

Economics: A Christian Worldview – Test 2

- _____ 1. If a shoe store sells \$35,000 worth of shoes and has \$25,000 in expenses, its *net income* is ____.
- A. \$10,000 B. \$25,000 C. \$35,000 D. \$60,000
- _____ 2. Profit is a universal human goal because ____.
- A. all business owners seek advantage in getting the best of trades
B. people naturally seek what they believe is best for themselves
C. governments train citizens to maximize their income potential
D. profit is the same thing as greed
- _____ 3. One major way profits advance civilization is by ____.
- A. making all businesses successful when possible
B. reducing the need for consumer choice
C. guaranteeing that companies never fail
D. signaling producers to provide more of what consumers want
- _____ 4. Profits especially help the poor because profits ____.
- A. allow governments to expand welfare programs
B. remove the need for competition in many industries
C. encourage investment and efficiency, which can lower prices over time
D. all of these
- _____ 5. The reading criticizes companies that profit by ____.
- A. pleasing customers better than rivals, which can hurt the economy in the long run
B. using government power to force consumers to buy or to block competition
C. investing in new technology that puts some individuals out of work
D. producing lower-cost goods, which harm the wages of employees
- _____ 6. A **tariff**, as described in the reading, is ____.
- A. government money given to exporters
B. a tax on imports that forces buyers to pay more
C. a voluntary discount offered to local consumers
D. a penalty charged to firms that cut prices too fast
- _____ 7. Capitalism is “not really a system” because ____.
- A. it has never truly existed anywhere at any time in history
B. it often rejects the use of money in favor of barter
C. it is not centrally run, but consists of individual choices
D. it depends mainly on effective government regulation
- _____ 8. In a voluntary-exchange economy, people gain wealth primarily by ____.
- A. serving the wants and needs of others
B. taking wealth from weaker competitors
C. manipulating lawmakers in writing favorable laws
D. inheriting productive property and using it well
- _____ 9. The response to the claim “Capitalists abuse workers and cheat the poor” is mainly that ____.
- A. mild forms of abuse are acceptable if profits continue to rise
B. wrongdoing should be punished by just laws, but voluntary exchange itself isn’t to blame
C. workers should never quit jobs, since employers have their employees’ best interests in mind
D. none of these
- _____ 10. The criticism that “Capitalism encourages selfishness” is answered by the fact that ____.
- A. selfishness practically disappears entirely in free exchange
B. consumers should not judge quality or price when they buy
C. the state should decide what counts as fair or good-quality service
D. businesses prosper by pleasing customers and meeting their needs well

- _____ 11. **Socialism** is an economic system in which ____.
- A. buyers and sellers voluntarily organize production without interference
 - B. government heavily regulates businesses and tries to spread wealth by force
 - C. all churches share their possessions freely
 - D. firms compete without legal privileges or favors
- _____ 12. **Communism** differs from socialism in that it ____.
- A. leaves businesses mostly private, with some in government hands
 - B. encourages consumers to choose freely what products they want
 - C. adds threats, imprisonment, torture, and murder to enforce the system
 - D. reduces the actual powers and influence of many political rulers
- _____ 13. Karl Marx divided society mainly into ____.
- A. bourgeoisie and proletariat
 - B. consumers and regulators
 - C. landlords and clergy
 - D. debtors and creditors
- _____ 14. One major moral failure of socialism is that it ____.
- A. rewards everyone according to merit
 - B. obsesses too much on protecting private property rights
 - C. eliminates class privilege, making everyone—rulers and normal citizens—equal
 - D. turns the law upside down by violating liberty and property instead of protecting them
- _____ 15. Socialism hurts the poor especially because it ____.
- A. lowers prices too quickly, harming some business owners
 - B. gives too much freedom to small producers of goods and services
 - C. retards growth and discourages production gains that make goods cheaper
 - D. removes all political influence from the wealthy
- _____ 16. Some people wrongly use Acts 2 and 4 to defend socialism, but those passages actually describe ____.
- A. voluntary sharing among believers
 - B. forced redistribution by Roman authorities
 - C. government seizure of private property
 - D. church commands for Christians to tithe
- _____ 17. Why do individual buyers and sellers generally have stronger incentives to avoid economic mistakes than central planners do?
- A. They can print money if needed.
 - B. They are made up of people who are more naturally moral and inclined to do good.
 - C. Governments have a habit of consistently making good any losses they create.
 - D. They bear the consequences of bad decisions, while planners usually do not.
- _____ 18. According to Auberon Herbert’s “Why the Socialist State Is Impossible,” socialism would create ____.
- A. an enormous official class and constant breakdown in the tools needed to control individuals
 - B. a smaller and less powerful official class that lacked the power to be truly effective
 - C. equal freedom for all persons to use their abilities as they saw fit
 - D. stronger family independence from the state
- _____ 19. Frederic Bastiat’s lesson in “That Which Is Seen, and That Which Is Not Seen” is that ____.
- A. governments should focus mainly on immediate benefits to producers
 - B. officials should create policies that can be easily measured in money
 - C. good economists should consider visible effects and less visible later effects
 - D. governments should intervene when a major industry faces failure or bankruptcy
- _____ 20. What is the broken-window fallacy?
- A. the idea that consumers should repair all broken property immediately
 - B. the belief that destruction creates prosperity because people can be paid to rebuild it
 - C. the claim that all accidents reduce employment

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