Question 1

The poverty trap is:

Select one:

a. when someone tries to get off government benefits, but the income they earn makes them worse off due to taxes and the loss of concessions and benefits

b. anyone receiving a government pension or benefit is experiencing a poverty trap

c. 50% of median income, which was $426.30 a week for a single adult and $895.22 a week for a couple with children: both before housing costs in 2014

d. the requirement to work for the unemployment benefit means that the unemployed do not have time to find employment

Question 2

Which of the following spending types is a private cost of higher education?

Select one:

a. HECS (tuition) fees for students

b. youth allowance and other income support schemes for students

c. the 'real' interest rate on the HECS/HELP loans

d.

the discount associated with the up-front payment of HECS fees

Question 3

Which of the following alternatives best describes the current situation for income inequality in Australia?

Select one:

a. The lowest amount of inequality exists in “private incomes”, which is income from non-government sources ie income from wages, profits and interest.

b. Direct benefits in the form of transfer payments tend to increase the level of inequality.

c. Taxes, transfer payments and indirect benefits significantly reduce the level of inequality of final incomes.

d. Personal income taxes on private incomes tend to increase the level of income inequality.

Question 4

Which of the following statements best describes the recent experience of the tax burden in Australia?

Select one:

a. Is high in Australia compared to other developed nations, because our GST is high.

b. Is high in Australia compared to other developed nations, because our income taxes are high.

c. Is quite low in Australia compared to other developed nations. It might seem high because there are very few reasons why people should have to hand some of the money they earn to the government.

d. Is quite low in Australia compared to other developed nations. It might seem high because the larger tax share is from income taxes, which are very obvious.

Question 5

Which of the following alternatives best describes the way a progressive tax system works?

Select one:

a. As you earn more, you pay more tax. For example, if I earn $10,000 and the tax rate is 10%, I will pay $1,000 in tax. If I earn $80,000 and the tax rate is 5%, I will pay more tax – I will pay $4,000 in tax.

b. As you earn more, you pay more tax. For example, if I earn $10,000 and the tax rate is 10%, I will pay $1,000 in tax. If I earn $80,000 the tax rate will be higher – say, 20% - and I will pay a higher percentage of my income in tax – $16,000 in this example.

c. As you earn more, you progress from personal income tax to business tax rates. For example, if I earn $10,000 and the personal tax rate is 10%, I will pay $1,000 in tax. If I earn $80,000 then I can progress to the business income tax rate – say 5% - and I will pay $4,000 in tax.

d. As you earn more, you pay more tax. For example, if I earn $10,000 and the tax rate is 10%, I will pay $1,000 in tax. If I earn $80,000 and the tax rate is 10%, I will pay more tax – I will pay $8,000 in tax.

Question 6

Which of the following alternatives best describes the Gini coefficent:

Select one:

a. A measure of poverty in Australia. It tells you the proportion of people who are below the poverty line.

b. A measure of the area between the graph of actual household income distribution in the economy and the line of perfect income equality. The higher the coefficient the more equal the income distribution.

c. A measure of the area between the graph of actual household income distribution in the economy and the line of perfect income equality. The lower the coefficient the more equal the income distribution.

d. It is a measure of the amount of redistribution of incomes that the Government undertakes in an economy. Australia does little redistribution of incomes and therefore the Gini coefficient is quite low.

Question 7

Which of the following alternatives best describes "equivalised household income":

Select one:

a. A measure of the gap between the lowest and the highest incomes.

b. Income minus allowable deductions is taxable income. Tax is levied on taxable income, and what is left over is equivalised household income.

c. A method of adjusting the level of household income to allow for the different composition of households, so as to indicate an equivalent standard of living.

d. Making sure that all households earn the same amount of income via transfer payments and progressive taxation

Question 8

Health expenditures in Australia accounted for approximately 9.8% of total GDP in 2013–14. Which of the following alternatives most accurately describes health expenditures?

Select one:

a. Paid for solely by the consumers. Health care services generally deliver a worthwhile net benefit to the person over their working life. Because they are benefiting, they are the ones who are paying.

b. Subsidised by the Government. Even though health care generally achieves a worthwhile net benefit to the person, the Government subsidy is justified because health services are regarded as having positive externalities to the community.

c. Paid for solely by the consumers. The fees really aren’t that expensive compared to the income foregone if the person did not seek treatment and was sick for longer.

d. Subsidised by the Government. Health costs are expensive, and no-one would be able to afford it if there were not some kind of subsidy for it.

Question 9

Which of the following is an accepted economic argument for government subsidization of health care?

Select one:

a. Governments have a role to produce public goods, which are non-rivalrous and/or non-excludable. If Governments did not provide health care services in the community, it would be difficult to see how these services would be produced.

b. Health care is expensive and it is an attempt to help out citizens and increase the disposable incomes available to them to spend on other items in the economy, thereby increasing demand.

c. Private choices for health care bring greater health to the individual, and the individual should be the one who pays for that. However, they also bring positive externalities to the Community.

d. Government directed spending is regarded to be more efficient than privately decided spending. Therefore some government intervention in the health sector would improve efficiency in the health sector.

Question 10

Which of the following alternatives best describes a generally accepted economic argument FOR Government expenditure in the economy?

Select one:

a. Government organisations are public sector organisations, and are therefore considered to run more efficiently than private sector organisations

b. Governments should not intervene in the economy, because they take money from one group and redistribute it to others

c. Public goods and merit goods would not be produced, or would not be produced in large enough quantities, if Governments did not provide them

d. Governments should take a smaller role in our economy, as money earned by an individual should be spent by that individual