Neither good nor bad because of insurance

**I am insured; I keep my salary, someone takes my place at work (new employment); the car is insured so I get a new car; I 'employ' labour (nurses, doctors etc.)**

39. Tax avoidance costs France about
- 20bn€ a year**
  - 40bn€ a year
  - 20m€ a year

40. FTT stands for
- Foreign Trading Tax
  - Financial Transfer Tax**
  - Foreign Transaction Tariffs

Bonus Question

Fiscal Policy is

- a) really interesting
- b) extremely interesting
- c) the most wonderful subject I've ever studied

All of these!

**Total Score**                      / **40**