

History of Economic Thought  
EC 4405  
1<sup>st</sup> hourly  
Fall 2000  
Dr. Olsh

Name\_\_\_\_\_

ANSWER SHEET

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Section I. Multiple Choice (10 points)

1. The intellectual “gestalt” of a thinker refers to:
  - a. The education of the thinker.
  - b. The generation in which the thinker wrote.
  - c. The point of development as compared to the chain of biological development.
  - d. The framework of ideas handed from one thinker to another.
  
2. The word “economics” comes from the Greeks and means:
  - a. business management
  - b. growth management
  - c. household management
  - d. financial management
  
3. David Friedman has argued that the Scholastic notion of just price was a substitute for \_\_\_\_\_ at a time when markets were not yet sufficiently developed to guarantee socially efficient results.
  - a. the regulated market price
  - b. fairness
  - c. unregulated, competitive market prices
  - d. monopoly pricing
  
4. Ekelund, Hébert, and Tollison’s analysis of the medieval Church’s policy on usury concludes that the Church selectively enforced the usury doctrine because
  - a. it was able to keep its own cost of funds low
  - b. it served as a barrier to entry
  - c. it aided in preserving the Church’s monopoly status
  - d. all of the above
  - e. none of the above
  
5. The expenditure of scarce resources to capture a pure transfer is known as
  - a. monopoly
  - b. vertical integration
  - c. franchising
  - d. rent seeking
  - e. dead weight loss
  
6. One of the flaws of mercantilism was the failure to understand the connection between
  - a. an increase in the domestic money supply which usually followed a trade surplus.
  - b. a decrease in the domestic money supply which usually followed a trade surplus.
  - c. imports and exports.
  - d. exports and bullion.

7. \_\_\_\_\_ was cited by Smith as the first to propound the market system and entrepreneurial capitalism.
- Boisguilbert
  - Cantillon
  - Petty
  - Quesnay
8. Physiocracy is defined as:
- the rule of the market.
  - the rule of logic.
  - the rule of nature.
  - the rule of physics.
9. According to the majority view, Smith's *Wealth of Nations* \_\_\_\_\_ the *Theory of Moral Sentiments*.
- is a logical extension of
  - is in conflict with
  - is completely unrelated to
  - none of the above
10. The two fundamental ideas that prevailed throughout the classical period include:
- division of labor; economic growth to better man's existence
  - economic growth to better man's existence; laissez faire
  - laissez faire; division of labor
  - use of the price system; laissez faire
  - none of the above
11. In Smith's *Theory of Moral Sentiments*, \_\_\_\_\_ holds self-interest in check, whereas in *The Wealth of Nations*, \_\_\_\_\_ serves this purpose.
- morality / division of labor
  - sympathy / division of labor
  - morality / competition
  - sympathy / competition
  - sympathy / production
12. The discrepancy between value-in-use and value-in-exchange was not solved by the classical economists because they
- overlooked marginal valuations
  - only focused on marginal valuations
  - didn't believe in value in use
  - believed value was derived from the demand for a good
13. According to Smith, natural price is determined by
- the interaction of supply and demand
  - the prevailing market price
  - the long-run costs of production
  - the short-run costs of production

14. \_\_\_\_\_ -run supply curve as being
- - positively sloped
  - negatively sloped
  -

According to Smith \_\_\_\_\_ produces a tangible good of market value whereas \_\_\_\_\_

- the wages fund / natural price  
productive labor / the wages fund
- 
- market price / unproductive labor

16. which in turn allows a larger number of workers to be engaged in productive activity, thereby increasing the
- wages fund / division of labor / wages  
capital accumulation / wages fund / national output
  - \_\_\_\_\_ national output / wages fund  
national output / wages fund / division of labor

17. In Smith's analysis, effectual demand is the demand of buyers who are willing to
- pay the natural price.
  - 
  - pay the market price.  
pay the real

Malthus's argument that population growth pressures the survival of the species influenced in a very direct

- Jevons.  
Bentham.
- 
- Smith.  
none of the above

19. The classical theory of rent assumes:
- - land produces a variety of agricultural products.  
capital is not required in agricultural production.
  - 
  -

According to the text, Ricardo's \_\_\_\_\_  
is the most important empirical factor.  
iron law of wages

- 
- theory of rent  
theory of growth

**Matching** (Select the **one** best lettered item to match with each numbered item—lettered items may be used more than once.) (10 points)

- \_\_\_\_\_ 1. 18th century expectations-adjusted Phillips curve
- \_\_\_\_\_ 2. The "first economists"
- \_\_\_\_\_ 3. "early and rude state of society"
- \_\_\_\_\_ 4. Malthusian wage theory
- \_\_\_\_\_ 5. land theory of value
- \_\_\_\_\_ 6. bawdy books in library
- \_\_\_\_\_ 7. early 18th century influence of Newton
- \_\_\_\_\_ 8. biological analogy
- \_\_\_\_\_ 9. diminishing returns
- \_\_\_\_\_ 10. Father and forger

- a.  $\lambda = 0$
- b. linear production possibilities frontier
- c. J. K. Galbraith
- d. Physiocrats
- e. concave to origin production possibilities frontier
- f. classical rent theory
- g. David Hume
- h. Smith
- i. Cantillon
- j. Malthus
- k. Ricardo
- $\lambda$ .  $\lambda > 0$
- m. Mercantilists
- n. Scholastics

Section III. Short essay. Choose **three**. (30 points)

Indicate whether the statement is TRUE or FALSE and explain WHY  
(employing diagrams or other tools of analysis where appropriate):

1. The critique of mercantilism which focused upon the "lack of a price theory" is illustrative of the absolutist approach.
2. Adventitious statements must be employed in revealing the real theoretical insight in early works.
3. The "triumph of materialism" is illustrated in the works of Scholastic economics.
4. In Cantillon's analysis we see the influence of Newton.
5. In the Physiocrat's development of "economics as physics" we see the influence of Newton.
6. Ricardo's rent theory was clearly superior to that of Smith.
7. According to Ricardo, there was no way to slow the economy's movement toward the stationary state.
8. According to the classical view of Say's Law a permanent depression was impossible.
9. Senior's value theory was more advanced than that of Ricardo.
10. The wages-fund was simply the marginal revenue product of labor multiplied by the number of laborers (or man-hours).

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Section IV. More short essay. Choose **three**. (30 points)

Indicate whether the statement is TRUE or FALSE and state WHY  
(**employing diagrams or other tools of analysis where appropriate**):

1. In Hume's analysis a specie-inflow could result in short-run increases in real output.
2. Adam Smith supported an analysis consistent with a backward-bending supply curve to predict labor's reaction to a wage increase.
3. In his defense of the mercantilists Keynes focused on seasonal-structural unemployment.
4. Smith's "early and rude state society" may be illustrated with a production-possibilities-frontier with increasing opportunity cost.
5. Smith's value theory is a "labor theory of value."
6. For Smith the division of labor is "practically the only [important] factor in economic progress."
7. The classical model (system) owes nothing to Malthus, i.e., his contribution to the model was nil.
8. Economic science owes far more to Ricardo than Malthus.

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Please sign the following: I have neither given, nor received unauthorized aid on this piece of work, nor have I knowingly tolerated any violation of the Honor Code. \_\_\_\_\_