

***ECONOMICS, AN INTRODUCTION  
FROM A BIBLICAL PERSPECTIVE***

**STUDENT WORKBOOK**

***Compiled and edited by J. Parnell McCarter***

**Compiled and edited by J. Parnell McCarter**

**©2006 J. Parnell McCarter. All Rights Reserved.**

**6408 Wrenwood**

**Jenison, MI 49428**

**(616) 457-8095**

***The Puritans' Home School Curriculum***  
***www.puritans.net***

## ASSIGNMENT FOR CHAPTER 1

1. How does *The American Heritage® Dictionary of the English Language, Fourth Edition* define 'economics'?
2. What is the pre-condition for human knowledge (including economics)?
3. Where do we read God's norm for humans and human society?
4. What is the fundamental reason economic enterprise is not blessed and ideal?
5. To what extent is the judicial law given to the Israelites during Moses' time authoritative today?

## **ASSIGNMENT FOR CHAPTER 2**

1. There are economic laws, just as there are physical laws. How does the definition of 'law' itself imply a Sovereign Creator and Sustainer?
2. How then is the existence of economic laws contrary to the naturalistic worldview?
3. Which of the Ten Commandments is peculiarly pertinent to the topic of economics?
4. Cite 3 examples of sins forbidden in that Commandment which relate to economics.
5. To promote economic prosperity, what ought a civil magistrate do?
6. Based upon scripture, what should we think of a society that tolerates fraud, letting it go unpunished?
7. What does Leviticus 19:13 teach concerning payment of wages of poor hired laborers?
8. To which Old Testament passage did the Apostle Paul quote that declares that the laborer should not be defrauded of his just hire?
9. What does the phrase "just balances, just weights" mean in Leviticus 19:36 according to Dr. John Calvin?
10. What does the Fourth Commandment teach concerning commerce?
11. Why is it foolish to think those who are in rebellion against the God of the Bible can understand even the basics of economics?
12. Summarize what John Calvin believes scripture teaches concerning the charging of interest, based upon his commentary on Leviticus 25:35-38, Deuteronomy 23:19, 20, and Exodus 22:25 relating to the topic (which is found in Appendix A of the student textbook).

### ASSIGNMENT FOR CHAPTER 3

1. What does this verse teach about the nature of economic behavior: “Righteousness exalteth a nation, but sin is a reproach to any people “ (Proverbs 14:34)?
2. What does this verse teach about the nature of economic behavior : “He becometh poor that dealeth [with] a slack hand: but the hand of the diligent maketh rich” (Proverbs 10:4)?
3. What does this verse teach about the nature of economic behavior : “He that tilleth his land shall be satisfied with bread: but he that followeth vain [persons is] void of understanding” (Proverbs 12:11)?
4. Cite at least one verse that teaches this economic principle: Economic output requires economic input.
5. Cite at least one verse that teaches this economic principle: Those who are lenders long term will rule over those who are borrowers.
6. Cite at least one verse that teaches this economic principle: Those who are wise and knowledgeable will be richly blessed long term.
7. How should we assess the enterprise of those who study economics apart from faith in God’s word?

## **ASSIGNMENT FOR CHAPTER 4**

1. What is 'induction'?
2. What is 'deduction'?
3. How is deduction necessary to a right study of economics?
4. How is induction necessary to a right study of economics?
5. How must we use the tool of induction so it is used properly?
6. How can the tool of induction be of use in applying economic principles deducible from scripture?
7. How would you respond to someone who asserted that, based upon his study of American economic history, rising debt levels pose no threat to long term economic prosperity?
8. What is 'classification'?

## **ASSIGNMENT FOR CHAPTER 5**

1. What are three practical reasons why money is used in commerce?
2. When did the U.S. government prove unable to keep the price of gold at \$35 and thus let the value of gold relative to the US dollar float freely?
3. What happened to the price of gold in the 1970s?
4. What happened to the price of gold in the 20 years after the 1970s?
5. There are various reasons why gold is a practical medium of exchange. What is meant by this reason: It is durable?
6. There are various reasons why gold is a practical medium of exchange. What is meant by this reason: It is divisible?
7. There are various reasons why gold is a practical medium of exchange. What is meant by this reason: It is convenient?
8. There are various reasons why gold is a practical medium of exchange. What is meant by this reason: It is consistent?
9. There are various reasons why gold is a practical medium of exchange. What is meant by this reason: It has intrinsic value?
10. There are various reasons why gold is a practical medium of exchange. What is meant by this reason: It cannot be created by government?
11. In light of what you have learned in chapter 5, compose a paragraph analyzing the speech in Appendix B of your textbook.
12. A good indicator of which political entity will replace the US as the next world superpower is the entity whose currency is slowly replacing the US dollar as the world's reserve currency. Which currency is that, as suggested in the speech in Appendix B, and which political entity issues that currency?

