

EC 4405  
History of Economic Thought  
2<sup>nd</sup> Test  
Fall 2001  
Olsh

10 points

1. True or false and WHY? The policy implications of Marx's monetary theory are consistent with the policy changes desired by the "oppressed" farmers (scarecrows) and advocated by William Jennings Bryan (Cowardly Lion) in the 1890s.

10 points

2. "He pointed out that under this view, the ideal situation would be for a ship loaded with exports to sink at sea. One nation gets the benefit of exporting and no nation has to bear the burden of importing." Identify who is making this point; identify and discuss the economic policy debate to which he is contributing.



10 points

4. Answer **either** a) or b)

- a. Ricardo was opposed to the tariff on grain—Malthus was not. Malthus admitted it raised the price of bread but claimed the poor were better off when the price was high than when it was low. Discuss. Explain.
- b. What was Marx's point in his discussion of uniform rates of profit (among the sectors in an economy) but unequal organic composition of capital (among those same sectors)? Discuss.

10 points

5. "A good's market price measures the utility of each unit consumed." Develop an appropriate history of economic thought response to this statement—identifying the major ideas and proponents of said same.

10 points

6. During cocktail party conversation, you are introduced to a Morris Fain. Mr. Fain's business is the beef business. You are intrigued because you wrote a paper on the marketing of beef for Joe Carter. You recall that there are over a hundred different cuts of meat that consumers demand and that the cowhides are marketed also.

"Oh, certainly, we sell it all," says Fain.

Your interest is piqued, "Has your business been hurt by the recent concern over cholesterol? It would seem to me that the *Time* magazine cover story a few years ago about cholesterol's connection to heart attacks would provoke a drop in the demand for beef."

"I'm afraid so," replied Fain. "We can't get the price we used to get. And, of course, as goes the price of beef, so goes the price of hides. Probably a good time to be in the shoe business."

You contemplate all this as you finish your third martini (coincidentally, Beefeaters, extra-dry, up, olives, shaken, not stirred). **Now** write a brief essay pointing out the names of great economists of the past and their tools of analysis which can be used to show that Fain is misrepresenting himself—he's a phony.

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. \_\_\_\_\_

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ANSWER SHEET  
Version 1

NAME \_\_\_\_\_

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Version 1  
Multiple Choice

1. \_\_\_\_\_ did not believe in the natural harmony of interests (between individuals and society), whereas \_\_\_\_\_ did.
  - a. Malthus, Smith
  - b. Bentham, Malthus
  - c. Ricardo, Malthus
  - d. Bentham, Smith
  
2. One shortcoming of Bentham's welfare theory is that there may be a fallacy in the assertion that the collective interest is the sum of the interests of individuals. This type of logical pitfall, which assumes something that is true of a part is true of the whole, is known as:
  - a. the post-hoc fallacy.
  - b. the fallacy of composition.
  - c. the fallacy of proposition.
  - d. the collective fallacy.
  
3. Bentham is known to have influenced \_\_\_\_\_ in the development of marginal utility theory.
  - a. Malthus
  - b. Chadwick
  - c. Mill
  - d. Jevons
  
4. Checks that increase the death rate are known as
  - a. positive checks.
  - b. preventive checks.
  - c. moral restraint.
  - d. vice.
  
5. Malthus's argument that population growth pressures the survival of the species influenced in a very direct fashion the thinking of
  - a. Jevons.
  - b. Bentham.
  - c. Darwin.
  - d. Smith.
  - e. none of the above

6. From 1650 to 1776, the two strands (mercantilist and classical) of monetary theory were \_\_\_\_\_ and \_\_\_\_\_.
- money stimulates trade / fiscal policy
  - trade stimulates saving / the quantity theory of money
  - the quantity theory of saving / investment stimulates capital
  - money stimulates trade / the quantity theory of money
7. Ricardo's Iron Law of Wages states that if money wages increase, it leads to:
- an increase in the subsistence wage
  - an increase in population and a subsequent decrease in real wages to subsistence
  - an extension of domestic cultivation of grain
  - an increase in the demand for labor
8. In Ricardo's definition of land rent, rent arises on \_\_\_\_\_ only when \_\_\_\_\_ is brought into use.
- more fertile land / less fertile land
  - the intensive margin / the extensive margin
  - better land / more labor
  - the intensive margin / the wages-fund
9. The effect of the Corn Laws was to force more \_\_\_\_\_ and \_\_\_\_\_ agriculture in England.
- unemployment / less
  - manufacturing / less
  - intensive / extensive
  - exports / less
10. The classical theory of rent assumes:
- land has many alternative uses.
  - land produces a variety of agricultural products.
  - capital is not required in agricultural production.
  - land has no alternative uses; it produces "corn" or it lay unused.
11. While \_\_\_\_\_ argued in favor of the Corn Laws, \_\_\_\_\_ was against them.
- Ricardo / Malthus
  - Senior / Ricardo
  - Smith / Malthus
  - Malthus / Ricardo
12. In Ricardo's theory of value, the prices of nonreproducible goods are determined mainly by
- the quantity of labor expended on them
  - capital investment
  - the cost of production
  - demand

