

## **Econ 434: History of Economic Doctrines**

### **Questions from Previous Versions of Exam 2**

#### **Section 1: Multiple Choice.**

1. Aristotle crudely distinguished between the “value in use” and the “value in exchange” of a good. His concept of “value in use” is most closely related to: (a) Richard Cantillon’s concept of “intrinsic value.” (b) the Austrian emphasis on subjective value. (c) prices as determined by both supply and demand, per William Stanley Jevons. (d) John Locke’s labor theory of value. (e) Karl Marx’s surplus value.
2. Leon Walras’ perception that prices adjust to clear markets echoed the adjustment mechanism in an earlier mathematical model of the behavior of a firm developed by: (a) Joseph Bertrand. (b) A. Jules E. Dupuit. (c) Antoine-Augustin Cournot. (d) Francois Quesnay. (e) Richard Cantillon.
3. A famous debate about the relative merits of historical analysis versus abstract modeling featured arguments between: (a) Friedrich List and Antoine-Augustin Cournot. (b) Edwin Chadwick and Simon Newcomb. (c) Gustav von Schmöller and Carl Menger. (d) Karl Marx and John Stuart Mill. (e) Alfred Marshall and Vilfredo Pareto.
4. Of the following, the economic thinker least likely to have vehemently disagreed with Thorstein Veblen’s perceptions about how social structures and the distribution of income are determined would have been: (a) William Graham Sumner. (b) Hans K. E. von Mangoldt. (c) Ayn Rand. (d) Joan Robinson. (e) Herbert Spencer. (f) David Ricardo. (g) Richard Cantillon. (h) David Ricardo. (i) John Bates Clark.
5. A factory worker believes that the high prices of the manufactured shower drains charged by his firm result from the long hours of hard work he devotes to running the machines used to mold and cut the drains. The economic thinker most likely have disagreed with this analysis would have been : (a) John Locke. (b) Karl Marx. (c) David Ricardo. (d) John Stuart Mill. (e) William Stanley Jevons.
6. While Jeremy Bentham was the first to develop the idea of felicific calculus (through which early economists attempted to calculate a person’s degree of happiness) and Fiona Apple was the first to describe a person as an “extraordinary machine,” Francis Ysidro Edgeworth’s mathematical approach to economics was based on the assumption that every human: (a) is a rational machine. (b) is a pleasure machine. (c) can work with machines. (d) is made happy by working with machines.
7. Thorstein Veblen would have been most likely to have condemned as a largely “ceremonial institution” the: (a) U.S. electoral college. (b) U.S. Congress. (c) U.S. Supreme Court. (d) U.S. Bureau of Prisons. (e) Federal Reserve System.
8. Advocacy of a single tax on land rent was the central theme of: (a) David Ricardo’s theories of income distribution and his “Ricardian equivalence” theorem. (b) the Socialist-Workers Party’s campaign platforms in the early 20<sup>th</sup> century. (c) Johann von Thünen’s policy recommendations for government finance. (d) a bestselling book authored by Henry George in the 1880s. (e) William Jennings Bryan’s “Cross of Gold” speech.

9. Of the following thinkers, the role of entrepreneurs as risk takers, organizers, or fomenters of economic and social change was least central to theories expressed in the writings of: (a) Ayn Rand. (b) Edmund S. Phelps. (c) Richard Cantillon. (d) Adam Smith. (e) Hans K. E. von Mangoldt. (f) George Gilder.
10. Prices adjusted to reflect changing market conditions relatively slowly during the Great Depression. This departure from the predictions of orthodox theory led to the development of the kinked demand curve model by: (a) Paul Sweezy. (b) John Bates Clark. (c) Clarence Ayers. (d) Emile de Cheysson. (e) Beatrice Webb.
11. John Neville Keynes's category of "normative economics" would be most clearly important in addressing a problem such as: (a) identifying areas of comparative advantages between two countries. (b) how inflation and unemployment are related. (c) whether a government's tax code should be reformed to increase efficiency. (d) how changes in disposable income affect consumption. (e) the relative flexibility of prices and quantities in adjusting to disequilibrium.
12. A prizewinning contestant at a bingo parlor is entitled to one year of free pizzas from a major pizza chain. Carl Menger would have predicted that the pizza chain is unlikely to be asked to deliver 365 or more pizzas to the prizewinner because of the principle of: (a) subjective preferences. (b) imputation. (c) intrinsic value. (d) diminishing marginal returns. (e) implicit costs.
13. Thorstein Veblen's concept of conspicuous consumption in "*The Theory of the Leisure Class*" had the greatest influence on: (a) William Graham Sumner's and Herbert Spencer's advocacy of social and political policies in accord with "survival of the fittest." (b) John Kenneth Galbraith's central themes in his "*The Affluent Society*." (c) John Maynard Keynes' "*The General Theory of Employment, Interest, and Money*." (d) Joan Robinson's "*The Theory of Imperfect Competition*." (e) development of the structure → conduct → performance paradigm.
14. Technology in the computer industry has advanced with breathtaking speed over the past thirty years. Alfred Marshall would have classified year-to-year changes in technology as having occurred during the: (a) secular period. (b) development period. (c) long run. (d) short run. (e) market (immediate) period.
15. General Motors introduced 'Employee Pricing' on its entire inventory, leading to substantial reductions in prices and margins on its vehicles. That GM had to evaluate its major competitors' probable reactions prior to adopting this pricing strategy is a concept first detailed by: (a) John Bates Clark. (b) John Kenneth Galbraith. (c) John Rogers Commons (d) Vilfredo Pareto. (e) Joan Robinson.
16. John Bates Clark (1847-1938), the first prominent American economic theorist, developed a rebuttal to Karl Marx's position that surplus values are expropriated [stolen] from labor. He argued that the contribution standard for distributing income in a market system is equitable, because in his model the distribution of income depends on: (a) complete allocations of property rights. (b) surplus value. (c) marginal productivity. (d) circular flows of income. (e) personal effort alone.

17. The quote “But the rule holds with but slight exceptions that, whether warriors or priests, the upper classes are exempt from industrial employments, and this exemption is the economic expression of their superior rank,” identifies ideas expressed in: (a) Karl Marx’s *Das Kapital*. (b) Adam Smith’s *Wealth of Nations*. (c) John Maynard Keynes’ *The Economic Consequences of the Peace*. (d) Thorstein Veblen’s *Theory of the Leisure Class*.
18. Such social Darwinists and political reactionaries as Herbert Spencer, William Graham Sumner, Edgar Furniss, Arthur Young, and Simon Newcomb would have joined with Ayn Rand in opposing labor unions, welfare payments, and minimum legal wages on the grounds that: (a) giving workers higher wages stimulates them to buy more alcohol and drugs. (b) jobless people are probably unemployed because of their personal failings. (c) low wages will induce people to work harder. (d) people at the top of the income spectrum usually deserve their positions. (e) all of the above.
19. Much of the New Deal legislation of the 1930s, including public utility regulation, collective bargaining, and labor dispute mediation, was built from the regulatory framework pioneered by: (a) John Rogers Commons. (b) Karl Marx. (c) Paul Samuelson. (d) Mary Wollstonecraft. (e) Jane Addams.
20. The American institutionalist who developed the notion of “countervailing power” and argued that income inequality “distorts the use of resources” was: (a) John Maynard Keynes. (b) John Kenneth Galbraith. (c) Karl Marx. (d) John Commons. (e) Clarence Ayers.
21. Economists who are most likely to emphasize the goal of efficiency and to ignore questions of equity would be those most heavily influenced by: (a) American institutionalists. (b) neoclassical marginalists. (c) syndicalists. (d) German historicists. (e) Fabian socialists.
22. A common maxim of laissez faire advocates is that “the consumer is king.” The continental economist who most strongly argued that virtually all economic activity hinges on consumers spending decisions and that the whole system automatically adjusts to match the structure of production to the composition of demand was: (a) Léon Walras. (b) Jean Baptiste Say. (c) A. Jules E. Dupuit. (d) Antoine-Augustin Cournot. (e) Louis Blanc.
23. A theory that helps explain why land costs more per square meter in downtown Paris than in the French countryside was among the major contributions of: (a) Thomas Malthus. (b) David Ricardo. (c) Johann H. von Thünen. (d) François Quesnay.
24. The idea that Price is a function of Quantity [ $P = g(Q)$ ] instead of quantity being viewed as a function of price [ $Q=f(P, \dots)$ ] was among the primary distinctions between the ideas of Léon Walras and those of: (a) A. Jules E. Dupuit. (b) William Stanley Jevons. (c) Alfred Marshall (d) Thorstein Veblen.
25. Thomas Malthus’s population theory did not provide important underpinnings for: (a) Charles Darwin’s theory of evolution. (b) David Ricardo’s theory of income distribution. (c) John Bates Clark’s marginal productivity theory of income distribution. (d) the “Social Darwinism” of William Graham Sumner and Herbert Spencer. (e) policies advocated by “Green” political parties around the world.
26. Karl Marx believed conflict to be an inevitable mechanism for desirable social change. Another economic theorist who believed that violent conflict often stimulated creativity and social and economic progress was: (a) Joseph Schumpeter. (b) John Bates Clark. (c) William Stanley Jevons. (d) Hans K.E. von Mangoldt. (e) Sir William Petty.

