

**Economics 493/593**  
**Winter 2010**  
**Final Exam**

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

1. Why did the mercantilists focus on exchange as the source of wealth? What was Smith's focus, and why did Ricardo focus on distribution rather than production?
2. (a) According to Smith, why do wages differ across occupations? What was he trying to explain by making this distinction? (b) Why does Adam Smith believe in free international trade?
3. Explain Malthus's theory of gluts. What policy conclusions did he draw from the analysis? Briefly, did Ricardo agree? Why or why not?
4. (a) According to Mill, what are the three types of goods? Which is the most common? (b) How do Mill's views on utility differ from Bentham's?
5. (a) According to Marx, in the transition from slavery to feudalism to capitalism, how does each new system fool workers into working harder even though, in the end, they are no better off (i.e. still at subsistence)? (b) What are the reasons, according to Marx, for the falling rate of profit over time?
6. How does general equilibrium analysis differ from partial equilibrium analysis? What does Walras' general equilibrium analysis have to say about the determination of input and output prices, i.e. the debate over whether input prices cause output prices or vice-versa? What did previous thinkers say about causality between input and output prices?
7. (a) According to Irving Fisher, how is the interest rate determined? What competing forces are in balance when the interest rate is at its equilibrium value? (b) What is the Fisher equation? What is the Fisher hypothesis?













