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How's Your E.Q. (Economics Quotient)?

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*Our Judgment is no better
than our information.*

HOW'S YOUR E.Q. (ECONOMICS QUOTIENT)

Because of its reputation, the very word "ECONOMICS" prevents most people from making any effort to understand information so identified.

Actually, economics is only a study of the improvement of man's material welfare; how he produces and exchanges goods and services; where he gets the money to pay for them; what he must do to get ahead.

When simply expressed, basic economic principles are understandable by almost anyone. As evidence, let's reduce ten of these principles to multiple-choice questions. In answering them you will probably discover that you know much more about economics than you think you do.

In each list of choices check the one you think is right. The correct answers are shown on the back page. Don't peek until you have finished. Give yourself 10 points for each correct selection. 70 is "average." Answer them all correctly and you'll win our **Armchair Economist Award**.

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College of Business Administration
Harding University, Searcy, Arkansas

- 1. Economics is about choice, and choice is necessitated by:**
 - a. Civilization
 - b. Industrialization
 - c. Abundance
 - d. Scarcity

- 2. In a free market system, the driving force behind the activities of both buyer and seller is:**
 - a. Benevolence
 - b. Self-interest
 - c. Prosperity of the nation
 - d. Morality

- 3. The usual result of increased wages not matched by greater production is:**
 - a. Higher living standards for workers
 - b. Higher prices for goods and services
 - c. More competition for raw materials
 - d. Government investigation of wage policies

- 4. Job security in any plant is best assured in the long run by:**
 - a. Industry-wide bargaining
 - b. Supporting full employment program on government
 - c. Rigid union rules
 - d. Cooperating with management in winning and holding customers

- 5. The price mechanism (i.e. supply and demand) helps to do which of the following?**
 - a. Allocate the factors of production
 - b. Ration goods and services
 - c. Distribute national income
 - d. All of the above

- 6. When the government provides the people with services below cost, it:**
- Saves the people money
 - Collects the losses in taxes
 - Improves economic justice
 - Creates an economic utopia
- 7. In the United States the overall ratio of profit to payroll is about 1:10 or more. In some industries it is 2:10 more. This is because:**
- More profit is sometimes needed to pay for new equipment
 - These industries do not have enough competition
 - The payroll is too small
 - The profit is too large
- 8. Every business has four unavoidable costs that must be paid by the customer. Which one is profit?**
- Payment for raw materials
 - Payments to employees
 - Payments to owners for supplying the tools
 - Payments for depreciation
- 9. A high standard of living in any nation depends chiefly upon:**
- Generous government subsidies
 - High money wages
 - High per capita production of goods and services
 - Abundant natural resources
- 10. Our founding fathers rebelled in 1776 when they were subjected to a mild import tax of 1% - "taxation without representation." What percent of our national income goes to taxes today?**
- 20%
 - 30%
 - 40%
 - 50%

Correct Answers

1-D, 2-B, 3-B, 4-D, 5-D, 6-B, 7-A, 8-C, 9-C, 10-C

Did You Enjoy This Quiz?

We publish this quiz for two reasons: 1) most people enjoy them; and 2) many are stimulated to dig deeper into the wealth of interesting and useful information to be found in simplified economics.

The following item catches the “spirit” of a free enterprise economic system.

*Make all you can
Save all you can
Give all you can
Do all the good you can
In all the ways you can
With all the souls you can
In every place you can
At all times you can
With all the zeal you can
As long as you ever can.*

- John Wesley

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