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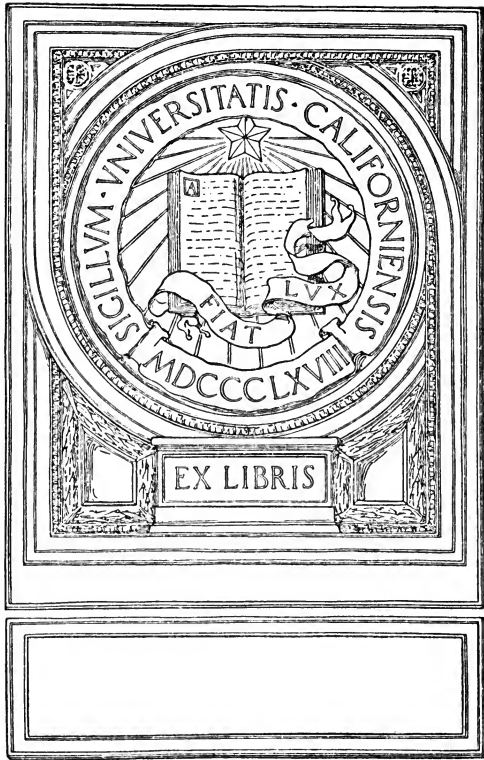
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PROBLEMS AND EXERCISES

TO ACCOMPANY

CLAY'S ECONOMICS FOR THE
GENERAL READER

AND

ELY'S OUTLINES OF ECONOMICS

BY

H. GORDON HAYES

Professor of Economics in Ohio State University

New York

THE MACMILLAN COMPANY

1922

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PREFACE

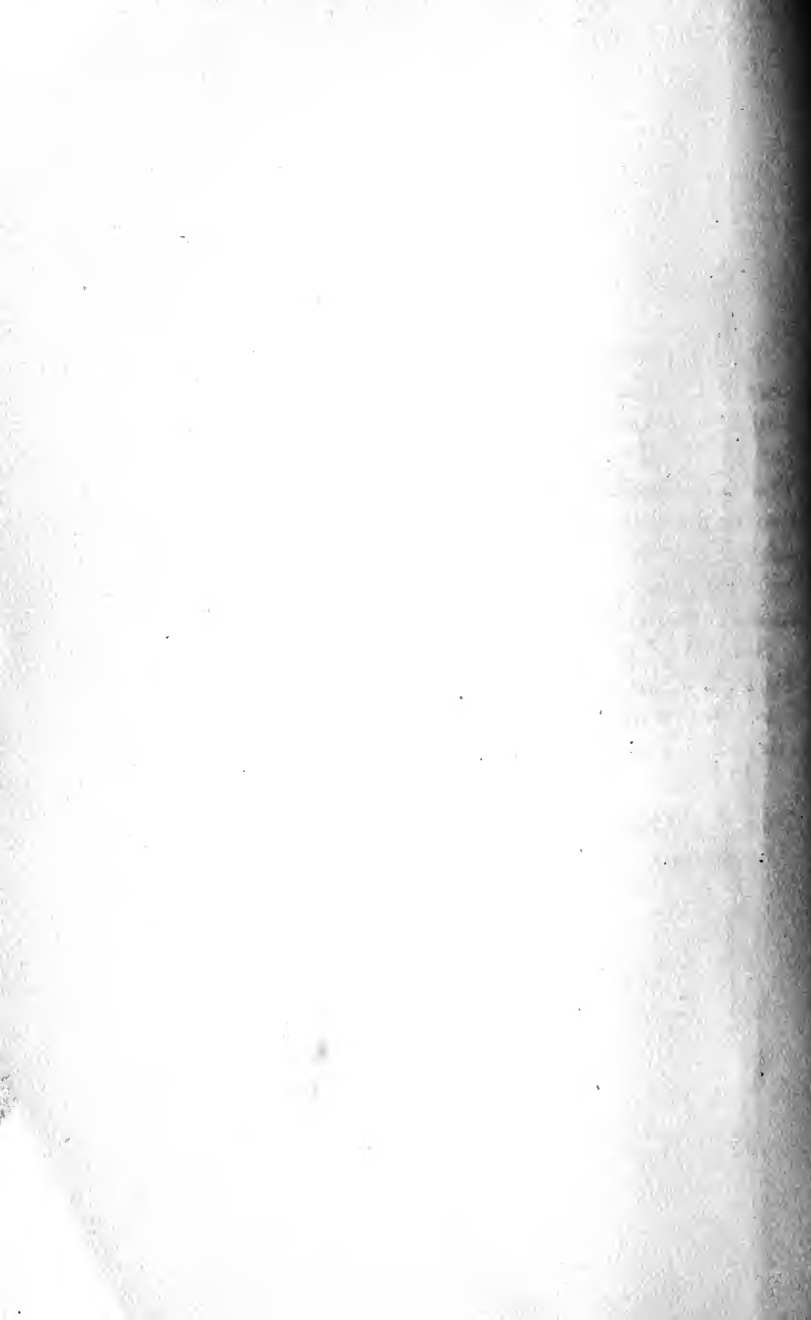
THESE problems were prepared during the past school year for the use of students in Elementary Economics at Ohio State University in connection with Clay's *Economics for the General Reader* and Ely's *Outlines of Economics*. The arrangement follows the order of assignments in the two books that has been found satisfactory. Obviously, the subject matter of the outline and, to a considerable degree, its arrangement were determined by the contents of the two books rather than by the judgment of the author.

Several of the problems are taken from Professor F. M. Taylor's *Principles of Economics* and from his examination lists. A few are taken from the author's *Problems and Exercises in Economics* published by Henry Holt and Company.

H. GORDON HAYES.

Columbus, Ohio.

September, 1921.



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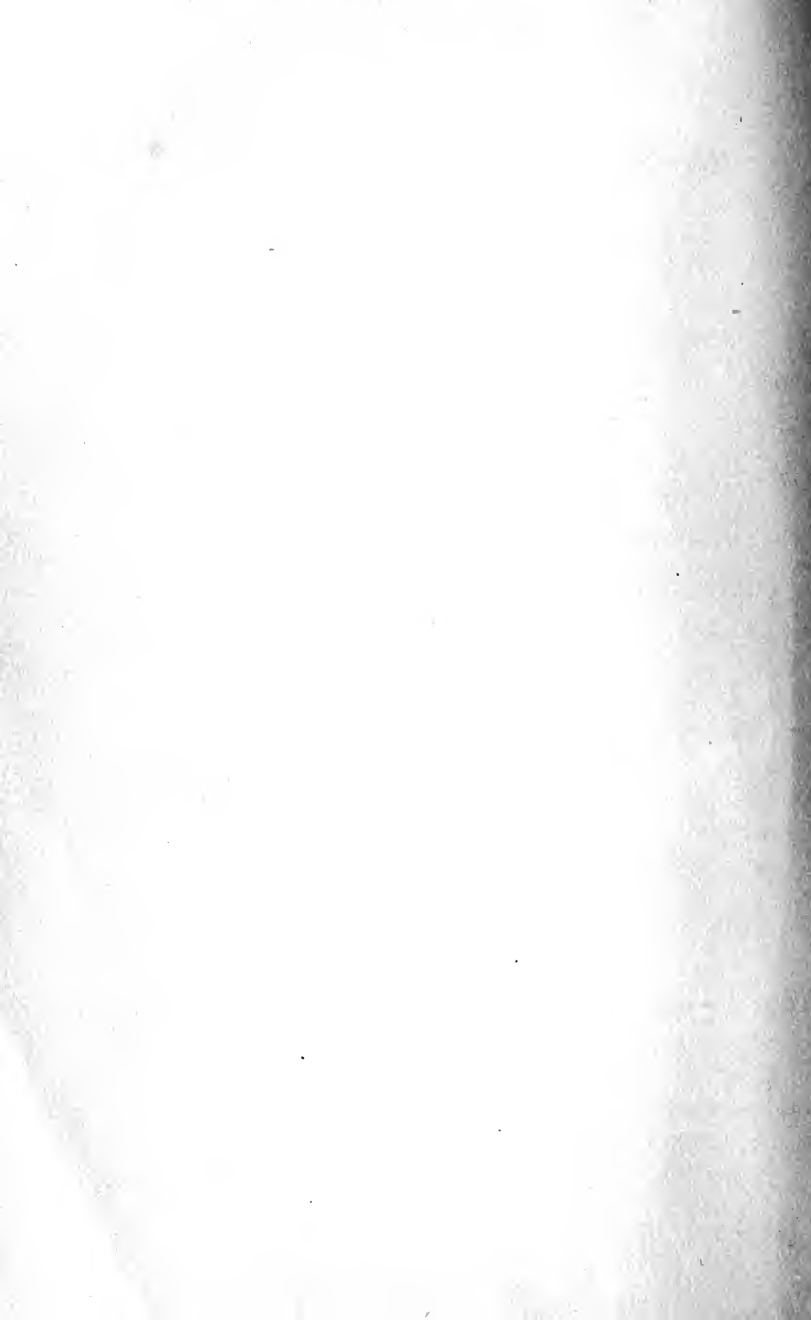
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PROBLEMS AND EXERCISES
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PROBLEMS AND EXERCISES

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ELY'S OUTLINES OF ECONOMICS

I. INTRODUCTION

A. INTRODUCTORY

Clay, Ch. I

1. 1. "Some study of Economics is at once a practical necessity and a moral obligation." Explain and illustrate each of these two points.

2. 2. "We are seeking principles in our study of economic problems." Why?

3. 3. "This is all right in theory but it won't work in practice." Explain what is meant. Show that this is an unfortunate statement.

4. 4. "Explanation is not justification." Illustrate.

B. THE NATURE AND SCOPE OF ECONOMICS

Ely, Ch. I

5. 1. What is the objective point of the science of economics? Is it to teach individuals how to get rich? Discuss.

6. 2. Did the rise in wages from 1915 to 1920 indicate social improvement or the reverse? Did this wage increase mean a hardship to any one class? Explain.

7. 3. "Our economic society is an evolutionary

2 PROBLEMS AND EXERCISES IN ECONOMICS

product." What is the significance of this statement to students of economics?

8. 4. "If the supply of an article is reduced the price of that article will tend to rise." Is this an economic law? Cite three statutory laws that deal with economic phenomena.

C. THE CHARACTERISTICS OF THE PRESENT ECONOMIC SYSTEM

Ely, Ch. II

9. 1. Does the State participate in economic activity to a greater or a less degree than it did thirty years ago? Account for the change if any.

10. 2. "The degree to which the division of labor (specialization) is carried depends upon the extent of the market." Is this true? Discuss.

11. 3. What does Ely mean by *exclusive control* in his definition of private property? Does he mean that the State is excluded from control? Explain.

12. 4. Give several illustrations to show the distinction between negative and positive freedom.

13. 5. "The automatic character of the present industrial system manifests itself thru competition." Explain.

14. 6. Is there any competition between book publishers and automobile manufacturers? Theatre managers and hat manufacturers? Physicians and music teachers? Explain.

