

Exploring Economics

Student Review Book

Exploring Economics Student Review Book

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A Note to Parents

The *Exploring Economics Student Review Pack* is a tool to measure your student's progress as they study *Exploring Economics*. It includes three books: the *Student Review*, the *Quiz and Exam Book*, and an *Answer Key*. This material is intended to enhance your student's study of economics. Please do not let it become a burden. Students should focus on learning about economics, as they enjoy the literature and the primary documents and grow in their understanding of God's will concerning economics. We pray you and your student have a successful study!

Student Review

The material in the *Student Review* is arranged in the order in which a student will come to it as they study the course. The assignment box at the end of each lesson in *Exploring Economics* prompts your student as to when to complete the material in this book.

Review Questions. The *Student Review* includes review questions on each lesson, plus questions over each of the four literature titles we suggest students read as they study *Exploring Economics*. Many parents require their students to write out answers to these questions on paper or on a computer; however, that is certainly not required. Other parents and students discuss the questions orally, and some parents use them for family discussion. If your student writes the answers on paper, we suggest that he or she answer them in a spiral notebook or on notebook paper which he keeps in a three-ring binder. These answers will be helpful for studying for quizzes and exams.

Literary Analysis. We love good books. We have carefully selected the literature titles that are assigned with this course. If you want your student simply to read and enjoy the books, we think that is wonderful. If you would like them to dig a little deeper and analyze the literature, you can have your student read the literary analysis and answer the literature questions we have included in this book. The activities at the end of the lessons in the *Exploring Economics* text will tell the student when to answer the questions and read the analyses. As we said above, please do not let any of this material become a burden.

After this Note to Parents, we have included "Who, What, How, Why, and Why Not: A Primer for Analysis of Fiction" (to be read after Lesson 1) and "What Do You Think About What He Thinks? A Primer for Analysis of Non-Fiction" (to be read after Lesson 36). Your student will be given a reminder when it is time for him or her to read these sections.

Quiz and Exam Book

The *Quiz and Exam Book* contains a quiz over each unit and also comprehensive exams that cover five units each. The assignment box at the end of each lesson in *Exploring Economics* prompts your student to take a quiz at the end of each unit and to take the comprehensive exams after every five units. Each of these exams includes material from the previous five units. The quizzes and exams have been designed so that you can tear out one at a time and have your student write directly on that piece of paper.

Preparing for Quizzes. To prepare for a unit quiz, the student should look back over the review questions and answers for the lessons from that unit.

Preparing for Exams. To prepare for the comprehensive exams, the student should review the quizzes and answers from each of the previous five units.

Answer Key

The *Answer Key* contains the answers to the review questions, quizzes, and exams, as well as the answers to questions about the literature. The number in parentheses after an answer indicates the page number on which that answer is found in *Exploring Economics*.

Who, What, How, Why, and Why Not: A Primer for Literary Analysis of Fiction

People read books. Some books (think Shakespeare, Charles Dickens, and Jane Austen) are still widely read decades and even centuries after they were written. Many, many books (think of the highly forgettable ones you see in used book sales—over and over) are a flash in the pan or are even less noticeable. What's the difference? Is it just that most people like this book and most people dislike that one? Sort of, but it is more nuanced than that.

Literary analysis is studying the parts of a work of literature (such as plot, setting, characters, and narration) to see how the author uses them to create the overall meaning of the work as a whole. Professors, teachers, students, critics, and everyday people analyze works of literature: novels, short stories, poems, and non-fiction. They think about the story or plot of the book, how it develops, the characters in the book, the words and structure that the author uses, and other elements of the work.

People who analyze literature have developed standard methods. Primarily, this involves looking for elements that are found in most literary works. The purpose of literary analysis is to understand how a piece of literature works: how the writer constructs his or her story, and why the work affects readers the way it does.

Did you ever see yourself doing literary analysis? Does the phrase “literary analysis” make washing dishes or chopping firewood seem exciting? I understand. But it is more interesting than it might sound. Think of it as finding the answers to some big questions: “What makes a story good?” “What are the building blocks of great writing?” “Why do I keep thinking about that book and want to read it again?” “What is the difference between a book you stay up late to read and one that should be repurposed as a fire starter?” Even if you don't want to make a lifelong habit of literary analysis, as an educated person you should know the basics of how it works. It can also be kind of fun.

Literary analysis can help you appreciate the power of a work of literature. It can provide you with insights for a deeper appreciation of the next novel (or poem or history) you read. On a practical level, literary analysis is often what a classroom teacher wants students to do in order to understand a book. So literary analysis is good as long as it is a means to a good end and achieves a worthy goal. However, if literary analysis becomes an end in itself, or a way to show how much someone knows or thinks he knows about literature, or something that gets in the way of enjoying a work of literature, it no longer serves a good purpose. In other words, literary analysis has its place; but it is not the purpose of literature.

