

Econ 365 Homework Assignments

due Thursday, January 21, 2010 (collected and graded for homework credit)

Read Heilbroner, *The Worldly Philosophers*, Chapters 1, 2 and 11 and answer the following questions:

Chapter 1

1. What has the biggest impact on shaping the events of world history, according to Heilbroner? Why?

Chapter 2

2. List and describe three forms of economic organization that help to ensure against economic breakdown and maintain human survival.
3. List and describe five (5) basic modern market features of today that were missing or under-emphasized through the 1600s.
4.
 - a. What was the “economic revolution”?
 - b. Heilbroner writes that this “economic revolution” was the “process of spontaneous, many-sided change.” List and describe four of these changes.
 - c. Why was economic philosophy non-existent before the “economic revolution”?
 - d. How did the economic revolution pave the way for an economic philosophy?
5. What are the main features of the mercantilist system?

Chapter 11

6. What are two reasons Heilbroner provides to dismiss the ultimate usefulness of economics as *science*?
7. According to Heilbroner, what is the ultimate social usefulness of economics as we journey into the twenty-first century?
8. Heilbroner distinguishes between economic analysis and economic vision. Explain his argument of the fundamental importance of penetrating economic vision for our future?
9. Why would Heilbroner applaud studying and incorporating ethics into economics? Develop a justifiable argument by relating your response to at least three of the ideas from the material covered in questions 1-8 above.

After class on Thursday, read Heilbroner, Chapter 3, “The Wonderful World of Adam Smith” To allow for catch-up with the first day workload, no specific homework questions are assigned from this reading. I will provide lecture material for the background information on Smith in class on Thursday.

due Tuesday, January 26, 2010

Read Smith's "Introduction and Plan of the Work" in *Wealth of Nations*. Focus on Chapters 1, 2, and 3 of Adam Smith's *Wealth of Nations* to answer the following questions. Take time to ponder the questions. Base your responses on the assigned reading; do not use outside materials which are not shared knowledge for the rest of the class in answering the factual and interpretive questions. Class will be devoted to student discussion of the answers to these questions. The quality of class discussion and the resulting insight from Chapters 1-3 depend upon student preparation, as no professor answer will be provided. Question #1 is called a "basic interpretive question." To answer it well, the remaining questions must be thoughtfully addressed first.

Please type your answer to question #1 and bring two copies of it to class. Identify yourself on the typed response to #1 with only your student ID ("M") number. One will be collected and evaluated for a homework grade. The remaining answers will be checked for spot check credit before class. Review the "Contract for Effective Interpretive Discussions ;" prepare to participate in class as described in the contract.

1. According to Adam Smith, why does an increase in living standards for the common man depend upon cooperation?
2. Describe two examples from the reading of cooperation among common strangers.
3. How, according to Smith, does division of labor lead to increased productivity?
4. According to Smith, does the division of labor rely upon cooperation? Provide an example from Smith's writing to support your answer.
5. According to Smith, is the cooperation that is necessary to raise living standards best driven by (a) human wisdom and foresight (e.g., planning); (b) self interest; or (c) benevolence? Support your answer by citing relevant passages or examples from the text concerning each of these options.
6. What does Smith mean by the "propensity to truck, barter and exchange"? How does the propensity to truck, barter and exchange influence labor productivity according to Smith?
7. What does Smith mean when he writes that the produce of one's talents can be brought into a "common stock" where each can purchase whatever part of the produce of other's talents that one has occasion for? *Support your interpretation by drawing on relevant quotes from the reading.*
8. Based on your understanding of Smith's arguments, explain why the common man of the interior of North America is far richer in material standards than the common man located in the interior of Africa or Asia.
9. Is cooperation an important element in today's global economy? Can strict reliance on self interest as the primary driver of cooperation among economic participants (without conscious application of benevolence or "foresight") generate a stable and sustainable rise in living standards for all of humankind (particularly the "lower ranks of people") in the 21st century? Thoughtfully support your answer.

due Thursday, January 28, 2010

Thoughtfully reconsider your answers to the Smith assignment above in light of class discussion. Rewrite your answer to question number 1. Type your revised answer, identify yourself on the typed response with only your student ID ("M") number, and hand it in for a homework grade.

