

**Economics 493/593**  
**Fall 2007**  
**Midterm #2**

**Answer FIVE of the following questions (20 points each):**

1. Explain Ricardo's theory of distribution and why Ricardo believed that rent and profit are inversely related, and that that profit and wages are inversely related
2. (a) According to J.B. Say, what was the fourth factor of production? How did the addition of this fourth factor of production remove potential sources of class conflict from classical theory? (b) What is Say's law? What are the implications of Say's law? Did Marx believe in Say's law? Why or why not?
3. (a) How do Mill's views on utility differ from Bentham's? (b) According to Mill, what are the three types of goods? Which is the most common? (c) What are Mill's views on government intervention?
4. Define and explain the following modes of production: Capitalism, State Capitalism, State Socialism, and Marxian Socialism (including the six stages of production).
5. (a) How are exchange values determined in Marx's framework? (b) Explain Marx's theory of exploitation.
6. (a) What are the concentration and centralization of capital and how to they lead to the failure of capitalism? (b) Explain the three interpretations of Marx's belief that there would be increasing misery of the proletariat as capitalism develops.