1. In contrast to physical sciences, economics as a science
   1. Usually cannot run controlled laboratory experiments.
   2. Is challenged by the difficulty of accurately predicting the behavior of the individual.
   3. Rarely results in useful predictions about the world.
   4. Answers (a), (b), and (c) are all true answers.
   5. Answers (a) and (b) are both true.
2. Wheelan writes that “the market is amoral”. This means that
   1. The market is willing to produce goods and services that people need.
   2. The market is willing to produce goods and services that people are willing to buy.
   3. The market is willing to provide “nasty things” provided it is profitable.
   4. Answers (a), (b), and (c) are all true.
   5. Answers (b) and (c) are both true.
3. In the United States people express concern about both our dependence on foreign oil and the impact on climate change of carbon dioxide emissions. Economists view this as a relatively simple problem that could be addressed by
   1. Increasing the price of carbon-based energy.
   2. Decreasing the price of carbon-based energy.
   3. Shifting the supply of carbon-based energy to the left.
   4. Shifting the supply of carbon-based energy to the right.
4. Creative destruction refers to
   1. How markets reward winners while crushing losers.
   2. How markets that are competitive will have firms that go out of business due to that competition.
   3. How capitalism results in long run gains to society while simultaneously creating unemployment for workers in businesses that are no longer competitive.
   4. Answers (a), (b) and (c) are all true statements.
5. Mobile phone use
   1. By individuals poses no externality issue.
   2. May pose an externality issue that could be addressed through government regulation if the user is distracted when using the phone and this distraction leads to bad outcomes for others.
   3. Should not be regulated by the government on the basis of economic reasoning since the government has no business restricting the rights of individuals to communicate.
   4. Should be regulated by the government primarily because it is a handy revenue source; the government can offer no other economic argument for regulation of cell phone use.
6. Wheelan notes the importance of good government in making a market economy possible. He writes that
   1. The lack of government or the existence of bad government has resulted in billions of extremely poor people in the world.
   2. Countries that lack good governance are countries where it is difficult, if not impossible, to conduct even simple businesses.
   3. The market economy cannot function without well-defined and protected property rights.
   4. Answers (a), (b) and (c) are all true answers.
   5. Answers (a) and (c) are both true answers.