Read Smith, Book I, Chs. 4-7 before you arrive to class. I will let you know if any questions are assigned.

For Tuesday, February 2, 2010, Directed reading assignment. Read Adam Smith, *Wealth of Nations*, Chapters 8, 9, and read pp. 166-168 and pp. 284-288 only of Chapter 11. Answer the following questions.

Consider a “rude state” of society in which two goods are produced by labor alone: Good A and Good B. Assume before the division of labor advances the following is required for production:

One unit of Good A takes 10 hours of labor to produce
One unit of Good B takes 10 hours of labor produce

In Smith’s terms, what is the real cost of Good A?

In Smith’s terms, what is the real cost of Good B?

What is the ratio of exchange between the two goods (e.g., how much of good A must be given up to receive one unit of good B)?

Through division of labor and productivity advances, our economy now is such that:

One unit of Good A takes 1 hour to produce
One unit of Good B takes 5 hours to produce

In terms of *real costs* incurred in production, is Good B “cheaper” or “dearer” *compared to the original state*? Why?

What is the ratio of exchange between the two goods (e.g., how much of good A must be given up to receive one unit of good B)? As a result, does Good B *appear* cheaper or dearer? Why? (pp. 73-74)

Note: advanced societies do have private property and capital accumulation, and so Smith sees no point in following the above logic any further.

List three reasons Smith gives to explain why “masters” (e.g., the provisioners of stock, the capitalist manufacturers and merchants) “have the advantage in” disputes with workers over issues like wages.

Note: the natural wage rate is that which is sufficient to maintain the worker and raise a family.

What are two circumstances which will give advantage to the laborers and will “enable them to raise their wages” above the natural (subsistence) rate?

As national wealth rises (with advancing productivity due to division of labor and specialization), do wages tend to rise or fall? Why?

What is “the most decisive mark of the prosperity of any country?”

Why does population growth tend to result when there is rising national wealth during Smith’s time?

For countries that are wealthy but stationary (e.g., no longer growing), what happens to wages and why? Which country of Smith’s time is the nearest approximation of this circumstance?

What happens to wages in countries where the “funds destined for the maintenance of labour were sensibly decaying” and why? What country/region is provided as an example in Smith’s time?

Is the worker better off in an advancing, stationary, or decaying economy? Why?

Note: skim the paragraph summaries for pp. 84-90—this is an example of Smith using deduction to show the stage of progress (advancing, stationary, or declining) for Britain. We won’t cover this material.

What is Smith’s answer to his question: “Is this improvement in the circumstances of the lower ranks of the people to be regarded as an advantage or as an inconveniency to the society?” Explain the reasons he gives for his answer.

Note: “cheap years” are years of plenty, years of abundance (e.g., abundant crops); “dear years” are years of scarcity (in agriculture, dear years correspond to years when crop yields are low.)

Smith addresses a common view of his time that workers slack in years of plenty and only work hard in years of dearth. Contradicting this view and according to Smith, under what conditions are workers most productive?

Why does Smith argue that the independent worker is the hardest working?

Note: an argument toward the end of Chapter 8 is a bit complex concerning money wage fluctuations during periods of abundance. The basic idea is that there is an upward pressure on money wages in years of abundance because workers leave their masters to set up their own businesses (e.g., less available for hire) and because masters are seeking more workers due to high returns. But money wages also have a downward pressure during years of abundance because wages are also influenced by the price of necessities. During years of abundant crops, the prices of necessities like corn tend to fall. These two forces are operating in opposite directions and as a result, wages are typically more stable than the price of subsistence provisions.

Chapter 9

When the stock of a country increases, what happens to wages and why?

When the stock of a country increases, what happens to profit? Why?

As profits rise, do interest rates rise or fall and why?

Note: because profit rates are hard to determine, Smith uses interest rates as a proxy.

