

Test Bank

Foundations of Business Thought –1/e

Section I: Introduction

1. Thoreau believed that books must be read as deliberately and reservedly as they were written.
 - a. True
 - b. False

2. Thoreau also believed that three-dimensional sculpture was the work of art nearest to life itself.
 - a. True
 - b. False

3. Francis Bacon believed we should study primarily for which of the following reasons?
 - a. To advance economically
 - b. To learn the difference between right and wrong
 - c. To discover truth
 - d. To weigh and consider

4. What did Francis Bacon say about learned men as opposed to expert men?
 - a. Learned men can execute while expert men are consultants
 - b. Learned men are better at managing businesses while expert men are better at the day-to-day operations
 - c. Learned men will most likely become wealthier than expert men
 - d. Learned men are better at making judgments while expert men execute

5. Who wrote the following: “Read not to contradict nor to believe, but to weigh and consider.”
 - a. Thoreau
 - b. DuBois
 - c. Aristotle
 - d. Bacon

6. While at Walden, Thoreau read “one or two shallow books of travel”. How did he feel about this pastime?
 - a. He was ashamed of himself
 - b. He found them interesting because they helped him explore his mind
 - c. He was angry because it kept him from his work
 - d. He believed the knowledge he gained would be helpful in social interaction with his neighbors

7. According to Thoreau, which of the following is the choicest of relics?
 - a. A building
 - b. A painting
 - c. Nature
 - d. The written word

8. W. E. B. DuBois believed that the universities of the American post-Civil War South should focus on which of the following?
 - a. Creating prosperity
 - b. Rebuilding the infrastructure destroyed by the Civil War
 - c. The formation of broad ideals
 - d. Making teachers of us all

9. According to W. E. B. DuBois, the rebuilding of the South after the American Civil War lacked a foundation. What did he believe was the missing foundation?
 - a. Knowledge and culture
 - b. Universities
 - c. Money
 - d. Political leadership

Section II: Motivation for the Development of Commerce

1. Thoreau thought that “simplicity, simplicity, simplicity” held the keys to understanding the universe, solving poverty, and overcoming weakness.
 - a. True
 - b. False

2. Christopher Columbus noted in his diary the observation regarding individual values that the native Indians he discovered were open with the Spaniards were greedy and disorderly.
 - a. True
 - b. False

3. John Locke believed that God gave the world to men in common but only those who used and cultivated it could gain title to it.
 - a. True
 - b. False

4. John Ruskin believed that the way to wealth was through the exercise of power.
 - a. True
 - b. False

5. Gordon Gecko's speech about greed, in the film Wall Street, stressed the importance of greed to the development of a healthy economy.
 - a. True
 - b. False

6. Henry David Thoreau believed that only when we acquire the "necessaries of life" will we be able to focus on the true factors which bring us happiness and wealth.
 - a. True
 - b. False

7. The Diary of Christopher Columbus underscores that people are simple organisms with a single focused motive for why they do things.
 - a. True
 - b. False

8. Thoreau believed that the "necessaries of life" include food, shelter, clothing, and wealth.
 - a. True
 - b. False

9. What happened in the end with the Once-Ler in the Dr. Seuss story, "The Lorax", most closely resembles the message given in the following thought:
 - a. This statement by Rand: "Until and unless you discover that money is the root of all good, you ask for your own destruction."
 - b. This statement by Emerson: "But, though light-headed man forget, remembering matter pays her debt."
 - c. This statement by Thoreau: "Time is but the stream I go a-fishing in."
 - d. This statement by Ruskin: "The art of making yourself rich, in the ordinary mercantile economist's sense, is therefore equally and necessarily the art of keeping your neighbor poor."

