

Final Exam Questions

1. I have mentioned before that controversies in economics often run on several levels. Arguments about technical points of a particular theory or model may be motivated by beliefs about how society should be organized. A critical review of a book or paper may really be an attack on a whole school of thought over an important methodological issue. Illustrate this idea by describing the multiple levels on which one of the controversies we discussed in class took place.

2. In the first class period, I laid out several characteristics or core beliefs of “Modern Mainstream Economics”, none of which went unquestioned over the course of the twentieth century. Pick two of the seven controversies we discussed this term, and explain which of the core beliefs (perhaps more than one) were at stake, either implicitly or explicitly, in the debate.

3. One of the central premises of the Mises argument against centralized socialism is that market determined prices represent true social values, and thus offer the correct guide to the allocation of social resources. But reading a critic of capitalism such as Shaw, we find a denial of this premise – Shaw argues that when capitalism leads to a situation in which the price of an Opera ticket is the same as the weekly wage of a dockworker, prices are not representing social values at all. Is Shaw right, completely or even partly? If Shaw is right, does this mean that the market socialists, who accepted “market determined” prices as reflections of social values, had betrayed the socialist ideal?

4. Over the course of the term, you have seen a number of the “roads not taken” on the way to the mainstream economics of today: monopolistic competition is not the foundational model of microeconomic theory used in teaching or research; economists do not typically link their research agendas explicitly to the agenda of some political party or social class, theories of firm and consumer behavior have not been rebuilt on inductivist foundations (via questionnaires, sociological case studies, psychological experiments, and so on); the questions related to the evolution of socio-economic institutions have not become the central questions of economics; macroeconomic theory has not been rebuilt on a foundation of carefully verified statistical “facts” about the behavior of and relationship between aggregates, economic theory pays little attention to issues of “power”, and so on.

Suggest two ways on which mainstream economics would be better off today if a controversy we have studied had turned out differently, with more of the arguments and alternative courses that were ultimately rejected by the profession instead being incorporated into the discipline.

5. In many of the controversies we discussed, it is clear that one side is defending orthodox methods and models that have continued to be a central part of mainstream economics, while the other side is criticizing the potential of those models and methods to generate useful information about some or all aspects of economic activity. Cite two achievements of modern mainstream economics that you believe make it much less

vulnerable to the criticisms made during one of our controversies; cases in which, if all parties were alive today, the defenders of the orthodoxy could say convincingly to the critics of the orthodoxy, “You thought that our methods and models would not allow us to make progress in this area; here is evidence that you were wrong.”

6. Of all the controversies we have covered this term, which one did you most enjoy learning about? Defend your choice – did you like it because the readings were interesting or entertaining, because the issues were intriguing to think and talk about, because some of the ultimate arguments being made were particularly insightful or important, or what?

7. To what extent, if at all, does the Fisher/Peltzman criticism of the game theoretic research program in IO apply to research motivated by the Becker/Stigler "manifesto" found in "De Gustibus . . ." ? Address issues such as the role of empirical evidence in economic analysis, the use of mathematical formalism, realism, and falsifiability. If the answer is “it depends”, explain what it depends on.

8. In your opinion, what are the three most convincing methodological prescriptions for economists that you have encountered in the readings over the course of the term? To what extent do modern economists seem to follow these prescriptions?