

Austrian Economics Field Exam
George Mason University
August 2005

Answer 4 out of 6 questions.

1. To what extent can Austrian business cycle theory explain the macroeconomic events of the last few years? Your answer should consider the international dimension of the theory.
2. In which ways is the economics mainstream becoming more Austrian? Less Austrian? Discuss, using specific examples.
3. Which idea in Austrian economics has been most neglected by the Austrians themselves? How might it be applied to resolve some outstanding economics questions, puzzles, or issues?
4. In the Preface to his *General Theory*, J. M. Keynes noted the difficulties of escaping “from habitual modes of thought and expression.” He continued by noting that the difficulty lies not in the new ideas but in escaping from the old ones, which ramify into every corner of our minds.” Keynes was, of course, referring to the convention of theorizing in terms of market equilibria and the associated method of comparative statics. Mises’s construction of an evenly rotating economy surely illustrated Keynes’ lament in spades. Based on your thinking, writing, and reading to date, what do you see as the opportunities and snares for pursuing a program of theorizing in terms of internally-generated turbulence rather than equilibrium?
5. The recent proposed mergers of Verizon and MCI and SBC and AT&T have been sharply attacked on the grounds that they would create a regional restoration of the monopoly that AT&T possessed before its breakup in 1984. Where AT&T possessed close to 100 percent of the connections nationwide (there were some alternative phone companies back then), Verizon and SBC would each possess around 90 percent of the landwire connections in their respective regions. Standard Herfindahl measures yield a concentration measure several times larger than antitrust guidelines for opposing such mergers. What arguments could you bring to bear in support of the claim that such mergers were indicators of competition and not some negation of competition?
6. 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.