

## STUDY QUESTIONS FOR NEO CLASSICAL ECONOMICS VALUE

### *BLAUG, Chapter 9:*

#### Sections 1-2:

1. What is the meaning of an additive (or independent) utility function?
2. What is the difference between cardinal and ordinal utility functions?

#### Section 6:

1. Summarize Blaug's discussion of Marshall's derivation of demand curves from utility functions.

#### Section 8:

1. Why does the assumption of a “non additive” utility function imply that the demand curve may not be downward sloping?

#### Section 9:

1. Summarize how demand curves can be derived from ordinal utility functions using the indifference curve approach.
2. Why does Blaug argue that the slope of an indifference curve cannot be precisely defined (pp. 329-30)?

Section 12: Summarize Blaug's discussion of the status of the subjective theory of value.

### *BLAUG, Chapter 10:*

Section 1: Summarize Blaug's discussion of Marshall's theory of supply in the short run.

#### Section 3:

1. Summarize Blaug's discussion of Marshall's theory of supply in the long run. Explain why competitive equilibrium is incompatible with downward sloping long run supply curves.

Section 37: Summarize Blaug's evaluation of Marshall's theory.

### *GENERAL QUESTIONS (review your micro Principles and Theory textbooks):*

1. Summarize the modern neo classical theory of demand, i.e. explain how the individual and market demand functions are derived. (What is taken as given? What are the fundamental assumptions? What is

the logic by which the conclusions are derived? What are the main conclusions?) Include a discussion of the assumptions of the utility function and an explanation of the income and substitution effects. Are any problems or limitations of this theory ever discussed?

2. Summarize the modern neo classical theory of supply, i.e. explain how the individual and market supply functions are derived (include the same questions as above). Distinguish between the short run and the long run supply curves. Are any problems or limitations of this theory ever discussed?

3. Summarize the modern neo classical theory of equilibrium price. Distinguish again between the short run and the long run. What are the relative influences of supply and demand on price in these two periods? Review: how did Blaug interpret Smith and Ricardo as special cases of this theory?