Were wages high or low and were profits (proxied by interest rates) high or low in the colonies of North America and the West Indies? Why?

For a country that is fairly advanced in its acquisition of riches, what does acquiring new territory do to its profits and why?

If the capital stock diminishes in a country, what happens to its wages, output prices and profits? Explain why Smith argues these are the natural results.

Why does Smith argue it is necessary to “enforce the performance of contracts”?

What is the lowest ordinary profit rate?

What is the lowest ordinary interest rate?

What is the situation with profits and wages in “a country which had acquired its full complement of riches”? As a result of this profit and interest rate situation can people live off their interest? If not, what must they do?

Which has a larger impact on output price increases: higher profits or higher wages? Why?

For Thursday, February 4, 2010 Ethical Dilemmas in our Current Economy Examples. Find 3 distinct examples of ethical dilemmas within the contemporary economy. One example can be personal (e.g., related to a job you or someone you know had, related to an economic issue in your community, etc.). The other two examples must be cited from the real world with sources attached. All three must clearly have economic content and an ethical dilemma. Write 300-400 words (typed, checking with an official word count) *for each* of the three examples. In each write-up, describe the situation, identify the economic content of the example, and clearly identify the ethical dilemma. **Bring 4 copies of your three write-ups to class (all typed.) Only bring one copy of the source materials to class.**

~~due Tuesday, February 9, 2010~~ **new due date: Thursday, February 11, 2010** Read Adam Smith, Chapters 1-4 of **Book III** (pp. 356-396) in the *Wealth of Nations*. Base your responses to the questions below on the assigned reading; do not use outside materials which are not shared class knowledge in answering the factual and interpretive questions. **All questions will be checked before class for spotcheck credit. Please type your answer to #1 (only identifying yourself by MU M#) to turn in for homework credit. (Bring a second copy of #1 for your reference during class.)** Take time to ponder the questions and read thoughtfully. Recall the basic question, #1, is interpretive. Responses to questions #2-7 should be completed first, as they provide material necessary to develop a full response to #1. Class will be devoted to student discussion of the answers to these questions. The quality of class discussion and the resulting insight depend upon student preparation, as no professor answer will be provided. Review the “Contract for Effective Interpretive Discussions” and prepare to participate in class as described in the contract.

1. How, according to Adam Smith, do institutions interact with the “natural inclinations” of man to affect the progress of opulence?
2. What is the “natural progress of opulence? What is the inverted progress of opulence?
3. What does Adam Smith mean by “institution”? Find and list examples of five different institutions (note page numbers as well) with at least one example from each of the four chapters in Book III. From these examples, infer what he means by “institution” and develop an explicit, justifiable definition.
4. List 2-3 institutions that inverted the natural progress in Europe by reducing agricultural productivity.
5. List 2 institutions that either support the natural progress of opulence or that brought an end to the inversion in the natural progress of opulence in some countries of Europe, allowing progress to occur again.
6. Smith refers to man's “natural inclinations” early in Book III. These natural inclinations are akin to character traits, preferences, or drives. Parts (a) through (e) ask you to ponder aspects of one or more of the primary natural inclinations apparent in the reading.
 - a. What is it that Smith means by “security”—security over what? Provide evidence.
 - b. What does Smith mean by "independency" or "independence"? How does Smith relate this natural inclination to progress in agriculture?
 - c. What does Smith mean by “interest”? Why is "interest" a "natural inclination"? How is interest linked to property rights? Provide evidence.
 - d. Identify references in Smith to the traits of pride, envy, or vanity. How do these characteristics relate to “progress”?
 - e. How does “affection” affect agriculture? (Careful-only 1 reference to this idea in Smith!)
7. Smith states in Book I that natural abilities and inclinations are developed via application (nurture over nature perspective). Contrast the abilities, inclinations, or habits that are reinforced from (1) the experiences of the merchant versus (2) the experience of the great proprietor in Smith’s view.
8. There is an extreme imbalance of "progress" on Earth, with over a billion people living on less than \$1/day while others, like Bill Gates, are estimated to have accumulated wealth the equivalent of that held by more than the poorest two billion people on the planet. How can you apply the analysis undertaken in this assignment to begin to explain the reasons for our situation today?