15. 7. Account for the tendency toward monopoly.

D. THE EVOLUTION OF ECONOMIC SOCIETY

Ely, Ch. III

16. 1. Account in a general way for the fact that the arrangements under which society makes its living change from time to time.

17. 2. Why did the feudal (manorial) system give way to the gild system? The gild system to the domestic system?
18. 3. Have we anything in our economic system today that is mercantilistic? Explain.

E. THE EVOLUTION OF ECONOMIC SOCIETY (*Continued*)

Ely, Ch. IV

19. 1. Just what was the industrial revolution? When did it take place?
20. 2. Were the mechanical inventions at all responsible for the demand that government restrictions on industry should be withdrawn? Discuss.
21. 3. Argue that the policy of *laissez-faire* was more justifiable before than after the industrial revolution. Did Adam Smith's advocacy of liberty precede or follow this revolution?
22. 4. Does the policy of *laissez-faire* prevail with us today? Illustrate.

F. THE ECONOMIC DEVELOPMENT OF THE UNITED STATES

Ely, Ch. V

23. 1. Argue that sectionalism has been well nigh inevitable in the U. S. May we expect more or less sectionalism in the future than we have had in the past? Why?
24. 2. What is our population according to the 1920 census? Compare the increase during the last decade with the increase for the preceding decades.
25. 3. Is the movement to the city due to economic factors? Discuss.
26. 4. What are the economic and the non-economic factors in the negro problem? In the immigration problem?

4 PROBLEMS AND EXERCISES IN ECONOMICS

27. 5. What are the terms of the immigration law effective July 1, 1921? Account for the passage of this law. What arguments were urged against its passage?

G. THE ECONOMIC DEVELOPMENT OF THE UNITED STATES— (Continued)

Ely, Ch. VI

28. 1. Why did the laws restricting industrial activity fail dismally in the American Colonies?

29. 2. "The industrial change which was a *revolution* in England was an *evolution* in America." Account for this difference.

30. 3. Have we in America suffered any from the factory system? Discuss.

31. 4. How has the corporation worked toward the concentration of industrial control?

32. 5. Distinguish between centralization and integration of industry.

33. 6. Discuss the advisability of maintaining a *laissez-faire* policy in regard to transportation.

34. 7. Note Ely's statement at bottom of page 94. Do you agree? Discuss.

H. ELEMENTARY ECONOMIC CONCEPTS

Ely, Ch. VII

35. 1. Have you ever engaged in economic activity? If so, what motive, or motives, prompted you to do so?

36. 2. Make a list of the motives to business activity that perhaps characterize (a) a student canvasser; (b) a college graduate entering a profession; (c) a manufacturer; (d) an actor; (e) an unskilled street laborer.

37. 3. What motives to business activity are most worthy; least worthy?

38. 4. "A leading motive to the economic activity of the rich man in business is the desire to win the game." Do you agree? If so, do you believe that this should be added to Ely's list?

39. 5. "Economic goods are those in the use of which society must economize." Do you accept this as sound? Compare with Ely's definition.

40. 6. Show that waiting is involved in the production of a pair of shoes.

41. 7. Name a good the production of which involves but little risk; one that involves considerable risk. Is the risk in the second one usually eliminated by insurance?

42. 8. "Wealth consists of material things. A property right is the liberty to enjoy benefits of wealth."

a. How does this terminology compare with Ely's terminology on page 109?

b. If a government bond were destroyed, would the wealth of the country be reduced? A farm mortgage? A share of stock in the Big Four Railroad?

c. Is there any reason for not taxing both a farm and the mortgage held against it? Both a corporation's plant and the shares of its capital stock held by the owners?

43. 9. May a violin be both a production good and a consumption good? Explain.

44. 10. Give illustrations of each of the categories indicated in Figure 1, page 111.

45. 11. Explain the point, page 113, in regard to the inclusion of railways in the estimation of national wealth.

46. 12. Is the production of an automobile truck an addition to the national income or to the national product?

II. THE PRODUCTION AND CONSUMPTION OF WEALTH

A. THE CIRCULATION OF WEALTH

Clay, Ch. XII

47. 1. "The immediate test as to whether an article or a service is wealth is, does it command a price." Is this statement in agreement with Clay? Discuss.

48. 2. What is the test as to whether one is at all parasitic economically? Illustrate.

49. 3. Why speak of the value of a house as "so many years purchase of the rent it will yield?"

50. 4. Show the effect upon the demand for farm products of an increase in the efficiency of coal miners; the effect of an increase in the supply of farm products upon the demand for coal in manufacturing industries.

51. 5. "Supply is demand, demand is supply." Explain.

52. 6. If we should cease to employ domestic and personal servants, what would be the long time effect upon the volume of employment? The short time effect?

53. 7. "Opposition to the introduction of labor saving machines is not due to the possible long time effect, but to the possible short time effect." Is this sound? Explain.

54. 8. "The introduction of machinery tends to be to the immediate advantage of the employer; the immediate disadvantage of the employee; the ultimate advantage of the entire society." Is this sound? Explain.

B. PRODUCTION

Ely, Ch. VIII

55. 1. "The only real producers are the miners, lumbermen, and farmers; for they are the only ones who add something to the total wealth." Show that there is no essential difference in the contribution of the farmer, the miller, the baker, the grocer, and the delivery man.—T.

56. 2. A country inn-keeper hires a man to cripple the automobiles of the passers-by. Is this man a producer?

57. 3. "The car company was not responsible for the accident, but I got \$800 damages for my client. I kept \$400."—A lawyer. Did the lawyer render productive services in pleading this case? Discuss fully.

58. 4. Show that most of the productive work in a community must result in social service.

59. 5. "Capital is the product of labor and nature, so it should not be said to be an independent factor." Discuss.

60. 6. Did we abstain (postpone consumption) when we constructed the Panama Canal? If so, from what?

61. 7. "The common pursuit of forestry as a private business almost had to wait until capital became relatively very abundant." Why should this be true of forestry more than of wheat raising? What is the meaning of "capital" in this statement?—T.

62. 8. How are the relative amounts of labor that are devoted to producing bread and the equipment for producing bread determined? What would happen if we should tend to have relatively too much of the one and too little of the other?

63. 9. Select three illustrations of the localization of industry from the list given on pages 128 and 129 and specify which of the causes are applicable in each case.

C. THE DIVISION OF LABOR

Clay, Ch. II

64. 1. (a) Estimate the number of persons that have co-operated in the production of one suit of clothes.

(b) Estimate the time which it would take you to make a suit if you were to do all the work alone. How long would it take you to earn enough money to buy a suit?

65. 2. "By our planning the work minutely the laborers produce more than would otherwise be possible."—A manufacturer. Is careful specification by the manufacturer thereby justifiable? Explain.

66. 3. Specify in detail what gains might accrue from the combination of two furniture factories each employing 400 men? What losses?

67. 4. Should you expect the aeroplane and the wireless telegraph to influence the degree of specialization? Explain.

68. 5. (a) "The political boundary lines in Europe are a great hindrance to the extension of the division of labor." Does this seem to be reasonable? Explain.

(b) If each one of our states were a separate nation, would we be likely to have less specialization than we have today? Explain.

69. 6. What tends to be the effect of harbor facilities, steamships and cables upon specialization? The effect of a protective tariff? Explain.

D. THE ORGANIZATION OF PRODUCTION

Clay, Ch. III

70. 1. Contrast the method of co-ordinating the various specialists in our industrial system with the method of co-ordinating the various specialists in a drafted army.

71. 2. "This firm pays its laborers 80 cents an hour and charges its customers \$1.50 an hour for the laborer's services. It either underpays the laborers or overcharges the customers." Discuss.—T.

72. 3. Argue that the presumption is that the existing middlemen are (1) performing a necessary function, (2) at a reasonable cost to consumers. If they are not, what would tend to happen?

73. 4. Why doesn't the farmer sell his produce to the consumer? Why doesn't the grocer buy directly from the farmer? Why don't the manufacturer and consumer work together to eliminate the middleman?

74. 5. Name an "organizer" who was appointed by the government; one who has appointed himself. Can one who is the organizer of an industry because of inherited wealth or family connection be said to be self-appointed? Discuss.

75. 6. It is sometimes said that the appointment of relatives to positions of responsibility by the head of a business tends to reduce the efficiency of the labor force. Is there any reason why this should be true?

E. CONSUMPTION

Ely, Ch. IX

76. 1. A householder has six tons of coal in his basement. The price of coal becomes nine dollars per ton. Under what conditions will he sell a ton? Buy a ton? Buy three tons?

77. 2. A farmer has thirty bushels of potatoes. Show that the lowest price at which he will sell a bushel represents the marginal utility of a bushel of potatoes to him.

78. 3. Explain in terms of this chapter the fact that air is essential to life and yet without value.

79. 4. "I cannot now afford to keep a servant."—A

housewife. Restate this using the term "utility." This condition may have been brought about by a rise in the wages of servants or by a reduction in the income of the housewife. Is the value principle the same in either case?

80. 5. (a) One is to spend 70¢ for a meal at a cafeteria. Discuss the conduct of this person as he is making his selection, using the terms "utility" and "marginal utility."

(b) If he has \$3.50 to begin with, discuss his conclusion to spend 70¢ for dinner using the terms "utility" and "marginal utility."

81. 6. Explain in terms of this chapter the advisability of carefully apportioning one's income in advance of its receipt. Is this inadvisable for any reason?

82. 7. "The cost of waging war is the utilization of labor services and raw materials." Is this true? At what time are these furnished? Would the cost of the late war be altered if all the government bonds which were issued should be repudiated? Explain.

83. 8. "Bonds which were issued to get money with which to construct the Panama Canal are still unpaid." Argue that this does not mean that the cost of building the canal was shifted to a later generation.

84. 9. Number 5, page 149 in Ely.

85. 10. "Those who speak of diamonds having no use value, and of food having infinite use value, must be drawing their ideas not from the lives of men but from the life of cattle." Smart, *Theory of Value*, p. 22. Compare this statement with the quotation from Adam Smith in problem 6, page 149 in Ely.

III. VALUE AND PRICE

A. VALUE AND PRICE

Ely, Ch. X

86. 1. Illustrate the dependence of individual welfare upon price relations by noting the effect of possible changes in certain prices upon farmers, unskilled laborers, professional men, and employers.

87. 2. What are the principal factors that are tending to make our markets world-wide? What forces operate to check this tendency?

88. 3. "A man does not spend a dollar for one good when he would rather spend it for some other good." Is this similar to the point made by Ely on page 157? Explain.

89. 4. If the price of wood were \$18 per cord, 200 cords would be bought. If the price were \$12 per cord, 320 cords would be purchased, and if the price were \$8 a cord, 440 cords would be taken. Construct a diagram, similar to the one on page 158, to show these facts.

90. 5. If the number of cords of wood that would be purchased at the prices indicated in the above problem were 200, 300, and 400 respectively, would there be greater or less elasticity in the demand for wood than when the purchases would be as first indicated.