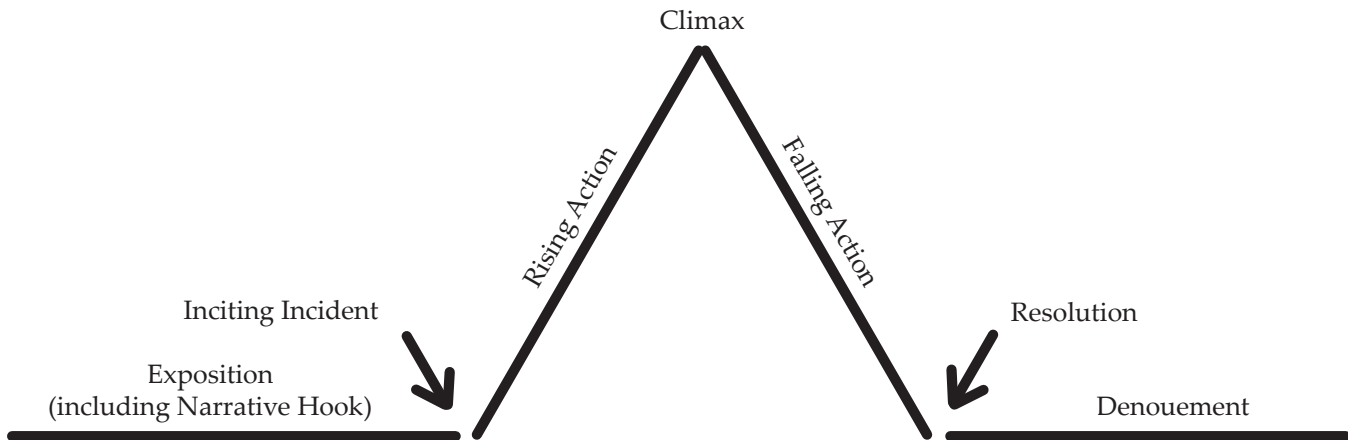
Writers do not write in order to have their work subjected to literary analysis. Nathaniel Hawthorne did not write *The Scarlet Letter*, nor did Charles Dickens write *A Tale of Two Cities*, for English teachers to analyze them to death or so that professors would have material for exams. They wrote because they had stories to tell; they wanted to connect on an emotional level with readers. These authors were successful because they did that well, and this is why their books are considered classic works of literature.

Here are some standard elements of literary analysis.

Plot

The **plot** is the story of a piece of **fiction**. Fiction is a work of imagined narrated prose, usually either a novel or a short story. The plot is what happens to make it a story.

Gustav Freytag was a nineteenth-century German novelist who found a typical pattern of plot development in Greek and Shakespearean dramas. The same pattern is found in most fictional literature. Freytag depicted it as a pyramid.



The examples below refer to *The Lion, the Witch, and the Wardrobe*.

Exposition: *laying out the situation and background, introducing the characters. (Within this element will often be a **narrative hook**, an event or description that gets you interested in the story and wanting to read more.)* Four children come to stay in a professor's country home. The narrative hook is when Lucy finds a magic wardrobe in a back room and visits Narnia: what will happen next?

Inciting incident: something that gets the story moving.

Lucy meets the faun, who expresses inner conflict over what he is doing.

Rising action: building drama; each significant event is called a complication.

All four children go to Narnia, they meet the Beavers, Edmund betrays his siblings to the White Witch, and so forth.

Climax: the single key event or turning point; the moment of greatest tension.

Aslan sacrifices his life on behalf of Edmund.

Falling action: events that occur as a result of the climax.

The good and evil creatures in Narnia have a battle.

Resolution: the event in which the main issue is resolved.

Aslan's side wins. The four children are established as kings and queens.

Denouement (day-new-maw): the finishing out and tying up of the details of the story.

The four children grow up, rule Narnia, and then return to their own world.

Freytag's Pyramid is only a typical plot development. It accurately describes the plots of many pieces of fiction, but there are many variations and exceptions. Writers do not necessarily write to the Freytag Pyramid. Don't try to force a work into the pyramid if it doesn't seem to fit. In addition, people will sometimes have different ideas about what is the narrative hook, inciting incident, resolution, or even the climax in a really dramatic story.

The key question to ask about the plot of a piece of literature is, “What is the **conflict**?” What is the issue that the main character needs to resolve? Is it conflict within himself, perhaps between what he wants and what he actually has? Is it a conflict between himself and another character, or between himself and the expectations of others? Is it the conflict of wanting to reach a goal but being unable to do so? What keeps or moves the character out of stability and causes tension? The tension between Pip and Estella is one conflict in *Great Expectations*. The quest for the ring is a continuing conflict in *The Hobbit* and *The Lord of the Rings* trilogy. A skillful writer might have several lines of conflict in a work and interweave them into a gripping **narrative**. Conflict and struggle are how we grow as persons, so the conflict in a story is an important way for us to identify with the characters in the story.

The time, place, and social environment of a story is the **setting**. The plot unfolds in these surroundings. Is the story set among the working class of early nineteenth-century England, among fishermen of first-century Israel, among slaves in the southern United States just before the Civil War, or among homeschooling families of twenty-first century America? The setting will affect what characters know, their assumptions and aspirations, and how they act and speak. The geographical setting always impacts the development of the story: isolated mountain villagers will act and speak differently from urban dwellers. The rural and urban settings—and the conflict between them—in *Cry, the Beloved Country* are crucial to the story.

Another key element of the plot is the **structure** of the story, how it is told. A straight **chronological narrative** is simplest, but an author might want to use **flashbacks** (descriptions of events that happened earlier, out of chronological order) and **foreshadowings** (hints at things that will come later) to convey attributes of characters or particular feelings to the story.