## ASSIGNMENT FOR CHAPTER 6

1. Why is the US dollar called a 'fiat currency'?
2. The Fed uses three tools to set the level of money supply. What are those three tools?
3. How does the Fed's activity of buying and selling government securities (bonds) affect the money supply?
4. The Federal Reserve System uses a number of different measures to quantify the amount of money which exists in the economy. What does M-1 consist of?
5. How much did M-3 change between 1980 and 2005, according to statistics published in 2005 by the Federal Reserve Bank of St. Louis?
6. What is the Consumer Price Index (CPI)?
7. What has been the trend of the CPI over American history?
8. What is the difference between the Producer Price Index (PPI) and the CPI? .
9. What is significant about the year 1972 when comparing the value of the US dollar in relation to the value of gold?
10. What is significant about the year 1972 when comparing the value of the US dollar in relation to the price of oil?
11. Some people have asserted that the rising price of oil (in US dollars) is owing to oil shortages. What do the graphs of the price of gold and oil suggest?
12. One measure of the price of publicly traded stocks is the Dow Jones Industrial Average (DJIA). It takes a "basket" of important publicly traded stocks of different companies (like Exxon, General Motors, IBM, etc.) and measures how the value of their stocks has changed over time. In simply nominal terms (not adjusted for inflation), what has happened to the DJIA over time? .
13. The term "CPI Adjusted Current DJIA" appears in a graph in the textbook. What does "CPI Adjusted Current DJIA" mean?
14. List the harmful effects of inflation.

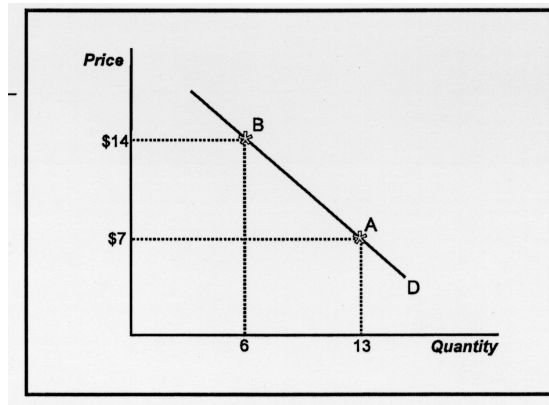


## **ASSIGNMENT FOR CHAPTER 7**

1. What are exchange rates?
2. Why is there exchange rate fluctuation among fiat currencies, unless governments intervene?
3. What does the 'depreciation' of a currency mean?
4. What does it mean for a country to have a trade deficit?
5. What is a "debtor nation"?
6. What does the capital account measure?

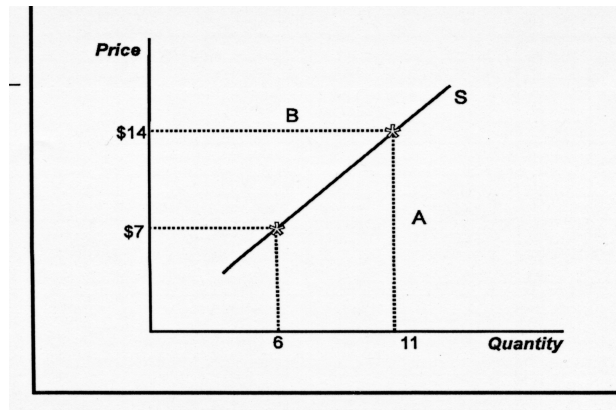
## ASSIGNMENT FOR CHAPTER 8

1. What does “ceterus paribus” mean?
2. What does the law of demand state?
3. A demand curve of a certain commodity is graphed below:



According to the graph, what do we know about the quantity demanded of the commodity if it were sold at \$5 each?

4. What does the law of supply state?
5. A supply curve of a certain commodity is graphed below:



According to the graph, what do we know about the quantity supplied of the commodity if it were sold at \$10 each?

6. What is meant by ‘equilibrium price’ with respect to supply and demand?
7. What is meant by ‘shortage’ with respect to supply and demand?

8. What is meant by 'surplus' with respect to supply and demand?
9. The demand schedule (curve) does not always stay in the same position. What are reasons why it may change?
10. Supply shifts as a result of supply determinants. What are five reasons why firms may supply more of a product?

