

# Quiz 10 | Poverty & Info, Ins. & Risk

- Due Mar 19 at 11:59pm
- Points 20
- Questions 29
- Time Limit None
- Allowed Attempts 2

## Instructions

NOTE: While the quiz is worth 20 points, there are 29 questions in this quiz given there is a significant amount of material to cover.

[Take the Quiz Again](#)

## Attempt History

	Attempt	Time	Score
LATEST	<a href="#">Attempt 1</a>	28 minutes	18.65 out of 20

❗ Correct answers are hidden.

Score for this attempt: 18.65 out of 20

Submitted Mar 18 at 12:50pm

This attempt took 28 minutes.



Question 1

0.7 / 0.7 pts

A specific amount of income needed for a basic standard of living is

- ☒ known as the poverty line.
- ☐ the definition of income inequality.
- ☐ known as the poverty trap.
- ☐ a number that isn't known so poverty itself cannot be measured.



Question 2

0.7 / 0.7 pts

Safety net programs include

- ☒ Temporary Assistance for Needy Families

- ☐ Troubled Asset Recovery Program
- ☐ The healthcare program for injured professional athletes.
- ☐ AFDC



## Question 3

0.7 / 0.7 pts

The supplemental poverty measure

- ☐ only includes expenses in its calculations
- ☒ includes in-kind income as well as some expenses,
- ☐ includes cash assistance as income but not in-kind income.
- ☐ was developed by an economist in the early 1960s.



## Question 4

0.7 / 0.7 pts

If Congress voted every few years to redefine the meaning of poverty,

- ☐ more people would be considered to be living in poverty.
- ☐ poverty would be more current and better able to be tracked over time.
- ☒ it would be difficult to compare poverty rates over time.
- ☐ then multiple poverty lines would exist that would more accurately measure poverty.



## Question 5

0.7 / 0.7 pts

In the United States, the official definition of the poverty line traces back to

\_\_\_\_\_, whose idea was to \_\_\_\_\_.

- ☐ Mollie Orshansky; develop a budget approach to determining the poverty line
- ☐ Lawrence Ellison; develop a budgetary approach to defining the poverty line
- ☐ Max Lorenz; define the Lorenz curve to illustrate the poverty line
- ☒ Mollie Orshansky; define a poverty line based on the cost of a healthy diet



## IncorrectQuestion 6

0 / 0.7 pts

An individual whose income level is just above the poverty line would most likely be classified as being a member of the \_\_\_\_\_.

- ☐ poverty trapped

- ☐ illiterate poor
- ☐ near-poor
- ☒ working poor



#### Question 7

0.7 / 0.7 pts

A situation of \_\_\_\_\_ arises when one group receives a higher share of total income or wealth than others.

- ☒ inequality
- ☐ quintiles
- ☐ poverty
- ☐ poverty entrapment



#### Question 8

0.7 / 0.7 pts

A method often used by economists to look at the distribution of income in a society's economy involves

- ☐ imposing taxes to redistribute wealth.
- ☒ quintiles, or dividing a whole group into fifths.
- ☐ quads, or dividing a whole group into fourths.
- ☐ dividing the population evaluated into thirds.



#### Question 9

0.7 / 0.7 pts

In circumstances dealing with poverty, the term \_\_\_\_\_ means taking income from those with higher incomes and providing income to those with lower incomes.

- ☐ estate tax
- ☒ redistribution
- ☐ safety net
- ☐ minimum wage



#### Question 10

0.7 / 0.7 pts

Programs to fight poverty that are set up so that the amount of government benefits will decline

substantially as poor people earn income may create \_\_\_\_\_.

- ☐ income inequality
- ☒ a poverty trap
- ☐ a poverty line
- ☐ a safety net



#### Question 11

0.65 / 0.65 pts

If incomes rise for high-income workers and rise for low-income workers as well, this would suggest that

- ☐ the overall effect on the poverty rate and income inequality could either increase or decrease.
- ☐ income inequality will decrease while the poverty rate will increase.
- ☒ the poverty rate will fall, but income inequality may increase or decrease.
- ☐ the poverty rate and income inequality will increase.
- ☐ both the poverty rate and income inequality will fall.



#### Question 12

0.65 / 0.65 pts

When evaluating the Lorenz curve, the 45-degree line represents

- ☐ points where the population receives 45% of the income.
- ☐ the percentage of the population below the poverty line.
- ☐ perfect inequality.
- ☒ perfect equality.



#### IncorrectQuestion 13

0 / 0.65 pts

If incomes rise by 10% for both low-income and high-income workers,

- ☐ income equality will fall and poverty will remain unchanged.
- ☐ poverty will rise and income inequality will also rise.
- ☐ poverty and income equality will both remain unchanged.
- ☐ then poverty will fall and income inequality will be unchanged.
- ☒ poverty will fall and income inequality will also fall.



## Question 14

0.65 / 0.65 pts

What factors account for the rise in income inequality across significant percentages of households?

