**НАО «Университет КИМЭП»**

**Факультет Социальных Наук**

**Вступительный экзамен**

**в докторантуру по группе образовательных программ**

**«D070 Экономика»**

**Образовательная программа: 8D04106 Экономика**

**Essay Questions**

1. Rationality was long held to be the “hard core” of most research programs in economics. Which is the role played by the rationality assumption in economics? Which research programs have developed which are not based on the rationality assumption and what is being put in its place?

2. Milton Friedman argued that economic models do not need to be a true representation of reality but that it is sufficient if they make predictions “as if” they were true. Which are arguments in favour, which are arguments against this approach to modelling?

3. Give a short motivation of the research topic that you want to study as a PhD student!

4. What is your PhD research going to contribute to the development of Kazakhstan?

5. Are financial markets information efficient? Are they prone to producing bubbles? What can be learned from rational models of market behaviour and what can be learned from the behavioral economics of financial markets?

6. Discuss the development opportunities and risks of the Chinese Belt-and Road initiative for Central Asia.

7. How do you judge the response of Kazakhstan to the pandemic so far? Which problems do you see for future development?

8. How are climate goals adopted by other countries going to affect the oil sector in Kazakhstan and what can Kazakhstan do to better cope?

9. What are going to be the labour market consequences of increased automatization and what can countries do to manage those consequences?

10. How has the pandemic affected the distribution of welfare in Kazakhstan? Which measures do you suggest to cope with any negative distributional consequences?

***QUESTIONS FOR THE FIRST BLOCK – Theoretical questions***

###001 (question number)

Define assumptions for regression models with nonstochastic regressors (OLS estimators). Describe the Gauss-Markov theorem.

{Block}=1

{Source}=Dougherty C. (2016) Introduction to Econometrics. Oxford University Press.

###002 (question number)

Hypothesis testing related regression coefficients (OLS estimators). F test for goodness of fit.

{Block}=1

{Source}=Dougherty C. (2016) Introduction to Econometrics. Oxford University Press.

###003 (question number)

Define an Instrumental Variables estimation. Describe a Two-stage least squares estimator. {Block}=1

{Source}=Dougherty C. (2016) Introduction to Econometrics. Oxford University Press.

###004 (question number)

Explain when are you use the Binary choice models. Define the logit, probit and tobit models.

{Block}=1

{Source}=Dougherty C. (2016) Introduction to Econometrics. Oxford University Press.

###005 (question number)

When does a Sample selection bias occur? Please describe the sample selection bias problem. Describe the Heckman two-step procedure.

{Block}=1

{Source}=Dougherty C. (2016) Introduction to Econometrics. Oxford University Press.

###006 (question number)

Why might ARMA models be considered particularly useful for financial time series? Explain, without using any equations or mathematical notation, the difference between AR, MA and ARMA processes.

{Block}=1

{Source}=Brooks, C. (2019). Introductory Econometrics for Finance (4th ed.). Cambridge University Press. https://doi.org/DOI: 10.1017/9781108524872

###007 (question number)

Explain what stylized shapes would be expected for the autocorrelation and partial autocorrelation functions for the following stochastic processes:

● white noise

● an AR(2)

● an MA(1)

● an ARMA (2,1).

{Block}=1

{Source}=Brooks, C. (2019). Introductory Econometrics for Finance (4th ed.). Cambridge University Press. https://doi.org/DOI: 10.1017/9781108524872

###008 (question number)

What are the advantages of constructing a panel of data, if one is available, rather than using pooled data? Distinguish between balanced and unbalanced panels, give examples of each!

{Block}=1

{Source}=Brooks, C. (2019). Introductory Econometrics for Finance (4th ed.). Cambridge University Press. https://doi.org/DOI: 10.1017/9781108524872

###009 (question number)

Explain how fixed effects models are equivalent to an ordinary least squares regression with dummy variables. How does the random effects model capture cross-sectional heterogeneity in the intercept term? What are the relative advantages and disadvantages of the fixed versus random effects specifications and how would you choose between them for application to a particular problem?

