

George Mason University
Austrian Economics Exam
Fall 2004

I. You must answer this question

1. You have chosen to take a field exam in an unconventional area. Some would argue that Austrian economics isn't even a field. Only recently did Austrian economics even get assigned a JEL code (B53). Many of the leading scholars in the field do not even list Austrian economics as their main area of research concentration in the AE A membership directory. So, what is it that you are attempting to become an expert in? Formulate a concise but informative answer to the question, "What is Austrian economics?" that is directed to an audience of conventional economists. In your answer, be sure to contrast Austrian with non-Austrian economics only where it is helpful to your explanation and instead focus on offering illustrations of your arguments that will be convincing to other economists and social scientists.

II. Answer 4 out of 6 of the questions

1. Use Austrian economics to analyze the evolution of the Internet, Web, and/or blogs.
2. Pick an episode from economic history and analyze it. Be as analytical and as specific as possible.
3. Take one of two positions and argue in its favor, negating what you perceive to be the primary objections to your position in the process. **Position # 1:** New Classical macro of the real business cycle type is antagonistic to Austrian macro. **Position # 2:** Real business cycle and Austrian macro are highly complementary, or at least can be construed in such a fashion.
4. What would the aggregative properties of a "well-working" market economy look like as it moved through time? Would a plot of the time series of aggregate variables be smooth (as illustrated by trend stationarity) or jagged (as illustrated by a random walk with drift)? Would a downturn in some such aggregate variable as growth in GDP for, say, three quarters indicate some type of macro coordination failure or could it be a normal feature of a well-working economy? In addressing this question, be sure to articulate your underlying model of the economic process that is generating the observations in question.
5. Suppose you thought that Cantillon-type effects might be a significant element of monetary processes and institutions. Set forth your thoughts on how you might go about constructing an analytical framework that would allow you to examine for the presence of such effects.
6. Despite numerous criticisms of general equilibrium modeling, Austrian modeling follows the same approach of postulating an equilibrium that is disturbed by some exogenous shock, and with equilibrium eventually restored. To be sure, Austrian theory invokes notions like a capital structure and a natural rate of interest, but the method of approach is the same as standard GE modeling. Discuss in some detail, and from both methodological and substantive perspectives, what you think would be involved in trying to develop some alternative approach to economic modeling that would be more in line with the process oriented intuitions that are central to Austrian thinking.