Archetypes (ARK-eh-types) are typical or standard plot elements, such as a character on a quest, the pursuit of an elusive goal, the loss of innocence, or an initiation into a new situation. Many of the world’s most famous works of literature include one or more of these elements because these situations make for a good story. Everyone goes through these times or has these dreams.

Characters and Characterization

- The **characters** are the people in a story.
- The **protagonist** is the main character of the story (Jo in *Little Women*).
- The **antagonist** is the character who works against the protagonist and provides some degree of conflict (the White Witch in *The Lion, the Witch, and the Wardrobe*).
- The **confidant** is someone to whom a character reveals his thoughts and motives (Margaret plays this role for Bessy and Mr. Bell plays this role for Margaret in *North and South*).
- The mentor teaches another character about life (Marmee in *Little Women*).
- A **foil** is often a minor character who by being a contrast illuminates another character (for instance, the slick operator who serves to highlight the integrity of the protagonist).
- Other typical characters are the **hero** (Sir Percy Blakeney, the Scarlet Pimpernel), the **scapegoat** (Tom Robinson in *To Kill a Mockingbird*), and the **buddy pair** (Don Quixote and Sancho Panza).

- A **round character** is three-dimensional, one whose personality is well-developed and who has some internal struggles expressed. In other words, he is believable and realistic. David Copperfield is a round character. A **flat character** is not developed in the story (Jethro in *The Cat of Bubastes*). A **stock character** portrays a stereotypical role, such as the cruel stepmother in *Cinderella*, the slow and dimwitted policeman, or the unemotional accountant. A stock character might be round or flat. A **dynamic character** changes during the story (matures or regresses, as Margaret Hale does in *North and South*), while a **static character** does not change (Fanny in *North and South*). A good author uses each character to advance the story in some way, not just to clutter the pages.

Characterization is the way that the author reveals the nature and personality of the characters. This is how the author makes a character real. What do you learn about a character in the course of the story? How do you learn about him or her? The narrator might tell the reader about a character (**direct characterization**), or the author might reveal a character's attributes by what the character says or does (**indirect characterization**). Typical methods of indirect characterization include a character's actions and his effect on others, a character's dress and appearance, how he talks and what he says, and the thoughts he reveals. The author might convey information about a character through his interactions with others, by what others say about the character, or by discrepancies between the character's reputation and his real actions or between what he says and what he does. A narrator (and through the narrator the author) might express an evaluation of a character by comments he or she makes. If a character grows or changes, how does the author show this: insights that she gains, experiences that teach her lessons, or by demonstrating different ways of acting or speaking over the course of the story?

Conflict within a character or between characters can be distinct from conflict in the story. In *A Tale of Two Cities*, for example, the conflict between the Defarges and the other French revolutionaries on one hand and the French aristocracy on the other is different from the conflict within Sydney Carton himself. What does a character do about conflict? Does he try to escape it, does he repress it, or does he address it?

Narrative

The Narrator. Who is telling the story? One key element of the narrative is the point of view of the narrator. The narrator might be **first person**, a character in the story. A first person narrator might be a major or a minor character in the story. The character David Copperfield is the first person narrator of the Charles Dickens novel by that name; the first-person narrator Ishmael in *Moby Dick* is a relatively minor character in that book. A narrator might be **third person**, one who is not a character in the story. The narrator might be **omniscient**, meaning that he or she knows the thoughts and motives of each character, or he might be **limited omniscient**, knowing the thoughts and motives of just one person. A narrator might be **objective**, not knowing anything about the inner thoughts of the characters except what the characters themselves reveal. One way to describe an objective narrator is that he knows and conveys only what a camera sees. A rare form of narration is **second person**, by which the author describes the reader himself going through the events of the story. Another rare form of narration is the **stream of consciousness** approach, in which the narrator relates the jumble of his own (or one character's own) thoughts as they occur to him. William Faulkner's *The Sound and the Fury* is told in a stream of consciousness approach.

An author chooses the narrative approach for a reason. In *Great Expectations*, the reader has much more sympathy for Pip, the main character and first person narrator, than he would if the story were told by a third person narrator, although Dickens used third person narrators in many of his works.

Narrative Mood. What is the **mood** or **tone** of the narration? Is the narrator light-hearted, angry, skeptical, condescending, or sad and defeated? The mood of the characters might be different from the tone the author conveys. The characters might be harsh and judgmental, but the narrator could be sympathetic to the victims of the harshness. Simon Legree is a harsh character in *Uncle Tom's Cabin*; but the author/narrator Harriet Beecher Stowe is sympathetic to Tom, the target of Simon's harshness. The author might have an agenda or cause he is trying to get across through the way the book is narrated. A rare approach is the unreliable narrator who is so prejudiced that the reader cannot trust what the narrator says and has to filter what the narrator says to determine the truth. It is possible for an author to have a tone or agenda that is different from the tone or agenda of the narrator. For instance, the author might want to condemn the lifestyle of the rich and famous. To do so he makes the narrator so fawning toward and accepting of the rich and famous that it turns the reader off. This is a subtle form of sarcasm as a tone.

Narrative Style. An author will use a particular **style**, such as formal or colloquial language, or take a logical or emotional approach to the story. Does the author use **dialog**, which is the recording of direct quotes of conversations between characters, to advance the story?

Literary Techniques. How does the author use words to tell his story? He has several tools at his disposal.