{Block}=1

{Source}=Brooks, C. (2019). Introductory Econometrics for Finance (4th ed.). Cambridge University Press. https://doi.org/DOI: 10.1017/9781108524872

###0010 (question number)

Define what is it the problem of heteroscedasticity and autocorrelation. Describe the tests to detect the heteroscedasticity and autocorrelation.

{Block}=1

{Source}=Dougherty C. (2016) Introduction to Econometrics. Oxford University Press.

###0011 (question number)

Illustrate the examples of nonlinear regression models. Explain the logarithmic transformations of nonlinear models to linear models trough specific functions.

{Block}=1

{Source}=Dougherty C. (2016) Introduction to Econometrics. Oxford University Press.

###0012 (question number)

Why do we use the F-statistic to test the joint significance of several variables? Why not just apply the T-statistic to each variable?

{Block}=1

{Source}=Gujarati, D., Porter, D., Basic Econometrics, 5th Ed., McGraw Hill, 2008

###0013 (question number)

How to compare the welfare of alternative income distributions based on the Lorenz curve?

{Block}=1

{Source}=Chakravarty, S. . R. (2009). Inequality, Polarization and Poverty: Advances in Distributional Analysis. In J. Silver (Ed.), Economic Studies in Inequality, Social Exclusion and Well-Being. Springer Science+Business Media.

###0014 (question number)

Describe the Stochastic dominance analysis used for a welfare evaluation of income distributions. Define the first and second order stochastic dominance.

{Block}=1

{Source}=Chakravarty, S. . R. (2009). Inequality, Polarization and Poverty: Advances in Distributional Analysis. In J. Silver (Ed.), Economic Studies in Inequality, Social Exclusion and Well-Being. Springer Science+Business Media.

###0015 (question number)

What are the main factors contributed to a decline of poverty during 2001-2009 in Kazakhstan?

{Block}=1

{Source}=Kudebayeva, A., Barrientos, A., (2017) “A Decade of Poverty Reduction in Kazakhstan 2001-2009: growth and/or redistribution? “ Journal of International Development, 29, 1166–1186.

###0016 (question number)

Why is the duration of poverty important in measurements of poverty and application of social assistance programs?

{Block}=1

{Source}=Arranz, J. M., & Cantó, O. (2012). Measuring the effect of spell recurrence on poverty dynamics—evidence from Spain. The Journal of Economic Inequality, 10(2), 191–217.

###0017 (question number)

How do you apply Amatya Sen’s Capabilities approach to empirical data?

{Block}=1

{Source}=Kuklys, W. (2005). Amartya Sens’s Capabilities Approach. Theoretical Insights and Empirical Applications. Springer.

###0018 (question number)

Why is important to apply the multidimensional approach in measurement of poverty? What are the properties of multidimensional poverty indexes?

{Block}=1

{Source}=Alkire, S., Foster, J. (2011). Counting and Multidimensional Poverty Measurement. Journal of Public Economics., 95(6–7), 476–487.

###0019 (question number)

Why is important to decompose the poverty decline and consider regional and demographic disparities in well-being? The case of Kazakhstan.

{Block}=1

{Source}=Keetie Roelen & Franziska Gassmann (2014) Beyond averages: Child well-being in Kazakhstan, Journal of Children and Poverty, 20:2, 91-110, DOI: 10.1080/10796126.2014.979139

###0020 (question number)

How does a transition from a planned economy to a market economy during 1990’s affect the household well-being in Central Asia?

{Block}=1

{Source}=Anderson, K., & Pomfret, R. (2002). Relative Living Standards in New Market Economies: Evidence from Central Asian Household Surveys. Journal of Comparative Economics, 30, 683–708.

