

Econ 7003 Qualifying Exam Questions – 2022

Answer two of the following three questions.

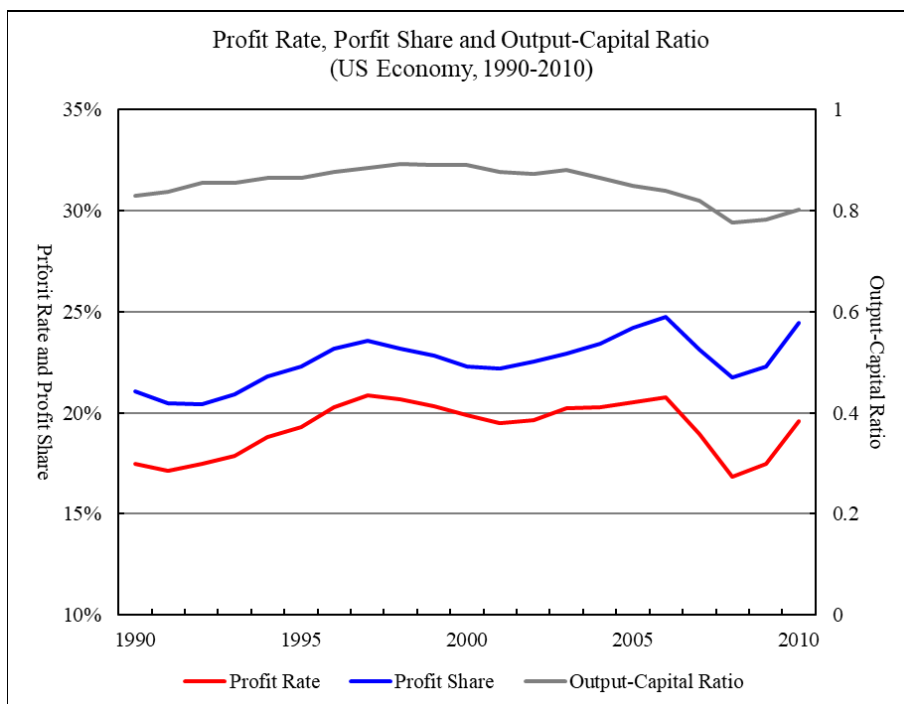
1. What are the possible collective costs of market exchange? Giving examples and using *Prisoner's Dilemma*, *Assurance* and *Chicken* Games as analytical benchmarks, explain how exchange can involve *collective action* and *coordination* problems.
2. Discuss Polanyi's conception of economic growth behind his theory of the *Double Movement*. What are *fictitious commodities* and what role do they play in this conception?
3. Using wage-profit diagrams, discuss
 - (i) the distinction Marx makes between absolute and relative surplus value;
 - (ii) his theory of distribution compared to the mainstream marginalist view;
 - (iii) why in his view capitalist technological change has a capital-bias,

Qualifier Exam Questions, Political Economy II

1. Based on your reading of Hayek and Stiglitz, make as strong an argument as possible that a socialist economic system with centralized planning inevitably performs worse than market capitalism. Based on your reading of Navarro and Allen, make as strong an argument as possible that a socialist economic system with centralized planning is the best among all possible economic systems for an underdeveloped country.

In your answer, make sure to clarify the definition of centralized planning and market, explain your criteria of economic performance, and define what is an underdeveloped country.

2. Consider the following graph (the variables are measured using methods and data sources explained in Econ 7004):



Use one or more than one of the alternative Marxian theories of accumulation and crisis (rising organic composition of capital, social conflict, or under-consumption) to explain the cyclical movements of the Marxian variables (see below) in this period. In your answer, use what you read from the relevant readings, your general knowledge of US economic development in this period, and some educated guesses.

Please note that the period includes two business cycles: 1990 to 2001 and 2001 to 2009 (trough to trough). For each of the two cycles, explain what in your view had caused the rise or fall of the profit share, output-capital ratio, and profit rate. In case you choose to use more than one theoretical approach, make sure the approaches you use are empirically and theoretically compatible with each other.

Answer Keys

Question 1

- (a) Critique of socialism: defining market and planning; information, incentives/motivations, innovation (25 points)
- (b) Arguments for Socialism: underdevelopment; mobilization of surplus labor force; positive externalities from investment; basic needs (25 points)

Question 2

- (a) Three different Marxian theories (10 points)
- (b) 1990s: rising output-capital ratio; cyclical movement of profit share (profit squeeze); drives cyclical movement of profit rate (20 points)
- (c) 2000s: rising profit share/falling output-capital ratio in early cycle; possible under-consumption; burst of bubble, decline of capacity utilization, drives falling output-capital ratio/profit rate after 2006 (20 points)

2093:

Q1 40; Q2 45; 85; pass

2682:

Q1 45; Q2; 45; 90; pass

8573:

Q1 (largely) misses Allen 40; misinterprets 2nd half of 1990s 45; 85; pass