10. The Indian described in Thoreau's Walden:
 - a. Was the victim of discrimination on the part of his industrious white neighbor
 - b. Was the victim of poor market research on his own part
 - c. Was the victim of his inability to push (or create) the demand in his industrious white neighbor
 - d. A and B
 - e. B and C

11. What most clearly resembles what Emerson meant when he said, “matter will pay her debt”?
- When we plant the seeds of growth, we will enjoy all the benefits of the harvest
 - When we go against the nature of things, our path will not be there forever
 - When we decide to not pay off our debts, the interest we will be asked to pay will be at an unnatural level
 - When we remove Gyges’ ring, we will ultimately be found out
12. Which of the following statements most closely fits: Larry the Liquidator in the film, “Other People’s Money,” did not feel that:
- The Once-Ler in the film, “The Lorax,” was right
 - Gordon Gecko in the film, “Wall Street,” was right
 - Mr. Jorgensen in the film, “Other People’s Money,” was right in his emphasis on people instead of profits
13. Fray Bernardino De Sahagun wrote that the Aztec merchants of his day “...find out where the feathers and the precious stones can be had, or the gold; there they purchase them and take them to where they are worth a great deal.” This activity of a merchant most closely resembles the description of a merchant offered by:
- Plato
 - Aristotle
 - Emerson
 - Smith
 - Seuss
14. Christopher Columbus had many motives for his visit to the New World as outlined in his diary. Which of the following was one of his motives:
- Establishing a new territory in the name of Italy
 - Converting the Indians to Buddhism
 - Trade
 - Locating the source of silver he observed on the natives
 - Having a city in Ohio named after him

15. At the end of “The Lorax” movie, the Once-Ler realized:
- That “biggering” and “biggering” was the best long term way of maximizing all of his stakeholders’ benefits, including his stockholders, his employees, his customers, and the community
 - That in the end, Emerson was right to “bind the strengths of Nature wild to the conscience of a child.”
 - That the rule of “impera parendo” seemed to apply to him as well
 - A and B
 - B and C
16. Chief Joseph’s story about a white man buying Joseph’s horses from Joseph’s neighbor instead of from him illustrates the notion that:
- Chief Joseph’s neighbor had better horses and, therefore, quality dominates proximity
 - Chief Joseph’s neighbor had title of Joseph’s horses and that title determines who can sell the property
 - The Government has the right to sell the land the Indians occupied since Joseph’s neighbor had the right to sell Joseph’s horses.
 - The Government does not have the right to sell the land the Indians occupied just as Joseph’s neighbor didn’t have the right to sell Joseph’s horses
17. Columbus wanted to convince the King and Queen of Spain that his journey across the ocean was profitable so that they would finance a return trip.
- True
 - False
18. Thoreau believed that we would all be more satisfied with our lives if we lived the same way he did.
- True
 - False
19. Which negative event did Columbus portray in a positive light in his “diary”?
- The loss of a ship
 - The death of a Spanish soldier
 - The death of an Indian
 - The failure to find the source of the gold
20. In the *Diarios*, Columbus tells us he ordered a tower and fort built for which reason?
- To train the natives in the ways of Spain
 - To provide a warehouse for goods obtained from the natives
 - To protect the Spanish from attacks by the natives
 - To defend the island from attacks by pirates

21. According to John Locke, what economic factor allows inequality of wealth to become acceptable?
- Supply
 - Demand
 - Efficiency
 - Money
22. In Faust, Baucis and Philemon represent which of the following groups which have a stake in Faust's enterprises?
- Employees
 - Community
 - Government
 - Creditors (lenders)
23. Why is Faust not satisfied after he has fulfilled his dream by pushing back the ocean?
- The project did not live up to his expectations
 - He was worried about the environmental impact
 - He was worried about the ghosts hanging around outside his house
 - He could never be satisfied
24. Which of the following is the reason that Worry visited Faust in his home late one night?
- She was worried about his well-being
 - He was not worried about the consequences of his actions
 - He was worried about whether he would complete his project
 - He was worried he might not get to heaven
25. What did Mephistopheles do to help Faust "push back the lordly ocean?"
- Killed Baucis and Philemon
 - Bribed government officials
 - Helped the Emperor win the war
 - Gave Faust political power
26. Thoreau's insistence that business should only satisfy basic needs most closely resembles which thinker's philosophy?
- Columbus
 - Goethe
 - Aristotle
 - Confucius

