Homework VII

due Friday, March 24th in class

Type out the answers, use single-spacing, and a size 12 font.

1. **Definitions** *(3 points)* Briefly explain the following terms:
   (a) The Plaza Accord
   (b) Utopian socialism
   (c) Input-output analysis

2. **Investment** *(2 points)* Why has investment been very high in East Asian Economies? When answering the question, relate to concepts such as savings, consumption, taxation, etc.

3. **Labor Theory of Value** *(3 points)* Describe Marx’s labor theory of value. Explain how he argues that capitalism is unsustainable. In explaining his argument, use the system of equations (logic) that we have developed in class.

4. **Material Balances** *(3 points)* Describe the concept of material balances as used by centrally planned economies. Explain what it means, how it is used, and how it was done in practice. Finally, what are some critiques of the material balances approach? How is input-output analysis relevant for planning in a centrally planned system?

5. **Performance** *(3 points)* Given the five performance criteria to evaluate economic outcomes, state and explain the hypotheses about the performance of a centrally planned economic system. How does it compare to a market economy?

6. **Planning** *(3 points)* Describe the framework for resource allocation within the socialist economic system. How does the planning process solve the problem? How are prices viewed?

7. **The Socialist Economic System** *(3 points)* According to the article “The Classical Soviet-Type Economy,” what are the advantages of a centrally-planned socialist economic system?