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**[New post] What century are you in? The Econ 101 quiz...**

1 message

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New post on **Kate Raworth****What century are you in? The Econ 101 quiz...**by [Kate Raworth](#)

So, how's the state of your Econ 101? I'm talking about those fundamental economic assumptions you took on board way back when, which are probably so comfortably settled in that you don't notice them any much more.

If you got them from economics textbooks, they might be just a tad dated - by the odd century or two. Is that a bad thing? It depends on what kind of economist you want to be. Take this little quiz to find out.

**Question 1.**  
**What are people really like?**



a) Rational economic man



b) Social heuristic humans

If you are wondering which option to go for (it's the 1860s theory of William Stanley Jevons vs. the 1950s onwards theories of Herbert Simon, Daniel Kahneman and others), here's some good reading around the question:

Herbert Simon on [bounded rationality](#), such as in his 1957 book *Models of Man* - or for something a bit more recent check out [this paper](#) which shows what happens when you put the ideas of Simon, Kahneman and Amos Tversky together.

Also a good read on human values: Amartya Sen's 1991 lectures on [Ethics and Economics](#), making an impressive bid to rescue Adam Smith from being parodied by history as saying we are motivated only by self-interest. (And Michael Sandel's [What Money Can't Buy](#) adds the modern question of what happens when we put money motivation where our morals once were...)

And if you like live action, well you still can't beat [Dancing Man](#) for illustrating just how socially influenced we are.

**Question 2.**  
**What do supply and demand curves really look like?**



a) Alfred Marshall's scissors

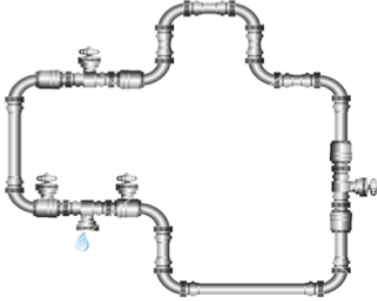


b) Steve Keen's chopstick 'n' noodles


For a through slicing up of Marshall's 1871 pair of scissors, check out Steve Keen's 2011 very detailed (and very funny) book [Debunking Economics](#) - and to see how he gets from scissors to noodles, read Chapters 3-4.

What's more, Keen sets out in detail how some smart economists spotted a flaw at the heart of equilibrium theory in the 1970s (known as the [Sonnenschein-Mantel-Debreu](#) theorem - there's nothing like a snappy name...), but the implications were so devastating that the economists simply kept it quiet, dropped it from the textbooks, and kept going.

**Question 3.**  
**How do resources flow in the economy?**



a) In a circular flow,  
like perpetual plumbing



b) From low to high entropy,  
like an hour glass

Here's a choice based on what you think is the fundamental flow of the economy.

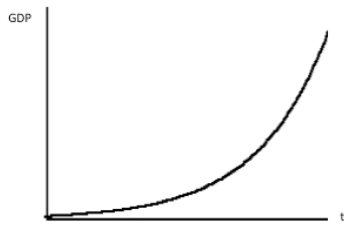
Is it the Circular Flow of Goods and Income, iconically drawn by Paul Samuelson in his 1948 classic textbook *Economics* - and repeated by others ever since - resembling a set of perpetual water pipes running in a loop between households and firms?

Or - as Nicholas Georgescu-Roegen wrote in 1971 (based on the second law of thermodynamics) - is the fundamental flow actually energy and matter flowing from low entropy (like useful fuel) to high entropy (like dissipated heat), looking something like a one-way [hourglass](#) ?

For more on the consequences of opting for the hourglass view of the world, check out eg Daly and Farley's textbook [Ecological Economics](#) or this shorter piece by [Herman Daly](#).

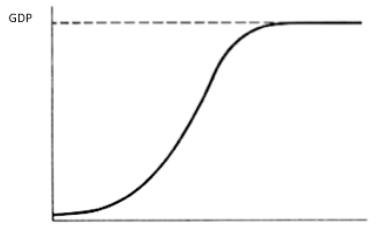
### Question 4. What is the long-term path of GDP growth?

a) **Exponential growth.**  
GDP can grow forever



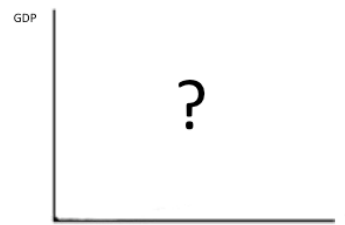
**Adherents:**  
All mainstream economists  
since the 1950s

b) **Logistic growth.**  
Growth will come to an end



**Adherents:**  
Adam Smith  
David Ricardo  
Thomas Malthus  
John Stuart Mill  
John Maynard Keynes  
E.F. Schumacher  
Nicholas Georgescu-Roegen  
Herman Daly  
Tim Jackson  
Peter Victor

c) **Don't know.**



**Adherents:**  
Anyone who is not sure but  
thinks the question might  
just be worth asking

First, for a read up on this debate, there's a wonderful (but hard to come by) history by Heinz Arndt (1978) [The rise and fall of economic growth](#) which highlights just how recent is the belief in eternal exponential GDP growth.

The arguments between unlimited growth and limits to growth have compelling advocates on both sides, as I have [blogged about earlier](#).

So, let's go for some bonus questions.

If you opt for a): what is so different about GDP growth that allows it to defy nature and grow forever?

If you opt for b): where do you think we are now on the logistic curve, and why? And what happens at the plateau?

**OK, quiz over.**

**Tot up your answers to find out which century you are in.**

**If you answered mostly A:** Well done indeed. You will be able to find a steady job teaching the undergraduate syllabus in most university economics departments. With this combination of pre-1900s theoretical foundations and post-1950s unwavering conviction in eternal GDP growth, you will achieve a good standing in the field. But it might just be wise to steer clear of the real world (for its sake and yours).

**If you answered mostly B.** Oh dear oh dear. You are unlikely to pass any exams at all in economics with this kind of attitude. Forget about your articles being accepted by the top journals and give up on your dreams of a senior departmental appointment. But you know what, there's a real world facing a crisis or two out there and a maverick approach like

yours might just come in handy. Please, stick around, humanity needs you.

**If you answered C.** An agnostic mind: fabulous! Please hang out with the 'mostly b)'s and make sure they don't get too set in their ways. There's an awful lot still to figure out....

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[Kate Raworth](#) | September 29, 2014 at 7:50 am | Categories: [General](#) | URL: <http://wp.me/p3sUHn-kw>

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