

Business Economy Foundations

Author: Robert Murphy

Associated Scholar @Mises Institute

Published 2014

Create, Share, and Discover Online Quizzes.

QuizOver.com is an intuitive and powerful online quiz creator. [learn more](#)

Join QuizOver.com



How to Analyze Stocks

By Yasser Ibrahim

1 month ago
12 Responses

© iStock: Thomson Moter



Pre Employment English

By Katharina jennifer N

5 months ago
19 Responses

© iStock: Albin



Lean Startup Quiz

By Yasser Ibrahim

2 months ago
16 Responses

© iStock: Gekwiniel Olan

Powered by QuizOver.com

The Leading Online Quiz & Exam Creator

Create, Share and Discover Quizzes & Exams

<http://www.quizover.com>

Disclaimer

All services and content of QuizOver.com are provided under QuizOver.com terms of use on an "as is" basis, without warranty of any kind, either expressed or implied, including, without limitation, warranties that the provided services and content are free of defects, merchantable, fit for a particular purpose or non-infringing.

The entire risk as to the quality and performance of the provided services and content is with you.

In no event shall QuizOver.com be liable for any damages whatsoever arising out of or in connection with the use or performance of the services.

Should any provided services and content prove defective in any respect, you (not the initial developer, author or any other contributor) assume the cost of any necessary servicing, repair or correction.

This disclaimer of warranty constitutes an essential part of these "terms of use".

No use of any services and content of QuizOver.com is authorized hereunder except under this disclaimer.

The detailed and up to date "terms of use" of QuizOver.com can be found under:

<http://www.QuizOver.com/public/termsOfUse.xhtml>

eBook Content License

Dr. Robert P. Murphy, Lessons for the Young Economist. (Mises Institute),
<http://mises.org/document/6215/Lessons-for-the-Young-Economist> (Accessed 04 April, 2014). License:
Creative Commons BY

Creative Commons License

Attribution-NonCommercial-NoDerivs 3.0 Unported (CC BY-NC-ND 3.0)

<http://creativecommons.org/licenses/by-nc-nd/3.0/>

You are free to:

Share: copy and redistribute the material in any medium or format

The licensor cannot revoke these freedoms as long as you follow the license terms.

Under the following terms:

Attribution: You must give appropriate credit, provide a link to the license, and indicate if changes were made. You may do so in any reasonable manner, but not in any way that suggests the licensor endorses you or your use.

NonCommercial: You may not use the material for commercial purposes.

NoDerivatives: If you remix, transform, or build upon the material, you may not distribute the modified material.

No additional restrictions: You may not apply legal terms or technological measures that legally restrict others from doing anything the license permits.

Table of Contents

Quiz Permalink: <http://www.quizover.com/question/economy-foundations-test-by-dr-robert-murphy-mises-institute>

Author Profile: <http://www.quizover.com/user/profile/robert.murphy>

1. Economy Foundations

- Lesson 02: How We Develop Economic Principles
- Lesson 03: Economic Concepts Implied By Action
- Lesson 04: "Robinson Crusoe" Economics

4. Chapter: Lesson 02: How We Develop Economic Principles

1. Lesson 02: How We Develop Economic Principles Questions

4.1.1. If someone sneezes when pepper is thrown in his face, is that a pur...

Author: Robert Murphy

If someone sneezes when pepper is thrown in his face, is that a purposeful action?

- The answer is no, because (presumably) sneezing is a reflexive behavior. It's important for the student to realize that the distinction between purposeful action and mindless behavior is not simply the difference between human bodily movements versus items in nature. As the example of lifting a leg in the student text shows, human behavior can be classified as either purposeful action or mindless behavior, depending on the circumstances.

Check the answer of this question online at QuizOver.com:

Question: [If someone sneezes when pepper is thrown by Dr. Robert Murphy @Mises](#)

Flashcards:

<http://www.quizover.com/flashcards/if-someone-sneezes-when-pepper-is-thrown-by-dr-robert-murphy-mises?pdf=1505>

Interactive Question:

<http://www.quizover.com/question/if-someone-sneezes-when-pepper-is-thrown-by-dr-robert-murphy-mises?pdf=1505>

4.1.2. Does "purposeful action" include mistakes?

Author: Robert Murphy

Does "purposeful action" include mistakes?

- Yes, it does. Purposeful action is intentional action; it is behavior that serves a purpose to the thing doing the behaving.
People try to achieve certain outcomes and fail, all the time.
Yet they are still acting with purpose. In this course we do not assume that people are flawless calculators, as some textbook writers do.