27. Firms that exercise market power but which lack the ability to price discriminate operate at inefficiently low levels of output because in equilibrium: (a)  $P > MC$ . (b)  $MR > MC$ . (c)  $P > ATC$ . (d)  $ATC < MC$ . (e) maximum profit is not required for monopolies not disciplined by competition.
28. Alfred Marshall analyzed differences between the monetary amounts a person would willingly pay for a specific quantity of a good and the amounts that they do pay at a given market price, a concept he termed: (a) buffer zone. (b) offsetting variation. (c) consumer surplus. (d) compensation necessity. (e) exploitation factor.
29. Pre-marginalist 19<sup>th</sup> century classical economics originated with Adam Smith in a parallel fashion to the way that neoclassical economics began with the works of: (a) John Stuart Mill, William Stanley Jevons, and Francis Y. Edgeworth. (b) Johan von Thünen, A. Jules E. Dupuit, HANS K. E. von Mangoldt, and Hermann Gossen. (c) Knut Wicksell, Alfred Marshall, and León Walras. (d) Thorstein Veblen, John Commons, and John Kenneth Galbraith.
30. The incorporation of mathematics to describe economic theories was viewed as least useful by an economist who was, himself, a skilled mathematician. He was: (a) A. Jules E. Dupuit. (b) Paul A. Samuelson. (c) Alfred Marshall. (d) William Stanley Jevons. (e) Francis Y. Edgeworth. (f) John Nash. (g) Léon Walras. (h) Vilfredo Pareto. (i) Carl Menger. (j) Eugen Bohm-Bawerk. (k) Robert Solow. (l) Gerard Debreu. (m) Kenneth Arrow. (n) Robert Merton. (o) Antoine-Augustin Cournot.
31. Joseph Schumpeter's theory that capitalism continually revitalizes itself by replacing old products, technologies, organizations, and leaders with new is known as: (a) creative response. (b) economic replacement. (c) creative destruction. (d) economic displacement. (e) creative renewal.
32. That the equimarginal principle requires  $MU_x/P_x = MU_y/P_y = MU_{leisure}/w$  for individuals to efficiently allocate their opportunities [total budgets, including time], with the wage rate  $w$  as the price of leisure as a good, was identified in the writings of: (a) Adam Smith. (b) William Stanley Jevons. (c) Gary Becker. (d) Carl Menger. (e) Léon Walras.
33. Thorstein Veblen would tend to most strongly reject: (a) Say's law. (b) Marx's theory of business cycles. (c) Malthus' belief that underconsumption is possible. (d) Adam Smith's assertion that people are self-interested. (e) widespread irritation in the US about corporate scandals centered on fraudulent accounting.
34. Issues notably addressed by Vilfredo Pareto did not include: (a) elitism as a major determinant of social and economic policies. (b) relative consistency across time and political systems in the distributions of income or wealth. (c) the differential intensity of individual utility maximization in competitive versus cooperative economic systems. (d) economic efficiency in the context of Walrasian general equilibrium. (e) cardinal utility [i.e., measuring marginal utility in "utils" or "jollies"] versus ordinal utility [i.e., indifference curves].
35. Among distinguishing features of Austrian economics is an assumption that human action is purposeful—individuals make decisions with goals in mind, even though sometimes frustrated by errors and imperfect knowledge. This idea is least consistent with the view of behavior expressed by: (a) William Stanley Jevons. (b) Alfred Marshall. (c) Joseph Schumpeter. (d) Jeremy Bentham.

36. Alexander Hamilton's advocacy of tariffs to protect "infant industries" was later echoed in the works of: (a) German historicists. (b) mercantilists. (c) American institutionalists. (d) David Hume. (e) French physiocrats.
37. The first formal model that relied on game theory is usually attributed to: (a) John Nash. (b) Adam Smith. (c) Antoine-Augustin Cournot. (d) John Stuart Mill.
38. The theory of interest was not among areas in which significant contributions were made by: (a) Irving Fisher. (b) Frank H. Knight. (c) Knut Wicksell. (d) David Ricardo. (e) Herbert Spencer. (f) Eugen von Böhm-Bawerk.
39. The excess-demand function and comprehension that the sum of excess demands must equal the sum of excess supplies were among innovations in theory by the neoclassical economist: (a) John Maynard Keynes. (b) Léon Walras. (c) Paul Sweezy. (d) Antoine-Augustin Cournot. (e) William Stanley Jevons..
40. Explorations of the concepts of partial equilibrium analysis, elasticity calculation, consumer surplus, and producer surplus all originated in works that summarized neoclassical theories that were authored by: (a) Arthur Cecil Pigou. (b) John Maynard Keynes. (c) Alfred Marshall. (d) William Stanley Jevons. (e) Thorstein Veblen.
41. Major contributors to the structure→conduct→ performance approach to explanations of pricing and performance would not include: (a) Antoine-Augustin Cournot. (b) Edwin Hastings Chamberlin. (c) Joan Robinson. (d) Eugen von Böhm-Bawerk.
42. The vernacular term emanating from contemporary rap music and the culture that surrounds it which is most closely related to the term, "conspicuous consumption", as coined by legendary idler and economic thinker Thorstein Veblen, would be: (a) *crunk*. (b) *Benz*. (c) *bling*. (d) *snazzy*. (e) *fo shizzle*. (f) *chillin'*. (g) *jools*.
43. The American institutionalist John Rogers Commons did not advocate government policies to: (a) set rate structures for or, better yet, municipally own electric and natural gas utilities. (b) regulate the banking and financial securities industries. (c) guarantee workers the rights to organize unions. (d) require annual balancing of all federal, state, and local government budgets. (e) provide unemployment compensation and health and accident insurance.
44. Thinkers who were skilled mathematicians for their times but who conscientiously avoided much formal mathematics in most of their analyses include: (a) Leon Walras and Vilfredo Pareto. (b) Alfred Marshall and John Stuart Mill. (c) Johann H. von Thünen and Hans K.E. von Mangoldt. (d) Thorstein Veblen and Clarence Ayers.
45. Leon Walras, when confronted with the paradox that prices must be set even when all market participants in a purely competitive economy are quantity-adjusting price takers, resolved this problem by appealing to the notion that prices are set by: (a) tradition. (b) a mythical auctioneer who identifies all the relative prices at which quantities demanded equal quantity supplied for each possible good or resource. (c) a democratically elected price administrator. (d) a philosopher king. (e) an omniscient, omnipresent, and omnipotent being. (f) rational and self-interested decisionmakers.

46. Cornerstones of Austrian economic theory are the notions: [1] that historical costs matter not at all after a good is produced because prices are then determined by subjective values, and [2] that deductive reasoning [*praexology*] is the key to sound economic reasoning. These aspects of “Austrian economics” were first addressed systematically in the writings of: (a) Hans K.E. von Mangoldt. (b) Hermann Gossen. (c) Eugen von Böhm Bawerk. (d) Carl Menger. (e) Friedrich von Wieser. (f) Johann H. von Thünen. (g) Joseph Schumpeter.
47. John Bates Clark believed that his *marginal productivity theory of income distribution* yielded a scientifically positive foundation for the idea that: (a) competitive market systems generate a just distribution of income. (b) the top twenty percent of wealth holders in a society will own eighty percent of that society’s wealth. (c) the real [inflation-adjusted] incomes of all individuals are inversely related to the price level. (d) national income is a function of the costs of production.
48. The notion that decisionmakers adjust prices much more rapidly than they adjust quantities when they attempt to resolve shortages or surpluses is a hallmark of theories developed by: (a) Antoine-Augustin Cournot. (b) Alfred Marshall. (c) classical macroeconomists. (d) John Maynard Keynes. (e) Clarence Ayers.
49. John Kenneth Galbraith’s *bezzle* concept would apply least well to: (a) inflated statistics from the USSR on the success of its 5-year-plans for economic growth during 1929-1985. (b) the rationale for the current War in Iraq spelled out by the US intelligence community and the current administration. (c) Annual Reports of Enron and WorldCom during 1990-2002. (d) bank charges that significantly exceed the banks’ processing costs, which are imposed even if depositors have accidentally “bounced” checks. (e) widespread corporate shenanigans prior to establishment of the Securities and Exchange Commission [SEC] in 1933. (f) high pressure sales of corporate stocks by operators and employees of “boiler rooms.” (g) the grade inflation experienced in the American educational system over the past 40 years. (h) mean-spirited people who tell children that their parents have been lying about the existence of Santa Claus.
50. The “Marginalist Revolution” forever transformed economic thought. Pioneering theorists who, prior to roughly 1870, had helped launch this intellectual revolution do not include: (a) Arsene Jules Etienne Dupuit. (b) Johann H. von Thünen. (c) Leon Walras. (d) Alfred Marshall. (e) William Stanley Jevons. (f) Antoine-Augustin Cournot. (g) Hans K.E. von Mangoldt.
51. Alfred Marshall developed formulas for computing elasticities that were most directly based on the earlier writings of: (a) John Stuart Mill. (b) David Ricardo. (c) Eugen von Böhm-Bawerk. (d) Simon Newcomb. (e) Vilfredo Pareto.

