

Economics 493/593
Fall 2008
Midterm #1

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

1. What are five factors important in the transition from feudalism to capitalism? Discuss each of the five factors.
2. Was mercantilism a workable and reasonable theory for the 1500 - 1750 time period? Why or why not? Why did the Mercantilists focus on exchange as the source of wealth? How did the treatment of the working class reflect the goals of the mercantilist framework?
3. Who were the Physiocrats? What policies did they advocate, and what problems did their policies address?
4. What is the main message of Adam Smith's book *The Theory of Moral Sentiments*? According to Adam Smith, what are the four stages of economic and social development? What are the characteristics of each stage?
5. What reasons did Adam Smith give for increases in productivity brought about by the division of labor? What is the most fundamental division of labor? How does productive labor differ from unproductive labor, and why did he make this distinction? Ultimately, what is responsible for the wealth of nations?