Check the answer of this question online at QuizOver.com:

Question: [Does purposeful action include mistakes by Dr. Robert Murphy @Mises](#)

Flashcards:

<http://www.quizover.com/flashcards/does-purposeful-action-include-mistakes-by-dr-robert-murphy-mises?pdf=1505>

Interactive Question:

<http://www.quizover.com/question/does-purposeful-action-include-mistakes-by-dr-robert-murphy-mises?pdf=1505>

4.1.3. Are brain and mind interchangeable terms?

Author: Robert Murphy

Are brain and mind interchangeable terms?

- No, they are not.

The brain is a physical organ of the body, whereas the mind is an intangible concept that obviously bears some relationship to the brain.

(Note that someone can "lose his mind" without losing his brain.)

To repeat, we are not ruling out particular theories of neuroscience that claim that certain mental states are caused by particular brain states.

We are making the very modest point that mental states or operations (such as anxiety, happiness, long-range planning, multiplication, etc.) are different from brain states (such as firing neurons and blood flow to the left hemisphere).

Check the answer of this question online at QuizOver.com:

Question: [Are brain and mind interchangeable terms by Dr. Robert Murphy @Mises](#)

Flashcards:

<http://www.quizover.com/flashcards/are-brain-and-mind-interchangeable-terms-by-dr-robert-murphy-mises?pdf=1505>

Interactive Question:

<http://www.quizover.com/question/are-brain-and-mind-interchangeable-terms-by-dr-robert-murphy-mises?pdf=1505>

4.1.4. Can we perform controlled experiments to test economic theories?

Author: Robert Murphy

Can we perform controlled experiments to test economic theories?

- No, not in the same sense that we perform controlled experiments in (some of) the natural sciences. There is an entire field called "experimental economics," in which researchers will run experiments to test various issues that are important to some economic researchers.

Check the answer of this question online at QuizOver.com:

Question: [Can we perform controlled experiments to by Dr. Robert Murphy @Mises](#)

Flashcards:

<http://www.quizover.com/flashcards/can-we-perform-controlled-experiments-to-by-dr-robert-murphy-mises?pdf=1505>

Interactive Question:

<http://www.quizover.com/question/can-we-perform-controlled-experiments-to-by-dr-robert-murphy-mises?pdf=1505>

4.1.5. List two examples of mindless behaviors and two examples of purpose...

Author: Robert Murphy

List two examples of mindless behaviors and two examples of purposeful actions.

- Mindless behavior:

Man sneezing because of pepper or allergies, someone flinching when a car backfires, a woman shivering because it's cold.

PARTIAL CREDIT EXAMPLES

(because too vague to determine if student understands the distinction):

Man yelling during a dream, a bee pollinating a flower, someone going to the bathroom.

Purposeful action:

Man adding pepper to his soup, a soldier running after throwing a grenade, a woman buying a coat because it's cold.

PARTIAL CREDIT EXAMPLES

(because too vague to determine if student understands the distinction):

Man yelling during a dream, a bee pollinating a flower, someone going to the bathroom.

Check the answer of this question online at QuizOver.com:

Question: [List two examples of mindless behaviors by Dr. Robert Murphy @Mises](#)

Flashcards:

<http://www.quizover.com/flashcards/list-two-examples-of-mindless-behaviors-by-dr-robert-murphy-mises?pdf=1505>

Interactive Question:

<http://www.quizover.com/question/list-two-examples-of-mindless-behaviors-by-dr-robert-murphy-mises?pdf=1505>

4.1.6. Explain why the "scientific method" simply won't do well in the rea...

Author: Robert Murphy

Explain why the "scientific method" simply won't do well in the realm of social science.

- The social sciences study people, and so the very "facts" of the social sciences involve people's minds. The natural sciences study mindless particles and can use repeatable experiments, changing one variable at a time, to test which theories are better or worse. Yet there are no controlled experiments in the social sciences, because the people have minds of their own so that we can't ever replicate the same conditions for a new "test."
Sample Partial Credit Answer
Social sciences study people, and so they can't use experiments.

Check the answer of this question online at QuizOver.com:

Question: [Explain why the scientific method simply by Dr. Robert Murphy @Mises](#)

Flashcards:

<http://www.quizover.com/flashcards/explain-why-the-scientific-method-simply-by-dr-robert-murphy-mises?pdf=1505>

Interactive Question:

<http://www.quizover.com/question/explain-why-the-scientific-method-simply-by-dr-robert-murphy-mises?pdf=1505>

4.1.7. Explain how economists derive economic principles or laws.

Author: Robert Murphy

Explain how economists derive economic principles or laws.

