Examination Questions: Economics, Saturday Afternoon, November 17, 1934

Michigan State Board of Accountancy
Economics

QUESTION 1:

President Theodore Roosevelt, in a speech made in April, 1906, said: "As a matter of personal conviction, and without pretending to discuss the details or formulate the system, I feel that we shall ultimately have to consider the adoption of some such scheme as that of a progressive tax on all fortunes, beyond a certain amount, either given in life or devised or bequeathed upon death to any individual—a tax so framed as to put it out of the power of the owner of one of these enormous fortunes to hand on more than a certain amount to any one individual." Discuss this suggestion from an economic standpoint in the light of subsequent events and present-day conditions.

QUESTION 2:

Explain the statement that: "The individual adjusts expenditures to income, while the State adjusts income to expenditures."

QUESTION 3:

Eliminating the human-element feature, explain the economic effect of the abolition of child labor which has been accomplished through code enactments.

QUESTION 4:

Name and explain any of the activities classified under the general term "The New Deal" which cannot be justified as based on the statement that, "The State exists for its citizens, and its chief service is to provide conditions under which the activities of citizens may prosper."
QUESTION 5:

Henry C. Adams, former Professor of Political Economy and Finance at the University of Michigan, in his book, "The Science of Finance," published in 1899, gave three fiscal axioms which should underlie governmental plans of finance. They were: 1. The patrimony of the State must not be impaired. 2. Political restraints must be established. 3. The political organization must be recognized.

With regard to each axiom he concluded as follows: 1. "The financier is precluded from entering upon any line of policy which shall permanently impair the sources of public revenue." 2. "A sound fiscal system will establish political restraints in order to insure that all services rendered by the State shall be rendered at the least possible cost." 3. "A successful financial system will conform to the political ideas which for the time being control society, and adjust itself to the political structure of the particular society to which it applies." Discuss these axioms and conclusions in connection with present-day governmental tendencies.

QUESTION 6:

It is estimated that it costs more to care for the unemployed through the P. W. A. than through direct relief. Explain the different economic factors involved in the two methods.

QUESTION 7:

Explain the bases on which reciprocal trade agreements should be entered into by the United States. Economically, would it be wise for the United States to endeavor to produce everything needed for its material welfare in order that it might withdraw entirely from foreign trade?

QUESTION 8:

Discuss the economic features involved in the recent demand by The American Federation of Labor that a thirty-hour-a-week law should be enacted by Congress.

QUESTION 9:

During a recent discussion of "Cost as a Basis of Price Determination," the statement was made that, practically, cost can never determine price. Rather, when a price is found at which a product can be sold in such quantities as to maintain a particular business unit, cost must be whittled down to the point where in addition to that figure a reasonable profit will be obtained from the price that can be secured. Discuss that theory.
QUESTION 10:

Discuss the four principles which should govern the imposition of taxes as set down by Adam Smith:

1. That the subjects of every State ought to contribute to the support of the government as nearly as possible in proportion to the revenue which they respectively enjoy under its protection.

2. The tax which each is to pay ought, as respect the time and manner of payment, and the sum to be paid, to be certain and not arbitrary.

3. It ought to be levied at the time and in the manner in which it is most likely to be convenient to the contributor to pay it.

4. It ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible over and above what it brings into the public treasury.