

Lesson 04: "Robinson Crusoe" Economics

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1. Lesson 04: "Robinson Crusoe" Economics

4. Chapter: Lesson 04: "Robinson Crusoe" Economics

1. Lesson 04: "Robinson Crusoe" Economics Questions

4.1.1. Does economics assume that people act in isolation from the rest of...

Author: Robert Murphy

Does economics assume that people act in isolation from the rest of society?

- No, the point of studying Robinson Crusoe is simply to keep the analysis as simple as possible for the student.
In the next part of the book, we will explain the operation of a market economy, which is composed of many people.
However, the same principles that apply to Crusoe also apply to individuals in a market—the presence of other people is simply another feature of the environment, as it were.

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4.1.2. What does it mean to say Crusoe creates goods with his "mind powers"?

Author: Robert Murphy

What does it mean to say Crusoe creates goods with his "mind powers"?

- Obviously we do not mean that Crusoe has magical powers to conjure up coconuts through thought. What we meant by this section title is that coconuts (or vines, sticks, etc.) are not goods merely because of their intrinsic properties. In order to become economic goods, someone (Crusoe in this case) has to use his mind to classify them as scarce objects that can help him achieve his objectives.

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4.1.3. Can leisure be more physically demanding than work?

Author: Robert Murphy

Can leisure be more physically demanding than work?

- Yes, as a footnote explained, it's possible that Crusoe enjoys swimming in the ocean as a leisure activity. This is much more physically taxing than other chores such as gathering twigs for a fire. Presumably Crusoe does not derive direct pleasure from collecting twigs, and so this activity is work, not leisure.

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4.1.4. Why does Crusoe need to worry about depreciation of his capital goods?

Author: Robert Murphy

Why does Crusoe need to worry about depreciation of his capital goods?

- If Crusoe ignores the wearing away of the pole, he will experience a sudden drop in his consumption. After going to the trouble of investing in capital goods, Crusoe needs to maintain them (by investing enough to offset depreciation) if he wants to remain at his higher standard of living.

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4.1.5. How do expectations affect someone's decisions?

Author: Robert Murphy

How do expectations affect someone's decisions?

- The term expectations is simply economist jargon for forecasts. For every action, a person relies on his or her forecasts of the future; that's the whole point of acting, to try to influence future events. The text dealt with an example of Crusoe building a raft, only to realize he couldn't get out to the open sea. But even more mundane actions rely on expectations. For example, Crusoe "expects" that if he climbs a tree, he will be able to knock coconuts down, and that the coconuts will not be full of spiders when he cracks them open.

Check the answer of this question online at QuizOver.com:

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4.1.6. Explain why an object only becomes a good when a person incorporate...

Author: Robert Murphy

Explain why an object only becomes a good when a person incorporates it into his plans.

- Something is a good not because of its physical properties, but because a person subjectively values it. If people didn't enjoy smoking, then tobacco would cease being a (production) good and would be the equivalent of a weed. A person values an object as a good because the person has a plan in which that object will help to achieve a goal.

Sample Partial Credit Answer

A person gives value to a good by thinking about it.

Check the answer of this question online at QuizOver.com:

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4.1.7. Identify the distinction between a producer and a consumer good.

Author: Robert Murphy

Identify the distinction between a producer and a consumer good.

- A consumer good directly satisfies goals or preferences. A producer good isn't directly useful, but it can be used to make other producer goods or consumer goods.

Check the answer of this question online at QuizOver.com:

Question: [Identify the distinction between a producer by Dr. Robert Murphy](#)

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4.1.8. Explain why a person in Robinson Crusoe's position would want, on a...

Author: Robert Murphy

Explain why a person in Robinson Crusoe's position would want, on any given day, to harvest more coconuts than he or she planned on consuming that day.

- By producing more than he consumes, Crusoe can save coconuts over time. This stockpile of savings will help Crusoe if he gets sick or wants to take a day off in the future. It will also allow Crusoe to spend his work days making tools instead of collecting coconuts with his bare hands.

Sample Partial Credit Answer

This way Crusoe can save.

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Question: [Explain why a person in Robinson Crusoe by Dr. Robert Murphy @Mises](#)

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4.1.9. Water is necessary for life, but restaurants give it away for free....

Author: Robert Murphy

Water is necessary for life, but restaurants give it away for free.

Diamonds are mere décor, serving only vanity, but they cannot be had cheaply.

Explain this so-called "water-diamond paradox."

- People evaluate goods on the margin. No one chooses between all the water in the world and all the diamonds. Diamonds are much scarcer than water, because their total supply can't satisfy all the desires for it, but water is relatively much more plentiful.

Sample Partial Credit Answer

There is more water than diamonds

Check the answer of this question online at QuizOver.com:

Question: [Water is necessary for life but restaurants by Dr. Robert Murphy](#)

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4.1.10. Explain the following scenario.

Rory looked at the mess that the bu...

Author: Robert Murphy

Explain the following scenario.

Rory looked at the mess that the burglars had made . . .

- People don't care simply about the market value of things, they also value items for emotional reasons. Rory could eventually replace the other items over time by buying new ones. But he won't be able to replace the lost ring, even though he would be willing to pay a lot of money to do so.

Check the answer of this question online at QuizOver.com:

Question: [Explain the following scenario. Rory looked by Dr. Robert Murphy](#)

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