- **Imagery** is using descriptive language to convey appearance or other attributes. It is painting pictures with words. Compare "We walked between two large rocks and came to a big field" to "The narrow passage between the towering cliffs opened into a meadow lush with wildflowers."
- **Simile** is a comparison using like or as. "His encouragement was like a breath of fresh air to me."
- **Metaphor** is a comparison in which one thing is said to be another. "You are a rock of stability to me."
- **Symbolism** is the use of one thing to represent another. Literature often uses **archetypical symbols** to convey certain ideas: night often portrays mystery or evil; a mountain can represent an obstacle to overcome; winter and spring can represent death and rebirth.
- **Allegory** is an extended comparison, in which every or almost every character or event represents something else. *Animal Farm* is an allegory of the Russian Revolution.
- **Apostrophe** is addressing someone who is not present or something that is not human. "Caesar, thou are revenged" (from *Julius Caesar*, spoken after Caesar was dead).
- **Synecdoche** (sih-NEK-doh-key) is using a part for the whole. "Ten thousand feet marched down the street to an endless beat of drums" (people marched, not just feet).

- **Metonymy** (meh-TONN-eh-mi) is substituting one term for another because of the close association between the two. “The White House announced a new economic stimulus package today” (meaning the president or an administration official did so, not the physical structure at 1600 Pennsylvania Avenue in Washington, D.C.).
- **Hyperbole** is intentional overstatement. “I think of you a million times a day.”
- **Litotes** (LIH-tuh-teez) is intentional understatement. “His donation to the charity was not insignificant” (meaning it was significant).
- **Irony** is a contrast between appearance and reality. Irony can be situational (a man proposing marriage to a woman in a comical setting such as being stuck in a elevator, or characters trying to keep from laughing out loud in a quiet museum), verbal (one character doing something foolish and another character saying the opposite, such as, “That was an intelligent thing to do!”), or dramatic (the reader knows more than the character does, so the reader knows that it is ironic that the character is doing this because it is fruitless or dangerous).
- **Oxymoron** (ox-ee-MORE-on) is a contradiction in terms. “The silence was deafening.”
- **Paradox** is a phrase or statement that appears to be contradictory but in fact might convey a deep truth. “I know that I know nothing at all.”
- **Antithesis** is putting together two opposite ideas to achieve the effect of a contrast. “It was the best of times, it was the worst of times.”
- **Personification** is the giving of human traits to non-human things. “The trees waited eagerly for the rising of the sun.”
- **Alliteration** is the repetition of the same initial verbal sound. “Billy bounced a ball by the backyard barbecue.” To be more specific: assonance is the repetition of the same vowel sound; consonance is the repetition of the same consonant sound. Alliteration gives rhythm to a statement or phrase that can increase its emotional impact. “And the raven, never flitting, still is sitting, still is sitting/On the pallid bust of Pallas just above my chamber door.”

Topic and Theme. A book will usually have a topic and a theme. These are two different attributes even though they sound similar. A **topic** is a brief description of the book, such as, “The French Revolution,” “How Lenin’s Communist Russia operated,” or “Life in a nineteenth-century English factory town.” A **theme** can usually be stated in one sentence and often expresses a universal idea that the story conveys. *Cry, the Beloved Country* is about redemption, making something good out of something bad. The theme of *North and South* is prejudice.

How does the author deal with the conflict and the theme? The author might convey his belief that the conflict is a result of the protagonist’s outdated or irrational mindset; if the character would be more open-minded, he would not have this conflict. The theme might be the privilege of the wealthy, which the author approaches with sarcasm because he thinks the wealthy ought not to have such privilege.

Your Response to the Story

As you read a work of literature, whether fiction, poetry, or non-fiction, interact with the text. Even more, interact with what the text is saying about life, or history, or whatever the topic is, and what the text says to you and about you. Are the plot and characters realistic and plausible? If they are unreal, does the author intend for them to be unreal and does this approach work? How are the characters products of their time and place and social setting and how do they transcend their setting? What is especially meaningful to you in terms of particular scenes, characters, dialog, or overall impact? How does the story make you feel, which is different from what you think about it? How does it make a difference for you?

Literary analysis is helpful when it clarifies how the author constructed the work. You can more deeply appreciate what he or she did and how the work conveys the intended message and mood. However, literary analysis can sometimes be emphasized to the point of making it seem more important than the work itself; and an analyst can come up with ideas about a work that the author never had in mind. Much of literary analysis is and should be subconscious on the part of the reader, the way we enjoy a good meal without over-analyzing all of the individual ingredients (although you should compliment the cook, and, if you are interested, ask how he or she prepared it). As you give thought to literary analysis, you can better appreciate the mental feast offered to you by what you read.

What Do You Think About What He Thinks?

A Primer for Analysis of Non-Fiction

A non-fiction article, essay, or book has a different approach from a work of fiction. It will likely make an argument, teach, or convey information. Of course, a work of fiction might also be an attempt to make an argument, teach, or convey information; but non-fiction presents the information and the author's perspective in a straightforward manner. The non-fiction piece might be in the form of a story; but it is a story from real life, as in a biography.

Part of education is considering perspectives other than your own and developing your response to them. In a persuasive work, a writer has something to say that he hopes others will at least consider and perhaps agree with. Even the author of a biography writes for a purpose, not only to inform but perhaps also to convince readers about something regarding his subject: that he was instrumental in a war, or influential in Congress, or had some other significant impact.