###0021 (question number)

How does the Belt and Road Initiative of China impact on economies of Central Asia?

{Block}=1

{Source}=Bird, J., Lebrand, M., & Venables, A. J. (2020). The Belt and Road Initiative: Reshaping economic geography in Central Asia? Journal of Development Economics, 144, 102441. https://doi.org/https://doi.org/10.1016/j.jdeveco.2020.102441

###0022 (question number)

How do migration and remittances inflow impact on labour force participation rates of females and males?

{Block}=1

{Source}=Amuedo-Dorantes, Catalina, and Susan Pozo. 2006. ""Migration, Remittances, and Male and Female Employment Patterns."" American Economic Review, 96 (2): 222-226.DOI: 10.1257/000282806777211946

###0023 (question number)

Explain the reasons for convergence and divergence in per capita income levels across countries.

{Block}=1

{Source}=Todaro, M., Smith, S.C., Economic Development, 12th ed., Pearson 2020

###0024 (question number)

What are the main indicators of income and wealth inequality?

{Block}=1

{Source}=Todaro, M., Smith, S.C., Economic Development, 12th ed., Pearson 2020

###0025 (question number)

What is the main idea of the big-push model of economic development?

{Block}=1

{Source}=Todaro, M., Smith, S.C., Economic Development, 12th ed., Pearson 2020

###0026 (question number)

Explain the main assumptions and features of the Harris-Todaro model of rural-urban migration.

{Block}=1

{Source}=Todaro, M., Smith, S.C., Economic Development, 12th ed., Pearson 2020

###0027 (question number)

What is the main idea of the Hausman-Rodrik-Velasco growth diagnostics framework?

{Block}=1

{Source}=Todaro, M., Smith, S.C., Economic Development, 12th ed., Pearson 2020

###0028 (question number)

Name and characterize the types of market structures.

{Block}=1

{Source}=Pindyck and Rubinfeld, Microeconomics, 9th ed., Pearson 2017

###0029 (question number)

Categorize goods in terms of rivalry and excludability into private goods, public goods, club goods, and common goods. Provide examples.

{Block}=1

{Source}=Pindyck and Rubinfeld, Microeconomics, 9th ed., Pearson 2017

###0030 (question number)

Explain the phenomenon of market failure. Name the conditions under which the market may fail.

{Block}=1

{Source}=Pindyck and Rubinfeld, Microeconomics, 9th ed., Pearson 2017

###0031 (question number)

How is the presence of inefficiency in the monopolistically competitive markets justified?

{Block}=1

{Source}=Pindyck and Rubinfeld, Microeconomics, 9th ed., Pearson 2017

###0032 (question number)

What is the idea behind the model with a kinked demand in an oligopolistic market?

{Block}=1

{Source}=Pindyck and Rubinfeld, Microeconomics, 9th ed., Pearson 2017

###0033 (question number)

Define: Efficient production. What can you say about production points below the production possibility set frontier?

{Block}=1

{Source}=Mankiw, G., Taylor, M., Economics, 5th ed., Cengage 2020.

###0034 (question number)

How can you check that an allocation of goods to different consumers is efficient? Why do food stamp programs (i.e. handing out food vouchers for people depending on state welfare) generally result in violation of consumption efficiency?

{Block}=1

{Source}= Rosen, H., Gayer, T., Public Finance, 10th ed., 2013

###0035 (question number)

Why is the supply curve upward sloping? Referring to the supply curve for crude oil: how is the short-term supply curve different from the long-term supply curve?

{Block}=1

{Source}=Pindyck and Rubinfeld, Microeconomics, 9th ed., Pearson 2017

###0036 (question number)

When do we say a good is normal, when do we say a good is inferior? Give examples!

{Block}=1

{Source}=Mankiw, G., Taylor, M., Economics, 5th ed., Cengage 2020

###0037 (question number)

Which is, theoretically, the effect of a wage increase on individual labour supply? What determines whether or not this effect is positive?