- The economist develops principles the same way that mathematicians prove theorems in geometry. The economist starts out with the observation or assumption that people have conscious goals, and then logically deduces implications from that fact.
Sample Partial Credit Answer
The economist knows what it's like to be living in an economy, so he can understand what motivates other people too.

Check the answer of this question online at QuizOver.com:

Question: [Explain how economists derive economic principles by Dr. Robert Murphy](#)

Flashcards:

<http://www.quizover.com/flashcards/explain-how-economists-derive-economic-principles-by-dr-robert-murphy?pdf=1505>

Interactive Question:

<http://www.quizover.com/question/explain-how-economists-derive-economic-principles-by-dr-robert-murphy?pdf=1505>

4. Chapter: Lesson 03: Economic Concepts Implied By Action

1. Lesson 03: Economic Concepts Implied By Action Questions

4.1.1. Why do statements about a man's actions (implicitly) involve his be...

Author: Robert Murphy

Why do statements about a man's actions (implicitly) involve his beliefs as well?

- To say that a man acts with a purpose, we are implying that the man believes his action will achieve the result he desires. (If we didn't attribute such a belief to the man, then our description would make no sense.) This seems like a trivial point, but much of the development of economics in the twentieth century involved the growing realization among economists that expectations were important. These developments lie outside the scope of this course, but the moral is that these "foundational" issues really do have implications for cutting edge research.

Check the answer of this question online at QuizOver.com:

Question: [Why do statements about a man s actions by Dr. Robert Murphy @Mises](#)

Flashcards:

<http://www.quizover.com/flashcards/why-do-statements-about-a-man-s-actions-by-dr-robert-murphy-mises?pdf=1505>

Interactive Question:

<http://www.quizover.com/question/why-do-statements-about-a-man-s-actions-by-dr-robert-murphy-mises?pdf=1505>

4.1.2. Can purposeful action be based on a faulty belief? Give examples.

Author: Robert Murphy

Can purposeful action be based on a faulty belief? Give examples.

- There are all sorts of examples of purposeful actions that are based on false beliefs. For example, if we see a man on his knee in a fancy restaurant in front of his dinner companion, we might say, "He is proposing to that woman because he wants to spend his life with her." One of his beliefs that motivated this action is that she will say yes. But she very well might say no. Even in that case, the man's action was still purposeful; he just didn't fulfill the purpose as he had expected. In business, entrepreneurs make faulty forecasts all the time. Their actions are still purposeful, and they still fall under the scope of economic theory.

Check the answer of this question online at QuizOver.com:

Question: [Can purposeful action be based on a faulty by Dr. Robert Murphy](#)

Flashcards:

<http://www.quizover.com/flashcards/can-purposeful-action-be-based-on-a-faulty-by-dr-robert-murphy?pdf=1505>

Interactive Question:

<http://www.quizover.com/question/can-purposeful-action-be-based-on-a-faulty-by-dr-robert-murphy?pdf=1505>

4.1.3. What does it mean when economists say preferences are subjective?

Author: Robert Murphy

What does it mean when economists say preferences are subjective?

- This elementary observation simply refers to the fact that people have different tastes. This is a much more straightforward way of explaining market prices, than to assume that these prices are the result of some "objective" facts (such as how much labor went into the product, etc.). The emphasis on subjective preferences will make more sense in Lesson 6 when we explain barter prices.

Check the answer of this question online at QuizOver.com:

Question: [What does it mean when economists say preferences by Dr. Robert Murphy](#)

Flashcards:

<http://www.quizover.com/flashcards/what-does-it-mean-when-economists-say-preferences-by-dr-robert-murphy?pdf=1505>

Interactive Question:

<http://www.quizover.com/question/what-does-it-mean-when-economists-say-preferences-by-dr-robert-murphy?pdf=1505>

4.1.4. Does economics say you shouldn't give money to charity?

Author: Robert Murphy

Does economics say you shouldn't give money to charity?

- No! It is perfectly reasonable for an economist to donate money to the poor. The discussion in the text was referring to an illegitimate application of economic theory. Specifically, some people learn the "law of diminishing marginal utility" in standard economics courses, and then falsely conclude that a dollar confers less utility on a rich man than on a poor man. This talk is meaningless; economics says no such thing. Now if we want to justify charity on the grounds of moral obligation, that is consistent with economics. The only point here is that standard utility theory does not justify wealth redistribution the way many people think it does.