By reading a work of non-fiction, you might be confirmed in what you believe about something or you might be convinced that you need to change your opinion. You might obtain more information that helps you have a more realistic perspective on an issue. You shouldn't fear this process. You don't want to cast aside basic truth and fall for every new idea you hear, but part of growing and maturing is gaining a more complete understanding of truth. No one has a grasp of all truth or the perfect application of that truth in every situation. Everyone can grow in some areas of life, whether that means learning more truth or learning the application of the truth you know to more situations. This process is part of growing in what the Bible calls discernment (see Hebrews 5:13-14).

A text can be any written material. We analyze every text that we read, whether it is an encyclopedia article, a book of political commentary, or an advertisement, even if only briefly and subconsciously. As with the analysis of fiction, we don't want to lose the joy of reading by over-analyzing, but it is good to do serious and conscious analysis for several reasons. Analysis will help you understand the meaning and purpose of a text; you might even discern a meaning beneath the surface. It can help you connect the text with its background, such as the time in which it was written or something about the author. You can profitably compare the text with other texts to see which are more consistent and believable. Analyzing a text can help you prove a thesis. A summary of a text is a report of its content, but an analysis of a text is an evaluation of its meaning and significance.

In analyzing a work of non-fiction, you want to ask questions of the text. You probably won't answer every question below about every text, but here are things to consider when analyzing non-fiction:

- What is the author's point or purpose?
- What is the argument he is making?
- What is the motivation for the piece? What problem does it address?
- What evidence or logic does he use to support his thesis?
- What is the context from which the author writes (time, place, point of view, background and experience)?

- What assumptions does the author bring to writing this piece?
- What words or ideas are repeated? These will often be clues to the author's point.
- What word choices seem significant? Does the author use any figures of speech to make his argument more persuasive?
- What is the structure of the text? For instance, *The Art of War* is a series of pithy observations and bits of advice, *Here I Stand* is a scholarly biography, *Bridge to the Sun* is a memoir, and *The Abolition of Man* is based on a series of lectures. How does the author build his argument through the work? How does the structure help make the author's point?
- What are the key passages in the work, and why are they important?
- What is surprising, odd, or troubling in the text? (These parts are likely challenging your current understanding.)
- What contradictions and inconsistencies do you find in the text?
- What assumptions do *you* bring to the text?
- Is the text convincing to you? Why or why not? (It is entirely likely that you will agree with some things and disagree with others.)
- What questions do you have after reading it? What further study do you need to do?

When you write an analysis of a non-fiction work, gather your information, impressions, and answers to these questions, then write a coherent essay that responds to the piece. Depending on the length of your essay, you will probably want to summarize the author's purpose and argument, emphasize the central points as you see them, note where you think the author is correct and where he is mistaken, and where he is effective and where he could have expressed his ideas differently. Keep in mind the nature of your assignment, what the teacher expects from you, and what the reader of your analysis needs to understand about the work you are analyzing and about your response to it.

The author whose work you have read wants you to think. Show that you have thought. Expressing your thoughts on paper indicates how well you understand what he has said and, more importantly, how well you understand your own thoughts about the subject.

Unit 5

Lesson 21

1. List three simple decisions you have made so far today.
2. List three of the most important decisions you have made in your life thus far.
3. List five of the most important decisions you expect to make in the future.
4. Imagine that you have to choose whom you are going to marry today. List three traits you consider to be essential for that person to have. .
5. Name one decision you have made in the past that you would change now if you could.
6. Imagine that you have an important decision to make today. Name three people you would trust to give you wise counsel.
7. Name five decisions your parents have to make that you don't have to make yet.
8. What is the best decision you have made in your life thus far?
9. List the consequences you have experienced so far from that decision.
10. The lesson mentioned two historic events in which the results turned out differently from how the decision-makers intended. Name the events and the consequences. The Treaty of Versailles helped cause World War II.

Lesson 22

1. What are three basic economic questions that people in a society decide?
2. What is involved in a cost-benefit analysis?
3. Give an example of a cost-benefit analysis by an individual (one not given in the lesson).
4. Give an example of a cost-benefit analysis by a business (one not given in the lesson).
5. Give an example of a cost-benefit analysis by government (one not given in the lesson).
6. In economics, what is a margin?
7. What is a marginal cost-benefit decision?
8. What is a marginal benefit?
9. What is marginal cost?
10. What is the marginal propensity to consume?

Lesson 23

1. Define goods.
2. Define services.
3. What are production resources?
4. What are material resources?
5. What do human resources include?
6. How is the word capital used in terms of economics?
7. Define production possibilities curve and draw a production possibilities curve for a society which can make two products: 1,000 pounds of ice cream and 1,000 pounds of cake. The production possibilities curve is the maximum production that an economy can have, given its production resources.
8. Define opportunity cost.
9. When does economy of scale occur?
10. When does economy of scope occur?

Lesson 24

1. What percentage of economic activity in the U.S. consists of personal consumption?
2. What is an economic incentive?
3. Name two common incentives for consumers.
4. Name two disincentives related to cigarettes.
5. What is involved in marginal rate of substitution?
6. What does consumer choice theory examine?
7. Businesses want to know what four factors involved in consumer choice?
8. How many potato chips in an individual serving bag do you think you could eat before the economic law of diminishing marginal utility would come into play for you?
9. Do you agree or disagree with the idea that a dollar of benefits to the poor will increase their utility (satisfaction) more than a dollar more in taxes will decrease the utility of the wealthy?
10. After reading the section about looking at college from an economic standpoint, what are you currently thinking about your own decision regarding college?

