**Terms:**

Terms and concepts to understand (both meaning and significance) for Unit 1 quiz

Adam Smith/invisible hand

Cost-benefit analysis

Creative destruction

Green taxes

Incentives

Opportunity cost

Perverse incentives

Pigovian taxes

Positive and negative externalities and how to deal with them

Principal-agent problem

Prisoner’s Dilemma

Regressive taxes

Scarcity

Sin taxes

Trade-offs

Underground economy

**Questions:**

When does government usually make the invisible hand visible

1. When it is taking too long to reach a equilibrium in the market naturally
2. When people start investing more money
3. When unemployment and poverty become high
4. When the government needs more money and taxes are to low

Which is an example of the prisoner's dilemma?

1. When everybody wants to drive their own car to work, causing traffic
2. When big companies destroy smaller companies
3. When the majority of people fall below the poverty line
4. When people can't buy property because inflation is high

What are Sin Taxes?

1. Taxes on cigarettes
2. Taxes on groceries
3. Taxes on clothing
4. Taxes on pets

What is an example of a perverse incentive?

1. When The government paid people to kill rats and turn them in for money, people started breeding rats, thus worsening the rat problem
2. When the government pays people to not be perverts
3. When scientists payed poor countries for each fossil they produce, so they smashed them to make more money
4. Giving your daughter candy to potty train her

Who does regressive tax affect negatively?

1. Poor people
2. Rich people
3. Middle class people
4. The government

What do Pigovian taxes cause?

1. Negative externalities
2. Positive externalities
3. No externalities
4. Ms. Salle to be mad

Why do people use the underground economy?

1. To avoid paying taxes
2. To get illegal products
3. Because they hate government
4. Because they wanna feel sneaky