91. 6. Is the demand for table salt more or less elastic than the demand for carrots? Draw curves to illustrate the demand for each.

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92. 7. Explain the fact that it may be to the economic advantage of cotton growers to destroy part of the cotton crop. Illustrate this point by means of a demand curve.

93. 8. If the price of wood were \$18 per cord, 400 cords would be sold. If the price were \$12, 320 cords would be sold; if \$8, 100 cords would be sold. Construct a diagram similar to the one on page 163 to show these facts.

94. 9. Combine the diagram just drawn with the diagram for problem 4 above, into a diagram similar to the one on page 164. What sum of money will be represented by the area APMO?

95. 10. If the number of cords offered for sale were 400, 350 and 280 at the prices indicated in problem 8, would the supply be more or less elastic than if the first set of figures indicate the state of the market? Draw a curve to show this supply. How does it compare with the curve drawn in 8?

96. 11. Assume the following supply and demand schedule:

Supply	Price	Demand
13,000	\$9	1,000
11,000	8	3,000
8,000	7	6,000
7,000	6	7,000
3,000	5	8,000
1,000	4	9,000
0	3	10,000

a. What price will be set? Why? Show that the price could not be other than this so long as the conditions of supply and demand are as indicated.

b. Draw a diagram similar to the one on page 164 to show the facts indicated by this schedule. What sum of money will be represented by the area APMO?

c. If the prices at which the various increments of supply will be offered for sale represent the cost of producing the various increments, what area in the diagram will indicate cost? Profit?

d. If the demand should increase by one-third at each figure, what price would be set? A larger amount would be supplied then, but would the supply curve be altered?

e. If the conditions back of supply should be altered so that 8,000 units were offered at \$5, buyers would take 8,000. Could it properly be said that the demand curve had changed? Explain.

97. 12. "During the war the demand for houses exceeded the supply." Explain this statement. Show that it is meaningless unless a certain assumption is made.

B. VALUE AND PRICE (*Continued*)

Ely, Ch. XI

98. 1. Show just why it is that the price of lead pencils tends to equal the expense required to produce them. Under what condition might price be above expense for a short time? For a long time? Below expense for a short time? Could the price of lead pencils be below the expense of production for a long time? Could the price received for hotel service be below the expense of furnishing such service for a long time? Explain.

99. 2. If the price of a particular product is below expense of production, why is it not necessary for many producers to withdraw from this field?

100. 3. How are the wages in the skilled trades kept approximately equal? The earnings of professional men?

101. 4. "We may expect the price of meat to increase steadily." Why?

102. 5. Draw a curve to represent an increasing expense good; a decreasing expense good; a constant expense good. Draw demand curves upon these supply curves and note the

effect upon price in each case if demand should increase, that is, if the demand curve should shift to the right.

103. 6. Put the facts that are indicated in the diagram on page 176 in the form of a supply schedule (see problem 11 in the set above).

104. 7. "We can only afford to pay twenty cents per unit for the first fifteen units produced each day, but we can afford to pay twenty-five cents per unit for additional units."—A manufacturer. Why is this true?

105. 8. What items determine the fixed expense in the operation of a given number of street cars each day? The variable expense?

106. 9. "I was the first manufacturer in the United States to adopt the idea of dumping surplus goods upon the foreign market. Thirty years ago I was not making money. My manufacturing plant was not running to its full capacity. I couldn't find a market for my products. . . . My experts figured that it would increase our cost 2% to increase our production 25%. On this basis I sent a man to Europe, who sold lamps there at a price less than the cost of production in Europe."—Thomas A. Edison, quoted in the *Wall Street Journal*, December 20, 1911. Explain the difference between the increase in cost and the increase in output. Argue that it was to the advantage of American consumers to have Edison sell lamps abroad at a price below the price charged in America for similar lamps.

107. 10. Argue that it is to the advantage of householders that electric light plants should furnish current to industrial plants at a rate below that charged to householders.

108. 11. Name two goods that differ greatly in the degree to which the expense of their production is a fixed rather than a variable expense. In the case of which of these will the selling price more nearly correspond at all times to the total expense of production? Why?

109. 12. a. What is the normal price of cotton fiber and cotton seed?

b. If the price of cotton seed oil should rise, what would tend to be the effect upon the price of cotton fiber? Why?

c. If the cost of raising cotton should increase what would determine the relative effect of this upon the price of cotton fiber and cotton seed? Explain.

110. 13. Should one say that two books published by one company are produced at joint expense? That the lamps sold by Edison in Europe and those which he sells here are produced at joint expense?

111. 14. What would tend to be the effect upon the price of beef of a customs duty on the import of hides high enough to discourage their importation? Explain.

112. 15. One hundred ladies' suits which are now out of style remain unsold.

a. What will determine their price if the stock is divided among competing merchants?

b. Will the cost that was incurred in producing them, or the cost that would be incurred in producing others like them, determine the price? Will it influence the price? Explain.

113. 16. There are a fixed number of building sites within a mile of the University campus. What determines the various rental prices that are placed upon these sites? Is the cost of producing them an item? If an additional tax should be levied upon these lots would the rental prices be altered thereby? Explain.

C. MONOPOLY PRICE

Ely, pp. 189-190; 201-207

114. 1. "The power of the monopolist resides in his power to limit supply." Is this sound? Discuss.

115. 2. What are the objections to monopoly? Specify carefully.

116. 3. (a) Draw a supply and a demand curve using the data in the table at the top of page 202.

(b) What would be the price under competition? Under monopoly?

(c) Draw area (1) on your diagram to show monopoly profit.

(d) Draw a supply curve (2) on your diagram to indicate conditions after a tax of one cent per unit is imposed. Draw area (3) to show monopoly profit after this tax is imposed. What will the price be then?

(e) Draw areas upon your diagram to show that a fixed tax upon the monopoly will not lead to a change in price.

(f) What would be the effect upon the original monopoly price if a tax of 20% were levied upon the monopoly profits? Explain by reference to your diagram.

117. 4. Draw a supply curve and upon it draw two demand curves (1) and (2) making (2) represent a demand much less elastic than (1). Draw areas to show monopoly profits if demand is as indicated by (1); by (2).

118. 5. Do you agree with Ely that the class prices charged by the American railroads is an example of monopoly prices? Would this practice prevail among competing roads? Does it differ essentially from the practice of certain hotels in charging different prices for food in different dining

rooms? From the practice of furniture firms in charging different prices for different styles or kinds of furniture?

119. 6. Do a surgeon's charges illustrate the class price principle? A book publisher's prices?

D. VALUE

Clay, Ch. XIV

120. 1. Why does Clay discuss "the problem of value" rather than the problem of price?

121. 2. In what kind of a society should you expect all economic goods to exchange for each other in proportion to their labor cost?

122. 3. Why has the argument of the exponents of the labor theory of value necessarily become a circle?

123. 4. How have the advocates of the cost of production theory of value measured cost? By taking cost of production to the most efficient producer, the least efficient producer, or the producer of average efficiency? Discuss.

124. 5. Argue in support of the proposition that an increase in cost of production influences price through decreasing supply as compared with what it was or would otherwise have been.

125. 6. If the cost of manufacturing a certain grade of cotton cloth is increased by the imposition of a tax of two cents per yard, will price tend to rise? Explain.

126. 7. If the most efficient manufacturers of cotton cloth are making 25% upon their investment, and the least efficient or marginal producers are making 7%, will the price of cotton cloth tend to rise if the government, through taxation, confiscates all profit above 20%? Explain.

127. 8. "The excess profits tax law was enacted in October, 1917. When did the marked rise in prices begin? The tax was greatly reduced in 1919, yet prices went on increas-

ing until they stood at 238 in December as compared with prices at 100, in 1913, and at 266 in April, 1920. They began falling in the summer of 1920 without any further change having been made in the excess profits tax. Facts thus bear out the abstract reasoning of the economists." Develop the argument that excess profits taxation will not increase prices.

128. 9. What is the circle in the cost of production theory? How does Clay break it?

129. 10. What are the real costs of building a house?

E. VALUE (*Continued*)

Clay, Ch. XV

130. 1. Which is of the more importance in the construction of a house, rough boulders for the foundation or a name plate for the door? Account for the relative prices of a boulder and a name plate?

131. 2. Why does the labor service of a coal miner sell for so much less than the labor service of a mining engineer?

132. 3. The price of oranges is five cents apiece.

a. Show how marginal utility of oranges comes to be five cents to all users.

b. Show how the actions of buyers may make the price and the marginal utility of oranges ten cents; four cents. Will the marginal cost of oranges change accordingly? Explain.

c. Show how the actions of sellers may bring about similar changes in price and marginal utility.

F. SPECULATION AND PRICE

Clay, Ch. IV

133. 1. Assume that the price of wheat is \$1.50 in November and that it will be \$2.00 in January if speculators remain out of the market. Draw a supply and demand curve to show the first price; one to show the second price. Draw

additional curves to show how speculative dealing will raise the price in November and lower the price in January.

134. 2. What are the characteristics of the speculator who is a public benefactor? Of one who is not?

135. 3. A miller buys 10,000 bushels of wheat at \$1.00 in October to grind into flour, expecting to market the flour in December. The cost of carrying the wheat during this milling period is three cents per bushel.

a. What risk does the miller run if he is unable to sell his flour in advance? How will the speculative wheat market enable him to escape this risk?

b. We should expect the October price of December wheat to be \$1.03. Why?

c. If the miller sells short 10,000 bushels of wheat at \$1.03 for December delivery will he gain or lose on this "future" transaction if wheat is \$1.08 in December? How much?

d. Will he gain or lose on his flour if the price of wheat is \$1.08 in December? How much, assuming that the price of flour follows the price of wheat closely?

e. Argue that speculation as illustrated here tends to lower the price of flour.

136. 4. It has been said that the chief functions of speculation are: (1) to establish proper price; (2) to secure the bearing of the risk burden in the easiest and cheapest way. Show how each of these ends is secured.—T.

137. 5. Does stock exchange speculation in automobile stocks tend in any way to lower the prices of automobiles? Explain.

138. 6. A man buys a parcel of land for \$11,000. He sells it the following year for \$30,000. Is it socially justifiable that this man should make this gain on this transaction? Was his action a service? Discuss.

139. 7. Why is gambling socially pernicious?

IV. THE ORGANIZATION OF BUSINESS ENTERPRISE

A. CAPITAL AND ITS ORGANIZATION

Clay, Ch. V

140. 1. According to Clay's definition are the following capital: a factory building, the land on which it is built, an auto truck, a pleasure car, a dwelling house, a lawn, household furniture? Which of these does the usual business man designate as capital?

141. 2. How could you assist in the accumulation of capital? How could our society further encourage the accumulation of capital?

142. 3. X and Y form a corporation putting in \$5,000 each. The business fails with assets of \$6,000 and debts of \$13,000. How much do X and Y lose? The creditors? Is it right that the creditors should lose so much, especially if X and Y are rich and the creditors are poor? Discuss.