Lesson 25

1. How do capitalism and socialism differ in terms of who makes economic decisions?
2. Define economic efficiency.
3. Define economic equity.
4. What does the principle of economic freedom involve?
5. How does the promise of economic security relate to economic freedom?
6. What is the relationship between growth and stability in both a market economy and a command economy?
7. Name one way the U.S. government provides an incentive for people who own a home.
8. What is the basic question a government must answer in relation to the allocation of goods and services?
9. Government policies that place limitations on business activity limit the choices that producers and consumers have in order to do what?
10. According to public choice theory, what is the basic motivation for voters and elected government officials?

Literary Analysis

The Travels of a T-Shirt in the Global Economy by Pietra Rivoli

Reality is more complicated than theory.

In 1999 Georgetown University Business School professor Pietra Rivoli passed by a student demonstration condemning large corporations and the way countries conducted global trade. She heard a young speaker ask, "Who made your T-shirt?" The speaker then asked if it came from a young, abused worker in Vietnam or a sweatshop in India. Rivoli decided to investigate the production, distribution, and consumption of T-shirts. Her findings show the complexity of the issues involved. She reveals that reality and solutions to problems are much more complicated than we would like to think.

Rivoli also shows the benefits of trade and the virtue of markets. The student protestor asked a sincere and well-intentioned question, but did not have the full picture of all that goes into the making of a T-shirt in our messy, unjust, striving, creative, energetic world. Pietra Rivoli presents that full picture. The reader will never look at the tag on a T-shirt in the same way.

Rivoli conducted research on the level expected for academic publications. Because she is an academic and wrote the book in an academic setting, it has more detail, more footnotes, and more background to support conclusions than most non-fiction works. The exhaustive detail can get tiresome at some points. One weak spot in her style is overusing particular phrases, such as the "virtuous circle" (referring to farmers, researchers, and government policy-makers working together) and the "race to the bottom" (referring to industry racing to lower production costs). Repeating the same phrase too many times can be annoying to the reader. However, her style for the most part is easy to read. She also has the ability to identify and focus on what really matters in a topic or question, especially what matters for the people involved.

The Travels of a T-Shirt in the Global Economy addresses aspects of everyday life for people all around the world, yet most of us know surprisingly little about these realities.

Were you surprised to learn that 95% of garments that Americans purchased in a recent year were produced in other countries?

Were you astonished to learn that technological changes cost more American jobs than companies moving production to other countries?

Were you shocked that some Chinese companies sew in labels that say "Made in Vietnam?"

Were you amazed to learn that several presidents and members of Congress have worked out deals to protect the dwindling U.S. textile industry, that subsidies make agriculture a far cry from a beacon of free trade, and that politicians' espousal of free trade actually hides numerous hushed-up treaties and deals?

Essential for the reader's understanding of current dynamics, Rivoli carefully traces the relevant history: the transition from wool to cotton as the textile fiber of choice; the development of cotton farming; textile production as it shifts from country to country; the growth of special deals by the U.S. government for textile industries; and the more-recent development of the second-hand clothing market in Africa.

Rivoli helps the reader better understand the local and world economy, including the impact of cotton harvesting machines on the farm labor market; the comparative advantage certain countries have in producing particular goods; globalization; the impact of immigration laws;

tariffs in international trade; the impact of farm chemicals on agricultural production but also on the environment; the movement of production; labor costs; the idea of creative destruction, which means that the creative development of new goods and services leads to new employment opportunities but also leads to the destruction of former industries and the disappearance of jobs in those industries.

The author concludes that we need both corporations and protesters. The corporations provide jobs and help people escape poverty and move toward a higher standard of living. On the other hand, protesters and those who question corporate practices help to protect human rights and the environment when corporations tend to focus on the bottom line of profits. Another important conclusion the author stresses is the importance of freedom, both political and economic. She says that "it is a state-engineered [economic] system that limits the ability of these workers to participate in the market as full citizens" (page 109). Individuals, no matter where they live, are better off with free--or at least freer--markets than with a government-run economy.

The Travels of a T-shirt in the Global Economy reminds us once again how much economics matters in everyday life. When you purchase a T-shirt (and later dispose of it), you are a player in a complicated economic system. Our choices in that system matter, but discerning the right and wrong of those choices is a complicated process.

Questions on *The Travels of a T-Shirt in the Global Economy*

1. From what perspective does the author write? What is her place in history, in geography, her background, her point of view and experience? How does her perspective influence the way she assesses and responds to her topic? Write one paragraph which includes your answers to all of these questions.
2. What do you feel are the key passages in the book? Think about the main conclusions and what supports them. What do these passages convey? What difference should these conclusions make in the thoughts and actions of the reader? Write three paragraphs.
3. What other industry needs a treatment like *The Travels of a T-shirt in the Global Economy*? Why do you think so? What would you like to know about the truth of the industry? How do you think society would benefit? Write two or three paragraphs.

Unit 12

Lesson 56

1. The gross domestic product is the market value of a nation's total domestic output of all final goods and services over a period of time. The gross domestic product consists of what components?
2. What is the gross national product?
3. What is considered a healthy annual rate of growth in the GDP? 3%
4. What is the nominal GDP?
5. What does the real GDP express?
6. What is the statistic produced when the nominal GDP and the real GDP are compared?
7. What does seasonal adjustment take into account?
8. What five countries have the largest economies?
9. How do economists calculate per capita GDP?
10. What does purchasing power parity (PPP) take into account?