Check the answer of this question online at QuizOver.com:

Question: [Does economics say you shouldn't give money by Dr. Robert Murphy](#)

Flashcards:

<http://www.quizover.com/flashcards/does-economics-say-you-shouldn-t-give-money-by-dr-robert-murphy?pdf=1505>

Interactive Question:

<http://www.quizover.com/question/does-economics-say-you-shouldn-t-give-money-by-dr-robert-murphy?pdf=1505>

4. Chapter: Lesson 04: "Robinson Crusoe" Economics

1. Lesson 04: "Robinson Crusoe" Economics Questions

4.1.1. Does economics assume that people act in isolation from the rest of...

Author: Robert Murphy

Does economics assume that people act in isolation from the rest of society?

- No, the point of studying Robinson Crusoe is simply to keep the analysis as simple as possible for the student.
In the next part of the book, we will explain the operation of a market economy, which is composed of many people.
However, the same principles that apply to Crusoe also apply to individuals in a market—the presence of other people is simply another feature of the environment, as it were.

Check the answer of this question online at QuizOver.com:

Question: [Does economics assume that people act in by Dr. Robert Murphy @Mises](#)

Flashcards:

<http://www.quizover.com/flashcards/does-economics-assume-that-people-act-in-by-dr-robert-murphy-mises?pdf=1505>

Interactive Question:

<http://www.quizover.com/question/does-economics-assume-that-people-act-in-by-dr-robert-murphy-mises?pdf=1505>

4.1.2. What does it mean to say Crusoe creates goods with his "mind powers"?

Author: Robert Murphy

What does it mean to say Crusoe creates goods with his "mind powers"?

- Obviously we do not mean that Crusoe has magical powers to conjure up coconuts through thought. What we meant by this section title is that coconuts (or vines, sticks, etc.) are not goods merely because of their intrinsic properties. In order to become economic goods, someone (Crusoe in this case) has to use his mind to classify them as scarce objects that can help him achieve his objectives.

Check the answer of this question online at QuizOver.com:

Question: [What does it mean to say Crusoe creates by Dr. Robert Murphy @Mises](#)

Flashcards:

<http://www.quizover.com/flashcards/what-does-it-mean-to-say-crusoe-creates-by-dr-robert-murphy-mises?pdf=1505>

Interactive Question:

<http://www.quizover.com/question/what-does-it-mean-to-say-crusoe-creates-by-dr-robert-murphy-mises?pdf=1505>

4.1.3. Can leisure be more physically demanding than work?

Author: Robert Murphy

Can leisure be more physically demanding than work?

- Yes, as a footnote explained, it's possible that Crusoe enjoys swimming in the ocean as a leisure activity. This is much more physically taxing than other chores such as gathering twigs for a fire. Presumably Crusoe does not derive direct pleasure from collecting twigs, and so this activity is work, not leisure.

Check the answer of this question online at QuizOver.com:

Question: [Can leisure be more physically demanding by Dr. Robert Murphy @Mises](#)

Flashcards:

<http://www.quizover.com/flashcards/can-leisure-be-more-physically-demanding-by-dr-robert-murphy-mises?pdf=1505>

Interactive Question:

<http://www.quizover.com/question/can-leisure-be-more-physically-demanding-by-dr-robert-murphy-mises?pdf=1505>

4.1.4. Why does Crusoe need to worry about depreciation of his capital goods?

Author: Robert Murphy

Why does Crusoe need to worry about depreciation of his capital goods?

- If Crusoe ignores the wearing away of the pole, he will experience a sudden drop in his consumption. After going to the trouble of investing in capital goods, Crusoe needs to maintain them (by investing enough to offset depreciation) if he wants to remain at his higher standard of living.

Check the answer of this question online at QuizOver.com:

Question: [Why does Crusoe need to worry about depreciation by Dr. Robert Murphy](#)

Flashcards:

<http://www.quizover.com/flashcards/why-does-crusoe-need-to-worry-about-depreciation-by-dr-robert-murphy?pdf=1505>

Interactive Question:

<http://www.quizover.com/question/why-does-crusoe-need-to-worry-about-depreciation-by-dr-robert-murphy?pdf=1505>

4.1.5. How do expectations affect someone's decisions?

Author: Robert Murphy

How do expectations affect someone's decisions?

- The term expectations is simply economist jargon for forecasts. For every action, a person relies on his or her forecasts of the future; that's the whole point of acting, to try to influence future events. The text dealt with an example of Crusoe building a raft, only to realize he couldn't get out to the open sea. But even more mundane actions rely on expectations. For example, Crusoe "expects" that if he climbs a tree, he will be able to knock coconuts down, and that the coconuts will not be full of spiders when he cracks them open.