143. 4. Is preferred stock more like common stock or bonds? Explain.

144. 5. What service is rendered by a stock broker? Explain.

B. BUSINESS ORGANIZATION: THE CORPORATION

Ely, pp. 212-230

145. 1. "The assets side of a balance sheet shows the actual wealth that is owned or controlled by the business unit.

The liability side of a balance sheet shows the ultimate ownership of the assets." Is this statement in accord with Ely's statement? Explain.

146. 2. Why are the two sides of a balance sheet always exactly equal? Could they be different? Explain.

147. 3. How would the balance sheet on page 213 be altered:

a. If a fire should destroy \$20,000 worth of uninsured goods?

b. If \$10,000 of accounts receivable should prove to be worthless.

c. If this concern should reduce "profits" by \$20,000 and increase "capital" by \$20,000, would this mean over-capitalization? Explain. Would the stockholders receive an "income" as a result of this change?

d. If this concern should make \$17,000 how would the balance sheet be affected?

e. Suggest a change in the balance sheet that would show over-capitalization.

148. 4. The X Y Street Railway Company invested \$500,000. The yearly net income was \$80,000. The company then increased the capital stock from \$500,000 to \$1,000,000. Was this a case of over-capitalization? Why should the company wish to thus increase its capital stock?

149. 5. "Rates must be increased, as we must earn 7% upon our capital." "Yes, but a large part of that capital is 'water.'" Explain what is meant.

150. 6. "This brick manufacturing company is greatly over-capitalized, and as a result we must pay more than we should for brick." Explain the reasoning by which this conclusion was reached. Is it sound? Explain.

C. COMPETITION AND ASSOCIATION

Clay, Ch. VI

151. 1. Explain the competition between the manufacture of paper-weights and the manufacture of ear rings?

152. 2. Is competition wicked? Is there competition among the members of a football squad? The members of a missionary society? Can you think of a social organization in which there would not be any competition?

153. 3. "Employers' association are for the purpose of restricting competition in the purchase of labor; trade unions are for the purpose of restricting the sale of labor." Are either of these purposes justifiable? Discuss.

154. 4. The opposite of "competitive" in the phrase "competitive system" is "bureaucratic." Explain.

D. MONOPOLY AND COMBINATION

Clay, Ch. VII

155. 1. Contrast the railroad industry and the clothing manufacturing industry in respect to the tendency toward monopoly.

156. 2. Why does the absence of competition make government regulation or ownership necessary?

157. 3. Is the point made at the bottom of page 132 and the top of page 133 sound? Discuss.

158. 4. "The success of government enterprise depends upon the character of the citizens." Do you agree? Discuss.

E. MONOPOLY AND COMPETITION (*Continued*)*Clay, Ch. VIII*

159. 1. Of the goods and services of goods that you purchase how many are monopolized? Account for the monop-

olization of the ones that are monopolized; for the lack of monopolization of the others.

160. 2. List the social advantages of monopolistic combinations; the social disadvantages.

F. MONOPOLY

Ely, pp. 190-200; 207-210

161. 1. Is there a place in the classification on page 195 for monopolies due solely to capitalistic control, as in the case, say, of a monopoly of the cracker industry?

162. 2. Number 6, page 210 in Ely.

163. 3. What are the objections to monopoly from the point of view of consumers? Of possible producers? Does the effective regulation of a monopoly by the government protect the interests of consumers? Of possible producers? Discuss.

G. TRUSTS AND COMBINATIONS

Ely, pp. 230-247

164. 1. Explain the difference from the point of view of "restraint of trade" between a "trust" (a trusteeship) and a holding company.

165. 2. "It is one of the significant facts of modern business that a financier can control more industries than he could possibly buy. With a fortune of \$160,000,000 he may be able to control plants that could not be purchased for less than \$500,000,000." Show how this is possible.

166. 3. Suggest some of the problems that would arise if we were to allow, or encourage, the monopolization of sugar, oil, and tobacco and then subject the monopolies to government control.

V. MONEY AND BANKING

A. MONEY

Clay, Ch. IX

167. 1. Why is gold well suited to serve as money? In what way, if any, are each of the following commodities inferior to gold as a monetary medium: wheat, cotton, diamonds, iron, copper, silver?

168. 2. What is a dollar? A sovereign?

169. 3. How is the **price** of gold determined?

170. 4. What would tend to happen if our one-cent coins were made legal tender in unlimited amounts and were freely coined? Why?

171. 5. If under a bimetallic system the relative weights of a silver dollar and a gold dollar are as sixteen to one (16:1) while the relative values are as fifteen is to one (15:1), which metal will be overrated? Which coin will be used in debt payments? Why? Which one will become the actual monetary standard? Why? Answer similar questions if the relative values were as 17:1.

172. 6. What is the inherent defect of bimetallism? Would international bimetallism tend to correct this? Explain.

173. 7. Why doesn't silver drive out gold in our country today?

B. MONEY

Ely, Ch. XIV

174. 1. "Free (unrestricted) coinage and unrestricted melting keep 23.22 grains of pure gold worth \$1." Explain.

Are both free coinage and unrestricted melting necessary to maintain the parity of the standard money?

175. 2. Under what conditions would an American gold dollar of present weight and fineness be equal in value to 26 grains of pure bullion? Explain. If these values were made equal what circumstances other than government activity might make them unequal? Explain.

176. 3. (a) What social benefit do the advocates of bimetallism expect from an adoption of their system? Explain the process by which this benefit would be derived.

(b) Assume that the present market ratio of silver to gold were 20:1 and that the government adopts bimetallism at the ratio of 19:1. How could you make this situation a source of profit to yourself? Explain clearly the course of action you would pursue in making this profit?

(c) Supposing that a large number of people were to adopt this opportunity for profit, what effect would their united action have upon (1) the production of gold and the use of gold in the arts? Explain. (2) The level of prices? Explain.

177. 4. In the spring of 1920 a bill, known as the McFadden Bill, was introduced in Congress at the instigation of the American Mining Congress. It provided that a tax of fifty cents a pennyweight should be levied upon all gold used in industry, and that the proceeds should be used to pay to the producers of gold bullion a bonus of \$10 per ounce on all gold produced up to 1925. If this bill had become a law would our monetary standard have been altered thereby? Discuss.

178. 5. Note some of the probable consequences if our government had sought to finance the late war by issuing paper money.

179. 6. What is the basis for the estimate that "the use of greenbacks increased the expense of the civil war by nearly \$600,000,000"?

C. BANKING AND CREDIT

Clay, Ch. X

180. 1. "Credit economizes the use of money." Explain what is meant.

181. 2. a. Just how can a bank that has \$10,000 in cash loan \$80,000?

b. Why is it safe to do this?

c. Under what conditions could it loan a still larger amount on a reserve of \$10,000? Under what conditions could it safely loan without any reserve?

d. Should the amount which may be loaned in this way be specified by law?

e. If the bank holds a large quantity of high-grade bonds, may it more safely keep a small reserve than if it has, instead, invested a similar amount in farm mortgages? Explain?

182. 3. What is a check? Why do most persons prefer to use checks in exchange transactions? Why is it important socially that checks be used?

183. 4. a. Write out the substance of the bill drawn by the American wheat exporter which is referred to on page 175. Trace the course of this bill.

b. Do the same for the bill purchased by the American cloth importer.

184. 5. Explain the steps by which bank A manufactures \$7,000 credit for Mr. Z.

185. 6. "Bank deposits are not usually created by the deposit of money." Discuss.

186. 7. What similarity, if any, is there between a bank's reserve and a merchant's till money? Explain.

187. 8. "Commercial banking stands or falls, as to its social utility, with the merits or demerits of the business man's doings."—Taussig. Explain.

188. 9. a. "The credit system enables one to secure an amount of purchasing power closely equivalent to the amount of wealth he possesses." Explain. Could one as well add, "or expects to possess?" Explain.

b. "Credit is the machinery by which all forms of wealth may be coined into dollars." Explain and illustrate.

D. CREDIT AND BANKING

Ely, Ch. XV

189. 1. The five banks of a small city brought to the clearing house one day the following claims:

No. 1 against	No. 2 against	No. 3 against
No. 2, \$2,213.19	No. 1, \$ 4,284.78	No. 1, \$4,974.66
No. 3, 1,865.09	No. 3, 2,172.45	No. 2, 1,607.79
No. 4, 2,415.96	No. 4, 3,043.18	No. 4, 1,093.24
No. 5, 512.21	No. 5, 655.87	No. 5, 625.88
<hr/>	<hr/>	<hr/>
Total, \$7,006.45	Total, \$10,156.28	Total, \$8,301.57

No. 4 against	No. 5 against
No. 1, \$ 3,078.73	No. 1, \$ 332.15
No. 2, 1,793.16	No. 2, 377.17
No. 3, 973.73	No. 3, 1,515.46
No. 5, 4,633.96	No. 4, 181.56
<hr/>	<hr/>
Total, \$10,479.58	Total, \$2,406.34

- Compute the balance for or against each bank.
- How much money was needed at the clearing house that day?
- How can you account for the condition shown by bank No. 5, namely, that bank No. 4 cashed so many

checks drawn upon this bank, while the other banks cashed so few, and that it cashed but few for any of the other banks? From this showing, is bank No. 5 necessarily the smallest of the five banks?

d. Show concretely the saving that results from the clearing house in this town of five banks.

e. Is the amount of bank clearings a fair index of the prosperity of a community? Explain.—T.

190. 2. a. How will the bank statement on page 288 be affected if X deposits \$2,000 in gold?

b. If Y cashes a \$500 check drawn by X?

c. If Z opens an account by depositing a \$100 check written by X?

d. If Z, wishing to borrow, gives his note for \$300 to the bank and has this amount, less \$2.45 interest, credited to his deposit account?

e. If the bank spends \$1,000 for bonds?

f. If the bonds are later sold for \$1,100?

g. If Z pays his note at maturity?

191. 3. A customer gives his note and opens a checking account.

a. Show that if the bank should, instead of giving him a checking account, issue him due bills upon it (bank notes), the banking principle involved would be similar to that involved in establishing a checking account.

b. In what way would the bank's notes be superior to checks as media of exchange?

c. What element of danger is involved in allowing banks to issue their own notes?

d. Should we impose reserve requirements in regard to notes? Why?

192. 4. Show that the right to issue bank notes on the general assets of the bank would make the bank currency elastic.

193. 5. Was the improvised currency that was issued during the panic of 1907 at all similar to bank checks? Why was it necessary to resort to this improvised currency? What was the Aldrich-Vreeland Act expected to accomplish?

194. 6. The United States government abandoned the Independent Treasury system in the fall of 1920. It now deposits its receipts of money in banks and checks on the same in payment of obligations. Suggest the advantages of the new method as compared with the former method.

195. 7. What is the significance of the provision allowing the Federal Reserve Board to suspend the 40% reserve requirement for federal reserve notes and at the same time impose a tax upon the deficiency in the reserve?