Lesson 57

1. What are the three most important macroeconomic variables?
2. What is the Consumer Price Index (CPI)?
3. What is the basis for the CPI called?
4. What method does the Bureau of Labor Statistics use to measure unemployment?
5. When was the Conference Board founded and what does it publish?
6. Why is unemployment a lagging indicator?
7. What is disposable personal income (DPI)?
8. What does the Producer Price Index (PPI) reflect?
9. What organization reports each month on the sale of new and existing homes and how the rate of sales compares with one year earlier? *The National Association of Realtors*
10. What does the Bureau of Labor Statistics' quarterly reading of worker productivity reveal?

Lesson 58

1. What do people purchase in a stock market?
2. What determines the prices of shares of stock?
3. What is the largest actual stock market in the world and when did it begin?
4. What company owns the New York Stock Exchange, where is its base, and what else does it own?
5. What does the Dow Jones Industrial Average do to create its composite index?
6. What is the origin of the S&P 500?
7. What is NASDAQ, where is it headquartered, when was it founded, and what type of stock market is it?
8. How do futures investors try to make money?
9. What major commodities market is located in Chicago?
10. The Dow Jones Industrial Average, the NASDAQ index, and the S&P 500 are fairly good indicators of what? What important portions of the economy are left out of those indices?

Lesson 59

1. What is the traditional definition of a recession?
2. Why do many economists not like that definition?
3. List major measures of economic activity which decline or show only small growth during an economic downturn.
4. What is the NBER?
5. When did it publish its first business cycle dates?
6. What is the official definition of a recession by the NBER?
7. What is the average length of a recession since World War II?
8. What has been the trend since World War II regarding the length of time between economic troughs?
9. What did the Business Cycle Dating Committee of NBER determine were the two main factors in the recession that began in December 2007?
10. What is the generally understood definition of a depression?

Lesson 60

1. As of 2014, what was the median household income in the United States?
2. Approximately what percentage of American households have an income of \$100,000 or more? What percentage of American households have an income under \$20,000? 20%; 20%
3. What was Mollie Orshansky's standard for defining poverty?
4. How has the percentage of Americans living in poverty changed since the federal government began the War on Poverty in 1964?
5. Define income. Income is what a person earns during a certain period, usually one year.
6. Define wealth.
7. How do the poor in America compare to the poor in other countries?
8. Describe the typical home of a poor person, according to a 2005 survey.
9. What is the key issue for determining wealth and poverty?
10. Are the poor poor because the rich are rich? Explain your answer.

Exploring Economics Quiz and Exam Book

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Unit 5 Quiz

Choose which predicate at right best completes the sentences begun at left and write its letter in the blank.

- | | |
|---|--|
| ___ 1. Loans that were too large for people to pay back | a. makes a big difference in an action being taken. |
| ___ 2. A cost benefit analysis | b. are the elements that producers use to create goods and services. |
| ___ 3. A margin is a small step that | c. are intangible duties that people perform for pay. |
| ___ 4. A marginal benefit | d. is the maximum production that an economy can have, given its production resources. |
| ___ 5. Goods | e. means materials used to produce goods. |
| ___ 6. Services | f. is the greatest benefit that a producer gives up when he makes a choice. |
| ___ 7. In terms of economics, capital | g. is a benefit that motivates action. |
| ___ 8. Opportunity cost | h. determines the cost and the benefit of taking a particular step before you take it to determine if the benefit outweighs the cost. |
| ___ 9. An economic incentive | i. are tangible items that companies or individuals produce for consumption. |
| ___ 10. A marginal rate of substitution | j. involves how much of one product a consumer is willing to give up in exchange for another product to maintain the same level of satisfaction. |
| ___ 11. Production resources | k. helped cause the economic recession of 2008. |
| ___ 12. The production possibilities curve | l. is the change in total benefit that results from an action. |
| ___ 13. A cigarette warning label | m. emphasizes the role of self-interest in decision-making. |
| ___ 14. Capitalism and socialism | n. is an example of a disincentive. |
| ___ 15. Public choice theory | o. is the goal of having people in a society share goods and services as equally as possible. |
| ___ 16. Economic efficiency | p. limit the choices that producers and consumers have in order to meet other goals that people in government value. |
| ___ 17. Economic equity | q. try to insure stability while sacrificing the possibility of significant growth. |
| ___ 18. The promise of economic security | r. is the goal of encouraging the people in an economy to be as productive as possible in making goods and services available. |
| ___ 19. Government policies that place limitations on business activity | s. differ in terms of who makes economic decisions. |
| ___ 20. Command economies | t. means that you give up a degree of economic freedom. |

First Exam (Over Units 1-5)

Identify these terms (2 points each):