{Block}=1

{Source}=Mankiw, G., Taylor, M., Principles of Economics, 5th ed., Cengage 2020

###0038 (question number)

Define a Giffen good! How does the relationship between income and substitution effect have to be such that the slope of the demand curve has the typical sign for a Giffen good?

{Block}=1

{Source}=Begg, D., Vernasca, G., Fischer, S., and R. Dornbusch: Economics, 12th ed., McGrawHill 2020.

###0039 (question number)

Give examples of positive and negative externalities.

{Block}=1

{Source}=Begg, D., Vernasca, G., Fischer, S., and R. Dornbusch: Economics, 12th ed., McGrawHill 2020.

###0040 (question number)

Under what conditions can externalities be eliminated by the allocation of property rights?

{Block}=1

{Source}=Begg, D., Vernasca, G., Fischer, S., and R. Dornbusch: Economics, 12th ed., McGrawHill 2020.

###0041 (question number)

What is a natural monopoly? Describe location and slopes of cost curves of a natural monopoly!

{Block}=1

{Source}=Begg, D., Vernasca, G., Fischer, S., and R. Dornbusch: Economics, 12th ed., McGrawHill 2020.

###0042 (question number)

How and why do firms use price discrimination between buyers?

{Block}=1

{Source}=Begg, D., Vernasca, G., Fischer, S., and R. Dornbusch: Economics, 12th ed., McGrawHill 2020.

###0043 (question number)

Assume a cost function is characterized by increasing marginal costs. Which is the relationship between marginal cost, average total cost and average variable cost?

{Block}=1

{Source}=Begg, D., Vernasca, G., Fischer, S., and R. Dornbusch: Economics, 12th ed., McGrawHill 2020.

###0044 (question number)

Explain: moral hazard!

{Block}=1

{Source}=Mas-Colell, Whinston and Green, Microeconomic Theory, Oxford University Press 1995

###0045 (question number)

Explain: adverse selection!

{Block}=1

{Source}=Mas-Colell, Whinston and Green, Microeconomic Theory, Oxford University Press 1995

###0046 (question number)

Explain why a monopoly is a case of market failure!

{Block}=1

{Source}=Mankiw, G., Taylor, M., Economics, 5th ed., Cengage 2020, chpt 5

###0047 (question number)

How is a model of exogenous growth different from the Solow model of exogenous economic growth?

{Block}=1

{Source}=Miles, Scott and Bredon, Macroeconomics, 3rd ed., Wiley, 2012, chpt 6

###0048 (question number)

How is a model of exogenous growth different from the Solow model of exogenous economic growth?

{Block}=1

{Source}=Miles, Scott and Bredon, Macroeconomics, 3rd ed., Wiley, 2012, chpt 6

###0049 (question number)

How is a model of exogenous growth different from the Solow model of exogenous economic growth?

{Block}=1

{Source}=Miles, Scott and Bredon, Macroeconomics, 3rd ed., Wiley, 2012, chpt 6

###0050 (question number)

Consider the Ramsey model of an infinitely-lived household that maximizes utility. The consumption path is governed by the equation dC/dt / C(t) = [r(t) – p]/f where C is consumption, r is the real interest rate, p is the rate of time preference, f is the degree of risk aversion, and t is time. Interpret this condition under the assumption that the interest rate is zero (as it is in real terms around the world today) and that the rate of time preference is positive. What happens to consumption over time, and why?

{Block}=1

{Source}=Romer, D., Advanced macroeconomics, 5th ed., McGrawHill, 2019

###0051 (question number)

Consider the Cobb-Douglas function of aggregate production, Y = (K^a)(L^b)(R^c) where Y is output, K is capital, L is labor, R is natural resources, and a, b, and c are parameters. Assume constant returns to scale. If input markets are competitive, then what is the share of natural resources in national income?

