Economics 265, Fall 2009

Final Exam: short essays

Answer one question from each of the following sections. Your answers should be similar in length to those you wrote for the midterm test. Please submit them by email to cottrell@wfu.edu by Friday, December 11.

DAVID RICARDO

(1) “The same rule which regulates the relative value of commodities in one country, does not regulate the relative value of the commodities exchanged between two or more countries.” (Chapter vii) Explain the reasoning behind this statement of Ricardo’s, and show how it relates to the idea of comparative advantage.

(2) “The quantity of money that can be employed in a country must depend on its value.” (Chapter xxviii). Explain what Ricardo means by this and why he holds it to be true. How does it relate to the Quantity Theory of Money as understood by, for example, Milton Friedman?

KARL MARX

(1) “Political economy has indeed analysed value and its magnitude, however incompletely, and has uncovered the content concealed within these forms. But it has never once asked why this content has assumed that particular form, that is to say, why labour is expressed in value.” (Capital, pp. 173–4). Marx does ask this: what is his answer?

(2) In Marx’s theory, the exploitation of the worker under capitalism takes two forms: absolute surplus value and relative surplus value. First, define these terms carefully. Second, consider the following: One might say that, for Marx, the production of relative surplus value, while in a sense worthy of moral condemnation, is at the same time the driving force for immense technical progress under capitalism. Explain this dual conception of Marx’s.