27. Thoreau describes a number of his most cherished enterprises including being a reporter to a journal. What was the primary purpose of these enterprises?
- To earn a living
 - To make a contribution to society
 - To avoid boredom
 - To expand his job skills
28. Why did Thoreau believe “the mass of men lead lives of quiet desperation”?
- We don’t verbalize our dissatisfaction
 - We don’t seek help from others
 - It is our fate so we must accept it
 - We believe we have no other choice
29. In Wordsworth’s poem, *The World is Too Much With Us*, what does he believe has been lost in humanity’s quest for material possessions?
- Compassion for others
 - Connection with the natural world
 - Independence
 - Intellectual curiosity

Section III: Foundations of a Commercial Society

- Emerson believed that the craft of the merchant is the bringing of a product from where it abounds to where it is costly.
 - True
 - False
- John Ruskin believed that becoming rich is the art of establishing the maximum inequality in one’s own favor.
 - True
 - False
- The actions of Gyges, in Plato’s Republic, was a great example of someone following Rockefeller’s Industrial Creed where Rockefeller said we should act towards others as we would like them to act towards us.
 - True
 - False
- Aristotle hated usury because he believed it makes a gain out of money itself and not from the natural use of it.
True b. False

5. Plato's belief that "one man is naturally fitted for one task, and another for another" aptly describes the economic concepts of specialization of labor or comparative advantage.
 - a. True
 - b. False
6. Plato and Aristotle would disagree that the formation of a market place to trade goods is both a natural and an essential part of the development of an economy.
 - a. True
 - b. False
7. Ayn Rand thought that society was doomed when you see that money is flowing to those who deal, not in goods, but in favor.
 - a. True
 - b. False
8. Adam Smith agreed with Plato in that they both thought that the pursuit of one's own advantage would require the ultimate involvement of the state through its police force.
 - a. True
 - b. False
9. Friedman believed that it is entirely appropriate for a publicly held corporation to reduce the wages of its employees in order for it to invest in an activity of general social interest.
 - a. True
 - b. False
10. Based on what we read in the "Wealth of Nations," if Adam Smith were alive today, he would most likely be against the economic concepts presented by North American Free Trade Agreement and the European Economic Union.
 - a. True
 - b. False
11. Ayn Rand was agreeing with Emerson's views when she said, "Money is the barometer of a society's virtue."
 - a. True
 - b. False
12. Ayn Rand, in Atlas Shrugged, believed that the problem with society is the love of money, not money itself.
 - a. True
 - b. False
13. Rockefeller believed that the community had a right to shape corporate policy equal to those of labor, management, and capital.
 - a. True
 - b. False
14. Carnegie believed that a person who earns great wealth should help society by leaving that wealth to the community at the time he or she died.
 - a. True
 - b. False

15. Heilbroner countered Friedman by noting that Friedman's argument that business will acquiesce to the rules of the game or even have a hand in making the rules is not realistic given business' current role in lobbying.
 - a. True
 - b. False
16. Usury was praised by Aristotle as an important advancement for business efficiency since it "makes a gain out of money itself."
 - a. True
 - b. False
17. Adam Smith believed that government should direct how businesses or individuals invest their money.
 - a. True
 - b. False
18. Friedman believed that the responsibility of business was to make as much money as possible while conforming to the basic rules of society.
 - a. True
 - b. False
19. Marx believed that the value of a commodity varied inversely with the amount of labor required to produce it.
 - a. True
 - b. False
20. Rockefeller believed that to do unto others as you would that they should do unto you is as sound business as it is good religion.
 - a. True
 - b. False
21. When Emerson said "Matter pays her debt," he was referring to the redemption felt by Susan Matter when she was finally able to pay off her debt.
 - a. True
 - b. False
22. When Leonard Read wrote "I, Pencil," he intended the reader to understand that, since making a pencil was so complicated and involved so many people, the only way for a pencil to be made was for a central planning council to decide how it would happen who would do what.
 - a. True
 - b. False
23. Russell Conwell concluded in a speech he gave over 6,000 times that money was the root of all evil and that love was the grandest thing on God's earth.
 - a. True
 - b. False