{Block}=1

{Source}=Romer, D., Advanced macroeconomics, 5th ed., McGrawHill, 2019

###0052 (question number)

Explain why it must be the case that if a country runs a current account deficit it must at the same time run a capital account surplus, i.e. import capital, or lose currency reserves.

{Block}=1

{Source}= Mankiw, G., Macroeconomics, 10th ed., Worth 2018

###0053 (question number)

Explain, how an import quota affects the real exchange rate.

{Block}=1

{Source}=Mankiw, G., Macroeconomics, 10th ed., Worth 2018

###0054 (question number)

What does the transversality (or no-ponzi-game) condition for the intertemporal budget constraint of the government say? Which policies and which debt-income ratios are compatible with this condition?

{Block}=1

{Source}=Romer, P., Advanced Macroeconomics, 5th ed., McGrawHill 2019

###0055 (question number)

How does the efficacy of fiscal policy and monetary policy compare in the cases of a flexible exchange rate and a fixed exchange rate? Which mechanisms drive the different effects?

{Block}=1

{Source}=Romer, P., Advanced Macroeconomics, 5th ed., McGrawHill 2019

###0056 (question number)

What does the Balassa-Samuelson Theorem say?

{Block}=1

{Source}=Hallwood, C.P., MacDonald, R., International Money and finance, 3rd ed., Blackwell 2000, chpt 7

###0057 (question number)

Consider a country that is relatively poor compared to the richest countries of the world. How will its growth rate compare to richer countries according to the Solow model?

{Block}=1

{Source}=Mankiw, G., Macroeconomics, 10th ed., Worth 2018

###0058 (question number)

Explain why the Solow model predicts convergence over time in living standards across countries.

{Block}=1

{Source}=Mankiw, G., Macroeconomics, 10th ed., Worth 2018

###0059 (question number)

Explain why aggregate demand is negatively related to the inflation rate.

{Block}=1

{Source}=Mankiw, G., Macroeconomics, 10th ed., Worth 2018

###0060 (question number)

Explain why the inflationary gap occurs when aggregate demand is greater than potential output.

{Block}=1

{Source}=Mankiw, G., Macroeconomics, 10th ed., Worth 2018

###0061 (question number)

Explain the distinction between the government deficit and government debt.

{Block}=1

{Source}=Mankiw, G., Macroeconomics, 10th ed., Worth 2018

###0062 (question number)

Why is the aggregate demand curve downwoard sloping?

{Block}=1

{Source}=Mankiw, G., Macroeconomics, 10th ed., Worth 2018

###0063 (question number)

Why does redistribution cause efficiency losses? Why might society choose to redistribute resources from one group to another when doing so reduces the overall size of the economic pie?

{Block}=1

{Source}=Gruber, J., Public Finance and Public Policy 10th ed., Worth Publishers 2010, chpt 1

###0064 (question number)

Since the free market (competitive) equilibrium maximizes social efficiency, why would the government ever intervene in an economy?

{Block}=1

{Source}=Gruber, J., Public Finance and Public Policy 10th ed., Worth Publishers 2010, chpt 2

###0065 (question number)

What is the intuition behind the notion of Ricardian equivalence? How might you look for evidence to test the suggestion that people account for future generations’ tax burdens by saving more today?

{Block}=1

{Source}=Gruber, J., Public Finance and Public Policy 10th ed., Worth Publishers 2010, chpt 4

###0066 (question number)

Can government assignment and enforcement of property rights internalize an externality? Will this approach work as well as, better than, or worse than direct government intervention?

{Block}=1

{Source}=Gruber, J., Public Finance and Public Policy 10th ed., Worth Publishers 2010, chpt 5

###0067 (question number)

Think about the non-rival and non-excludable properties of public goods. To what degree is a site on the internet a public good? Justify your answer!