52. A skyscraper built without harmonic dampening mechanisms can ultimately collapse if the wind causes it to sway at its resonant frequency. This occurs because, driven by the wind, the swaying of the building back-and-forth intensifies until the structural components of the building fail. This phenomenon parallels which of the following economic theories? (a) Alfred Marshall's theory that equilibrium requires full employment. (b) John Maynard Keynes' theory that equilibrium may occur at less than full employment. (c) Thomas Robert Malthus's "razor's edge" theory of population dynamics. (d) Karl Marx's conclusion that capitalism is dynamically unstable. (e) Robert M. Solow's theory of exogenous economic growth.
53. The idea that workers adjust their hours worked until the marginal utility of leisure relative to the wage rate is identical to the marginal utility of every other good consumed relative to its price is the foundation for the theory of individual labor supplies developed by: (a) Friedrich Wieser. (b) Jules Dupuit. (c) John Rogers Commons. (d) William Stanley Jevons. (e) Francis Y. Edgeworth.
54. The two schools of thought that most emphatically rejected the claim of neoclassical theorists that culture and historical time are irrelevant for useful economic analysis were: (a) physiocracy and utilitarianism. (b) German historicism and American institutionalism. (c) classical liberalism and mercantilism. (d) Keynesian theory and Marxism. (e) logical positivism and Austrian economics.
55. The first clear example of the use of game theory in economic modeling was (a) Plato's discussion of the relationship between ordinary citizens and the philosopher king. (b) Karl Marx's discussion of the clash between the proletariat and the bourgeoisie. (c) A. Jules E. Dupuit's exposition of efficient pricing for a public good, such as a bridge. (d) Antoine-Augustin Cournot's quantity adjustment model of a duopoly. (e) Rene Descartes' exposition of *cogito ergo sum*.
56. Karl Marx was probably the first famous thinker who: (a) foresaw the rise of globalization and some of its consequences for nation-states. (b) predicted the fall of the Soviet Union. (c) dreaded the control of the nomenclatura. (d) called for the eradication of nationalistic feelings. (e) feared the brain-washing of workers through such TV shows as *The Price is Right*.
57. Sharing credit with Arthur Cecil Pigou as one of the two founders of modern welfare economics, the disciple of Leon Walras who elaborated aspects of general equilibrium theory by specifying the welfare implications of Walrasian economics was: (a) Alfred Marshall. (b) Vilfredo Pareto. (c) Hermann Gossen. (d) Edwin Hastings Chamberlin.
58. Edward Chamberlin's major contributions were to development and refinement of value theory and the theory of: (a) the structure-conduct-performance paradigm of industrial organization. (b) surplus value. (c) land rents. (d) the equimarginal principle. (e) relationship between price levels and the money supply.

59. Karl Marx's views were altered only slightly by Thorstein Veblen when Veblen asserted that government: (a) facilitates efficient production processes. (b) uses unfair engineering advantages to suppress the business class. (c) favors parasitic businessmen (*the bourgeoisie*) by oppressing the engineering (*working*) class. (d) understood the importance of engineers in profit maximizing.
60. Edwin Chamberlin's theory of monopolistic competition became increasingly discounted as game theory began to dominate the theory of industrial organization in the late 1950s, but it has gained increasing credibility as a foundation for: (a) public choice theories of political behavior. (b) the "new" theory of international trade that began to develop in the 1970s. (c) modern theories of price setting in auctions. (d) explanations of how firms compete by attempting to create a "brand image" through advertising.
61. Walras law that *the sum of excess demands in a market economy equals the sum of excess supplies* can be interpreted as providing a more complete mathematical foundation for: (a) Say's law of markets, but recognizes the possibility of prolonged unemployment because surplus goods or resources may be counter balanced by excess demands for money. (b) Keynesian consumption functions. (c) modern game theories of the prisoner's dilemma. (d) partial equilibrium analysis. (e) the establishment of "just" prices as proposed by medieval scholastics.
62. Models of perfect competition do **not** include an assumption of: (a) freedom of entry and exit in the long run. (b) large number of buyers and sellers. (c) heterogeneous products. (d) symmetric and reasonably complete information on the parts of all market participants.
63. The idea that in a market economy, many people's desires to buy certain goods are far more culturally determined than merely price determined is a view shared by: (a) A. Jules E. Dupuit and Antoine Augustin Cournot. (b) John Kenneth Galbraith and Thorstein Veblen. (c) Karl Marx and Cornelius Vanderbilt. (d) Carl Menger and Ludwig von Mises. (e) Irving Fisher and Milton Friedman. (f) Hugo Grotius and John Locke. (g) John Commons and Richard Cantillon.
64. A list of prominent American institutionalists would not include: (a) John Roger Commons. (c) John B. Clark. (b) Wesley C. Mitchell. (d) John Kenneth Galbraith. (e) Thorstein Veblen.
65. In *The Modern Corporation and Private Property*. (1932), Adolph Berle and Gardiner Means documented the dominant position of the large corporation in the modern economy, the growing dispersion of ownership of common stock, and the separation of ownership from control. These last two developments brought to light a particular sort of moral hazard dilemma called: (a) Pareto efficiency. (b) bureaucratic gambling. (c) adverse selection. (d) the principal-agent problem. (e) regulatory forbearance.
66. A. Jules E. Dupuit would agree that the price paid by a people who are indifferent about crossing a bridge should be charged a toll: (a) equal to the average cost of the bridge. (a) greater than a person who desperately needs to cross the bridge. (c) equal to (total cost of the bridge) / (number of users). (d) proportional to their income. (e) of zero.

67. William Stanley Jevons wrote, “The fact is, that labor once spent has no influence on the future value of any article: it is gone and lost forever. In commerce by-gones are for ever by-gones.” Jevons’ comment addresses the: (a) medieval concept of a just price. (b) cost-of-production theory of value. (c) irrelevance of historical [sunk] costs for rational decisionmaking, and for current pricing. (d) “lumpiness” principle. (d) irrelevance of classical theory after marginalist analysis introduced calculus into economics.
68. Relative to firms in other market structures, firms in oligopoly markets tend to: (a) adopt price-taking and quantity-adjusting strategies. (b) be consciously interdependent and to engage in strategic behavior. (c) engage far more frequently in accounting fraud and significant exploitation of workers. (d) be technologically stagnant, with sticky rates of innovation. (e) focus on rent-seeking behavior instead of profit maximization.
69. Antoine Augustin Cournot (1801-1877) was a school superintendent, but he was also arguably among the top-ten all-time pioneers of economic theory. His path-breaking contributions did not include developing: (a) a proof that marginal revenue = marginal cost is a requirement for profit maximization. (b) an early form of game theory. (c) demand and supply curves as the partial derivatives of demand and supply functions. (d) a formal model of perfect competition. (e) the concept of marginal revenue.
70. Neoclassical macroeconomic theory does not rely on an assumption that: (a) “supply creates its own demand,” per Say’s law. (b) nominal prices, wages, and interest rates are all perfectly flexible. (c) the quantity theory of money is valid so that money is neutral in the long run. (d) production possibilities frontiers are “bowed-out” from below. (e) powerful competitive forces quickly eliminate excess demands and excess supplies in all markets.
71. A pioneering book on imperfect competition, the concept of monopsony power, and refinement of the theory of price discrimination were among the advances generated by: (a) Joan Robinson. (b) Paul Sweezy. (c) John Maynard Keynes. (d) Edward Chamberlin. (e) George Stigler.
72. John Stuart Mill was a staunch advocate of the idea that maximizing personal liberty requires equality of: (a) income. (b) talent. (c) capital. (d) wages. (e) opportunity.
73. Thorstein Veblen developed an evolutionary economics based on human adaptations to ever-changing institutions, and categorized institutions as either: (a) sectarian or humanitarian. (b) anthropological or historical. (c) technological or ceremonial. (d) spiritual or materialistic.
74. The evolution of classical economics to neoclassical economic analysis hinged primarily on (a) introducing calculus into analysis, which facilitated consideration of the effect of marginal units. (b) moving from the labor theory of value towards an assumption that all values are determined in an exclusively subjective manner. (c) a shift from partial equilibrium analysis to general equilibrium analysis. (d) considering industrial products in addition to agricultural products.
75. The concept that economic inefficiency exists whenever anyone can be made better off without reducing the welfare of some other person was first made explicit by: (a) Vilfredo Pareto. (b) Leon Walras. (c) Antoine Augustin Cournot. (d) Jules Dupuit. (e) Carl Menger.