24. Emerson presented the rule of impera pando as one of his five measures of economy. This rule states that:
- “Fools only strive to make a great and honest hive. Fraud, luxury, and pride must live whilst we the benefits receive.”
 - “Deal with the common people as though you were officiating at an important sacrifice. Do not do to others what you would not like yourself.”
 - “Nature has her own best mode of doing each thing, and she has somewhere told it plainly, if we will keep our eyes and ears open. If not, she will not be slow in undeceiving us when we prefer our own way to hers.”
 - “This is great proof, one might argue, that no one is just of his own will but only from constraint, in the belief that justice is not his personal good, inasmuch as every man, when he supposes himself to have the power to do wrong, does wrong.”
25. Andrew Carnegie noted the drawbacks of open competition, but he also noted some of the benefits. Which one of the following was not one of the benefits:
- Can acquire good quality commodities at reasonable prices
 - The poor enjoy what the rich could not afford
 - What were the luxuries have become the necessities of life
 - It promotes the concentration of business in the hands of a few
26. What happens, according to Plato, at the end of the natural development of an economy:
- Widespread wealth thus eliminating poverty
 - War as a result of wants becoming needs
 - The charge of usury, the ultimate in the art of making money
 - Simplicity, simplicity, simplicity
27. Milton Friedman believes that, if a company ends up with an excessive surplus, the owners should:
- Increase wages, decrease prices, or increase dividends
 - Increase prices, increase contributions, or decrease dividends
 - Increase dividends, increase wages, or increase prices
 - Increase contributions, increase wages, or increase dividends
28. If you believed that modern publicly held corporations should not have as one of its corporate goals that it should work towards the common wealth and be involved in their communities, you would be echoing the thoughts of:
- Ralph Waldo Emerson in his essay on wealth
 - Milton Friedman in Capitalism and Freedom
 - John Rockefeller, Jr. in The Personal Relation in Industry

29. Marx agrees with Aristotle's "art of household management" by describing those commodities which become a reality only by consumption: they also constitute the substance of all wealth, whatever may be the social form of that wealth. What kind of commodities are they?
- Exchange value commodities
 - Fetish value commodities
 - Use value commodities
30. The art of household management present by Aristotle most closely reflects the concepts presented by:
- Marx's fetish value of commodities
 - Thoreau's necessities of life
 - Emerson's impera parendo
 - Friedman's social responsibility
 - All of the above
 - None of the above
31. Who said, "By directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this led by an invisible hand to promote an end which was no part of his intention."
- Plato
 - Ruskin
 - Smith
 - Conwell
32. Plato felt that the fundamental key in the development of an economy was:
- All things ascend, and the royal rule of economy is that it should ascend also, or, whatever we do must have a higher aim
 - If one advances confidently in the directions of his dreams, and endeavors to live the life which he has imagined, he will meet with a success unexpected in common hours
 - More things are produced, and better and more easily, when one man performs one task according to nature, at the right moment, and at leisure from other occupations
 - The general industry of the society never can exceed what the capital of the society can employ

33. Which of the following was not one of Emerson's "measures of economy?"
- Nature endows each of use with unique faculties which make us necessary to society
 - A successful economy is dependent on the foundation of an efficient market place
 - Our individual efforts must be a part of a larger economy system
 - Some aspects of a growing economy will likely experience the rule of impera parendo
 - We should have a higher aim in mind as we pursue economic development
34. Aristotle's art of household management, from which the study of economics was derived, is based on the notion that:
- "wealth and property have no limit"
 - "the amount of property which is needed for a good life is not unlimited"
 - Retail trade "is justly censured; for it is unnatural, and a mode by which men gain from one another"
 - A and B
 - All of the above
35. John D. Rockefeller, Jr., in the film clip from "The Rockefellers":
- Showed why he was considered one of the "Robber Barons"
 - Had a life defining moment that showed the benefits of reciprocity
 - Carefully outlined his Industrial Creed in moving fashion during a speech before Congress
 - A and B
 - B and C
36. Fujiwara Seika, in approximately 1605AD, wrote one of the earliest business codes of ethics where he:
- Noted that trade must be beneficial for both parties
 - Emphasized long term profits over short term profits
 - Reminded us that we have to take care of one another
 - Said that all the objects of human greed, wine and women are to be feared most
 - All of the above
37. Andrew Carnegie felt it was "the duty of the man of wealth" to:
- Leave his/her wealth "to the families of the decedents"
 - Leave his/her wealth "for public purposes" at his/her death
 - Administer his/her wealth while alive "to produce the most beneficial results for the community"
 - Administer his/her wealth while alive "to produce the most wealth possible for himself/herself"

