

Economics 493

Midterm 1

Fall 2007

Outline of Solution

① I was looking for a discussion of five of the following seven factors:

- The 3 Field system of Ag
- The Increase in Long-distance trade
- The Putting Out System
- The Decline of the Manorial System
- The Enclosure Movement
- The role of Accumulation
- The rise of Nation States

② (a) Role of the State - discussion of the following three factors

- Protect Society Against foreign attack
- Administrate Justice
- Erect Public Works

(b) Looking for a discussion of

- The agreeableness of the job
- The cost of Acquiring Skills, Knowledge
- Regularity of Employment
- The Level of Responsibility
- The Probability of Success

③ Policy debates: discuss

Corn laws

Poor laws

and how they relate to the issues
Malthus investigates.

Population theory:

Pop grows geometrically

Food " Arithmetically

So, need checks on pop.

Preventive checks (Approved)

moral restraint ←

Vice

Positive checks (Punishment for
Lack of moral restraint)

Famine

Misery

Plague

War

Implication: No relief for poor (explain).

④

main features and policies to discuss

- wealth in world fixed, trade zero-sum game with winners/losers
- Gold/Silver most desirable forms of wealth
- Use Nationalism, Protectionism, Colonialization, strong central Government, monopolies on foreign trade to maximize the inflow of gold

Why Focus on Exchange?

- Guilds inefficient, so, protection not viewed as a way to ↑ wealth
- lots of regional P-variation and the great P-inflation lead to regional and intertemporal arbitrage
- Thus, get rich from trade, not production (at that time - mostly), so, exchange a natural place to focus.

Mon's Contribution

He argued that bi-lateral trade surpluses were not needed in every case, what was important was to maximize the overall trade surplus [explain/example].

⑤ First, looking for a description of how resources flow when $Mkt P > Nat. P$ so as to equalize the two prices (also, define $Mkt P$, $Nat. P$).
↳ {see below}

Smith was the first to recognize Capitalism's ability to coordinate economic activity to satisfy wants without any central direction

$Mkt P$: determined by SD

$Nat P$: Price that provides landlords, capitalists, and workers with rent, profit, and wages equal to the socially average rates of return.