Ec 365
Fall 2017
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MID-TERM 1 (October 11, 2017)

`Questions 7-8 may have a little more weight.`

1. State the theory of “despotic states” by Wittfogel. Was it validated by facts? (You can have you own opinion, but it should be argued.)
2. In 13th century England, the parliament met to oppose the tax increases of Edward I. True/false? Explain.
3. What were the main changes in public finances that were achieved by Edward I in 13th century England? Explain how such changes were facilitated by special conditions in England.
4. What was an essential feature of the first Cortes in order to be called “parliaments”. When and where were the first ones?
5. What were the fueros and why were they written? Provide an (approximate) date and place.
6. What is the justification for the “funded” debt of a state. Who is more likely to own debt of that type?
7. In 1575, Philip II of Spain suspended all payments on his debts to the Genoese bankers.
   (a) Provide a plausible explanation through the situation of the public finances that Philip II faced at that moment.
   (b) What was the critical event that led to a resolution of the crisis. Did it take a long time for this resolution and why?
8. The following table describes hypothetical coins that have been issued in the years of the first column. F is the degree of fineness (in percentage of silver). N is the number of coins per marc (a unit of weight). L is the mint par (face value of coins per unit weight of silver). P is the price of silver (livre per marc). c is the brassage in percentage of the face value of the coin. (No calculator is needed).

   Coin of 20 Deniers

Date	F	N	L	P	c
August 1420	0.167	100	?	40	10
January 1422	?	100		100	40

   (a) Fill the table for L in the coin that was minted in August 1420. Your argument and calculations may be more important than a correct numerical answer. Could that coin be made with a profit for the mint?
   (b) Could the coin made in August 1420 circulate in January 1422? (Justify your answer).
   (c) In January 1422, you instruct the mint to produce new coins at the rate of $N = 100$ per marc of silver. The brassage rate is now 40 percent of the face value of the coin. (That is the second line of the table). What is the maximum degree of fineness of the new coins (which cannot be issued at a loss).
   (d) Suppose that the new coin is issued with $N = 200$ instead of $N = 100$. Answer the previous question. As a policy maker, which one of the two coins would you recommend? Explain.