{Block}=1

{Source}=Gruber, J., Public Finance and Public Policy 10th ed., Worth Publishers 2010, chpt 7

###0068 (question number)

Should the government be required to finance all of its expenditures with tax revenues without being allowed to borrow? What are the implications of such a policy?

{Block}=1

{Source}=Rosen, H., Gayer, T., Public Finance, 10th ed., chpt 1

###0069 (question number)

Why might asymmetric information contribute to the problem of a market failure?

{Block}=1

{Source}=Rosen, H., Gayer, T., Public Finance, 10th ed., chpt 3

###0070 (question number)

Discuss and contrast the advantages and disadvantages of public highways versus toll roads.

{Block}=1

{Source}=Rosen, H., Gayer, T., Public Finance, 10th ed., chpt 4

###0071 (question number)

Think about the non-rival and non-excludable properties of public goods. To what degree is a highway a public good? Justify your answer!

{Block}=1

{Source}=Gruber, J., Public Finance and Public Policy 10th ed., Worth Publishers 2010, chpt 7

***QUESTIONS FOR THE SECOND BLOCK – Functional questions***

###001 (question number)

What are the main factors contributed to a decline of poverty during 2001-2009 in Kazakhstan?

{Block}=2

{Source}=Kudebayeva, A., Barrientos, A., (2017) “A Decade of Poverty Reduction in Kazakhstan 2001-2009: growth and/or redistribution? “ Journal of International Development, 29, 1166–1186.

###002 (question number)

Why is the duration of poverty important in measurements of poverty and application of social assistance programs?

{Block}=2

{Source}=Arranz, J. M., & Cantó, O. (2012). Measuring the effect of spell recurrence on poverty dynamics—evidence from Spain. The Journal of Economic Inequality, 10(2), 191–217.

###003 (question number)

Given there are four types of products: private goods, public goods, common goods, and club goods. What types of goods are expected to create the most favorable environment for a public-private partnership (PPP)? Explain.

{Block}=2

{Source}=Todaro, M., Smith, S.C., Economic Development, 12th ed., Pearson 2020

###004 (question number)

Identify advantages and limitations of the Gini coefficient as one of the main indicators measuring inequality.

{Block}=2

{Source}=Todaro, M., Smith, S.C., Economic Development, 12th ed., Pearson 2020

###005 (question number)

Describe and explain the role institutions play in the process of economic development and growth.

{Block}=2

{Source}=Todaro, M., Smith, S.C., Economic Development, 12th ed., Pearson 2020

###006 (question number)

Using your examples, evaluate the policies of export orientation and import substitution in the process of economic development.

{Block}=2

{Source}=Todaro, M., Smith, S.C., Economic Development, 12th ed., Pearson 2020

###007 (question number)

How can the problems of the highly-indebted poor countries (HIPCs) be solved?

{Block}=2

{Source}=Todaro, M., Smith, S.C., Economic Development, 12th ed., Pearson 2020

###008 (question number)

It has been claimed that Kazakhstan as a resource based economy may show signs of the Dutch disease. Explain the concept of Dutch disease and discuss which effect - if any - it has had on Kazakhstan!

{Block}=2

{Source}=Corden, W.M., Booming Sector and Dutch Disease Economics: Survey and Consolidation, Oxford Economic Papers 36, 1984

###009 (question number)

What is the ""Resource Curse"". In a comparative perspective: does the resource curse explain developments in different Central Asian economies?

{Block}=2

{Source}=Sachs, J. and Warner, A.,The curse of natural resources, European Economic Review 45, 2001.

###0010 (question number)

Discuss different policies to curb corruption. Relate to examples from different countries!

{Block}=2

{Source}=Svensson, J., Eight Questions about Corruption, Journal of Economic Perspectives 19, 2005.

###0011 (question number)

What criteria may regulators use to decide whether to allow a merger of two companies in a market with a relatively high concentration of market power?