196. 8. Describe and illustrate the process by which (1) a commercial transaction in Columbus gives rise to 30-day commercial paper; (2) this paper comes into the possession of a local national bank; (3) this bank rediscounts the paper at the Cleveland federal reserve bank; (4) the federal reserve bank sends federal reserve notes to the Columbus bank in payment; (5) the paper is taken up (paid) when due. How, if at all, will such payment affect the federal reserve bank if the federal reserve notes issued against the paper are outstanding at the time the paper is taken up? Explain.

E. THE LEVEL OF PRICES

Clay, pp. 195-203

197. 1. Note the effect of the rising price level from 1915 to 1920 on property owners, owners of bonds and mortgages, employers, wage earners; the effect of falling prices since May, 1920.

198. 2. a. What local price change followed the discovery of gold in the Klondike? Why?

b. Trace the extension of the influence of this addition to the gold supply.

199. 3. If the annual production of goods should increase by 25 per cent, what effect would this tend to have on the price level if the amount of money and the frequency of its exchange should remain the same?

200. 4. How does the extension of specialization tend to affect the price level? The extension of monopoly control? The reduction in the ratio of bank reserves to bank credit? Explain.

F. OTHER PROBLEMS IN MONEY AND BANKING

Ely, Ch. XVI

201. 1. Professor Irving Fisher gives the following data for the equation of exchange for 1918 (American Economic Review, June, 1919, p. 407):

M (money in actual circulation)	2.46 billion dollars
V	30
M'	12.5 billion dollars
V'	.....
The value of goods and services purchased—1269 billion.	

Find Professor Fisher's figure for V' which is omitted here.

202. 2. If the amount of M should be doubled what effect, if any, would this tend to have on M'? V? V'? T? P? Explain.

203. 3. Trace the influence of \$20,000,000 of gold that is imported from abroad.

204. 4. Argue that one should expect purchases of articles made of gold to have increased during the past few years relative to the purchases of silver articles, silks, and satins.

205. 5. The report of the Yukon Gold Company for 1919 says: "The adverse conditions affecting gold mining generally, referred to in the last two annual reports, still obtain, and the production from many low-grade mines has ceased entirely." What were the adverse conditions?

206. 6. F. W. Parsons in the Saturday Evening Post for April 3, 1920, says: "In 1915 the total output of gold from all the mines of the world reached a maximum production of \$469,000,000. By 1918 the gold output had declined to \$381,000,000,—while in 1919 the best estimate places the gold production of the world at only \$350,000,000." Explain the influence of the high price level upon this decline in the production of gold and the effect of the decline in gold production upon the price level.

207. 7. Fill in the blanks in the following:

An increase in the production of gold tends to prices. This tends to the amount of gold used in the arts and to the amount of gold produced, thus tending to the price level.

208. 8. List the advantages and disadvantages of the rise in the price level from 1915 to the summer of 1920. Do likewise for the decline in prices that is now (1921) taking place.

209. 9. Illustrate the effect of a rise in the price level upon creditors; upon debtors. The effect of a fall in the price level upon creditors; upon debtors.

210. 10. Are the points under *Crises* applicable to the present (1921) business depression? Explain.

211. 11. The Monthly Labor Review, October, 1920, page 41, gives data of food prices in Columbus, Ohio, among which are the following:

Article	Amount	Price	
		Aug. 15, 1919	Aug. 15, 1920
Sirloin steak	pound	39.3¢	43.3¢
Butter	pound	61.6	65.4
Eggs, strictly fresh.....	dozen	48.3	54.3
Bread	pound	10.2	11.9
Potatoes	pound	5.4	5.1
Cabbage	pound	6.4	3.5
Sugar, granulated	pound	10.9	22.5

a. On the basis of these few items find the index number of prices for August 15, 1920, as compared with the prices for August 15, 1919, if each of these articles is given equal weight.

b. Find the index number if these articles are assumed to represent proportionate parts of a family's expenditures for food as follows: sirloin steak 5, butter 10, eggs 8, bread 10, potatoes 1.5, cabbage .5, sugar 4, and are weighted accordingly.

212. 12. The Monthly Labor Review, October, 1920, page 65, gives the following data as to the change in the cost of living from 1913 to June, 1920:

	Per cent of total expenditures	Per cent of increase from 1913 to June, 1920
Food	38.2	119.
Clothing	16.6	187.5
Housing	13.4	34.9
Fuel and light	5.3	71.9
Furniture and furnishings.....	5.1	192.7
Miscellaneous	21.3	101.4
	<u>100.0</u>	

Find the total per cent of increase weighting each item according to its importance in the family budget.

213. 13. In determining changes in the cost of living, the United States Bureau of Labor Statistics weights the various articles of food according to their importance in the food budget but calculates the index number for clothing by giving all of the articles equal weight. Suggest an explanation for this practice.

G. UNEMPLOYMENT AND OVERPRODUCTION

Clay, Ch. XIII

214. 1. Do we ever have unemployment because of general overproduction, or because of overproduction in certain industries? Discuss.

215. 2. Illustrate the various points in this chapter by reference to our experience during the present industrial depression (1921).

VI. FOREIGN EXCHANGE AND INTERNATIONAL TRADE

A. INTERNATIONAL TRADE

Clay, pp. 204-213

216. 1. In country X, wheat can be produced at a cost of one day's labor per bushel and knives at a cost of two days' labor per dozen. In country Y, the costs are respectively two and three days' labor. Prove in detail that exchange between X and Y will be advantageous to both. What law does this illustrate?

217. 2. Argue that it would be impossible for a country to be entirely deprived of its gold.

218. 3. What is the fundamental reason for the rate of exchange between two gold standard countries ever being other than par? If the Atlantic Ocean were a narrow river, would the rate of exchange on London normally vary more, or less, from par than it does now? Explain.

219. 4. What trade conditions tend to bring about a low rate of exchange on London? Why is it that this rate will not *normally* be less than \$4.83? Why has the rate been less than this since 1915? Does a low rate of exchange on London tend to stimulate our exports or imports? Explain.

220. 5. "Movements of gold as a result of a high or low rate of exchange tend to be self-corrective." Explain.

B. INTERNATIONAL TRADE

Ely, Ch. XVII

221. 1. "We pay Brazil for our coffee by selling cotton to Englishmen." Explain.

222. 2. "The rate of exchange in New York on London is determined by the supply of bills on London and the demand for bills on London." Will the following tend to raise or lower the rate of exchange on London in New York?

(a) An increase in exports of goods to England?
To Italy?

(b) An increase in the importation of goods from England? From Brazil?

(c) European travel by Americans?

(d) American travel by Europeans?

(e) Borrowing abroad by selling American securities?

(f) Buying of postal money orders to be sent to Europe?

(g) An increase in the discount rate in London?
In New York?

223. 3. American exporters do not sell their claims direct to American importers, they sell to middlemen. Who are the middlemen? Does the middleman sell the piece of paper which he receives from the exporter to the importer, or does he give him another piece of paper? If the latter, what does he do with the paper he buys from the exporter?

224. 4. Write out the substance of the bill that the exporter sells to the exchange broker, and the substance of the bill that the importer buys.

225. 5. If the exchange broken has exhausted his London balance, and is unable to buy exporters' claims, what must

he do to replenish his balance so that he can sell drafts to importers? Then what price must he charge for his drafts?

226. 6. "A country that produces gold tends to export more gold than it imports." Show how the production of gold leads to a rate of exchange that makes it profitable for bankers to ship gold abroad.

227. 7. The course of exchange rates in New York for a few months during the winter of 1920-1921 was as follows:

	Par	Nov. 16-Dec. 15	Dec. 16-31	Jan. 3-8	Jan. 10-15
London ...	4.8665	High 3.5300 Low 3.4075	3.5450 3.4825	3.6550 3.5387	3.7787 3.6675
Paris .....	.1930	High .0626 Low .0582	.0612 .0580	.0601 .0581	.0620 .0596
Spain .....	.1930	High .1350 Low .1240	.1390 .1293	.1340 .1310	.1360 .1320

a. Account for the change in London exchange from November to January 15; Paris exchange.

b. Why was exchange on London and Paris so far below par?

c. Account for the difference between French and Spanish exchange.

228. 8. During the fall of 1920 the London Times printed a table showing the following:

COUNTRY	Increase or decrease in note circulation for year (in £1,000's)	Percent	Increase or decrease percent required to purchase £1 exchange on London
France	+ 112,564	+ 8	+ 48
Italy	+ 221,248	+45	+113
Switzerland ..	- 394	- 1	- 7
Germany	+1,545,244	+79	+111
Portugal	+ 31,212	+54	+150

Explain the causal connection between the change in notes outstanding and the change in exchange rates.

229. 9. a. What should you expect to be the relation

between the goods exports and the goods imports of a country during the following periods: (1) When it is first open to settlement or to industrial enterprise; (2) when it has become quite well supplied with imported capital goods; (3) when its citizens begin to make investments in other countries; and (4) when a relatively large amount of such foreign investments have been made?

b. In which of these stages is the United States? England? Mexico?

230. 10. "A favorable trade balance is an excellent sign of vigorous national life, and of a sound economic structure. It means that the nation is taking in more than it is paying out."—*Strauss, Investor's Magazine, Dec. 1, 1914.*

a. Do you agree with the first statement?

b. Illustrate this point by comparing our "favorable" with England's "unfavorable" balance of trade.

c. State the various things that a favorable balance of trade may mean.

231. 11. "There can be no national gain from domestic trade for what one person gains the other loses; it is only by foreign trade that a nation can gain." Discuss.

232. 12. During the first years of the Great War many persons rejoiced over the fact that we were "getting out of debt to Europe."

a. How was this being accomplished?

b. Argue that this may have been to our disadvantage.

233. 13. What are the advantages of having unrestricted (free) trade between the states of our union? Do the same considerations apply to the case of international trade?

234. 14. Name several groups of persons in Ohio that suffer from our interstate trade. Would *protection* benefit them? Explain.

235. 15. Into what lines of industry do the productive

forces of a community tend to go? Argue that the social interest is adversely affected normally by the giving of a government subsidy to some one kind of enterprise.

236. 16. Show that a protective tariff is tantamount to a subsidy paid to certain producers from the proceeds of taxation.

237. 17. "If we buy rails from England, we get the rails, of course, but they get our money; while, if we buy rails at home, we have the rails and the money too."—A statement falsely credited to Lincoln.

a. Is there any reason to expect that our buying rails in England would carry off our regular stock of money? Explain.

b. Should we regret such trading because it decreases our stock of money, if that should result?

c. Substitute "cotton" for "money" throughout the above quotation, and show the fallaciousness of the doctrine.—T.

238. 18. "We spend thousands of dollars dredging harbors, laying cables, and building ships in order that we may trade with foreign nations and then we put up a tariff barrier and stop the trade we make possible." Does a tariff thus negate the benefits which accrue from improvements in transportation?

