

AUSTRALIAN NATIONAL UNIVERSITY

First Semester Examination – June 2002

HISTORY OF ECONOMIC THOUGHT (ECHI2005/2015)

Study Period : 15 minutes

Time Allowed : TWO Hours

Permitted Material: None

Answer THREE questions

1. David Hume claimed that money is simply the oil which renders the motion of the wheels of trade more smooth and easy. Elaborate on Hume's views on money.
2. Comment upon Adam Smith's view that: 'The division of labour is the greatest cause of the increase in public opulence...and not the quantity of gold and silver as foolishly imagined.'
3. It has been said that Malthus offered a series of related arguments against utopian views, focusing in particular on William Godwin. What were these 'utopian views', and what were Malthus's responses to them?
4. 'Ricardo sought to demonstrate two propositions: that, contrary to what Smith had argued, the interests of landlords were opposed to the interests of the rest of society, and the *only* cause of a declining rate of profit was a shortage of cultivated land.' Discuss.
5. 'The first point to make about Marx is that his economics is classical, in that he built upon the economics of Smith and Ricardo.' Do you agree? Give reasons for your answer.
6. 'In the *Theory of Political Economy*, Jevons used utilitarianism to explain behaviour'. Drawing upon some of the examples given in the *Theory of Political Economy*, discuss how Jevons used the concept of utility 'to explain behaviour.'
7. 'The foundation of Marshall's economics is the theory of supply and demand. Time is taken into account through the device of distinct periods'. Explain how Marshall used the device of 'distinct periods' to explain the mechanism of supply and demand as the determinant of value.

- 8(A). ‘The central policy proposal of Keynes’s *Tract on Monetary Reform* was that monetary policy should be used to stabilise the price level. Its central theoretical claim was that this should be accomplished by trying to stabilise the demand for money, rather than the supply of money’. Why did Keynes argue that the price level should be stabilised? Why did he argue that the demand for money should be stabilised, rather than the supply of money?

OR,

- 8(B). Keynes presented his book, the *General Theory of Employment, Interest and Money*, as an assault on an orthodoxy – the ‘classical’ theory - which, he claimed, had dominated the subject for a hundred years, ever since the time of Ricardo. What was the essence of the ‘classical’ theory, as the term was used by Keynes? What did Keynes consider to be its principal deficiencies?
9. Explain why Hayek condemned the use of discretionary monetary policy, even during the depression of the early 1930s.
10. ‘Monetarism is only one of Milton Friedman’s contributions to the history of economic thought, and not necessarily the most important one.’ Do you agree? Give reasons for your answer.
