

Monetarism

- 16-8. Monetarism, led by Milton Friedman, holds that inflation is always and everywhere a monetary phenomenon. Further, it does not wish to stop inflation or deflation by active demand as in Keynesian economics, but by monetary policy rules, such as keeping the rate of growth of the money supply constant over time.
- 16-9. New Keynesian economics, which developed partly in response to new classical economics, try to present microeconomic foundations to Keynesian economics by showing how limited markets can give reason for demand management.
- 16-10. Austrian economics is a laissez-faireschool of economics. It focuses on the business cycle that appear from government or central-bank interference that leads to deviations from the rate of interest.
- 16-11. Post-Keynesian economics represents a difference of opinion from ordinary Keynesian economics, emphasizing the role of uncertainty, liquidity preference and the historical process in macroeconomics.
- 16-12. New classical economics. This school appeared during the 1970s. It is insists that it does not recognize to claim that the economy at any time might be "out-of-equilibrium".

Questions:

1. Make table contains comparison between Major Schools of Economic Theory as (time period, main thoughts adopted, the major economists)?
2. True or false:
 - a. Institutional School developed the idea of the economy as a circular flow of income and output.
 - b. Monetarism assumed that in a recession, wages and prices would decline to restore full employment.
 - c. Austrian economics is a laissez-faireschool of economics.
 - d. New classical economics recognized to claim that the economy at any time might be "out-of-equilibrium".
 - e. Post-Keynesian economics represents a same opinion from ordinary Keynesian economics
3. Translate the following paragraph:-

Adam Smith

Adam Smith was born in Scotland. The exact date of his birth is unknown, however, the estimate time is (1723–1790). Smith was the Scottish philosopher who became famous for his book, "The Wealth of Nations" written in 1776, which had a deep effect on modern economics and concepts of individual freedom.

In 1751, Smith was appointed professor of logic at Glasgow university, transferring in 1752 to the chair of moral philosophy. His lectures covered the field of ethics, and political economy. In 1759 he published his Theory of Moral Sentiments.

Smith moved to London in 1776, where he published the Wealth of Nations, which researched in detail the importance of economic freedom. It covered such concepts as the role of self-interest, the division of labor, the function of markets, and the laissez-faire economy.

Smith laid the academic framework that explained the free market and still holds true today. He is most often established "the invisible hand," which he used to show how self-interest guides the most efficient use of resources in a nation's economy, with public welfare coming as a by-product.