13. Baumol's summary of the classical system includes which of the following key elements:
- the Malthusian population principle.
  - the principle of diminishing returns in agriculture.
  - the wages-fund doctrine.
  - none of the above.
  - all of the above.
14. Mill asserted the dichotomy between the economic laws of \_\_\_\_\_ and the social laws of \_\_\_\_\_.
- production, distribution
  - supply and demand, production
  - distribution, induction
  - theory, policy
  - labor supply, unions
15. With respect to economic growth, Mill believed that the economy was moving from a(n) \_\_\_\_\_ state to a(n) \_\_\_\_\_ state.
- stationary, progressive
  - regressive, progressive
  - agricultural, industrial
  - totalitarian, utopian
  - progressive, stationary
16. Mill viewed the stationary state as a precondition for \_\_\_\_\_.
- Ricardo's theoretical construct
  - lasting social reform
  - international trade
  - wealth accumulation
  - all of the above
17. Mill sought to achieve greater equality in society chiefly via the redistribution of \_\_\_\_\_.
- income
  - property rights
  - workers
  - wealth
  - profit
18. The process whereby an idea is confronted by another, opposing idea, and they are synthesized into a third idea which has characteristics of the other two is known as the
- Hegelian dialectic
  - communist manifesto
  - Feuerbach alienation
  - Proudhon paradox

19. The relations of production are comprised of \_\_\_\_\_ and \_\_\_\_\_ .
- wage system / law
  - religion / government
  - private property / capital
  - wage system / private property
20. While Ricardo and Marx both espoused a labor theory of value, the difference is that Ricardo saw labor as a \_\_\_\_\_ of value while Marx saw it as a \_\_\_\_\_ and \_\_\_\_\_ of value.
- measure / measure / estimate
  - factor / measure / cause
  - measure / cause / measure
  - none of the above
21. In Marx's model, surplus value is derived from
- land
  - labor
  - technology
  - capital
22. By his exposition of the distinction between a change in demand and a change in quantity demanded, it is evident that Cournot understood the \_\_\_\_\_ assumption.
- normality
  - law of demand
  - ceteris paribus
  - diminishing marginal utility
23. To illustrate the problem of output and price determination in the case of duopoly, Cournot developed the graphical tool of the \_\_\_\_\_.
- demand curve
  - cost curve
  - conjectural variation curve
  - reaction curve
24. Dupuit's linking of marginal utility, price, and quantity through the demand curve established the analysis known as \_\_\_\_\_.
- consumer theory
  - production theory
  - marginal utility analysis
  - welfare economics
25. According to Ekelund and Hébert, the economic analyses of the engineers were largely overlooked in their time primarily due to \_\_\_\_\_ .
- lack of familiarity with the work
  - intellectual arrogance and myopia
  - incorrect interpretations of the analyses
  - none of the above

26. Jevons, at least in part, based his utility theory on \_\_\_\_\_ theory.
- psychological
  - physiological
  - production
  - pragmatic
27. Where total utility is \_\_\_\_\_, the degree of utility is \_\_\_\_\_.
- maximized, minimized
  - minimized, maximized
  - minimized, falling
  - maximized, equal to zero
28. Combining the theory of utility with a law of indifference, Jevons developed a:
- theory of production.
  - theory of labor.
  - theory of exchange.
  - theory of business cycles.
29. Equilibrium occurs in Jevon's theory of exchange where:
- the demand and supply curves of each trading body intersect
  - total utility is equal across trading bodies
  - the marginal utility curves of each trading body intersect
  - none of the above.
30. Jevons catena was that:
- cost of production determines supply.
  - supply determines final degree of utility.
  - final degree of utility determines value.
  - all of the above
  - none of the above

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