239. 19. A group of men in the United States argue in support of a merchant marine and of a high protective tariff. Show that they are inconsistent.

C. PROTECTION AND FREE TRADE

Ely, Ch. XVIII

240. 1. Explain how, if at all, a protective tariff tends to promote nationalism. Has our protective tariff contributed to the development of Americanism? Would our spirit of

national unity be more intense if we stopped the importation of coffee, for example? Consider the case of free-trade England in this connection.

241. 2. "The infant industries tariff argument presupposes that the tariff will be temporary, but experience shows that such tariffs tend to be maintained after the industry is fully grown." Account for this tendency.

242. 3. Show that the establishment of tariffs sufficient to "equalize costs of production" at home and abroad tend to stop all foreign trade.

243. 4. Argue that it is on the whole better to pay a bounty from the proceeds of taxation to producers whom we wish to encourage than to impose a tariff.

244. 5. Argue that the income of laborers in goods and services will be less under a policy of protection than under free trade.

245. 6. "The true way to quicken foreign demand (for British goods) was to open the ports to that foreign supply with which they paid us for what they bought from us."—Morley's Gladstone, Vol. I, p. 267. Show that the above is sound doctrine.—T.

246. 7. The amount added to price by a tariff duty does not represent a social cost if the good can be produced without the tariff; but it does represent a social cost if the protective duty is necessary to the production of the good. Show that this is true. Then is protection less objectionable when it is not needed? What is the objection to it in such a case?

247. 8. "A reduction of \$60,000,000 in tariff duties means a reduction in the burden upon the people's consumption of approximately \$600,000,000."—Senator Newlands in the *Independent*, 73:757. Explain.

248. 9. "To the same extent that the home market is wrested from foreigners and given to protected home pro-

ducers, the foreign market is wrested from unprotected home producers.”—Seager, p. 397. Show that this is necessarily true.—T.

249. 10. “As a nation advances to the industrial stage that makes it an exporter of manufactured articles the manufacturers tend to become advocates of free trade.” Why?

250. 11. The representatives of the national automobile chamber of commerce suggested before the House Ways and Means Committee in December, 1920, that the duty on high-priced foreign cars be reduced from 45 per cent to 30 per cent. They argued (1) that government revenue would be increased; (2) that foreign discrimination against American automobiles would be less likely; and (3) that foreign industry would be assisted in reviving. Which of these arguments is the more significant? Are they sound?

251. 12. If protection should be removed from a highly specialized industry that has long enjoyed protection, what would tend to be the immediate effect upon the wages of unskilled laborers employed therein? The long time effect? Upon the wages of highly trained specialists employed therein?

252. 13. An English pamphlet of the Liberal party says: “One of the most absurd posters issued by the British advocates of a protective tariff was one in which a British workingman was represented as saying: ‘The foreigner has got my job.’ That poster is a fraud. Rather we should say that it is the foreigner who *provides* jobs for British workmen.”

Now, broadly speaking, neither of these statements is sound. The number of jobs—the amount of employment—would probably be substantially the same under protection as under free trade. The real advantage of free trade lies elsewhere.

a. Support the contention of the next to the last sentence.

b. What is "the real advantage" referred to in the last sentence?—T.

253. 14. "I believe in free trade; but I believe in *fair trade* still more. If other countries will not let us sell to them, I don't believe in letting them sell to us."

What erroneous notion with respect to the reason for letting other countries sell to us does the writer of the above start out from?—T.

VII. THE DISTRIBUTION OF WEALTH

A. DISTRIBUTION AS AN ECONOMIC PROBLEM

Ely, Ch. XIX

254. 1. What are the "two kinds of distribution?" Illustrate. What does the business man usually mean by *distribution*?

255. 2. How would the distribution of wealth in America tend to be affected by the imposition of a protective tariff on sugar? By the levy of a sales tax as a substitute for the income tax?

256. 3. "The problem of distribution is merely a series of price problems." Do you agree? Explain.

257. 4. Assume that on a certain plot of land one man can produce 60 bushels of wheat, two men 140, three men 240, four men 330, five men 400, six men 450, seven men 480, eight men 490, and nine men 490.

a. What is the point of diminishing productivity?

b. How many men will the owner of this land employ? Upon what will this answer depend?

c. Construct a diagram similar to Fig. 1, page 391 to show the above facts.

258. 5. a. If the price of wheat is \$2.00 per bushel and the wages of farm labor \$120.00 for the season, how many men will be employed on the above land? Explain.

b. If the price of wheat should rise to \$2.50 per bushel how many men would be employed if wages remain as before?

c. If wages should rise to \$150.00 while the price of wheat remained at \$2.00?

259. 6. What is meant by the *marginal laborer*? The *marginal product of labor*? Illustrate by using data from the preceding problem?

260. 7. What profit would the owner of the above land make if conditions were as assumed in *a* of problem 5? *b*? *c*?

261. 8. Approximately what sum of money will represent the marginal product of agricultural labor in your State this coming season? How does this compare with the marginal product for 1918? Compare wages for these two years.

262. 9. If the available supply is such that a farmer is free to rent as much land, hire as many tractors and implements, and engage as many men as he desires, what will determine his expenditure in each of these lines in order that he may realize the largest possible profit? Explain.

263. 10. Illustrate the principle stated at bottom of page 396 by reference to the grocery business. By reference to the manufacture of safety razors. What conditions may prevent the nice adjustment that entrepreneurs tend to make? Illustrate.

264. 11. Explain the statement in the text that "marginal productivity is at the same time the cause and effect of wages, rent, and interest."

265. 12. In the transport of coal from Cleveland to Detroit can Lake Erie be said to be *productive*? Explain. Is the Ohio river *productive*? Is the air that is so necessary to the operation of an engine *productive*? The coal used in the engine?

266. 13. Show that one may be very *productive* while performing anti-social services.

267. 14. "Each one tends to get the value equivalent of

the product of the marginal producer of his class or group."

- a. Show that this is true.
- b. Show that this does not have ethical significance.

B. WAGES

Ely, Ch. XXI

268. 1. "The wage of any class of labor is set, as is the price of wheat, at a point that will just clear the market." Is this true? Discuss. Compare the terms *marginal productivity* of labor and *marginal utility* of wheat.

269. 2. Name two lines of industry in one of which the demand for labor is more elastic than it is in the other. Account for the difference.

270. 3. Does the temporary hardship to laborers resulting from the introduction of labor-saving machinery help to account for the existence of trade unions? Can you suggest any way of relieving labor groups who would suffer from the introduction of machinery from bearing this burden? Discuss.

271. 4. Who is normally the better able to drive a good bargain, the man who has a commodity for sale or one who has labor service for sale; the one who wishes to buy labor service or the one who wishes to sell labor service? Explain.

272. 5. "The increase in population during the past one hundred years disproves the Malthusian theory and at the same time shows that there is truth in it." Explain.

273. 6. Formulate the argument used to support the subsistence theory of wages. What difficulty have certain reformers had to face in connection with this theory?

274. 7. How does a high standard of living work toward an increase in wages?

275. 8. The many statements which labor leaders have made since the close of the war to the effect that wages *must not* be lowered illustrate what point in the text?

276. 9. Just how does it come about that, all other things being equal, the occupation that is agreeable pays a lower wage than the occupation that is disagreeable? Illustrate.

277. 10. Explain how it is that the earnings in the skilled trades are kept nearly equal; the returns in the professions.

278. 11. Suggest a general program for our society that would tend to bring about a much greater degree of equality in the returns for labor service than now prevails.

C. WAGES

Clay, Ch. XVI

279. 1. List the various reasons why an increase in wages may reduce an employer's labor cost.

280. 2. "In order that laborers may get the value equivalent of their marginal product it is not necessary that they have bargaining power equal to that of the employer. It is only necessary that there be keen competition between employers."

a. Give argument.

b. If there were keen competition between employers would the weaknesses of laborers in bargaining that Clay mentions operate to the disadvantage of laborers? Explain.

c. Is there keen competition between employers?

281. 3. "The labor union is *unamerican*." What is meant? Is it more unamerican than an employers' association? Discuss.

D. WAGES (*Continued*)

Clay, Ch. XVII

282. 1. Formulate the *exact* statement of the wages fund theory; the *inexact* statement.

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283. 2. How was the wages fund theory used to combat trade unionism? Explain.

284. 3. "Wages depend upon the number of laborers in a given group." To what extent is this true? What determines the number of laborers in a given group?

285. 4. Why was Caruso's wage higher than that of a carpenter? Why does Babe Ruth get a larger wage than a surgeon? Why is a coal miner's wage higher than the wage of a ribbon clerk?

286. 5. "Wages tend to equal the laborer's discounted marginal product." Explain the meaning and significance of each of the last three words in this formula.

287. 6. Note the sentence in parenthesis in the footnote on page 304. Does Clay correctly state the "law" to which he refers? Explain.

288. 7. The practice of many arbitrators in recent wage disputes has been to set wage rates at a point that would enable the laborers to meet the "cost of living." Can it be said that wages set in this manner tend to equal the "discounted marginal product"? Discuss.

289. 8. If the basic wage in the coal mining industry should be set at \$12.00 per day, show that the "discounted marginal product" of the miners would tend to become \$12.00 per day.

290. 9. Clay quotes Mills as assuming that an increase in wages must check the accumulation of capital. Give the argument. Point out the fallacy in the argument.

E. LABOR PROBLEMS

Ely, Ch. XXII

291. 1. "The fundamental reason for the trade union is that laborers have the same desires and interests that employers have." Develop the argument. Is it sound?

292. 2. "The American Association of University Professors is interested in salaries, protection against unwarranted dismissal, an extension of faculty control over university administration, and the promotion of good teaching and sound scholarship." Assuming this to be a correct statement, show the points of similarity of purpose between this organization and labor organizations.

293. 3. Under what conditions is it to the advantage of the members of a trade union to extend the union membership? Under what conditions would extension of membership be disadvantageous? Which of these two sets of conditions is the more largely prevalent in American industry today? Explain.

294. 4. According to *The Survey* magazine of April 30, 1921, the New Jersey Chamber of Commerce in a survey of manufacturing establishments found the following nine varieties of open and closed shops:

I. The non-union shop.

1. Closed anti-union shop.
2. Preferential anti-union shop.
3. Open non-union shop without shop committee.
4. Open non-union shop with shop committee.

II. The union shop.

5. Open indirect union shop.
6. Open union shop.
7. Preferential union shop.
8. Closed union shop of an open union.
9. Closed union shop of a closed union.

Define each of these nine types. Why are the terms "open shop" and "closed shop" unsatisfactory?

295. 5. In the issue of Jan. 15, 1921, *The Survey* published a statement by the Commission on Church and Social Service of the Federal Council of Churches. This statement which was very similar to a statement made by the Department of

Social Action of the National Catholic Welfare Council was in part as follows:

"The relations between employers and workers throughout the United States are seriously affected at this moment by a campaign which is being conducted for the "open shop" policy—the so-called 'American plan' of employment. These terms are now being frequently used to designate establishments that are definitely anti-union. Obviously, a shop of this kind is not an 'open shop' but a 'closed shop'—closed against members of labor unions. . . . Many disinterested persons are convinced that an attempt is being made to destroy the organized labor movement. Any such attempt must be viewed with apprehension by fair-minded people."

