

Economics 555
Potential Exam Questions

* Evaluate the economic doctrines of the Scholastics. A favorable assessment might stress (e.g.,) how the ideas were those of a religious community, and how those ideas reflect a morality which is too often lacking in the modern world. A negative judgment might be based on (e.g.,) how those ideas might have caused economic growth to be retarded. I do not care which side you take, and you may wish to offer a more balanced judgment in which both pros and cons are discussed. But your answer should explicitly address the seven or eight points of Scholastic economic doctrine covered in class.

* Mercantilism took both an English and a French form. In which ways were the two forms similar? In which ways were they different?

* Intellectual history is often shaped by cultural, political, social, economic (etc.) contexts - that is to say, it often seems in retrospect that the ideas of great writers are shaped by the times in which they live, or those just preceding. Discuss, using examples from the Scholastic and mercantilist periods.

* It is the year 1768. You are Henri LeFou, chief assistant to Quesnay, and an intimate associate of the other Physiocrats. A group of English intellectuals is visiting Paris, and you have been asked by Quesnay to describe the Physiocratic system to them. A typical French person, you assume that your English audience is comprised of ignorant dolts who are nonetheless eager for Enlightenment. What would you tell them about Physiocratic thought? Do not neglect to include in your answer:

- a. The background assumptions of Physiocratic thought
- b. The three classes, and their interaction as revealed by the Tableau Economique
- c. The policy implications of your ideas. Are you a free trader?

* Outline and comment upon Smith's contributions in Chapters 1 through 7 of *The Wealth of Nations*. Be sure to discuss the following points.

a. What does Smith have to say concerning the origin of, advantages conferred by, and factors that might limit the division of labor?

b. Certain later commentators claimed that Smith confused the distinction between measures of value and determinants of value. Discuss Chapters 5 - 7, and in the process clear up this confusion. How would Smith have us measure value? What determines value for Smith, in the short run and the long run?

* Describe Adam Smith's theory of distribution, as developed in chapters 8, 9 and 11 of *The Wealth of Nations*. Why have some commentators called this theory incomplete, and others called it inconsistent?

*It would seem that in a system of perfect liberty there should be no differences in the wages paid to different professions. If such a differential existed, freely mobile workers would leave the low-paying fields and enter the high-paying ones, and this movement would raise wages in the former and lower them in the latter until equality was reached. Smith points out that even in a system of perfect liberty, wage differentials would exist. Reproduce his argument.

*In early 2002 the administration of George W. Bush raised the tariff on foreign produced steel by about 30%. As you know, economic theory predicts that the effects of this would be, *ceteris paribus*, to: decrease the amount of foreign steel bought by U.S. firms; increase domestic steel prices (and hence the prices of domestically produced goods that have steel as an input); and increase production and employment in the domestic steel industry. What would each of the following men have to say about this new policy? What arguments would each offer in support of his view?

- a. Colbert
- b. Quesnay
- c. Adam Smith

* Implicit in the writings of the Classics is a theory of economic growth, a theory which would hold if the system of natural liberty were left undisturbed.

- a. Outline the theory.
- b. Describe how it could lead to a happy progressive state (a la Smith). Are there any inconsistencies in Smith's model?
- c. How did Malthus' theories of population and commodity gluts challenge this happy vision? What policy conclusions does Malthus draw from this?

d. Show how Ricardo reached his conclusion that the growth process would end up in a stationary state.

* Some economists claim that the Classicals (excluding Malthus) embraced a strict interpretation of Say's Law - supply creates its own demand, general overproduction is impossible, money has no effect on the real variables in the economy. Others deny this, claiming that the Classicals did understand that gluts were possible and that money had effects. Discuss the evidence offered by both sides in this debate within the history of thought.

* Provide a detailed account of T. Robert Malthus' contributions in the areas of population and on the question of commodity gluts. What policy conclusions did he draw from his analyses?

* Answer the following questions on classical theories of value.

a. What is a theory of value?

b. Some claim that Adam Smith held a labor theory of value. Did he? Explain.

c. One economist has stated that Ricardo held a "93% labor theory of value." What does this mean?

d. Ricardo outlines the assumptions necessary for a labor theory of value to work. Explain in detail what these assumptions are.

* In Marx's vision of the laws of motion of capitalism, capitalism is doomed to destruction due to certain contradictions inherent in its structure.

a. Beginning with the capitalist's tendency to substitute capital for labor

(i.e., omit Marx's derivation of the origins of surplus value, and simply accept it as a premise of his argument), describe the process leading to socialist revolution and the millennium as Marx envisioned it.

b. Point out which of his predictions held true and which went wrong. Assess his argument and draw a conclusion.

* In five short sentences (no major compound sentences, please) summarize the most important points of the Communist Manifesto. Then write a short essay defending why you chose these five particular points as revealing the essence of the essay.

* Outline the major arguments contained in either "The Communist Manifesto" or "Socialism - Utopian and Scientific."

* "Competition ensures that social welfare is maximized." Discuss this idea, using your knowledge of the history of economic thought. Mention Smith, Marx, the relevant marginalists, and 20th century welfare economics in your answer.

* Jevons, Menger and Walras are known as the founders of the "Marginal Revolution."

- a. How are their analyses similar?
- b. How do they differ from one another?
- c. In what ways was the Marginal Revolution a true break with the past?
- d. In what ways was there a continuity with the past?

* Marshall's treatment of utility theory and his method of deriving a demand curve differ from the modern indifference curve approach. Compare the two approaches, especially in terms of their assumptions. Is one approach "better" than the other? Defend your answer.

* "Economics hasn't changed much since Marshall's *Principles*; will that be your text?" quipped one historian of thought, interviewing me for a job (which I did not get offered). Do a better job than I did by:

- a. Discussing those areas in which Marshall made contributions which have lasted.
- b. Mentioning some of Marshall's suggestive hints that led followers to break new ground.
- c. Mentioning certain areas whose development Marshall neither originated nor anticipated.

* One of the many tasks that academics face is refereeing articles for professional journals. The editors of journals receive manuscripts from authors, then send them to other academics for an evaluation. The referee's report usually consists of a brief restatement of the major themes of the paper, an assessment of the plausibility of the arguments, and comments on such things as style, appropriateness for the specific journal in question, originality, and so on. In a sense, such a report is like a book

review of a paper. The editors use these reports to decide whether or not to publish the papers submitted.

Write such a report for either Mirowski's "Physics and the Marginalist Revolution" or Caldwell's "Hayek's Transformation."

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Write such a report for Mirowski's "Physics and the Marginalist Revolution." Your statement of his themes should be fairly detailed, then give an equally detailed assessment of his arguments. Your referee's report should be the equivalent of about four double-spaced typed pages, longer than a real referee's report but shorter than a lot of papers you've done for me. Be objective, succinct and brilliant: remember, part of your task is to remind the editor of the journal that you are all of these things, so that he/she will remember you fondly when you submit your own article for review.