Assignment 1

1. Mother Teresa, a nun who lived in the bowels of poverty to aid the poor and downtrodden

   a) was never self-interested.
   b) was always self-interested.
   c) did not have a selfish bone in her body.
   d) was never rationally self-interested.
   e) was an exception to the economic view of humans.

2. In economics, physical capital includes

   a) money.
   b) bonds.
   c) machinery and factories.
   d) shares of stock.
   e) natural resources.

3. Economists refer to financial capital and physical capital. Examples of these include all the following except

   a) stocks and bonds.
   b) offices and warehouses.
   c) machinery.
   d) equipment.
   e) land.

4. Scarcity

   a) requires people to make choices.
   b) exists only in some countries.
   c) ensures people become satisfied with less than they want.
   d) exists only during a recession.
   e) affects only poor people.

5. Economics is the study of

   a) the methods that human decision-makers use to transform a scarce good into a noneconomic good.
   b) how to make money in the stock market.
   c) a utopian society.
   d) the allocation of scarce resources and the ways in which human decision-makers utilize those resources.
   e) how to operate a business successfully.
6. According to the text, rational self-interest

a) means that people will always choose the path of least resistance.
b) means that although each person has unique goals and attitudes, they will choose the same options when faced with a decision of life and death.
c) is dependent on each individual's perception of self-interest.
d) is independent of the information on hand.
e) means that it is impossible for an action to be in your best interest but not in someone else's best interest.

7. If a driver is able to avoid a traffic jam on the freeway by taking a side street, that person is made better off. However, if we had assumed everybody would be better off by taking the side street, which of the following would be involved?

a) Fallacy of composition
b) The scientific method
c) Ceteris paribus
d) Association as causation
e) Normative analysis

8. The term rational self-interest, as viewed by economists, means

a) only economists are capable of rational self-interest.
b) people never act until they have perfect information in order to guarantee their own self-interest.
c) consumers always seek the least expensive option when making a purchase regardless of individual preferences.
d) consumers would never pay more for a good simply because it carried a certain designer label.
e) people will make the choices that, given the information available, will give them the greatest amount of satisfaction.

9. Which of the following is an example of capital?

a) Machinery
b) Natural resources
c) Training
d) Education
e) Innate ability

10. Positive economics

a) is concerned with what ought to be.
b) will usually indicate which economic policy is best.
c) is the same as normative economics.
d) is strictly quantitative, and so has little to say to those with philosophical goals to achieve in policy making.
e) produces verifiable statements.
11. When some goods are used to produce other goods, those goods that are used in the production process are called

   a) capital rents.
   b) economic goods.
   c) money.
   d) unskilled workers.
   e) factors of production.

12. According to the text, which of the following is not true?

   a) People do not have everything thing they want
   b) When people choose one good they must give up other things
   c) People do not have the money to purchase everything they want
   d) People do not have to make choices if they don't want to
   e) People do not have the time to do everything they want

13. According to the text, human beings are self-interested, not selfish. This means

   a) people never act in a spiteful or belligerent manner.
   b) people are never selfish.
   c) people only care about themselves and their families.
   d) people do contribute to charities and otherwise help others.
   e) people never act in a fit of rage.

14. This past year, whenever you wore your college's colors, the football team won. During the last two weeks you have continued to wear the college colors and bet a lot of money on your team, but your college's football team lost both games. Your mistaken belief is a result of

   a) positive analysis.
   b) association as causation.
   c) fallacy of composition.
   d) the scientific method.
   e) _ceteris paribus_, or everything else held constant.

15. According to the text, economists

   a) think that most of the time most human beings are weighing alternatives, looking at costs and benefits, and making decisions in a way that they believe makes them better off.
   b) think that most of the time most human beings are weighing alternatives, looking at costs and benefits, and making decisions in a way that they believe makes society better off.
   c) think that most of the time most human beings are weighing alternatives and looking at costs and benefits in a selfish manner.
   d) think that most of the time most human beings are weighing alternatives, looking at costs and benefits, and making decisions in a way that they believe makes them better off and hurts others.
   e) think that most of the time most human beings are wasting resources by spending too much time weighing alternatives, looking at costs and benefits, and making decisions in a way that they believe makes them better off.
16. Which of the following statements is true?
   a) While there is wide agreement concerning the logic of economics, economists often disagree about the results of that logic.
   b) If the United States spends more on war, it must give up some domestic spending.
   c) One definition of economics provided in the text is that economics is the study of intended consequences.
   d) In studying the world, economists recognize that every action has costs.
   e) All of these.

17. Which of the following is a macroeconomic concern?
   a) The rate of unemployment in the country
   b) Wage determination for an individual worker
   c) The manner in which a certain firm tries to maximize profits
   d) Choices made by a particular consumer
   e) The price of an apple in a local store

18. Goods used to produce other goods, are called all of the following except
   a) factors of production.
   b) resources.
   c) inputs.
   d) free goods.
   e) economic goods.

19. Whether to have more or less government involvement in the overall economy is essentially a
   a) matter of personal opinion.
   b) normative issue.
   c) political issue and therefore the techniques of economic analysis are not applicable.
   d) positive or normative issue; it could be either.
   e) positive issue.

20. Economists refer to financial capital and physical capital. Financial capital is
   a) the economic value of physical capital not paid for by debt.
   b) the same as net income.
   c) the money used to purchase physical capital.
   d) the accounting value of physical capital not paid for by debt.
   e) the assets that are backed by stocks and bonds.

Essay Question

1. Why is it important that we study the history of the U.S. economy? In what ways is the history of the U.S. economy the culmination of years of thought and innovation by various people?