76. Alexander Hamilton's advocacy of tariffs to protect "infant industries" was later echoed in the works of: (a) German historicists. (b) mercantilists. (c) American institutionalists. (d) David Hume. (e) French physiocrats.
77. Show-offs who flaunt their extravagant spending patterns are practicing behavior that Thorstein Veblen condemned as: (a) conspicuous consumption. (b) snob appeal. (c) keeping up with the Joneses. (d) tomfoolery. (e) exploitation.
78. Some early economists believed prices to be determined solely by factors affecting supply. Others emphasized prices as determined by demand considerations. The first recognized "marriage" of supply and demand as jointly determining prices was performed by: (a) William Stanley Jevons. (b) Georg Feurbach (c) Antoine-Augustin Cournot. (d) Alfred Marshall. (e) Adam Smith.
79. An economist who followed in the tradition of Richard Cantillon and Hans K.E. von Mangoldt in glorifying entrepreneurs as the driving forces in economic development, and who also suggested that as democracy increases, socialism will tend to displace capitalism, was: (a) Johann H. von Thünen. (b) Ludwig von Mises. (c) Friedrich Hayek. (d) Jon von Neumann. (e) Wernher von Braun. (f) Claudius von Disputandum. (g) Joseph Schumpeter.
80. The idea that the value of a product depends primarily on the amount a consumer is willing to pay for it was advanced by: (a) Adam Smith and Jeremy Bentham. (b) Richard Cantillon, an Irishman who also held French citizenship and Carl Menger, a pioneer of both marginalism and *Austrian* economics. (c) Pierre Le Pesant, sieur de Boisguillebert and Francois Quesnay, French Physiocrats. (d) Aristotle and other early Greek philosophers.
81. According to Edward Hastings Chamberlain, firms in monopolistic competition try to avoid competing on the basis of price by instead relying on: (a) artificial product differentiation. (b) basic research and development. (c) economic rent gained through logrolling and gerrymandering. (d) subliminal advertising. (e) pyramid marketing schemes.
82. Weekly poker sessions among friends are an example of a: (a) positive-sum game. (b) zero-sum game. (c) negative-sum game. (d) partial-sum game. (e) synergistic game.
83. The incorporation of mathematics to describe economic theories was viewed as least useful by an economist who was, himself, a skilled mathematician. He was: (a) A. Jules E. Dupuit . (b) Paul A. Samuelson. (c) Alfred Marshall. (d) William Stanley Jevons. (e) Francis Y. Edgeworth. (f) John Nash. (g) Léon Walras. (h) Vilfredo Pareto. (i) Carl Menger. (j) Eugen Bohm-Bawerk. (k) Robert Solow. (l) Gerard Debreu. (m) Kenneth Arrow. (n) Robert Merton. (o) Antoine-Augustin Cournot.
84. Much of the New Deal legislation of the 1930s, including public utility regulation, collective bargaining, and labor dispute mediation, was built from the regulatory framework pioneered by: (a) John Commons. (b) Karl Marx. (c) Paul Samuelson. (d) Mary Wollstonecraft. (e) Jane Addams.

85. Vilfredo Pareto accepted Karl Marx's view that history unfolds because of class conflict, but he disagreed with Marx's prediction that a classless society would emerge, instead believing that: (a) leaders of socialist and communist movements would ultimately become merely a new exploitative and autocratic elite group. (b) Marx was incorrect to reject the labor theory of value. (c) capitalism would be too adaptive to succumb to revolutionary communism. (d) class differences would become blurred as economic development progressed
86. The concept of elasticity as the relative degree to which the quantity demanded or supplied of a good or resource responds to a change in its relative price was developed by: (a) von Thünen. (b) Thorstein Veblen. (c) Edwin Chamberlin. (d) Joan Robinson. (e) Karl Marx. (f) León Walras. (g) Alfred Marshall.
87. The broad approach to efficiency developed by Vilfredo Pareto can be most reasonably and directly interpreted as an extension of: (a) Keynesian economics. (b) Marshall's partial equilibrium analysis. (c) Walras' general equilibrium analysis. (d) dialectical materialism. (e) Jeremy Bentham's hedonic calculus.
88. Most modern economists would identify as the world's two most influential economic theorists over the period 1900-1950 to have been: (a) John Maynard Keynes and Joseph Schumpeter. (b) Joan Robinson and Edwin Chamberlin. (c) Ludwig von Mises and Thorstein Veblen. (d) John Commons and Wesley Clair Mitchell..
89. William Stanley Jevons' theory of labor supply stated that a worker will stop working when: (a) the net pain of extra work equals the degree of utility of the real wage. (b) the utility of the real wage is equal to zero. (c) the net pain of work exceeds the total utility of the real wage. (d) the degree of utility from real wages was greatest. (e) survival has been assured by a subsistence wage.
90. Disagreement with the orthodox notion that the data that underpin a system remain relatively constant over the period of analysis was central to the theories of: (a) John Maynard Keynes. (b) Léon Walras and Thorstein Veblen. (c) Friedrich Hayek. (d) David Ricardo. (e) William Stanley Jevons.
91. Possible exploitation of labor by capitalists was least likely to logically flow from theories developed by: (a) Robert Malthus. (b) John Bates Clark. (c) Thorstein Veblen. (d) Karl Marx. (e) Joan Robinson.
92. The first economist to extensively examine the concept of marginal utility and relate it to a demand curve was. (a) Antoine-Augustin Cournot. (b) John Stuart Mill. (c) Jules Dupuit. (d) Karl Marx. (e) Adam Smith.
93. Evolution from informal conceptual reasoning to a more analytical/mathematical approach to economic analysis would include sequences along a timeline such as: (a) Jeremy Bentham → David Hume → Richard Cantillon. (b) David Ricardo → Antoine-Augustin Cournot → William Stanley Jevons. (c) Adam Smith → Leon Walras → Karl Marx. (d) Thorstein Veblen → Alfred Marshall → Marquis de Condorcet. (e) Paul Samuelson → John Maynard Keynes → John Stuart Mill

94. An early disagreement about the relative power and usefulness of general versus partial equilibrium analysis raged between: (a) Leon Walras and Alfred Marshall. (b) Carl Menger and William S. Jevons. (c) John Commons and John Bates Clark. (d) Pierre Boisguillebert and Frederic Bastiat.
95. The theory that the magnitude of “bezzle” [corporate fraud] and pressure for deregulation are both positively related to the level of prosperity in a country, and that the discovery and prosecution of bezzle and pressure for more regulation emerge during downturns in economic activity was authored by: (a) John Kenneth Galbraith. (b) John Maynard Keynes. (c) Paul Samuelson. (d) Milton Friedman. (e) Myron Scholes.
96. The continental economist who theorized that virtually all economic activity hinges on consumers spending decisions and that the whole system automatically adjusts to match the structure of production to the composition of demand was: (a) Leon Walras. (b) Jean Baptiste Say. (c) Jules Dupuit. (d) Antoine-Augustin Cournot. (e) Louis Blanc.
97. The economist who stressed that criminals make rational decisions based on their expected personal costs and benefits and advocated reducing crime rates through his *principles of prevention* was: (a) Sir Edwin Chadwick. (b) John Stuart Mill. (c) Ricardo Montalban. (d) Richard Cantillon. (e) Sidney Webb.
98. John Bates Clark [1847-1938], the first prominent American economic theorist, developed a rebuttal to Karl Marx’s position that surplus values are expropriated [stolen] from labor. He argued that the contribution standard for distributing income is equitable in a market system, because in his model the distribution of income depends on: (a) complete allocations of property rights. (b) surplus value. (c) marginal productivity. (d) circular flows of income. (e) personal effort alone.
99. According to Joseph Schumpeter, entrepreneurs who launch major innovations spark economic activity primarily by stimulating: (a) huge profits for capitalists. (b) related inventions and innovations, and new industries. (c) long waves. (d) business optimism. (e) monopoly power that exploits workers, thereby accelerating investment by capitalists.
100. Vilfredo Pareto illustrated how a welfare optimum would be reached when: (a) voluntary exchanges have been expanded so far that any further trade would be a zero- or negative-sum game. (b) all sides would be better off if there had never been any transactions. (c) the marginal rate of substitution for any pair of goods different for any two individuals who are exchanging goods. (d) both parties can benefit from further trade.
101. The institutions in “institutionalism” broadly refer to: (a) public and private institutions. (b) technical and ceremonial institutions. (c) market and non-market institutions. (d) for-profit and non-profit institutions. (e) educational and business institutions.
102. A John whose ideas are **least** consistent with the American institutionalist paradigm was: (a) John Bates Clark. (b) John Maurice Clark. (c) John Kenneth Galbraith. (d) John Commons.