- ☐ Increases in the population of America
- ☒ Changes in family structure
- ☐ Stagnant wage rates
- ☐ Improvements in the gender pay gap



## Question 15

0.65 / 0.65 pts

Suppose a government program guarantees \$ 2,000 a month in income, even for those who do not work at all. However, if the recipient earns income by working, the benefit is reduced by 50 cents for each \$1 earned. Which of the following statements is true?

- ☐ This program will redefine the poverty line.
- ☐ While the goal may be to reduce poverty, people rarely respond to incentives.
- ☒ The goal of this program is to increase the incentive to work, reducing the poverty trap.
- ☐ This program will reduce the incentive to work significantly.



## Question 16

0.65 / 0.65 pts

A Lorenz curve refers to a graphic illustration of the share of population on the \_\_\_\_\_ and the cumulative percentage of total income received on the \_\_\_\_\_.

- ☐ vertical axis; horizontal axis
- ☐ right quintile; left quintile
- ☒ horizontal axis; vertical axis
- ☐ left quintile; right quintile



## Question 17

0.7 / 0.7 pts

A \_\_\_\_\_ is a form of incentive to purchase a product on a 30 day trial basis.

- ☐ warranty
- ☐ service contract

- ☒ money-back guarantee
- ☐ replacement guarantee



#### Question 18

0.7 / 0.7 pts

What do service contracts, occupational licenses and cosigners all share in common?

- ☐ They reduce risk of adverse selection.
- ☐ They reduce risk of moral hazard.
- ☐ They eliminate the risk of imperfect information.
- ☒ They reduce the risk associated with imperfect information.



#### Question 19

0.7 / 0.7 pts

Payments made to an insurance company in return for a policy of insurance are called

- 
- ☒ premiums
  - ☐ risk expenditures
  - ☐ risk expenses
  - ☐ deductibles



#### Question 20

0.7 / 0.7 pts

Ryan lives in Iowa and is completing his fourth year of electrician apprenticeship training. After achieving journeyman status, what will Ryan require from his state government in order to practice his trade?

- ☐ service contract
- ☒ occupational license
- ☐ group health insurance
- ☐ occupational contract



#### Question 21

0.7 / 0.7 pts

Automobile manufacturers use warranties as incentives for buyers to purchase their products. Why are warranties on vehicles important to buyers?

- ☐ manufacturers pay insurance policy premiums on the buyer's vehicle for a set period of time
- ☒ for a specific time period, the manufacturer bears the cost of fixing or replacing the vehicle
- ☐ manufacturers pay all routine maintenance expenses for a set period of time
- ☐ for a fixed time period, buyer's can return vehicles for a full refund of the purchase price



#### Question 22

0.7 / 0.7 pts

When buyers invest in the stock market, most face a situation of \_\_\_\_\_ .

- ☒ imperfect information
- ☐ adverse selection
- ☐ adverse information
- ☐ imperfect selection



#### Question 23

0.7 / 0.7 pts

When an antique dealer knows more about the quality of an item than the potential buyer, this is known as

- ☐ adverse information
- ☒ asymmetric information
- ☐ imperfect selection
- ☐ adverse selection



#### Question 24

0.7 / 0.7 pts

The situation where an insurance policyholder is required to pay a percentage of a loss, and the insurance company pays the remaining cost is known as

- ☐ an insurance policy
- ☐ collateral
- ☐ government regulation
- ☒ coinsurance



#### Question 25

0.7 / 0.7 pts

With some insurance policies, the policyholder must pay a \_\_\_\_\_ for each

\_\_\_\_\_ service, before insurance covers the rest.

- ☐ deductible premium; insured
- ☐ deductible; uninsured
- ☒ copayment; insured
- ☐ copayment; uninsured



#### Question 26

0.7 / 0.7 pts

When people have insurance against a certain event, the notion that those people are less likely to guard against that event occurring is called \_\_\_\_\_.

- ☐ moral risk
- ☒ moral hazard
- ☐ risk
- ☐ hazard risk



#### Question 27

0.7 / 0.7 pts

\_\_\_\_\_ is something valuable that a lender would have a right to \_\_\_\_\_ if the loan is not repaid.

- ☐ A guarantee; sell
- ☐ A guarantee; seize and sell
- ☒ Collateral; seize and sell
- ☐ Collateral; sue for



#### Question 28

0.7 / 0.7 pts

Another person or firm who legally pledges to repay some or all of the money loaned if the original borrower fails to do so is called a \_\_\_\_\_.

- ☒ cosigner
- ☐ warrantor
- ☐ codebtor
- ☐ guarantee



#### Question 29



0.7 / 0.7 pts

A \_\_\_\_\_ exists when the buyer pays an extra amount and the seller agrees to fix anything that goes wrong for a set time period.

- ☐ warranty
- ☐ money-back warranty
- ☒ service contract
- ☐ money-backed guarantee

Quiz Score: 18.65 out of 20