

History of Economic Thought

1st Test, Fall 2003

JLO

Name _____

1. a) _____
b) _____
c) _____
d) _____

2. a) _____
b) _____
c) _____

3. a) _____
b) _____
c) _____
d) _____

4. a) _____
b) _____
c) _____
d) _____
e) _____

5. a) _____
b) _____
c) _____
d) _____
e) _____
f) _____

6. a) _____
b) _____
c) _____

7. a) _____
b) _____

8. a) _____
b) _____

9. a) _____
b) _____

10. a) _____

11. a) _____
b) _____

12. a) _____
b) _____

13. a)* _____
b)* _____

14. a)* _____
b)* _____

15. a) _____
b) _____

16. a) _____
b) _____
c) _____
d) _____
e) _____
f) _____
g) _____

17. a) _____
b) _____
c) _____
d) _____
e) _____
f) _____
g) _____
h) _____
i) _____

18. a) _____
b) _____

19. a) _____
b) _____
c) _____

20. a) _____
b) _____
c) _____

21. a)* _____
b)* _____
c)* _____
d)* _____

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.

Short answer—fill in the blanks. USE ANSWER SHEET.

1. (a) _____ the Obscure was a “change is good” kind of guy. In an unfortunate use of the term, Ekelund and Hébert call his method (b) _____. This “go with the flow” nonsense was opposed by Plato and Aristotle who held to the views of (c) _____ whose method your authors call (d) _____. This old, Eleatic's ideas are the foundation of the methodology of modern social science—of course your discipline included.
2. Donald McCloskey, in addition to his substantial intellectual contribution to our discipline, added to the ranks of (a) _____ economists by (b) _____. By the way, McCloskey remains a “real doctor,” that is continuing “to teach” —the Latin verb (c) _____.
3. Thomas Aquinas was a doctor of the (a) _____, also known as a (b) _____. He spoke of just (c) _____, but (absolutists would argue) had no (d) _____ theory.
4. William Petty is best labelled not as a political economist but rather a practitioner (inventor) of political (a) _____. From his training in (b) _____, he took the idea of (c) _____ as the “fat of the body politic.” While not known for his golfing, he used a golf term (d) _____ in a discounting valuation procedure. His example of the manufacture of watches contained an early statement of the principle of (e) _____.
5. Keynes described Newton as being “not the first of the great scientists but the (a) _____.” Some believe it was Newton’s infatuation with (b) _____ that allowed him to “see” the idea of gravitational attraction. He claimed he could see so far because (c) _____. In an interesting optics experiment he placed a knife (d) _____. For our discipline his main contribution is the view of an (e) _____ universe and, what follows, the (f) _____ analogy in economics.
6. Thomas Humphrey believes that, rather than a path of new ideas, economic doctrine follows a (a) _____ with sometimes (b) _____ dominant and other times (c) _____ in “charge.”
7. Paul Samuelson considers our discipline to be the oldest of (a) _____ and the youngest of (b) _____.
8. The Hume effect is consistent with money being (a) _____ in the short run and (b) _____ in the long run.
9. John Law sold the story that the issue of new money could never be a problem so long as it was anchored by (a) _____. On this point he revealed his ignorance of (b) _____.
10. James Stewart believed in cost push inflation. He rejected (a) _____ in proposing that causation ran from prices to money.
11. If someone mocked Richard Cantillon with “if you’re so smart, why aren’t you rich,” the appropriate reply would be (a) _____. In addition with his notion of a self-regulating price mechanism and a rudimentary price theory, he has been called the “first (b) _____.”

12. “Man-Devil” was the name given to (a)_____ by those who detested his famous writing on “private vices and public virtues” entitled (b)_____.
13. (a)* _____ listed five reasons “why I like Scotland.” One of the reasons requires that the student know the proper spelling of Scotch (b)* _____.
14. (a)* _____ was J.L.O. way before J.Lo. While J.L.O. has no interest in Ben or Puff Daddy (P Diddy?), it is well known he can sing, dance, act, party and do economics better than J.Lo., and, while slightly smaller, he has a better looking (b)* _____.
15. Keynes argued that the mercantilist focus on the trade balance represented a policy to deal with (a)_____. Critics of Keynes’ defense note that, given the structural-seasonal unemployment of the time, such a policy would result in (b)_____.
16. During Smith’s trip to France he met with men who espoused a laissez-faire economic policy This policy, they believed, was consistent with the “rule of nature,” that is, what the name (a)_____ implies. The leader of this group was (b)_____. Rather than a Newtonian analogy of the workings of the economy he developed a (c)_____ analogy. All modern textbooks use a circular flow schematic to portray the interconnectedness of the economy. The first such picture was (d)_____. The value theory of these Frenchmen labelled manufacturing and service sectors (e)_____. Only (f)_____ produced a net product. Smith approved their liberal policies but rejected the value theory of this group who called themselves (g)_____.
17. In the “early and rude” state of society, Smith offers a theory of value consistent with (in modern diagrams) (a)_____ supply curves and a (b)_____ production possibilities frontier. In this primitive state, then, Smith believes relative prices are explained by a (c)_____ theory of value. As he moves to his own time by his method of (d)_____, his value theory involves the interplay of (e)_____ and (f)_____. In the long run, in Smith’s view, value is dominated by the (g)_____ side, that is, pictured as a (h)_____ at the natural price. Furthermore on issues of price theory, Smith spoke of a paradox of value—the diamond-water paradox. For Smith this was a paradox because he did not possess the tools of (i)_____.
18. Smith did not argue for unconstrained self-interest: in the commercial world (a)_____ kept self-interest in check, in the world of the *Theory of Moral Sentiments* (b)_____ kept self-interest in check.
19. In the most up-to-date interpretation, Smith’s invisible hand metaphor was taken from Shakespeare’s (a)_____. The context was the self-interested behavior of domestic (b) _____ keeping their capital at home and thereby unintentionally promoting (c)_____.
20. Smith did not believe in a (a)_____ path of economic development; rather an appropriate (b) _____ framework is required for success. Smith called them “*philosophers* and men of speculation,” we call them (c)_____.
21. In the *Handbook for Majors* (2003-2004), Dr. McIntyre is shown with the Auto-Icon Jeremy Bentham. McIntyre is holding a sign which reads (a)*_____. Still in the handbook, the gentleman with raised fist is (b)*_____. The handbook identifies (c)*_____ as Secretary-General of the department. The “father and forger” of economics on The Hill is (d)*_____ (hint: his name is, perhaps, the most important term in the discipline and appears in the handbook and the syllabus.)