103. Informative advertising would include: (a) the Mercedes “genie in a bottle” ad [if you get a Mercedes—you don’t need any more wishes]. (b) the Pepsi ad hinting that a few sips will make you look like Brittany Spears. (c) an Air Jordan ad hinting that certain shoes allow you to jump as high as Michael Jordan.. (d) a Sam Adams implying that drinking their brew increases your sex appeal. (e) a TV trailer publicizing *South Park*’s plan to “enroll” Kyle at UNC next season.
104. Least consistent with the structure of the other relationships would be: (a) Veblen and Commons | *institutionalism*. (b) Menger and Gössen | *Austrian theory*. (c) Smith and Ricardo | *classical economics*. (d) Walras and Pareto | *Lausanne*. (e) Dupuit and Cournot | *historicism*.
105. The idea that advertising artificially and undesirably inflates consumer demand is the key point of: (a) *Monopoly Capitalism*, by Paul Baran and Paul Sweezy. (b) Thomas Carlyle’s *The Age of the Economist*. (c) Robert Heilbroner’s *The Unworldly Philosophy of Economics*. (d) *The Affluent Society*, by John Kenneth Galbraith.
106. Structure→Conduct→Performance analysis of industrial organization owes the least to the works of: (a) Edwin Hastings Chamberlin. (b) Joseph Schumpeter. (c) Joan Robinson. (c) Antoine Augustin Cournot.
107. That the conditions necessary for the optimum distribution of resources given a fixed supply on inputs is that the marginal rate of technical substitution between any pair of inputs must be the same for all producers who use both inputs was established by: (a) Leon Walras. (b) Alfred Marshall. (c) Vilfredo Pareto. (d) David Ricardo. (e) Thomas Malthus.
108. According to Edwin Chamberlin, monopolistically competitive firms cannot realize economic profits in the long run **because** these markets are characterized by: (a) unnecessarily costly advertising and inefficient product differentiation. (b) freedom of entry and exit. (c) conscious parallelism of action. (d) close scrutiny by the Antitrust Division of the Department of Justice. (e) extreme vulnerability to swings in the business cycle.
109. According to the neoclassical macroeconomic model developed at Cambridge University, the: (a) demand for nominal money can be written as  $M_d = kPQ$ . (b) rate of inflation depends primarily on the velocity of money. (c) income velocity of money determines real output. (d) money supply determines real output. (e) government should run deficits to reduce unemployment.
110. The importance of marketing and advertising was central to the economic theories developed by: (a) Edwin Hastings Chamberlin and John Kenneth Galbraith. (b) Alfred Marshall and Arthur Cecil Pigou. (c) Paul Sweezy and Joan Robinson. (d) Jules Dupuit and Antoine Augustin Cournot.
111. According to John Stuart Mill, if two products, such as beef and hides, are jointly produced and in fixed proportions, then. (a) the sum of their two prices must, in equilibrium, equal their average joint costs. (b) their prices must be proportional to their individual market supplies. (c) their prices must each equal the marginal cost of the other good. (d) the price of one product may not exceed the marginal cost of the other.

112. Reliance on privately-determined market supplies and demands to determine production and distribution would be most opposed by advocates of: (a) capitalism. (b) anarchy. (c) classical liberalism. (d) neoclassical theory. (e) Austrian economics. (f) Marxist communism.
113. The dispute between Antoine-Augustin Cournot and Joseph Louis Francois Bertrand about whether duopolists competing in a market would adjust quantities or prices was later echoed in disagreements between: (a) David Ricardo and Thomas Malthus about the desirability of the British Corn Laws. (b) Alfred Marshall and Leon Walras about whether disequilibria are resolved by quantity adjustments (Marshall) or price adjustments (Walras). (c) Joan Robinson and Edwin Chamberlin, who differed about whether oligopolists adjust prices or compete primarily through product differentiation. (d) John Maynard Keynes and Milton Friedman on whether fiscal policies or monetary policies would more quickly cure a depression. (e) Paul Sweezy and George Stigler on the realism of kinked demand curve models.
114. In Walrasian general equilibrium analysis, instantaneous adjustments of all relative prices so that all that markets clear are ensured because: (a) firms reduce quantities to cure excess supplies. (b) markets adjust in accord with Lerner wage-price reaction functions. (c) auctioneers are assumed to adjust prices correctly. (d) Cournot reaction functions determine quantities and Bertrand reaction functions determine price. (e) firms increase quantities to cure excess demands.
115. The multiple Factory Acts enacted in Great Britain during the nineteenth century were intended to: (a) repeal the Corn Laws. (b) reduce international trade barriers. (c) regulate the labor of pauper children. (d) limit the hours worked by the elderly. (e) set minimum wages for all factories in certain industries.
116. The doctrines of Mohandas Gandhi and “Buddhist economics” do not include advocacy of: (a) self-sufficiency. (b) industrialization as a way to foster social well-being. (c) curbing material want as the key to dealing with scarcity. (d) charity for the least fortunate among us. (e) deemphasizing materialism as a path to “the good life.”
117. Neoclassical monetary theory suggests that if your monetary income doubles, but all other prices double as well, you will ultimately: (a) adjust your spending to secure a fair share of the larger amount of goods now available. (b) conform to the spending patterns of families in similar income brackets. (c) reduce your work effort because additional monetary income is subject to the law of diminishing returns. (d) be far more deeply in debt than you were before inflation occurred. (e) **change your “real” behavior not one iota—or even a smidgen.**
118. A technique for simultaneous consideration of price and quantity adjustments in all markets for goods and resources is termed: (a) multi-sector analysis. (b) Keynesian macroeconomics. (c) Marshallian analyses of price adjustment mechanisms. (d) Walrasian general equilibrium analysis. (e) an input-output matrix.
119. The English poet Samuel Butler’s assertion that “The value of a thing is just as much as it will bring” is most compatible with: (a) Austrian economic theory. (b) German historicism. (c) John Locke’s theory of property rights. (d) Adam Smith’s theory of the invisible hand. (e) Aristotle’s *Nichomachean Ethics*.

