

Date: June 2014
Marks: 80
Time: 2 Hours

	Marks	Total
A8		12
A9		4
A10		5
Total		/80

QUESTION 1

[6]

In the space provided below, fully discuss what was meant by the term 'Benign Socialism', as suggested by Stewart Mill

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QUESTION 2**[12]**

With the use of the table below, describe the differences between Classical, Keynesians and Modern Monetarists in terms of the following: (Formulate your answer in the form of a table given below and provide a graphical presentation where possible.)

- a) Impact on the economy;
- b) Demand for money;
- c) Monetary transmission mechanism; and
- d) Velocity of money.

No graphs in this section are needed. The student needs to place the necessary information into the table given.

	Classical	Keynesians	Modern Monetarists
Impact on the economy			
Demand for Money			
Monetary transmission mechanism			
Velocity of money			

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QUESTION 3**[10]**

Indicate whether the following statements are correct/ incorrect
Mark your answer clearly with an X in the appropriate box.

Statement	Correct	Incorrect
1) When Adam Smith entered the scene, Mercantilism was the dominant economic concept of the day.		
2) Mercantilists sought a strong, self-sufficient economy, without a strong central government.		
3) Say's Law states: "Demand drives its own Supply"		
4) Malthus was pessimistic over the future of capitalism.		
5) While Ricardo considered the roles of the worker and the capitalist in the market system to be legitimate, he saw the landlord as a villain.		
6) The process of saving might lead to a increased demand for goods and thereby to an excessive quantity of products without enough buyers. This is known as "General Gluts".		
7) The "haute bourgeoisie." The term is generally used by Marxists to describe the owners of private property.		
8) Labour's wages must remain at the subsistence level, or natural price, because of the worker's tendency to produce more children. (Ricardo)		
9) The proportion of the last pound earned that is not spent on consumption is the MPC		
10) Monetarists are economists who are preoccupation with taxation and government spending.		

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QUESTION 4**[10]**

Each statement below describes a single economic concept. Write the correct concept next to each statement in the table below.

Statement	Correct Concept
1) A selfless concern for the welfare of others. It is a traditional virtue in many cultures. This concept focuses on a motivation to help others or a want to do good without reward.	
2) Empirically based studies using statistics to prove theory.	
3) The level of unemployment that still exists in the economy when the labour market is in equilibrium.	
4) An economic situation in which inflation and economic stagnation occur simultaneously and remain unchecked for a period of time.	
5) Thomas Malthus' thesis that population, unless checked, grows at a greater rate than the means of subsistence and will result in starvation.	
6) Labour's wages must remain at the subsistence level, or natural price, because of the worker's tendency to produce more children (Ricardo)	
7) A type of building designed for a utopian community. Based on the idea of a phalanx, this self-contained community consisted of 1,600 people working together for mutual benefit.	
8) A political doctrine that holds that all people should be treated as equals and should have the same political, economic, social and civil rights. Generally it applies to being held equal under the law and society at large.	
9) Lowly wage earners or workers as per Marxist doctrine.	
10) A person who is a business leader, risk taker or innovator, in the business world.	

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QUESTION 5

[6]

In the Space provided below, briefly define what is meant by the Keynesian School of thought, then in the remaining spaces list and explain the **five** Major Tenants of the Keynesian economists.

Definition of Keynesian:

1)

2)

