

**UNIVERSITY OF VICTORIA**  
**FINAL EXAMINATIONS APRIL 2006**  
**ECONOMICS 338 SO1**

INSTRUCTOR: MALCOLM RUTHERFORD

DURATION: 2 HOURS

TO BE ANSWERED IN BOOKLETS

THIS QUESTION PAPER HAS **TWO** PAGES

**Answer ANY THREE of the following questions.**

*Do not use note form. Answers should be written in sentences and constitute a properly constructed answer to the question as asked. Use diagrams where appropriate.*

1. Outline Jevons' treatment of valuation and exchange. How did Jevons treat production? Briefly indicate the problems in Jevons' discussion of exchange value.
  
2. Explain the concept of an external economy in Marshall. Why did Marshall think that a decreasing cost industry should be subsidized? Outline how the concept of an externality was developed and applied in the later literature.
  
3. What is the difference between cardinal and ordinal concepts of utility? Explain the ways in which Hicks was able to improve on Marshallian demand theory with the application of indifference curve analysis.
  
4. Outline the major criticisms of the neoclassical approach provided by Thorstein Veblen. How did Veblen's view of business enterprise differ from Marshall's? Briefly outline other contributions provided by members of the institutionalist group.
  
5. Explain Sraffa's criticism of Marshall's decreasing cost industry case. How did Joan Robinson develop Sraffa's critique? Outline her discussions of imperfect competition as applied to goods markets and labour markets.
  
6. What is meant by Say's Law? How was Say's Law apparent in the neoclassical literature

before Keynes' *General Theory*, and what criticisms of Say's Law did Keynes provide?

7. Outline the principal components of the Keynesian model of macroeconomic equilibrium (three diagram model). What were the key components of this model in Keynes' explanation of persistent unemployment? Why did Keynes feel that his results would hold even if wages and prices were flexible? What implications for monetary and fiscal policy came from the model?

**END**