120. John Stuart Mill would not have favored government intervention to change the outcomes of private decisions in the area of. (a) redistributing wealth through an inheritance tax. (b) general education. (c) preservation of the environment. (d) establishing property rights through the rule of law. (e) international “outsourcing” and trade.
121. The Marxist theory of *dialectical materialism* theoretically follows a sequence: (a) synthesis → thesis → antithesis. (b) antithesis → synthesis → thesis. (c) thesis → antithesis → synthesis. (d) synthesis → antithesis → thesis. (e) thesis → synthesis → antithesis
122. Production automatically generates income of comparable value, and no one produces anything for the market unless they intend to buy something else. This line of reasoning implies that, in the aggregate, demand is automatically present if goods are supplied, and is the primary underpinning for: (a) Jean Baptiste Say’s “Law of Markets”, which is sometimes summarized as “supply creates its own demand.” (b) Keynesian theory, which asserts that no one will produce anything unless they expect someone else to buy it. (c) George Stigler’s Law, which asserts that the sum of excess demands must equal the sum of excess supplies. (d) Adam Smith’s concept of “the invisible hand” of the market place. (e) David Ricardo’s theory of specialization and trade according to comparative advantage.
123. The first economist to explicitly derive supply and demand curves from mathematical functions was: (a) Vilfredo Pareto. (b) Antoine Augustin Cournot. (c) Richard Cantillon. (d) Adam Smith. (e) David Ricardo.
124. A real estate agent who loudly proclaims that property values depend on “*first, location; second, location; and third, location,*” is echoing a theory formalized into a mathematical equation by the pioneering economic thinker: (a) David Ricardo (b) Henry George. (c) Johann von Thünen. (d) William Stanley Jevons. (e) William Petty. (f) Edmund Burke.
125. The Marxist term for differences between wages and labor's average marginal productivity is: (a) wage deficit. (b) surplus value. (c) exploitation quotient. (d) monopoly profit. (e) contingency fee.
126. The concept of *roundabout production* elaborated by Eugen Böhm-Bawerk entails: (a) maximizing outputs of capital goods during each production period. (b) investing in capital goods by postponing consumption, thereby enabling the production of greater amounts of consumer goods in the future. (c) outsourcing of intermediate goods by a firm that is not fully integrated. (d) maximizing  $r + i + \pi =$  surplus value.
127. Historical economic trends that may support Marx's predictions include: (a) increases in real wage income in most of the industrialized world. (b) increases in the economic power of giant multinational corporations. (c) labor union growth and achievement of labor gains. (d) government welfare programs and fiscal policies.
128. Freedom and the thought that government should be used only to enforce private property rights [e.g., contractual issues] are among the central tenets of: (a) anarchism. (b) libertarianism. (c) socialism. (d) totalitarianism. (e) documentarianism.
129. The Labour Party in England evolved most directly from: (a) Utopian socialism. (b) anarcho-syndicalism. (c) Fabian socialism. (d) Marxist-Leninism. (e) Christian socialism.

130. Explicit treatments of marginal analysis were least central to the writings of: (a) William Stanley Jevons. (b) Leon Walras. (c) John Stuart Mill. (d) Carl Menger. (e) Antoine-Augustin Cournot.
131. According to the quantity theory of money central to the neoclassical macroeconomic model: (a) output grows when the price level rises. (b) real output is unaffected by the money supply. (c) employment depends on the velocity of money. (d) growth of per capita income is impossible in the long run.
132. The economic theory most supportive of a Panglossian view that, in an economic system that relies primarily on markets, “we live in the best of all possible worlds” (from Voltaire’s *Candide*) is: (a) early classical macroeconomics. (b) Gandhi’s “small is beautiful” theory. (c) institutionalism. (d) neoclassical economics. (e) Keynesian macroeconomics.
133. Alternatives to capitalistic economic systems do not include: (a) communism. (b) socialism. (c) anarchism. (d) conservatism. (e) feudalism. (f) syndicalism.
134. John Stuart Mill believed that inheritance taxes should be: (a) rejected as inherently unfair. (b) avoided because they are economically inefficient. (c) used to replace all tariffs and sales taxes. (d) implemented because of their economic efficiency. (e) implemented as effective mechanisms for wealth redistribution.
135. The theorist most likely to agree with the statements: “Wars stimulate technological advance,” and “History favors the bold,” would be: (a) Hermann Gossen. (b) Jules Dupuit. (c) Hans K.E. von Mangoldt. (d) Augustin A. Cournot. (e) Karl Marx.
136. John Stuart Mill’s sentiment in his *On Liberty*, that “...there are many acts which, being directly injurious only to the agents themselves, ought not to be legally interdicted” would attract most wholehearted agreement from modern: (a) libertarians. (b) syndicalists. (c) scholastics. (d) fundamentalists. (e) royalists. (f) real business cycle theorists.
137. Broad categories of alternative allocative mechanisms would not include: (a) markets and prices. (b) brute force. (c) random selection. (d) tradition. (e) merit. (f) government. (g) queuing. (h) classical liberalism.
138. If, per policies flowing from the analysis of A. Jules E. Dupuit, price discrimination will be used to efficiently pay for the construction and maintenance costs of a bridge, then: (a) everyone will pay an equal toll. (b) people with more money will pay a higher toll. (c) each person will pay an amount that depends in part on how much they individually value being able to cross the bridge. (d) independent investors will pay for the bridge. (e) each toll will be proportional to costs.
139. Philosophies that view all government as an unnecessary and morally reprehensible instrument used by modern capitalist elites to oppress workers and the common people include: (a) secular humanism. (b) anachronism. (c) fundamentalist theocracy. (d) Christian socialism. (e) anarchism and syndicalism. (f) Utopian socialism.

140. The essayist who applied the term “the dismal science” to economics in response to John Stuart Mill’s *On Liberty*, and who was relatively inclined to espouse racism and view the institution of slavery in a favorable light was: (a) Voltaire. (b) the Marquis de Condorcet. (c) Thomas Carlyle. (d) President John Adams. (e) Adam Smith.
141. Marginalism and the idea that pricing reflects marginal utility and demand was a movement away from: (a) the quantity theory of money. (b) the “supply-side” orientation of the labor theory of value. (c) mercantilism. (d) Marx’s business cycle theory. (e) capitalism.
142. Defenders of capitalism would be most likely to favor distribution of income in accord with: (a) need. (b) Pareto’s law of distribution. (c) egalitarianism. (d) government policies. (e) contribution.
143. A. Jules E. Dupuit proved that if the marginal cost of crossing a public bridge were zero, then at the margin the efficient “toll” for crossing the bridge is zero. It would be inefficient to charge a price equal to average costs to people who gained trivially or very little by crossing the bridge. Dupuit’s proposed mechanism to efficiently secure total revenue sufficient to pay for the construction and maintenance of the bridge was (a) letting entrepreneurs bid for the right to build and operate the bridge, and giving the contract to the bidder who would charge the lowest toll. (b) price discrimination charging higher tolls to more desperate users. (c) progressive income taxes. (d) a per capita tax equal to total cost / population.
144. Alfred Marshall formalized and then popularized the analytical technique known as: (a) general equilibrium analysis (b) felicific calculus. (c) partial equilibrium analysis. (d) differential equations. (e) linear programming.
145. Thorstein Veblen launched a detailed inquiry into the practice of consumption and the formation of tastes in his: (a) *The Theory of Liquidity Preference*. (b) *The Theory of the Leisure Class*. (c) *The Theory of Value*. (d) *Inconsistencies Between The Theory of Money and Human Values*. (e) *The Real Wealth of Nations*.
146. Carl Menger’s *Principles* was intended as a refutation of the school of thought known as: (a) German historicism. (b) marginalism. (c) neoclassicism. (d) Keynesian theory. (e) logical positivism. (f) praxeology.
147. Critics would be least likely to identify as “market failures” specific to capitalism such problems as: (a) inadequate adjustments for negative externalities as pollution. (b) enormous disparities in the distributions of income and wealth. (c) inadequate market incentives for basic scientific research. (d) control over government policies by a small, highly inefficient, autocratic, and self-interested bunch of bureaucrats. (e) the promotion of competitive instead of cooperative modes of behavior.
148. In discussing the gold standard, John Stuart Mill expected that any deflation resulting from expansions of real national income that exceeded the growth rate of the stock of gold would cause: (a) deficits in that country’s balance of trade. (b) increases in the real wages of labor. (c) reduced reliance on foreign trade. (d) out migration of labor from the country. (e) increases in attempts to discover and produce gold.

149. The views of Hans K.E. von Mangoldt, and Joseph Schumpeter that were most uniquely anticipated by Richard Cantillon is their mutual emphasis on: (a) rejecting the predictions of Marxism. (b) agriculture and the “natural resources theory of value.” (c) the crucial economic roles played by entrepreneurs. (d) the distributive consequences of supply and demand.
150. Thorstein Veblen’s concept of conspicuous consumption suggests that: (a) people consume goods in direct proportion to the amount of income they receive. (b) people consume goods based solely on their biological needs. (c) decisionmakers’ consumption patterns accommodate the needs of their families. (d) the snob effect may cause demand curves for some high-status goods to be upward sloping because of the psychic income people receive by showcasing their wealth through ceremonial extravagance. (e) goods will be purchased only if priced lower than goods that generate as much marginal utility.
151. Economic thinkers who spent significant amounts of time contemplating the issue of land rent did **not** include: (a) Henry George. (b) Johan von Thünen. (c) David Ricardo. (d) Karl Marx.
152. The analytically operational concept of economic efficiency modern economists most commonly use was first explicitly stated by: (a) Aristotle. (b) Chadwick. (c) Nassau Senior. (d) Vilfredo Pareto. (e) Leon Walras.
153. The equimarginal principle illustrates why profit maximization requires: (a)  $MR = MC$ . (b)  $MPP_k = MPP_L = w = r$ . (c) charging desperate buyers the highest price possible. (d)  $MR = ATC$ . (e)  $P = MR$ .
154. Positive scientific hypotheses ( as opposed to normative economics) would most logically include such statements as: (a) people who murder with premeditation should be executed. (b) a woman without a man is happier than a fish without a bicycle. (c) General Macarthur was the greatest military leader of the 20<sup>th</sup> century. (d) beauty contests are sexist. (e) President Bush is three months pregnant.
155. Adjustments of prices and quantities to rectify disequilibria were a part of a process that Leon Walras termed: (a) *tátonnement*. (b) *mutatis mutandi*. (c) *ceteris paribus*. (d) *maximum maximorum*. (e) *cogito ergo sum*. (f) *fiat justitia, ruat coelum*.
156. The views of Thorstein Veblen most closely resemble important parts of the theories of: (a) Adam Smith. (b) Karl Marx. (c) John Stuart Mill. (d) John Maynard Keynes.
157. The idea that market adjustments automatically cure swings in business cycles is central to the ideas of: (a) Malthus and his population S-curves. (b) Schumpeter long waves. (c) Marxist cycles of exploitation. (d) classical and neo-classical macroeconomic theorists. (e) modern business psychology.
158. The individual most adamant in condemning the notion that utilitarian calculation is the foundation for human behavior would have been: (a) Jeremy Bentham. (a) Friedrich Wieser. (c) Alfred Marshall. (d) Thorstein Veblen. (e) John Maynard Keynes.

