

**SUVA SANGAM COLLEGE**

**YEAR 13**

**ECONOMICS**

**WORKSHEET 1**

Question 1

(a) Identify the **fallacies** depicted in the following scenario:

- (i) It is good for an individual to save, and then it must be a good idea for everybody to save more.
- (ii) The reasoning that since event B followed event A, event B must have been caused by event A.

(b) Identify the **economic school of thought** associated with each of the distinguishing features given below.

- (i) Economies would work best if left to function on its own without government regulation. Then self-interest would lead business firm to produce only those goods that consumers wanted, and produce them at lowest costs.
- (ii) The unemployment could persist indefinitely, unless government steps in to increase government spending which would lead to increase total demand, resurgence of business activity, and the restoration of full employment.
- (iii) It is the normative branch of economics that is concerned with the way the economic activity ought to be arranged so to maximize economic welfare.

**Question 2**

Study the extract below and answer the questions that follow.

Economists see the world through a different lens than anthropologists, biologists, classicists, or practitioners of any other discipline. They analyze issues and problems with economic theories that are based on particular assumptions about human behavior. Economists carry a set of theories in their heads like a carpenter carries around a toolkit. When they see an economic issue or problem, they go through the theories they know to see if they can find one that fits. Then they use the theory to derive insights about the issue or problem.

*Source: <https://opentextbc.ca/principlesofeconomics>*

- (i) Define the term **economic theory**.
- (ii) How is an economic theory developed?
- (iii) Explain why assumptions have to be stated when we construct an economic model.

### Question 3

Economics is neither a Social Science nor a pure Science subject. It is seen as a melting pot of so many disciplines.

Evaluate the above statement with reference to :

- the three different definitions of Economics as seen from the perspective of Adam Smith, Alfred Marshall and Keynes (3 marks)
- any three descriptive features of the Classical School of Economic Thinking. (3 marks)
- any three dominant beliefs or findings of the theorist (economist) J.M. Keynes (3 marks)