Why should not employers advocate a "non-union shop" rather than an "open shop" if they wish to destroy trade unionism? Why use the term "American plan?" Why should this commission view with apprehension an attempt to destroy the unions?

296. 6. President Grace of the Bethlehem Steel Corporation testified in December, 1920, that it was the policy of his company not to sell steel to contractors who operate union shops. Is this policy in line with the principles of the "open shop?" Discuss the social advisability of this policy.

297. 7. Show that the time lost as the result of a strike may be greatly in excess of the time lost by the persons on strike. Estimate the number of persons that are gainfully employed in the United States. How many men would have to be idle as a result of strikes each working day for a year to make the time lost equal the time lost as a result of one holiday? The number of persons unemployed now (May, 1921) is variously estimated at from 3,000,000 to 5,000,000.

How many days' labor would need to be lost as a result of strikes in order that the loss would equal the loss resulting from the unemployment of 2,000,000 men for a period of two months?

298. 8. How can men be prevented from striking in essential industries? By law? How enforce such a law? By the power of public opinion? How enlist public opinion? Must wages, hours, and working conditions appear to the public to be equitable?

299. 9. Mr. H. B. Endicott, senior member of the Endicott-Johnson shoe manufacturing company, said in an article in the New York Times of October 5, 1919, relative to labor councils within industrial establishments, "I do not see wherein they are of any good. . . . It seems to me that the manager of the plant is pretty well informed as to what are the proper hours, wages, and conditions of labor. The fact that he has to have a council sit in with him and tell him what they are seems to prove that there is something radically wrong. If he is seriously interested in the happiness and well-being of his men he will do the right thing by them irrespective of a council or not." Substitute a few words to make this a statement that a mediæval king might have made when discussing the advisability of having a parliament. Is this substitution fair to Mr. Endicott?

300. 10. Under what conditions should you expect industrial organization to be despotic? Democratic?

301. 11. Is there any reason to believe that the following will tend to promote industrial democracy: Educational opportunities for the masses? Savings banks and other agencies that encourage thrift? Prohibition? The exclusion of immigrants?

302. 12. The paid up membership of the American Federation of Labor increased from 1,946,347 in 1915 to 4,178,740 in 1920. What factors account for this increase?

F. LABOR LEGISLATION

Ely, Ch. XXIII

303. 1. Argue that if there is keen competition one should expect that legislation would be unwise that established a legal minimum wage at a point above the competitive wage. Argue, also, that such legislation might operate to raise the productivity of the laborers to a point above the former wage.

304. 2. "An industry that does not pay a living wage is parasitic and should be destroyed." Explain what is meant. If a group of persons are able to produce only part of what is necessary for their support, should they be prohibited from working? Discuss.

305. 3. Contrast the principle involved in employers' liability for injuries received by employees with that involved in workmen's compensation legislation.

306. 4. "Recent labor legislation represents a marked change in thought." Discuss.

G. THE RENT OF LAND

Ely, Ch. XX

307. 1. "The rent of agricultural land is determined by subtracting the expense of production from the value of the product." a. Construct a simple formula in agreement with this statement.

b. Show that this statement is not inconsistent with the text.

c. Can the rent of all land that is used productively be found by finding the excess of the selling value of the product over the expense of production? Illustrate.

d. How is the rental value of residence sites determined?

308. 2. If the price of potatoes is \$1.10 per bushel, what

sum would be paid for the use of an acre of land that yielded 200 bushels of potatoes at an average cost of \$1.00 per bushel?

b. Would the tendency be for any of these bushels to cost the producer \$1.10? Explain.

309. 3. a. If the price of corn is 95 cents per bushel, what will tend to be the cost of producing corn on the poorest land that is being cultivated? Why?

b. What will tend to be the cost of production at the intensive margin? Upon what land will corn be grown at the intensive margin? Explain.

310. 4. If the market rate of interest is such that land which is expected to neither appreciate nor depreciate in value will be purchased on a five per cent basis, what would be the value of such land if the yearly net rental is \$500? \$600? If the basis of capitalization is six per cent?

311. 5. If the rental from land is expected to increase will the per cent of income received on the market value of the land be equal to the market rate of interest? Illustrate.

312. 6. If land income is capitalized at five per cent, what will be the effect upon the value of a parcel of land if a tax of \$100 per year is levied upon it? Explain. Why is it that a land tax cannot be shifted to the consumers of the products of land?

313. 7. A certain piece of land yields 20 bushels of wheat per acre,—the expenditure per acre being \$10. With land on the margin of cultivation yielding 10 bushels for the same expenditure, and with the rate of capitalization 5 per cent, what value would an acre of the 20-bushel land tend to have when there was a tax on it equal to 80 per cent of the rent? Put down in your answer each step in the solution, and explain fully.—T.

314. 8. The Farm Management Department of the Iowa State College of Agriculture gathered information during the fall of 1920 which showed that at the prices current on

October 18, 1920, three farmers out of five would lose money on their wheat and nine out of ten would lose money on their oats. The total cost per acre of producing wheat was given as \$35.78 of which \$16.80 was "land charges." A similar amount for "land charges" was included in computing the cost of producing oats.

a. Show that the inclusion of land charges in these computations amounts to circular reasoning.

b. Show that if the rental value of land be included as a cost most farmers will necessarily make only costs—wages, interest, and sufficient profits to cover risk. What farmers will make more than costs including land charges?

315. 9. Formulate Henry George's argument. Is it fair to say that his aim was to "socialize rent?" What is meant by the statement that private rights have prevented the adoption of the "single tax?"

H. RENT

Clay, Ch. XIX

316. 1. Construct tables to show the facts indicated by the diagrams on pages 330 and 331.

317. 2. "Our prices are lower than the prices of our competitors because we do not have to pay as much rent as they have to pay." Is this good economics? Explain. Would a tenant-farmer ever make a similar statement? Discuss.

318. 3. "Rent is a surplus." Explain the meaning. Is this sound?

I. RENT (*Continued*)

Clay, Ch. XX

319. 1. What is the definition of rent that Clay uses in this chapter? Discuss the advisability of defining rent in this way.

320. 2. The fact that "the supply of land is much less under the control of man than the supply of different kinds of labor and capital" is significant in explaining the process by which the price of land is set as compared with the process by which the price of a capital good is set. Explain.

321. 3. If land taxes should be materially increased would the production of wealth be affected? Explain. Are other taxes similar to the land tax in this respect? Explain.

322. 4. "The attitude of society toward land investments which has prevailed in the past would make the confiscation of land rent very inequitable at the present time." Discuss.

J. INTEREST

Ely, Ch. XXIV

323. 1. "Interest can be paid because the utilization of capital increases the value of the product; the value of the product is increased because capital is limited (scarce); capital is limited because its production involves a sacrifice—waiting." Is this statement in line with the text? Explain.

324. 2. Ely stresses the point that value productivity, not merely physical productivity, is necessary if payment is to be made for the use of capital. Could a similar point be made in regard to payment for the use of labor? Is there any difference between the two payments from this point of view? Discuss.

325. 3. What does Ely mean by *marginal waiting*? According to his analysis what would be the effect upon the supply of capital if the rate of interest should fall? Why? If it should rise? Why. Draw a diagram to illustrate. Does this agree with Clay's analysis, page 325?

326. 4. What is a replacement fund? Is it necessary to save in order to have such a fund? Explain.

327. 5. Is saving involved in the making of an ax?

328. 6. How could capital be shifted from the railway industry to ship building? From the carriage to the automobile industry?

329. 7. Explain carefully the two points made in the last sentence of the paragraph at the top of page 512. Illustrate.

330. 8. What would be the long-time effect upon the net income from houses if all houses were subjected to a special tax upon their value? Upon the net income from land if a tax were imposed upon land value? Explain.

331. 9. Name two investment securities that are selling on the market to yield different rates of return. Account for the difference.

K. PROFITS

Ely, Ch. XXV

332. 1. Give several illustrations of the two methods of getting profits. Are profits in these cases due to the absence of keen competition? Explain.

333. 2. A retailer, after paying all expenses for the year, has a balance to his credit of \$2,500. Under what conditions should part of this amount be called profit? None of it?

334. 3. Give the argument to prove that it is socially advantageous to allow individuals to reap profits. Show that profit seeking does not always advance social welfare. Why doesn't it?

L. INTEREST AND PROFITS

Clay, Ch. XVIII

335. 1. A grocer has \$4,000 "profits" as the close of the year. Under what conditions could this amount be divided as follows: \$2,500 wages of management, \$500 interest, and \$1,000 profit?

336. 2. Just what is the author's position in regard to whether the rate of interest corresponds to marginal saving?

337. 3. If the wages of unskilled labor should be \$2.00 per day and the rate of pure interest 4% for a long period of time, what changes would tend to take place if wages should rise to \$3.00 per day? If, instead, the rate of interest should rise to 5%? Explain.

338. 4. If the cost of building a mile of macadam road is \$6,500, a mile of concrete road \$12,000, and a mile of brick road \$18,000; and if the annual cost per mile of keeping the roads in good repair is \$600 for the macadam road, \$300 for the concrete, and \$50 for the brick, which road will be the most economical when the current rate of interest is 2 per cent? When it is 4 per cent? 5 per cent? 6 per cent? 10 per cent?—(Parry.)

339. 5. "Labor alone should enjoy the products of industry, for labor alone is responsible for the product. This is obvious when we realize that if labor were not applied all the capital in the world could not produce anything."

a. Does the truth of the last statement prove the second clause in the first sentence to be true? What logical fallacy is involved in the quotation?

b. Write an analogue to the above in which labor and capital are made to change places.—T.

M. THE PERSONAL DISTRIBUTION OF WEALTH

Ely, Ch. XXVI

340. 1. Among the methods of receiving income or accumulating wealth which have been criticized are the following: inheritance, land ownership, ownership of capital goods, monopoly. Discuss the advisability of allowing individuals to receive incomes from these sources.

341. 2. "It should be as difficult by sitting still to add a penny to one's income as it is by taking thought to add a cubit to one's stature." Clay, p. 379. Do you agree? If so, what, if anything, should be done to prevent persons from receiving incomes "by sitting still?"

342. 3. Is it to the advantage or to the disadvantage of others if one accumulates a fortune? Discuss fully.

343. 4. Consider the six methods by which Ely suggests that the inefficient members of society may be eliminated or strengthened. Which of these is the most important? The least important? To which one are we giving the most attention today? The least attention?

VIII. SELECTED ECONOMIC PROBLEMS

A. TRANSPORTATION

Ely, Ch. XXVII

344. 1. Just how is it that efficiency in transportation promotes national prosperity?