159. Irving Fisher is credited with developing the: (a) fundamental psychological law of consumption. (b) the equimarginal principle. (c) first definitive proof for Fermat's theorem. (d) equation of exchange [ $MV=PT$  or  $MV=PQ$ ] as a way to elaborate the quantity theory of money. (e) quantity theory of labor as an explanation for relative prices.
160. According to Karl Marx, economic history: (a) is determined by the interaction of Aggregate Demand and Aggregate Supply. (b) is the result of class struggles. (c) will reach its penultimate pinnacle when socialism replaces capitalism. (d) arises when new social and philosophical ideas are introduced into the economic structure.
161. According to neoclassical macroeconomics, unemployment indicates that the: (a) level of aggregate demand is inadequate. (b) wage rate of labor is too high relative to other prices. (c) unions need to raise wages to clear labor markets. (d) government needs to stimulate aggregate demand.
162. Explorations of the concepts of partial equilibrium analysis, elasticity calculation, consumer surplus, and producer surplus all originated in works that summarized neoclassical theories. These elegant concepts were authored by: (a) Arthur Cecil Pigou. (b) John Maynard Keynes. (c) Alfred Marshall. (d) William Stanley Jevons. (e) Thorstein Veblen.
163. According to the classical/neoclassical macroeconomic model: (a) output grows when the price level rises. (b) real output is unaffected by the money supply. (c) employment depends on the velocity of money. (d) growth of permanent income is impossible.
164. Leon Walras rejected the notion of "ceteris paribus" as an appropriate engine for analysis, and argued that meaningful economic analysis necessarily entails consideration of (a) comparative partial equilibrium states. (b) general equilibrium. (c) interactions between the political system and the economic system. (d) relationships among all social classes.
165. The idea that individuals optimize by making economic decisions at the analytical margin was first explicitly stated by (a) David Ricardo. (b) Plato. (c) Isaac Newton (d) members of the Nineteenth Century "engineering school" in France. (e) Adam Smith. (f) Aristotle.
166. An economic theory is **not** a "positive" theory in the sense described by John Neville Keynes (John Maynard's father) unless it is: (a) in accord with Occam's razor. (b) based on unanimously held value judgments. (c) proven to correspond to real world experience. (d) empirically testable, at least conceptually, for its truth or falsity. (e) pragmatically useful in maximizing the value of output, employment, and purchasing power.
167. The marginal productivity theory of income distribution was developed by John Bates Clark in the 1890s in part as: (a) a refutation of Karl Max's view that surplus value, which is the sum of interest, rent and profit, represents exploitation of labor. (b) an attempt to provide a ethical foundation for the establishment of socialism. (c) a proposal to amend the US Constitution to permit the progressive taxation of income. (d) an endorsement of John Locke's theory that property rights are grounded in the labor theory of value.

168. That some people would prefer extremely costly real fur coats to even higher quality, but much cheaper, visually indistinguishable *faux* (polyester?) fur coats is most reasonably an example of: (a) Adam Smith's theory of self-interest. (b) a snob (*or Veblen?*) effect. (c) a Utopian socialist distribution mechanisms. (d) John Stuart Mill's social theory. (e) Austrian "roundabout" theory.
169. Hysteresis as a process in which history unfolds in a manner that is *path-dependent* is **least** consistent with the methodologies and views of: (a) Heraclites, in his debate with Zeno about the forces of nature. (b) historicists, in their debates with analytical determinists. (c) the followers of Auguste Comte. (d) neoclassical economic theorists. (e) Thomas Malthus. (f) American institutionalism. (g) dialectical materialists. (h) Marxists.
170. The principle differentiation between Thorstein Veblen and his orthodox contemporaries is his view that: (a) biological and cultural change are equally important when studying evolution. (b) evolutionary change is almost exclusively biological. (c) evolutionary change is due to lots of factors. (d) evolutionary change is almost exclusively cultural.
171. Eugen von Bohm-Bawerk described the process wherein current production is diverted into the accumulation of economic capital, thereby delaying the possibility of consuming goods now, as: (a) roundabout production. (b) capitalistic exploitation. (c) circular flow. (d) specie flow. (e) articulation.
172. The American institutionalist who championed social and economic reform through regulation was: (a) John Rogers Commons. (b) Wesley Clair Mitchell. (c) Thorstein Veblen. (d) Clarence Ayers.
173. The most notable distinction between classical economics and neo-classical economics was incorporation of calculus into analyses, which revealed that optimality and efficiency require conformity with the: (a) laws of supply and demand. (b) equimarginal principle. (c) scholastic tradition. (d) thesis-antithesis-synthesis pathway.
174. Joan Robinson was not: (a) a prominent Marxist economist. (b) a friend of John Maynard Keynes and an advocate of Keynesian economic policies. (c) a developer of pricing theories for imperfectly competitive markets. (d) automatically in favor of most *laissez faire* economic policies. (e) the most renowned female economic theorist during most of the 20th century.
175. If, contrary to Pareto efficiency, some possible net gain remains unexploited because of a market failure or an inefficient government policy, then this failure is called a: (a) positive-sum gain. (b) negative-sum gain. (c) dead-weight loss. (d) negative-sum loss. (e) dead-weight gain.
176. Some theorists view wages, prices, and interest rates as rising more quickly and easily than they fall. The notion that wages and prices adjust **asymmetrically** to excess demands or supplies is most closely associated with (a) neoclassical economics. (b) modern monetarism. (c) Leon Walras' general equilibrium model. (d) classical macroeconomics. (e) Steven Hawking's reformation of the theory of entropy. (f) Keynesian theory.

177. The writer who described capitalism as a process of *creative destruction* and called the entrepreneur “the white hot fire that drives capitalism forward” was (a) John Stuart Mill (b) Carl Menger. (c) St. Thomas Aquinas. (d) Joseph Alois Schumpeter. (e) William Stanley Jevons.
178. Antoine Augustin Cournot’s grasp of the notion of “*ceteris paribus*” as an analytical technique was evidenced by his clear distinction between: (a) value in use and value in exchange. (b) production costs and value. (c) a change in demand and a change in quantity demanded. (d) workers and capitalists. (e) labor and non-human resources.
179. According to neoclassical macroeconomics, the Aggregate Supply curve in a market economy is roughly: (a) vertical at a full employment level of output. (b) horizontal at the current level of prices. (c) a 45 degree line from the origin of quantity/price space. (d) a rectangular hyperbola in price/quantity space. (e) the vertical sum of the marginal cost curves of all firms in the economy.
180. Keynesian theory accepts the classical and neoclassical theory that flexible wages, interest rates, and prices, combined with Say’s law, ensure full employment and a maximum value for output: (a) in the short run. (b) as long as government follows laissez faire policies. (c) but only if the government runs deficits to fight inflation and deflation. (d) in the long run, but in the long run we are all dead. (e) on average, but not at every instant in time.
181. A scholar who won the Nobel Prize in Economics for contributions to the theories of industrial organization, information, and regulation, observed that it appeared to be a “law” that no economic law is named after its original author: Paradoxically named after him, this proposition is now known as (a) Say’s Law. (b) Stigler’s Law. (c) Walras Law. (d) Keynes’ law. (e) Veblen’s law.
182. If the money supply doubled, the crude Quantity Theory of Money predicts a doubling in the: (a) demand for real money balances. (b) level of real GDP. (c) price level. (d) velocity of money.
183. Thorstein Veblen’s theory of consumption as grounded in basic human instincts as shaped by culture and social institutions reflects his rejection of the theory of: (a) emulation. (b) self preservation. (c) utility maximization. (d) conspicuous consumption. (e) social aggrandizement of the self.
184. The decline of classical economics was **least** related to the emergence of: (a) marginalism, which relied on calculus to transform classical economics into what is now known as neoclassical economics. (b) John Stuart Mill’s recantation of the wages-fund doctrine. (c) policy debates that questioned classical theory. (d) socialist governments in much of Western Europe.
185. Production functions in which marginal costs decline across all output levels that might be demanded at positive prices yield *natural monopoly*. The resulting welfare loss triangle commonly identified as an efficiency failure is most likely to be significantly reduced by: (a) nationalization of the industry. (b) antitrust actions requiring the break-up of the monopoly. (c) government sponsored auctions to allocate a right to monopolize to the lowest bidder. (d) price discrimination.