Check the answer of this question online at QuizOver.com:

Question: [How do expectations affect someone s decisions by Dr. Robert Murphy](#)

Flashcards:

<http://www.quizover.com/flashcards/how-do-expectations-affect-someone-s-decisions-by-dr-robert-murphy?pdf=1505>

Interactive Question:

<http://www.quizover.com/question/how-do-expectations-affect-someone-s-decisions-by-dr-robert-murphy?pdf=1505>

4.1.6. Explain why an object only becomes a good when a person incorporate...

Author: Robert Murphy

Explain why an object only becomes a good when a person incorporates it into his plans.

- Something is a good not because of its physical properties, but because a person subjectively values it. If people didn't enjoy smoking, then tobacco would cease being a (production) good and would be the equivalent of a weed. A person values an object as a good because the person has a plan in which that object will help to achieve a goal.

Sample Partial Credit Answer

A person gives value to a good by thinking about it.

Check the answer of this question online at QuizOver.com:

Question: [Explain why an object only becomes a good by Dr. Robert Murphy @Mises](#)

Flashcards:

<http://www.quizover.com/flashcards/explain-why-an-object-only-becomes-a-good-by-dr-robert-murphy-mises?pdf=1505>

Interactive Question:

<http://www.quizover.com/question/explain-why-an-object-only-becomes-a-good-by-dr-robert-murphy-mises?pdf=1505>

4.1.7. Identify the distinction between a producer and a consumer good.

Author: Robert Murphy

Identify the distinction between a producer and a consumer good.

- A consumer good directly satisfies goals or preferences. A producer good isn't directly useful, but it can be used to make other producer goods or consumer goods.

Check the answer of this question online at QuizOver.com:

Question: [Identify the distinction between a producer by Dr. Robert Murphy](#)

Flashcards:

<http://www.quizover.com/flashcards/identify-the-distinction-between-a-producer-by-dr-robert-murphy?pdf=1505>

Interactive Question:

<http://www.quizover.com/question/identify-the-distinction-between-a-producer-by-dr-robert-murphy?pdf=1505>

4.1.8. Explain why a person in Robinson Crusoe's position would want, on a...

Author: Robert Murphy

Explain why a person in Robinson Crusoe's position would want, on any given day, to harvest more coconuts than he or she planned on consuming that day.

- By producing more than he consumes, Crusoe can save coconuts over time. This stockpile of savings will help Crusoe if he gets sick or wants to take a day off in the future. It will also allow Crusoe to spend his work days making tools instead of collecting coconuts with his bare hands.

Sample Partial Credit Answer

This way Crusoe can save.

Check the answer of this question online at QuizOver.com:

Question: [Explain why a person in Robinson Crusoe by Dr. Robert Murphy @Mises](#)

Flashcards:

<http://www.quizover.com/flashcards/explain-why-a-person-in-robinson-crusoe-by-dr-robert-murphy-mises?pdf=1505>

Interactive Question:

<http://www.quizover.com/question/explain-why-a-person-in-robinson-crusoe-by-dr-robert-murphy-mises?pdf=1505>

4.1.9. Water is necessary for life, but restaurants give it away for free....

Author: Robert Murphy

Water is necessary for life, but restaurants give it away for free.

Diamonds are mere décor, serving only vanity, but they cannot be had cheaply.

Explain this so-called "water-diamond paradox."

- People evaluate goods on the margin. No one chooses between all the water in the world and all the diamonds. Diamonds are much scarcer than water, because their total supply can't satisfy all the desires for it, but water is relatively much more plentiful.

Sample Partial Credit Answer

There is more water than diamonds

Check the answer of this question online at QuizOver.com:

Question: [Water is necessary for life but restaurants by Dr. Robert Murphy](#)

Flashcards:

<http://www.quizover.com/flashcards/water-is-necessary-for-life-but-restaurants-by-dr-robert-murphy?pdf=1505>

Interactive Question:

<http://www.quizover.com/question/water-is-necessary-for-life-but-restaurants-by-dr-robert-murphy?pdf=1505>

4.1.10. Explain the following scenario.

Rory looked at the mess that the bu...

Author: Robert Murphy

Explain the following scenario.

Rory looked at the mess that the burglars had made . . .

- People don't care simply about the market value of things, they also value items for emotional reasons. Rory could eventually replace the other items over time by buying new ones. But he won't be able to replace the lost ring, even though he would be willing to pay a lot of money to do so.

Check the answer of this question online at QuizOver.com:

Question: [Explain the following scenario. Rory looked by Dr. Robert Murphy](#)

Flashcards:

<http://www.quizover.com/flashcards/explain-the-following-scenario-rory-looked-by-dr-robert-murphy?pdf=1505>

Interactive Question:

<http://www.quizover.com/question/explain-the-following-scenario-rory-looked-by-dr-robert-murphy?pdf=1505>