## **ASSIGNMENT FOR CHAPTER 9**

1. Some goods and services respond much more sharply to price changes than other goods and services. Those whose quantity demanded is sharply affected by price changes are said to be what?
2. Define price elasticity of demand.
3. What are three determinants of price elasticity of demand?
4. Define income elasticity of demand.
5. Why are some products classified as “inferior goods” by economists (as opposed to “normal goods”)?

### **ASSIGNMENT FOR CHAPTER 10**

1. What is a production function?
2. What is the Law of Diminishing Marginal Product?
3. In economic terms, what is the “short run”?
4. What is marginal utility?
5. What is the Law of Diminishing Marginal Utility?
6. Is the Law of Diminishing Marginal Utility true of everything? If not, of what is it not true?

## **ASSIGNMENT FOR CHAPTER 11**

1. Should we look at material riches as being permanent?
2. What is one example of a nation in history which went “from rags to riches”?
3. What is one example of a nation in history which went “from riches to rags”?
4. Who is one example of a person in history who went “from rags to riches”?
5. What moral lesson did Jesus Christ drive home concerning the temporality of riches in His Sermon on the Mount?

## **ASSIGNMENT FOR CHAPTER 12**

1. What is 'perfect competition'?
2. What is 'monopolistic competition'?
3. What is an 'oligopoly market'?
4. What is a 'monopoly market'?
5. What is an example of purely competitive industry?
6. What are some ways firms, small or large, differentiate themselves from other firms?
7. What is price fixing?

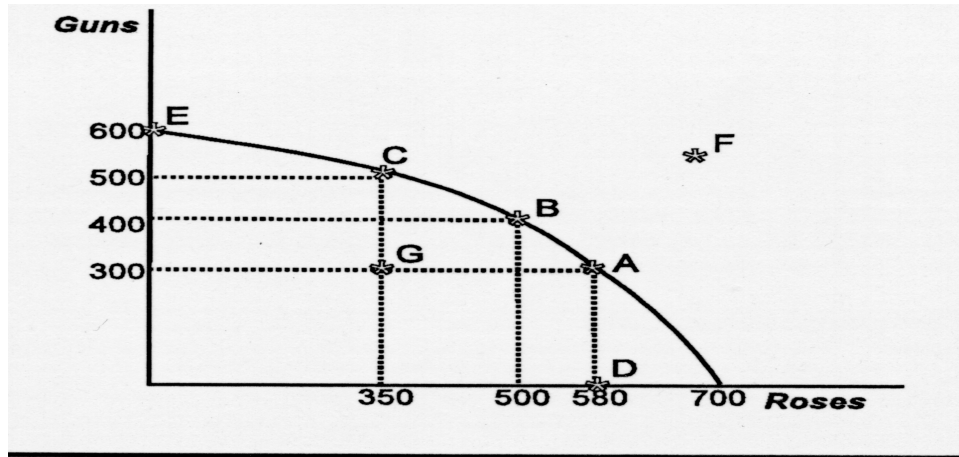
### **ASSIGNMENT FOR CHAPTER 13**

1. What is a sole proprietorship?
2. What is a partnership?
3. What are the two most salient features of incorporation?
4. Which two states, as early as 1817, had moved towards chartering corporations with limited liability?
5. What does 'liquidity' mean in the context of investing?
6. What are some arguments that have been advanced in defense of corporations?
7. What are some arguments that have been advanced against corporations?
8. What is a limited liability company (LLC)?



## ASSIGNMENT FOR CHAPTER 14

1. What does a production possibilities curve show?
2. The graph below is a production possibilities curve:



If a society with a production possibilities curve as shown above chose to produce 600 guns in the given period, how many roses could it produce?

3. In many nations of the world there is a vigorous “guns versus butter” debate. What do you think is the nature of that debate, and the arguments made by both sides?
4. When economists discuss the concept of “scarcity”, what do they mean?
5. What is opportunity cost?
6. How is economic growth visually illustrated on a production possibilities curve?
7. Is a given production possibilities curve applicable for the short run or the long run?

## **ASSIGNMENT FOR CHAPTER 15**

1. President Johnson said: “Because it is right, because it is wise, and because, for the first time in our history, it is possible to conquer poverty, I submit, for the consideration of the Congress and the country, the Economic Opportunity Act of 1964.” What does the Bible teach about this pronouncement?
2. What does a “Lorenz Curve” show?
3. What is a progressive tax?
4. What is a regressive tax?
5. What is unemployment compensation?
6. The causes of poverty can be classified under two main categories: those which relate to personal sin and those which do not relate to personal sin. Scripturally speaking, what ought to be done to address personal sin which results in poverty?
7. Scripturally speaking, what ought to be done to address poverty which does not result from personal sin?

