International School of Economics, UNEC

History of Economic Thought

Final Exam Questions

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1. Describe the “tragedy of commons”. Does Aristotle’s analysis of property provide any insights into this issue?
2. In what sense do you think private property can be viewed as a “barrier to the state” and why might this be important for economic development?
3. Do you agree or disagree with Hayek’s claim that “a world in which the wealthy are powerful is still a better world than one in which only the already powerful can acquire the wealth”?
4. During the Medieval ages, some scholastic scholars accepted the principle of price ceilings on food under certain conditions. Explain their justification to such price controls in their context.
5. Imagine two miner friends. One miner who spent one week to pan the river for gold and found 2 ounces. Some kilometers away, the other miner has done no work at all during that week and accidentally found 2 ounces of gold. Would the gold found by these two different miners have the same market value under the simple labor theory of value?
6. Explain the difference between objective and subjective theory of value. Bring some insights from major scholars’ ideas from both perspectives.
7. Even Adam Smith, a strong supporter of the markets, favored government restrictions on usury. Discuss his justification on usury restriction in the context of his general philosophy and ethics.
8. Compare two different views on prodigals and projectors by Adam Smith and Jeremy Bentham. What are the major differences between the two?
9. What are the Adam Smith’s four maxims of taxation? Did he advocate progressive taxation regarding taxes on house rents?
10. Xenophon argued that awarding of prizes to the best would increase output and encourage sobriety. Do you agree with this statement? Please, provide relevant examples from the modern ages that support Xenophon’s argument.
11. In order to increase productivity, Xenophon favored the division of labor. But he also criticized it due to the potential harm of it. How Xenophon substantiated his criticism?
12. In the context of ethics and economics in the Scholastic Tradition, unrestrained pursuit of wealth would disturb peaceful social relationships. Do you agree with this argument?
13. Do merchants perform useful functions to deliver goods to markets? Please, explain their role from the medieval ages perspective, and justify whether merchants legitimately deserve compensation for their work.
14. What are the four forms of the property rights? Please, specifically explain the common and private property in detail.
15. Please, compare and contrast Plato’s and Aristotle’s views on private property. Which one seems more convincing to you in their position about the private property?
16. Aristotle considered certain reasons that private property was superior to communal property. Please, provide explanations to his reasons (progress, pleasure, philanthropy and peacefulness).
17. Please, explain the religious views on private property in the medieval Islam and Christianity. Are there any supports to private property ownerships? If yes, which norms and conditions should be paid?
18. According to Marx, private property is an isolation of men who have the same fundamental interests in the property. Do you agree with the statement? Please explain how Marx supported the common property, and how to avail it for the proletariat?
19. Some scholars of the modern age support the idea that intellectual property rights positively contribute to economic development. Please, explain their views. Is economic development achieved because of IPRs?
20. School of Salamanca contributed to the history of economic thought by bringing issues on types of goods and subjective theory of value. Do you think that this School had an influence on modern theory of exchange value based on utility and cost factors?
21. Adam Smith argued that in a primate economy (two persons) a commodity has two values: value in use and value in exchange. But he also explained the “natural price” in an advanced economy. Please, explain this concept and its function.
22. According to David Ricardo, labor is the primary determinant of value. However, he mentioned that under certain conditions, labor is not the primary determinant. Please, explain those four conditions of Ricardo’s argument.
23. As one of the greatest minds of economic thought, Karl Marx developed a concept of “transformation problem”. Please, elaborate more on the concept in detail (you may refer to the graph).
24. Please, compare and contrast two different views on the “Paradox of Diamond and Water” from Classic and Marginalist Schools. What are the main differences of them?
25. Religions have deeper insights on money, lending and usury. Please, explain the main arguments and conditions of Islamic and Christian scholars on these issues, and compare them.
26. The Ricardian Equivalence theorem expects that government spending has no impact on the real economy. What are the main assumption behind the Ricardian Equivalence? And How did Keynes challenge the Equivalence?
27. What is the difference between the ability-to-pay and the benefits principle of taxation?
28. Criticize Milton Friedman’s negative income tax proposal which is based on efficiency and simplicity in accordance to the principles of justice.
29. The Classical economists were convinced that depressions were impossible in the long run because markets right themselves soon. How did James Mill concluded Say’s Law to claim that “supply creates its own demand”?
30. Explain the common and different points by Malthus and Ricardo in criticizing the Say’s Law.
31. Provide explanation for the Fisher’s model about the theory of debt-deflation.
32. What is the marginal propensity to consume (MPC) and how did it help Keynes explain depressions in capitalism with the concept of effective demand?
33. Why Keynes did not believe that monetary policy may not always be helpful to stimulate aggregate demand?
34. Explain Hayek’s arguments on the coordination failure that distorts the money supply. What are the common points with Friedman’s criticism of the Federal Reserve policy?
35. Provide explanation for the major differences between Classical Economics and New Classical Economics.
36. Provide explanation for the major differences between Keynesian Economics and New Keynesian Economics.
37. What are the sources of sticky prices? Why do sticky prices help us understand recessions?
38. As the pioneer, Smith argued that people are motivated by self-interest and that is why the always look for the ways to increase their productivity. How would you relate this argument to innovation and entrepreneurship in increasing productivity?
39. As Ricardo explained, distributional issues are connected with economic growth. Did Ricardo predicted that rate of profit would be in inverse correlation with capital accumulation?
