

- 1) When interest receipts are taxable but interest payments are nondeductible, the intertemporal budget constraint is
- A) a straight line.
 - B) kinked at the endowment point.
 - C) kinked at the chosen consumption bundle.
 - D) U-shaped.

- 2) On the Laffer curve, an increase in tax rates causes tax revenue to increase if the starting point is
- A) to the right of the top.
 - B) exactly at the top.
 - C) to the left of the top.
 - D) to the farthest point to the right.

3) Increasing wage rates will result in more hours worked.

- A) True
- B) False
- C) Uncertain

- 4) The theoretical effects of taxation on portfolio composition are ambiguous.
- A) True
 - B) False

- 5) The income effect tends to
- A) induce an individual to work more.
 - B) induce an individual to work less.
 - C) induce an individual's number of hours worked to remain constant.
 - D) decrease labour supply.

Answer Key

- 1) B
- 2) C
- 3) C
- 4) A
- 5) A