186. The concept that "demand creates its own supply" during a recession or depression is most consistent with: (a) marginalist theory. (b) Keynesian theory. (c) natural rate theory. (d) new classical macroeconomics. (e) Marxist analysis. (f) Say's law.
187. Several early Austrian economists asserted that increased preferences for current consumption over future consumption would be indicated by a: (a) higher interest rate. (b) more rapid rate of investment. (c) larger government budget surplus. (d) surplus in the balance of trade.
188. During the 1930s, the Marxist economist Paul Sweezy developed a theory that oligopolists often feared [1] that if they raised prices, they would lose market share because their competitors would not match the price hikes, and [2] that if they lowered prices, their competitors would match the price cuts and they would not gain market share. This model is known as the (a) kinked demand curve model. (b) asymmetric adjustment model. (c) duopoly pricing model. (d) prisoners dilemma.
189. Thorstein Veblen's view that deterministic orthodox economic analysis is not useful because incessant and unpredictable change causes behavioral adjustments based on erratic sociological and cultural factors is probably most compatible with a view of the universe first expressed by: (a) Zeno. (b) Plato. (c) Aristotle. (d) Heraclites. (e) Aphrodite.
190. The Great Depression finally ended when the U.S. government: (a) published John Maynard Keynes' *General Theory*. (b) started public works programs in 1933. (c) created the FDIC and Federal Reserve System. (d) entered World War II.
191. Indifference curves landed in modern economist's toolboxes after first being used to illustrate consumer preferences independently by: (a) Bertrand Russell and Alfred North Whitehead. (b) Crick and Watson. (c) Joan Robinson and Edwin Chamberlin. (d) Paul A. Samuelson and Knut Wicksell. (e) Francis Y. Edgeworth and Vilfredo Pareto.
192. According to John Neville Keynes, an economic theory is **not** a *positive* theory unless it is: (a) in accord with Occam's razor. (b) based on unanimously held value judgments. (c) proven to correspond to real world experience. (d) empirically testable, at least conceptually, for its truth or falsity. (e) pragmatically useful in maximizing the value of output, employment, and purchasing power.
193. Alfred Marshall believed that positive externalities can reduce resource costs or improve resource quality (technological advance?) so much that costs would fall as more firms entered the industry. He illustrated the possibility of negatively sloped long run supply curves with an example from the fishing industry. A more recent example of a decreasing cost industry might be: (a) oil. (b) real estate. (c) vintage wine. (d) computers. (e) major private universities.
194. According to classical and neoclassical macroeconomics, unemployment indicates that the: (a) level of aggregate demand is inadequate. (b) wage rate of labor is too high relative to other prices. (c) unions need to raise wages to clear labor markets. (d) government needs to stimulate aggregate demand.

195. Leon Walras believed that \_\_\_\_\_ would be the adjusting variable when markets were in disequilibria, while Alfred Marshall believed it would be \_\_\_\_\_. (a) quantity / price. (b) quantity / technology. (c) price / income. (d) price / quantity. (e) working hours / leisure time.
196. Wealth is a \_\_\_\_\_ variable while income is a \_\_\_\_\_ variable. (a) dynamic / static. (b) stock / flow. (c) temporal / non-temporal. (d) price / value. (e) supply / demand.
197. The theorist who, if alive today, would be **least** likely to join a fan club for an entrepreneur, was: (a) Van Mangoldt. (b) Richard Cantillon. (c) Joseph Schumpeter. (d) Thorstein Veblen.
198. Keynesian theory suggests that, during severe depressions, excessive unemployment can be reduced by increases in: (a) government purchases. (b) taxes on investment. (c) private thrift. (d) imports relative to exports. (e) wages and prices.
199. People who experience surpluses of money adjust by increasing their: (a) efforts to secure higher incomes. (b) consumption, or their outlays for financial or capital investments. (c) demands for money. (d) saving rates out of current income. (e) bank balances in checking accounts.
200. With freedom of entry and exit in a monopolistically-competitive market, long-run equilibrium is reached with firms: (a) earning zero economic profit. (b) producing where price equals marginal cost. (c) producing their most efficient output. (d) achieving large economic profits.

**Section 2: True=T. False = F.**

1. To the neoclassical macroeconomist there can be no long run involuntary unemployment in a *laissez faire* market economy. [True]
2. Among the most notable achievements of Antoine Augustin Cournot was his development of  $MR=MC$ , the profit maximization rule. [True]
3. In neoclassical macroeconomics, increased attempts by households to save drive down interest rates so that any short run excess saving is absorbed as investors invest more. [True]
4. Thorstein Veblen used American pragmatism to supplement Adam Smith's philosophy when he launched the Utilitarian Revolution. [False]
5. Among Alfred Marshall's most significant contributions to economic theory was his use of "*Ceteris paribus*" to simplify the problem of dealing with continuous change. [True]
6. According to John Bates Clark, there will be no pure economic profits in a purely competitive economy if all resources are paid the values of their marginal products. All income from production will be absorbed by resource payments. [True]
7. The early version of the Quantity Theory of Money assumed that velocity and the output level were fixed. [True]

**Section 3: Essay:** Restrict your answers to the space on the page on which they are printed.

1. Derive profit maximizing conditions for a firm from  $TR - TC = \pi$ , per A.A. Cournot.
2. List reasonably original major analytical contributions by Alfred Marshall [1842-1924] that have become standard parts of intermediate economics courses.
3. Identify up to three theorists or groups of theorists whose models rely primarily on rapid price adjustments to clear markets.
4. Identify up to three theorists or groups of theorists whose models rely heavily on quantity adjustments to changes in market conditions, at least in the short run.
5. Identify theories of consumer preferences of the following thinkers as exogenous [i.e., determined outside the economic system] or endogenous [i.e., determined in the economic system], and briefly describe the determinants specified as important by each theorist.
  - (A) Gary Becker [*“De Gustibus Non Est Disputandum”*].
  - (B) Edwin Hastings Chamberlin.
  - (C) Thorstein Veblen.
  - (D) William Stanley Jevons.
  - (E) John Kenneth Galbraith.
6. Describe the differences in the implicit assumptions about property rights and income distributions for two [or three] of these thinkers.
  - (A) Karl Marx
  - (B) John Stuart Mill
  - (C) John Bates Clark
7. Describe what you perceive as weaknesses in neoclassical macroeconomic theory.
8. Briefly discuss the important contributions to the structure-conduct-performance [S-C-P] paradigm made by:
  - (A) Joan Robinson
  - (B) Edwin Chamberlin

9. Explain why the theory of monopolistic competition is viewed by many economists today as more insightful than was this theory from the perspective of economists 25 years ago.
10. Outline the model developed by John Stuart Mill to defend use of a market-based gold standard that would require of government only that it coin money and prevent counterfeiting.
11. Explain why Say's Law may fail to invariably yield a full employment equilibrium in accord with the neoclassical macroeconomic model, and why Walras Law is consistent with the possibility that, in a recession, Keynes may be correct in asserting that "demand creates its own supply."
12. Use this page to explain why higher union wages will cause (a) unemployment according to Marshallian partial equilibrium analysis, (b) lower non-union wages in a two-sector model, and (c) lower national income and product in a Walrasian general equilibrium model.

**Extra Credit: 5 points each:** The 200X Nobel Prize for Economics was awarded to:

See [http://www.unc.edu/depts/econ/byrns\\_web/EC434/HET/nobelist.htm](http://www.unc.edu/depts/econ/byrns_web/EC434/HET/nobelist.htm).

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