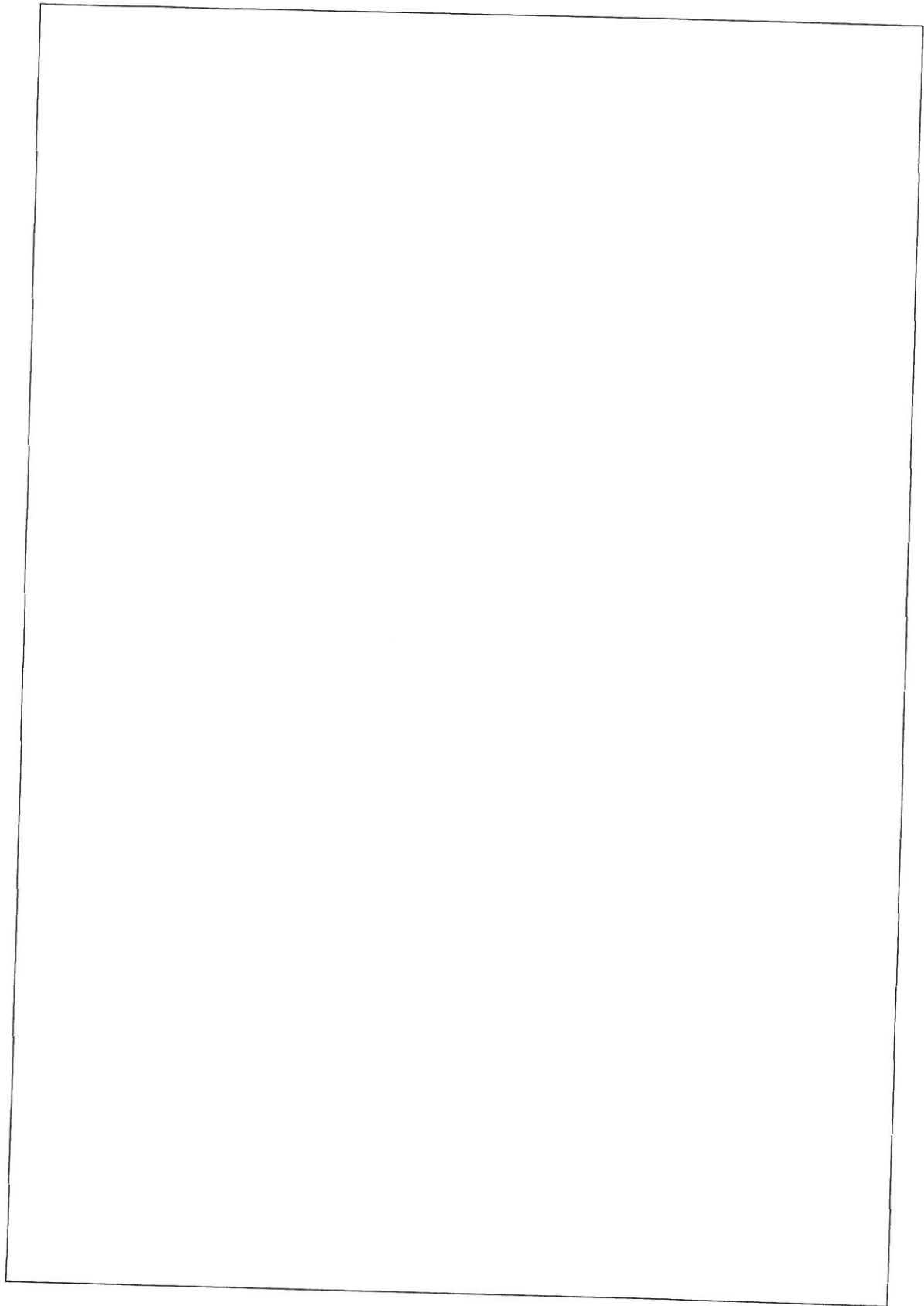
3)

4)

5)

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QUESTION 7

[6]

In the Space provided below, briefly explain the three main contributions that Wicksell made towards the advancement of monetary economics. (2 marks each)

1)

2)

3)

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QUESTION 8

[12]

Use the following headings to discuss Beckers views on the family as presented in the 'Treatise on the Family'.

1. Theory of the family,
2. Fertility,
3. Altruism,
4. Divorce,

Theory of the family

Fertility

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Altruism

Divorce

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QUESTION 9

[4]

Discuss Friedman's view of "Rational Expectations" of the Chicago School.

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QUESTION 10

[5]

Answer the following multiple choice questions by circling the correct option clearly.

1. In Keynesian economics, equilibrium can occur

- a) only at full employment.
- b) only at levels less than full employment.
- c) only at levels greater than full employment.
- d) only at aggregate output with 100 percent of the labour force employed.
- e) at any level of aggregate output equal to aggregate expenditures.

2. According to Schumpeter

- a) Capitalism may be an economic success, but it is not a sociological success.
- b) Capitalism is an economic system caught up in a process of continuous self-renewing growth.
- c) Capitalism will make way for socialism.
- d) All of the above.
- e) None of the above.

3. According to Schumpeter

- a) A capitalist economy is growth oriented and dynamic.
- b) Profits arise from the exploitation of labour or from the earnings of capital.
- c) There is no place for profits in a static economy.
- d) The future of capitalism hinges on appropriate government support.
- e) None of the above.

4. According to Mill, the distribution of wealth:

- a) should be distributed evenly throughout society.
- b) depends on the laws and customs of society.
- c) are prescribed by the laws of economics.
- d) all of the above.
- e) none of the above.
- e) *geeneen van bogenoemde.*

5. The Keynesian transmission mechanism implies that:

- a) a higher interest rates discourage investment.
- b) a contraction of money supply puts upward pressure on interest rates.
- c) an increase in the bank rate, decreases the money supply.
- d) all of the above.
- e) none of the above.

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