345. 2. Account for the fact that we insisted for so long on having competition in the railway industry. Why has it been impossible to maintain competition? Why has the failure of competition meant that we must have government regulation?

346. 3. "The fact that railway service is subject to decreasing cost has made public regulation of rates more imperative than it would otherwise have been." Explain.

347. 4. Enumerate the principal costs which a railroad has to meet. How are these various items of cost affected by, say, a 10 per cent increase in traffic? How would dividends be affected by such an increase in traffic if rates remained as before? Is it possible that dividends can be increased by charging a special low rate for this additional traffic?

348. 5. Why may we expect that "rates will doubtless continue to be based to a very large degree on the principle of 'charging what the traffic will bear?'"

349. 6. Account for the fact, as shown in the table on page 565, that the receipts per ton-mile for shipping cotton in the Eastern District were only about one-fourth of the

receipts per ton-mile for the Southern District. Account for the difference in receipts per ton-mile between anthracite and bituminous coal.

350. 7. Show that it may be to the advantage of the people living near the Mississippi River to have the railroads charge less for transporting goods from New York to San Francisco than for similar shipments from the Mississippi River to San Francisco.

351. 8. "The Standard Oil Company entered into a contract with a railroad under which the railroad was to charge it only 10 cents a barrel for transporting its oil while charging other companies 35 cents for the same service, and was to pay to it 25 cents of the excessive charge imposed upon its competitors."—Seager, page 439.

a. Estimate the advantage that this gave to the Standard Oil Company.

b. Were the officers of this company guilty of moral turpitude in making such a contract? Were the officers of the railroad?

c. Why should the railroad have been willing to enter into such a contract?

352. 9. "The law does not attempt to prohibit a merchant from selling to different individuals at different prices or even from giving away his wares. Then why should the railroads be so hedged about by legal prohibitions upon the prices to be charged?" Discuss.

B. INSURANCE

Ely, Ch. XXVIII

353. 1. "The increasing utilization of insurance means a greater degree of coöperation." Is this true? Discuss Name several relatively new kinds of insurance.

354. 2. What is the social advantage of insurance? It has been proposed that the insurance of business men against failure to realize profits should be encouraged. Do you consider this advisable? Discuss.

355. 3. "There is as much reason for carrying endowment insurance on one's house as on one's life." Do you agree? Explain.

356. 4. Discuss the possible effects of social insurance upon wages.

C. AGRICULTURAL PROBLEMS

Ely, Ch. XXIX

357. 1. Why did the value of farm land increase proportionately so much more than the value of buildings and implements and machinery during the first decade of this century? May we expect this difference in increase in value to continue?

358. 2. Why may we expect that our agricultural industry will be neither predominately intensive nor predominately extensive?

359. 3. Discuss the effect of the Federal Land Banks on land value.

360. 4. Argue that the presumption is that the farmer is not treated unfairly when selling his crop.

361. 5. The monthly circular of the National City Bank in the February, 1921, issue, gives the following data:

Column One gives the average monthly prices for the ten-year period, 1901-1910, of cash wheat in Chicago.

Column Two gives the average farm prices for wheat on the first of each month, 1910-1919.

Column Three gives the per cent of wheat marketed by United States farmers in different months.

Months:	One 1901-10	Two 1910-19	Three
July	93.1c	\$1.27.8	12.6%
August	92.1c	1.28.9	14.9%
September	92.7c	1.28.4	16.8%
October	92.3c	1.28	14.6%
November	91.1c	1.31.1	10.9%
December	93.3c	1.30.2	7.8%
Average price for six months, July-December			78%
	92.4c	\$1.29	
January	91.2c	\$1.20.5	5.7%
February	93.5c	1.26.4	4.6%
March	92.8c	1.25.6	3.3%
April	92.3c	1.27.1	3.5%
May	95.6c	1.37.2	3%
June	95.7c	1.36.5	2.3%
Average price for six months, January-June			22%
	93.5c	\$1.29	

During which months was it most profitable for a farmer to sell wheat during 1901-10? 1910-19? What was the middleman who purchased wheat in the fall and held it until spring paid for his services during each of these decades? Do the speculators depress the price when the farmer is marketing the bulk of his crop and boost the price after he has sold?

D. SOCIALISM

Ely, Ch. XXX

362. 1. "Syndicalism is more related to anarchism than to socialism." Explain.

363. 2. Is our public school system a socialistic enterprise? Our postal system? Is all government regulation socialistic? Compare the extent of government regulation today with that of 20 years ago; with that of 70 years ago.

Are we likely to have more government regulation in the future than we have now, or less? Discuss.

364. 3. List the facts that may account for one's being a socialist.

365. 4. Why is the socialist party so weak in the United States?

IX. PUBLIC FINANCE

A. PUBLIC EXPENDITURE

Ely, Ch. XXI

366. 1. "Public finance has become the central fighting place for social reform." Explain and illustrate.

367. 2. Should we expect an increase or a decrease in public expenditures during the next twenty-five years? Why?

368. 3. The expenditures of our national government for 1920, which were approximately \$4,000,000,000, have been analyzed as follows: 68% for past wars, 25% for future wars, 6% for executive, legislative, and judicial purposes, and 1% for education. This analysis bears upon what points in the text? Discuss.

B. PUBLIC RECEIPTS FROM LOANS AND GOVERNMENT OWNERSHIP

Ely, Ch. XXII

369. 1. "In 1818 the United States gave a square mile of land in downtown Chicago to the State of Illinois for educational purposes. The rent from this today would be sufficient to support the entire school system of the State of Illinois without an additional dollar of taxation." Discuss the advisability of the State's having kept this land.

370. 2. "Henry George's scheme is much more advisable in cities than in the country." Do you agree? Discuss.

371. 3. "Increase in land value may be earned through purchase just as present rents may be so earned." Explain. What limitations does this place upon increment taxation if we would avoid confiscation of land value? Suggest a plan for taxing the increase in land value that will not confiscate any of the present value.

372. 4. "The argument in favor of free street car service is far stronger than might be expected at first thought." Develop the argument.

373. 5. "The entire question (of the government's taking over certain activities) turns upon the choice of the means of satisfying certain common collective wants." Explain. What elements will influence choice in this matter?

C. PUBLIC RECEIPTS: DERIVATIVE REVENUES, FEES, SPECIAL ASSESSMENTS, AND TAXES

Ely, Ch. XXXIII

374. 1. "The fee system is bad when the fees are retained as salary by the officer collecting them." Is this sound? Discuss.

375. 2. "We cannot have more than approximate justice in taxation." Explain and illustrate.

376. 3. Give an illustration of a tax levied according to ability; one levied not according to ability.

377. 4. Is there any way by which we can determine the relative tax paying abilities of a person with an income of \$4,000 and one with an income of \$400,000? Discuss.

378. 5. "The shifting of taxes is a price phenomenon. Shifting takes place only because of a withholding of supply." Do you agree? Discuss and illustrate.

379. 6. If the tax upon land and improvements (levied according to value) should be considerably increased, what effect would this tend to have upon:

(a) The rental charged for land? Why?

- (b) The rental charged for houses? Why?
- (c) The selling price of land? Why?
- (d) The selling price of houses? Why?

380. 7. "The purchaser of land after the imposition of a land tax buys free of a tax burden." Why is this thought to be true? Would it be true if land alone were taxed? Is it true if land is only one among many objects that are taxed? Explain.

381. 8. Argue that a tax on excess profits is not shifted.

D. PUBLIC RECEIPTS: FEDERAL, STATE, AND LOCAL TAXES

Ely, Ch. XXXIV

382. 1. List the meritorious features of the federal income tax. Has it any objectionable features? Explain.

383. 2. May we expect an increased use of inheritance taxation in our fiscal system? Discuss.

384. 3. Why does the general property tax foster dishonesty?

385. 4. Just what is double taxation? Illustrate.

X. A CRITIQUE OF THE PRESENT ECONOMIC SYSTEM

A. THE STATE AND THE ECONOMIC ORGANIZATION

Clay, Ch. XXI

386. 1. "We regulate the coöperation of the various individuals of our society largely by competition." Explain.

387. 2. Just why is it that we cannot rely exclusively upon competition as a regulator of our economic activity? Explain and illustrate.

388. 3. "The problem of taxation will become more and more important as the state has to assume a larger share in the regulation of economic activity." Is this sound? Discuss.

389. 4. Suggest taxes that would tend to reduce efficiency; that would not have this effect.

B. THE STATE AND THE ECONOMIC ORGANIZATION

(Continued)

Clay, Ch. XXII

390. 1. Construct a popular argument which you have heard, or which might be given, upon some point in economics that is based upon the first of these four assumptions; the second; the third; the fourth.

391. 2. Cite cases, from your experience, of persons who have not acted in accordance with their economic interests.

66 PROBLEMS AND EXERCISES IN ECONOMICS

392. 3. List the qualities that are essential to marked success in business. Are all of these estimable qualities? Explain.

393. 4. What is meant by the statement, "Some property is functionless." Illustrate.

394. 5. Is most economic activity a social service? Discuss.

395. 6. Does market value for the most part direct the economic forces to the tasks that are most important socially? Discuss.

396. 7. Does the 18th amendment restrict the operation of market value as a social guide? Explain.

C. WEALTH AND WELFARE—THE MEASURE OF WEALTH

Clay, Ch. XXIII

397. 1. Make an estimate of the part of our annual product that is "illth." Is the proportion of "illth" to "wealth" increasing or decreasing? Discuss.

398. 2. How could we ascertain the net contribution which wealth makes to welfare?

D. WEALTH AND WELFARE—ECONOMIC INFLUENCES ON WELFARE

Clay, Ch. XXIV

399. 1. "In those classes of our society in which social worth is measured by a pecuniary standard it is impossible for any one to be happy." Do you agree? Do we in general make our decisions as to the desirability of "knowing" certain persons, on the basis of their economic position? Is there much of what has been called "conspicuous consumption?"

Is the pecuniary ideal at all productive of social good?
Discuss.

400. 2. What can we do to get people to desire the kinds of satisfaction that will promote welfare?

401. 3. Give several illustrations of the sacrifice of the producer to the product.

402. 4. "Trade unionism restricts output." If this is true does it follow that it is undesirable to have trade unions?
Discuss.

403. 5. "Work is an end as well as a means to an end."
Cite cases in which this is true; cases in which it is not true.
Which class of cases is the more common? Discuss.

E. WEALTH AND WELFARE—BUSINESS AND MORALITY

Clay, Ch. XXV

404. 1. Do you agree with the suggestion of the author that the civilization of Chicago is inferior to the civilization of Athens? Discuss.

405. 2. "The *laissez-faire* philosophy is very largely anarchistic." Explain. In what respects is it not anarchistic?

406. 3. "The policy of *laissez-faire* is based upon the same social philosophy as the policy of 'free love.'" Is this true? Discuss.

407. 4. Within what limits or under what conditions would welfare vary directly with wealth?

408. 5. What is the most effective thing that you can do to make our economic society more ideal? Suggest a general program that would tend to improve our economic society.





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