Homework II

due Wednesday, January 31st in class

Type out the answers, use single-spacing, and a size 12 font.

1. Short Descriptions (3 points) In two to three coherent sentences, explain and/or define each of the following concepts.
   (a) Homo Economicus
   (b) Intensive growth
   (c) Laissez-faire

2. Economic System vs. Economic Policy (3 points) What is the difference between economic system and economic policy? Can such a distinction be made in real-world cases? Provide some examples.

3. Efficiency (2 points) Explain the difference between static and dynamic efficiency.

4. Comparing Systems (2 points) Is it possible to develop a single index of economic achievement that one might use to compare the economic performance of two different real-world economic systems? Discuss and provide examples if appropriate.

5. Outcomes (3 points) Explain at least two possible conflicts between economic systems' outcomes. For instance, how could there be a conflict between efficiency and equity. Here you do not necessarily have to constrain yourself to the five main performance criteria, but could also include criteria such as economic freedom, security, individual liberty, etc.

6. The Invisible Hand (3 points) What is meant by the invisible hand in the context of a market economy? Why is it called the invisible hand.

7. Perfect Markets (4 points) Explain the following statement: “A complete, competitive, full-information general equilibrium is efficient.”