Week of 2/8/2010: by the end of the week, read Heilbroner on David Ricardo, Ch. 4 (class time permitting, we will try to cover basic ideas of T.R. Malthus as well)

Due Tuesday, February 16, 2010.

(1) **Revised #1 to Smith Book III interpretive discussion.** Thoughtfully reconsider your answers to the Smith, Book III assignment in light of our class discussion. Rewrite your answer to question number 1. Type your revised answer, identify yourself on the typed response with only your student ID (“M”) number, and hand it in for a homework grade.

(2) **Ethical Dilemmas in our Current Economy Examples** You are divided into groups of 3 (or 4) students (below) and each of you received copies of the ethics examples from each member of your group. Groups of 3 people should have 9 ethics in economics examples (12 examples for a group of 4). Review all the ethics examples for your group (including your own). As a group, identify the best three examples based upon the following criteria:

- a. interesting situation for yourself and your peers
- b. obvious economic content
- c. a clear ethical issue raised in the example
- d. distinct ethical issues across the examples

As a group, rewrite each of the three best examples to stimulate student interest and for clarity of the situation described, the economic and the ethical issue involved. (Also fix writing quality, grammar, spelling as needed.) For a homework grade, *turn in your group's rewritten three examples both in paper and in electronic form* (sent to kirsten.madden@millersville.edu via email before class begins). Your electronic copies will be consolidated with other examples from other groups and a selection of the examples will be placed on Blackboard for class availability as we work through the semester's material on ethics in the history of economic thought.

Ethics Groups

By Thursday, February 18, 2010

Read Heilbroner, *Worldly Philosophers*, Chapter 5 on the Utopian Socialists. No assignment due.

Due Thursday, March 18, 2010 (after spring break) Study Karl Marx's *The Communist Manifesto*, pp. 49-76 and develop complete and insightful answers to all the following questions. All your answers will be spot-checked for homework assignment credit. Type your answer to question #1 and turn it in (student ID number only, no names) for homework credit.

1. Why, according to Marx, must private property be abolished when the system of bourgeois production is supplanted by communism?
2. What is the relationship of the bourgeoisie to property? How, according to Marx, do the bourgeoisie fair as a result? Provide and interpret explicit quotes from the text to support your answer.
3. What are the benefits of the system of bourgeois production based on the existence of bourgeois property? List at least two such benefits, with quotations in support of your answer.
4. What do periodic business crises do to property ownership? How do the bourgeoisie adapt to these circumstances? Provide quoted evidence in support of your answer.
5. What is the relationship of the proletariat to bourgeois property? Describe the conditions of the proletariat in industrial society, according to Marx. Provide and interpret explicit quotes from the text to support your answer. How does the proletariat's relationship to bourgeois property create the conditions faced by the proletariat?
6. According to the communists, which type of property must be abolished with the overthrow of capitalist society: (a) the property of the petty artisan and peasant; (b) the private consumption goods of the proletariat; or (c) the capital claimed by the bourgeoisie?
7. Is capital a personal or collective product? What reason does Marx offer in support of his answer?
8. According to Marx, what fraction of the population is estimated to be without private property? What does Marx mean when he writes that the existence of property "for the few is solely due to its non-existence in the hands" of the rest?"
9. According to Marx, will the abolition of private property generate a "universal laziness"? Why or why not?
10. What are the fundamental features Marx presents of a communist society? What are the benefits of a communist system based on the abolition of private property? Explain at least two such benefits, with quotations in support of your answer.
11. Can private property norms be maintained with the kinds of technological advances taking place in information- and knowledge-based economies or are we likely to see a "silent revolution" in property norms with further technological advance?

What country (or place) does the writing take place in? _____

What type of punishment of a peasant is described in detail?