## ASSIGNMENT FOR CHAPTER 16

1. What is a business cycle?
2. What is Gross Domestic Product (GDP)?
3. What is per capita GDP?
4. The term 'investment' for purposes of calculating GDP means something different from what it means in common parlance. What does it mean for purposes of calculating GDP?
5. What is frictional unemployment?
6. What is structural unemployment?
7. What is cyclical unemployment?
8. What is seasonal unemployment?
9. How do economists define full employment?
10. What is Keynesian economics?
11. What do classical and neo-classical economists argue is the most significant culprit of severe business fluctuations?
12. What does the Bible suggest is the major culprit in causing severe business fluctuations?
13. Let's suppose that a country produces only two commodities: apples and oranges. 200 apples are produced at \$5 each and 100 oranges are produced at \$3 each. What is nominal GDP?
14. Suppose next year the economy experiences some inflation and finds that apples are priced at \$15 and oranges sell for \$9, but still the same quantities are produced. How much are nominal and real GDP in this year?
15. Let's suppose now that production does change from year one and prices triple as in the previous example (prices are still at \$15 and \$9 in the new year). Assume production dropped from 200 apples to 100 and oranges from 100 to 50. What are the values for nominal and real GDP?

## ASSIGNMENT FOR CHAPTER 17

1. What is fractional reserve banking?
2. What is a T-account?
3. What are required reserves?
4. What are excess reserves?
5. Mathematically, how can the increase in the money supply caused by fractional reserve banking be calculated, if one knows the required reserve?
6. Suppose a bank with the following financial status has lent out as much money as it can within required reserve rules:

<b>BANK</b>			
<b><i>Assets</i></b>		<b><i>Liabilities</i></b>	
Total Reserves	\$160	Demand Deposits	\$800
Loans	\$640		

What is the required reserve ratio implied by this case?

7. If the government required a 100% reserve of money deposited with banks, what would be some likely consequences?

### **ASSIGNMENT FOR CHAPTER 18**

1. What do most (secular) economists mean when they speak of 'standard of living'?
2. What is the most common way (secular) economists measure standard of living?
3. How would scripture suggest we should measure standard of living?

## ASSIGNMENT FOR CHAPTER 19

1. What is a Marxist economic model?
2. Marxism is highly critical of capitalism, arguing that a capitalist society is divided into which two powerful social classes?
3. What is socialism?
4. What is a 'mixed economy'?
5. What is pure capitalism?
6. What is fiscal policy?
7. What is the single largest expenditure by state and local governments?
8. What is the budget deficit?
9. What is the national debt?
10. Monetary policy is the central government's attempt to change economic activity by controlling how much money circulates in the economy and what that money is worth. Which entity sets and implements monetary policy in the US?

## ASSIGNMENT FOR CHAPTER 20

1. Economic thought may be roughly divided into which three phases?
2. Which movement separates the pre-modern era from the modern era?
3. What is mercantilism?
4. What was the economic perspective of the French Physiocrats as represented by its leaders like Francois Quesnay?
5. What does *laissez faire* literally mean?
6. With which economic system is *laissez faire* economics closely associated?
7. Which book of Adam Smith's, published in 1776, is generally regarded as establishing modern economics?
8. Adam Smith was both a product of the Scottish Enlightenment as well as a leading figure of it. Smith attended the University of Glasgow, studying moral philosophy, under tutelage of Francis Hutcheson. Hutcheson had been a student at Glasgow under which Professor of Divinity who has been described as the founder of the Scottish Enlightenment, and whose teaching did much to introduce the "New Light" theology into Scotland?
9. Most Christians today have a high regard for Adam Smith. Do you think this is justified? Why or why not?
10. What was the thesis of Robert Malthus' *Essay on Population* (1798)?
11. What are some flaws of his thesis and why?
12. What was David Ricardo's theory of comparative advantage?
13. What was Ricardo's "iron law of wages" ?
14. The Frenchman Jean-Baptiste Say was a famous classical economist. His most famous work was *Treatise on Political Economy*. What was "Say's Law", which is presented in his book?
15. Who wrote *Das Kapital*, which served as the philosophical foundation for communism?

16. To which economist goes credit for the concept of price-elasticity of demand, which was studied in an earlier chapter of the textbook?
17. How would you summarize neo-classical economics?
18. Which economist became an influential exponent of the importance of central banking and government involvement in economic affairs in his book *The General Theory of Employment, Interest and Money* (1936)?
19. What are the fundamental flaws of modern humanistic economic schools of thought?