- | | |
|---------------------------------------|--|
| ___ 1. oikonomos | a. the change in total benefit that results from an action |
| ___ 2. externalities | b. a small step that makes a big difference in an action taken |
| ___ 3. mercantilism | c. Greek word from which we get the word economics |
| ___ 4. tariffs | d. a benefit that motivates action |
| ___ 5. bond | e. tangible items produced for consumption |
| ___ 6. investment capitalism | f. The reason behind the overall trend of economic growth in the United States |
| ___ 7. freedom | g. economic effects external to the direct production of goods |
| ___ 8. supply side economics | h. established by Congress in 1913 to serve as a central bank for the United States |
| ___ 9. services | i. intangible duties that people perform for pay |
| ___ 10. cost benefit analysis | j. the main source of income for the United States for many years |
| ___ 11. marginal benefit | k. greatest benefit that a producer gives up when he makes a choice |
| ___ 12. goods | l. the elements producers use to create goods and services |
| ___ 13. margin | m. economic idea proposed by President Reagan in 1980 |
| ___ 14. economic incentive | n. the prevailing economic philosophy when Adam Smith published <i>The Wealth of Nations</i> |
| ___ 15. production resources | o. money individuals loan to an entity (often a government) with the expectation they will receive it back with interest |
| ___ 16. Federal Reserve System | p. a type of business in which people build large enterprises that do not make things themselves, but invest huge sums of money in companies that do |
| ___ 17. opportunity cost | q. how much of one product a consumer is willing to give up in exchange for another product to maintain the same level of satisfaction |
| ___ 18. marginal rate of substitution | r. determines the cost and benefit of taking a particular step before you take it to determine if the benefit outweighs the cost |
| ___ 19. economic efficiency | s. emphasizes the critical role that self-interest plays in decision-making |
| ___ 20. public choice theory | t. the goal of encouraging people in an economy to be as productive as possible in supplying goods and services |

Exam continues on next two pages.

Mark a T beside every true statement and an F beside every false statement (2 points each).

- ___ 21. In a market economy, some authority (usually the government) dictates what and how much producers will produce.
- ___ 22. In the United States, money is a medium of exchange.
- ___ 23. GDP stands for gross domestic product.
- ___ 24. The promise of economic security means that you give up a degree of economic freedom.
- ___ 25. Command economies try to insure significant growth while sacrificing the possibility of stability.
- ___ 26. Capitalism and socialism are much the same in who makes economic decisions.
- ___ 27. A cigarette warning label is an example of a disincentive.
- ___ 28. The production possibilities curve is the maximum production that an economy can have, given its production resources.
- ___ 29. In terms of economics, capital means materials used to produce goods.
- ___ 30. Communism is an economic system in which a government encourages and assists businessmen in establishing colonial outposts.

Answer these questions (7 points each):

31. Define microeconomics.

32. Define a command economy.

Fill in these blanks (2 points per word):

33-34. Conditions in Egypt during the famine while Joseph was living there illustrate the

economic principle of _____ and _____.

35-36. Jesus said that we cannot serve the two masters of _____ and _____.

37-38. Instead of worrying about food and clothing, Jesus told people to seek God's

_____ and His _____.

39. In the early centuries after the church began, people who wanted to escape the influence

and defilement of the world sometimes went to live in _____.

40 - 42. Micah 6:8 teaches that God wants us to do _____, love

_____, and walk _____ with our God.

43. Jesus taught that our lives do not consist of our _____ even

when we have an abundance.

44 - 45. In Proverbs 30:7-9, the writer asked God to give him neither _____

nor _____.

Unit 12 Quiz

Write one of these percentages in each blank below. You will use one of them more than once.

3%

10%

20%

1. Approximately _____ of American households have an income of \$100,000 or more.
2. A healthy annual rate of growth in the gross domestic product is _____.
3. Approximately _____ of American households have an income under \$20,000.
4. One common rule of thumb is that a depression involves a decline in the gross domestic product of more than _____.

Finish these sentences by writing the letter beside the correct conclusion in the blank at left.

- | | |
|--|---|
| ___ 5. Gross domestic product | a. plus the gross domestic product and the rate of unemployment are the three most important macroeconomic variables. |
| ___ 6. Gross national product | b. is the money that households have available for discretionary spending after taxes. |
| ___ 7. Purchasing power parity | c. is published by the Conference Board, founded in 1916. |
| ___ 8. The rate of inflation, | d. is an electronic stock market founded in 1971. |
| ___ 9. The consumer price index | e. includes purchases by consumers, purchases of capital goods by businesses, and purchases of goods and services by government, and net exports. |
| ___ 10. The Leading Economic Index | f. takes stock values of thirty key companies and uses a formula to determine a cumulative value for those stocks to create its composite index. |
| ___ 11. Disposable personal income | g. is a major commodities market. |
| ___ 12. Supply and demand | h. is an estimate of what a typical urban consumer has to pay for a sampling of typical goods and services. |
| ___ 13. The NYSE | i. along with stock prices, employment, and personal income decline or show only small growth during an economic downturn. |
| ___ 14. The Dow Jones Industrial Average | j. is the production of a nation's permanent residents, whether that production occurs within the country or elsewhere. |
| ___ 15. NASDAQ | k. is the average length of a recession since World War II. |
| ___ 16. The Chicago Mercantile Exchange | l. a program begun in 1964, has not significantly changed the percentage of Americans living in poverty. |
| ___ 17. Business profits | m. is the total value of a person's assets, which often includes a house and property, investments, bank accounts, and other useful goods, acquired over several years. |
| ___ 18. Eleven months | n. takes into account the differences in the cost of living in various countries. |
| ___ 19. The War on Poverty, | o. is the largest stock exchange in the world. |
| ___ 20. Wealth | p. determines the prices of shares of stock. |