- A. hanging
- B. water dousing
- C. flogging
- D. being tied upside down and hung from a tree for extended time period
- E. shunning

What did the peasants do wrong? (e.g., what was the situation that lead to punishment?)

A scene is described of a man naked in front of official men. Why is the man naked in the scene?

(1) Which of the following commandments does the author emphasize in his descriptions of peasant situations?

- A. honor mom and dad
- B. not to kill
- C. not to steal
- D. not to honor fake gods
- E. not to commit adultery

(1) The author emphasizes intoxication of

- A. money
- B. power
- C. alcohol
- D. cigarettes
- E. opium
- F. sexual attraction

For Tuesday, April 20, 2010

Read:

Dasgupta, Ajit K. (1996) *Gandhi's Economic Thought*, London and New York: Routledge. Ch. 1, "Introduction," Ch. 2, "Preference, Utility and Welfare" (2 parts in electronic reserve system)

The readings are available on e reserve through the homepage of Ganser Library. Please note chapter 2 is in 2 parts.

TYPE your answers to these questions; bring one typed copy of your answers to class on Tuesday. The typed answers will be collected by the end of class and a portion of your answers graded for homework.

1. What is Gandhi's view concerning ethics and economics? (In your response, consider both directions—ethics in economics and the economics of ethics.)
2. In the introductory chapter, what are some of the main ethical ideals brought into Gandhi's economic thought?
3. What is meant by the term "ethical preference theory"? Provide your own example of it.
4. What is meant by the doctrine of the "limitation of wants"? Provide an example. Did Gandhi use this theory to motivate the poor to be "satisfied with their lot" in life or was this directed at those better off? Explain. Provide 3-4 reasons that justify the limitation of wants. What was Gandhi's view concerning *what* wants should be limited?
5. Define each of the following principles, provide an example of each, explain why Gandhi promoted each principle (e.g., why is it appealing or what are its benefits?) and explain any flaws.
 - a. Neighborhood principle
 - b. Principle of helping others
 - c. Principle of self-reliance/doctrine of bread-labour
6. Is Gandhi an individualist or a collectivist? Why? What is Gandhi's stance on self-interest? On the accumulation of wealth? On charity?
7. What is to be done when situations arise which suggest a conflict between ethical principles? Provide a current-day example of an economic situation where two or more ethical principles conflict and how it might be resolved. (My example of a situation with such a conflict—to get you thinking: in some Lancaster community sponsored agricultural farms, farmers are promoting locally grown produce (neighborhood principle) and organic produce (most supportive to healthful consumption.) An ethical conflict arises for the individual contemplating the purchase of local apples (sprayed with pesticides) or organic produce from a foreign land.)

Also read Ch. 3, "Rights": I will lecture on the issue of rights and duties

HOMEWORK For Thursday, April 22, 2010

Read Dasgupta, Ajit K. (1996) *Gandhi's Economic Thought*, London and New York: Routledge. Chapter 4, "Industrialisation, Technology and Scale of Production"; "Chapter 5, "Inequality"—only read pp. 88-93 of Ch. 5; and read Chapter 6, "The Theory of Trusteeship"

TYPE your answers to these questions; bring one typed copy of your answers to class. The typed answers will be collected by the end of class and a portion of your answers graded for homework.

1. Explain Gandhi's case against industrialization (both within India and generally beyond the Indian context.) What qualifications did he make?
2. Explain the primary notion underlying Gandhi's understanding of "equality." What are the implications of this perspective for his view concerning economic inequality?
3. Is Gandhi a socialist (or a Marxist)? Explain.
4. Explain Gandhi's theory of trusteeship. (Your answer should include a definition of 'trust' and 'trustee'.) What methods does Gandhi advocate for encouraging trusteeship among the wealthy elite?
5. Provide three reasons for Gandhi's promotion of trusteeship over Marxist socialism. What is a Marxist perspective on the theory of trusteeship? Gandhi's response?
6. (Consider all the material we've covered on Gandhi's economic thought in answering this question): What is relevant and useful in Gandhi's economic thought? What is irrelevant? Your own opinion on Gandhi's ideas?