38. The human values we each encompass:
- Were formed by genetics, our environment, and those things/people which we hold dear
 - Impact what we do in life
 - Direct how we act in business
 - Comprise the elements that we call business
 - All of the above
39. Which of the following is a reasonable interpretation of Adam Smith's statement, "What is prudence in the conduct of every private family can scarce be folly in that of a great kingdom."
- It will help the community at large if an individual leaves his or her wealth to their family instead of to the government at their death
 - It is important to realize that government regulation is important to the conduct of family business
 - If the pursuit of self-interest works at the individual level, it will also work at the national level
 - Motives for commerce change as one moves from the family stage to the governmental stage
 - Matter will pay her debt if we don't reconcile the means of progress between the individual businesses and the government
40. Seika Fugiwara wrote at the beginning of the 17th Century that "All creatures between Heaven and Earth share the same outlook and the same heart. Even more so do the people of the same country or those aboard the same boat. It behooves us to rescue those in trouble. We should not seek relief just for ourselves." This most closely resembles the business philosophy of:
- John D. Rockefeller, Jr.
 - Milton Friedman
 - John Ruskin
 - John Locke
41. Aristotle is opposed to the use of money because it leads to an unlimited desire for wealth.
- True
 - False
42. Although laissez-faire competition leads to inequality of wealth, Confucius believed that equal distribution of wealth was better.
- True
 - False

43. Adam Smith believed that the individuals act in their own self-interest because they know that this will lead to the greatest good for society as a whole.
a. True b. False
44. Emerson believed, like Thoreau, that a man in debt is a slave.
True b. False
45. John Ruskin believed that the primary determinant of a man's wealth was the extent to which he had power over the labor of others.
a. True b. False
46. Ayn Rand believed that the reason there was not economic prosperity for everyone was because those who did not create wealth were stealing from those who did.
a. True b. False
47. According to the Schoolmen, the justification for the limitations they imposed on trading was that, while material riches are necessary, they are subordinate to the real business of life which is salvation.
a. True b. False
48. According to Catholic doctrine in the 13th Century, the most honorable occupations are in the world of finance.
a. True b. False
49. According to the Protestant Ethic, the first and in principle, the deadliest of sins is Greed.
a. True b. False
50. According to Carnegie, the man of wealth should regard his wealth as a trust fund for the benefit of the community.
a. True b. False
51. Carnegie believed that taxation of large estates at death was appropriate because it punished the selfish millionaire.
a. True b. False
52. In The Republic, Plato suggests that the origin of the city lies in which of the following?
a. People need social interaction
b. People gain economically through increased efficiency
c. By living together, people are better able to defend themselves against enemies
d. Cities satisfy people's inherent tendencies to be either leaders or followers

53. Why did Plato believe that unregulated commerce would lead to war?
- People are by nature aggressive and will use any excuse to kill each other
 - People are by nature unjust and will commit acts of violence against each other if they believe they can get away with them
 - People will eventually be competing for the same resources
 - Commerce and trade are inherently warlike activities
54. Plato's "healthy state" is the equivalent of what situation in modern economic theory?
- Expansion
 - Contraction
 - Equilibrium
 - Inflation
55. What class of people did Plato observe would be shopkeepers?
- Those who are only interested in getting rich
 - Those who are useless for any other task
 - Those who have tired of having to work for a living
 - Those who thrive on cheating others
56. Why did Aristotle believe retail trade was unnatural?
- Its purpose was to generate excessive wealth
 - It allowed rich people to take advantage of poor people
 - It was exploitative and unnecessary
 - It was a form of monopoly
57. Which of the following best describes Aristotle's view regarding exchanging shoes for food?
- It is a natural and proper use of shoes
 - It is a natural but improper use of the shoes
 - It is an unnatural but proper use of the shoes
 - It is an unnatural and improper use of the shoes
58. Which of the following best describes Aristotle's views on the art of money-making?
- It is always unnatural
 - It is natural only if the purpose was for household management
 - It is natural except under the condition of usury
 - It is always natural