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Finance

268



Lesson #16 Quiz

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1. Some of Carmen Reinhart's historical findings on sovereign defaults include: (check all that apply)

1 / 1 point

☒ Governments have rarely repudiated their sovereign debt contracts

✓ Correct

☒ Sovereign defaults historically tend to occur in waves.

✓ Correct

☐ Governments who cannot repay their creditors often tend to repudiate their sovereign debt contracts.

☒ It is common for governments to solve their debt problems by inflating their currencies.

✓ Correct

2. Which of the following are justifications given for the existence of a corporate profits tax? (check all that

2. Which of the following are justifications given for the existence of a corporate profits tax? (check all that apply)

1 / 1 point

- ☐ Corporations participate, through the existence of a corporate profits tax, to the investment and maintenance of public infrastructures.
- ☒ Governments may have to step in for environmental damages beyond the limited liability of the company that has caused the damages, as exemplified by TEPCO in Japan following the earthquake from 2011.

✓ Correct

- ☐ A specific share of nationalized companies in the profit-sector is a necessary ingredient for an efficient antitrust law.
- ☒ Governments may be forced to bail companies out or assist companies during bankruptcy proceedings, as exemplified by General Motors in the aftermath of the financial crisis from 2007-2008.

✓ Correct

3. How do local governments typically make use of the money generated by municipal bond issues?

1 / 1 point

- ☐ Municipalities use the money to finance purchase of equipment such as fire trucks.
- ☐ Municipalities use the money to finance local events.
- ☒ Municipalities use the money to finance public works projects.
- ☐ Municipalities use the money to finance the salaries of public works employees.

✓ Correct

Municipalities use the money generated by municipal bond issues to finance public works projects such as schools, hospitals and public housing.

4. The social insurance system in the U.S. is commonly referred to as the OASDI. What kinds of insurance does this abbreviation encompass? (check all that apply)

1 / 1 point

- ☐ Asset Insurance.
- ☒ Old age insurance.

✓ Correct

☒ Survivors insurance.

 **Correct**

☒ Disability Insurance.

 **Correct**