

Economics 493/593
Fall 2007
Final Exam

Answer SIX of the following questions (25 points each):

1. Who were the Physiocrats? What policies did they advocate, and what problems did their policies address?
2. Explain Ricardo's theory of rent and the law of diminishing returns.
3. (a) Discuss Nassau William Senior's beliefs concerning positive and normative economics. (b) Discuss Nassau William Senior's views on the poor laws. What policies did he help to enact as a member of the Poor Law Inquiry Commission?
4. (a) What was Jevons' main contribution to the theory of exchange? (b) What is the water-diamond paradox? How does Jevons solve it?
5. Explain Clark's marginal productivity theory and how it was used to counter Marx's claim that labor is exploited under capitalism.
6. Show how Marshall used the idea of consumer surplus to analyze the welfare effects of taxes for the constant cost case. What did he conclude? Why does he believe we should tax increasing cost industries and use the proceeds to subsidize decreasing cost industries?
7. What is general equilibrium theory? What did Walras contribute to general equilibrium theory? What does this imply about how values are determined, i.e. the direction of causality between input prices and output prices?