40. As vast majority of Classical economists believed, technological advancement is necessary for economic growth. What are Schumpeter’s the main contributions in this regard?
41. The Solow model (modern economic growth theory) does not explain the sources of technological change which is important for economic growth. What is the explanation for these sources? Why ideas, economies of scale and path dependency is important?
42. Explain Cantillon’s support to certain elements of mercantilism on trade policy.
43. As a supporter of free trade, Smith argued that consumers gain from abundancy and variety of goods available, the country gains from trading scarce and expensive goods, and markets gain from productivity increase through specialization. However, in certain situations, Smith favored some interventions to trade. Provide explanation for those situations from Smith’s perspective.
44. What is the “importance of being unimportant” in Mill’s justifications for gains from trade for small economies?
45. In the light of the Heckscher-Ohlin model, provide elucidation for the Stolper-Samuelson theorem in explanation of causes of popular support for trade restriction.
46. What is intra-industry trade, and what are the major contributions of the New Trade Theory?
47. Provide explanation for modern versions of the Malthusian Theory on population. In what ways the modern versions differ from his theory?
48. How did Mill explain his support to the role of environment in quality of life?
49. Marshall and his student Pigou explained externalities issues. Based on their approach, why do not we directly regulate the quantity of pollution?
50. Based on the Coase theorem, explain “a cap-and-trade” system. Compare this system with using tax policy to mitigate negative externalities proposed by Pigou.
51. How did Marx define the rate of exploitation? How D.Ricardo’s theoretical stance helped him to develop the concept of the rate of exploitation?
52. According to Marx, capitalism is not the final stage in the history of human societies, but only an intermediate stage. Please explain Marx’s perspective on the laws of movement of capitalism in detail.
53. Since economic growth stems from accumulation, and hence from profits, whatever reduces profits constitutes a hindrance to accumulation. Along with West and Malthus, Ricardo proposed the differential rent theory. Please explain the theory and its policy implications.
54. Why did Ricardo’s analytical positioning focus on the rate of profits instead of the aggregate amount of profit?
55. What is the quantity theory of money in classical economics? According to Ricardo, there are different elements that compose and complicate the quantity theory of money. What are those major elements?
56. According to the comparative advantage theory of international trade, there can be international trade between two countries even if all commodities have a higher cost in one country than in the other. Please explain Ricardo’s comparative advantage theory.
57. Ricardo analytically developed the thesis that introduction of machinery in a sector may imply reduction of employment in the economy as a whole. Please explain Ricardo’s reasoning on this subject matter.
58. J.S.Mill defined political economy as ‘the science which treats of the production and distribution of wealth, so far as they depend upon the laws of human nature’. What are the main insights of his famous book, titled as “Principles of Political Economy”?
59. What are the similar elements of A.Marshall and J.M.Keynes on the quantity theory of money? How did “Treatise on Money” explain the subject matter?
60. Keynes’s idea that, in a monetary economy, entrepreneurial decisions on production levels do not lead automatically to full utilization of available resources. But how did he explain this thesis on “Treatise” and “General Theory” books?
61. What are Keynes’s the main pillars as analytical structure of the General Theory?
62. According to Keynes, the international economic system should be organized not only in such a way as to facilitate the development of commerce. Please explain his thesis in detail.
63. Please explain how the price system help us effectively use the knowledge in society in Hayek’s perspective.
64. Schumpeter followed the marginalist tradition, according to which the value of economic goods is expressed by demand for them relative to their scarcity. How his position is different from Jevonian utilitarianism, and why did Schumpeter consider the theory of prices to be ‘the core of pure economics’?
65. The introduction of new productive combinations is the work of the entrepreneurs, who are such only insofar as they make innovative choices. Who else, according to Schumpeter, has equally necessary role in the process of development? Please explain these two roles from Schumpeter’s perspective.
66. According to Schumpeter the development process is discontinuous. How did he explain that the trade cycle is linked to the process of development, and what is the role of innovations in this regard?
67. The core of Schumpeter’s argument in the breakdown of capitalism is the connection between economic development and destruction of the politico-social foundations of capitalism. Please explain this connection in detail.
68. In “The Theory of Moral Sentiments”, Smith proposed the ‘moral principle of sympathy’. Also, Smith’s liberal views are based on a twofold assumption. Please explain his assumptions in detail.
69. In Smith’s writings, the connection between growth of the market and development of the division of labor very important. What are the three connected aspects of the division of labor?
70. The market price is the price we see looking at the actual acts of exchange; the natural price, instead, is the theoretical price that expresses the conditions of reproduction of the productive process. It is the market that links up the productive units operating in the different sectors of the economy, in two distinct ways – market exchange and competition. Please explain Smith’s perspective on competition in this regard.
71. Smith’s thesis was that division of labor originates in the tendency of men to enter into relations of reciprocal exchange - to human sociability. Please explain Pownall’s perspective comparative to Smith’s position in this regard.
72. What is the main point of difference between Smith’s social philosophy and that of Marx?
73. Establishment of professional education in the economics field required that economics be made to emerge from the wider field of study of the moral sciences. What is the role by Marshal in economics to become a profession?
74. Please explain Marshall’s explanation to the Laws of return to scale. How his perspective is related to Smithian and Ricardian explanations?
75. Welfare economics is the field of analysis that studies the nature and measure of public interventions. Please explain Marshall’s contributions to the development of welfare economics.