{Block}=2

{Source}=Pindyck and Rubinfeld, Microeconomics, 9th ed., Pearson 2017

###0012 (question number)

Demand for non-durable goods is expected to be more price elastic in the long run than in the short run. Why is it the opposite for durable goods?

{Block}=2

{Source}=Pindyck and Rubinfeld, Microeconomics, 9th ed., Pearson 2017

###0013 (question number)

Isoquants can be convex, linear or L-shaped. Why don’t we consider concave isoquants? {Block}=2

{Source}=Pindyck and Rubinfeld, Microeconomics, 9th ed., Pearson 2017

###0014 (question number)

The owner of a small retail store does her own accounting work. How would you measure the opportunity cost of her work?

{Block}=2

{Source}=Pindyck and Rubinfeld, Microeconomics, 9th ed., Pearson 2017

###0015 (question number)

What is the difference between economic cost and accounting cost?

{Block}=2

{Source}=Pindyck and Rubinfeld, Microeconomics, 9th ed., Pearson 2017

###0016 (question number)

State the condition under which an expected utility maximizer takes out a fair insurance contract.

{Block}=2

{Source}=Varian, H., Intermediate Microeconomics, 7th ed., NNorton, 2006

###0017 (question number)

Under which conditions do you expect an auction to result in a “winner’s curse”? Explain!

{Block}=2

{Source}=Varian, H., Intermediate Microeconomics, 7th ed., NNorton, 2006

###0018 (question number)

Consider a private value auction. Which auction forms result in efficiency, which auction forms result in inefficient outcomes? What does “efficiency” here mean?

{Block}=2

{Source}=Varian, H., Intermediate Microeconomics, 7th ed., NNorton, 2006

###0019 (question number)

Consider a private value auction. The auction house wants to maximize expected revenue from the auction. Which auction form should it choose? Give a short motivation for the surprising result!

{Block}=2

{Source}=Varian, H., Intermediate Microeconomics, 7th ed., NNorton, 2006

###0020 (question number)

Assume one neighbour creates a nuisance for the other neighbour. Sketch the argument that bargaining results in an efficient solution to this problem. Which is the role of property rights and which are the simplifying assumptions in your argument?

{Block}=2

{Source}=Mankiw, G., Taylor, M., Economics, 5th ed., Cengage 2020.

###0021 (question number)

Sketch different public policies to deal with an externality problem.

{Block}=2

{Source}=Mankiw, G., Taylor, M., Economics, 5th ed., Cengage 2020.

###0022 (question number)

Properly designed, Pigovian taxes and pollution permits result in an equivalent solution to the externality problem. Why have pollution permits been more popular with governments?

{Block}=2

{Source}=Mankiw, G., Taylor, M., Economics, 5th ed., Cengage 2020.

###0023 (question number)

In dealing with an externality, emission standards (i.e. setting an emission quantity which is allowed for a unit) are said to be less efficient than Pigovian taxes or pollution permits. Why?

{Block}=2

{Source}=Rosen, H., Gayer, T., Public Finance, 10th ed., chpt 7

###0024 (question number)

Which strategies can investors persue to reduce the risk of their portfolio?

{Block}=2

{Source}=Pindyck and Rubinfeld, Microeconomics, 9th ed., Pearson 2017

###0025 (question number)

Integration within the Eurasian Economic Union: which effect has it had on the economy of Kazakhstan?

{Block}=2

{Source}=Tarr, D., The Eurasian Economic Union among Russia, Belarus, Kazakhstan, Armenia and the Kyrgyz Republic: Can it succeed where its predecessor failed? Eastern European Economics, 54, 2016

###0026 (question number)

Which are the opportunities and problems of integration within the Eurasian Economic Union?

{Block}=2

{Source}=Tarr, D., The Eurasian Economic Union among Russia, Belarus, Kazakhstan, Armenia and the Kyrgyz Republic: Can it succeed where its predecessor failed? Eastern European Economics, 54, 2016.

###0027 (question number)

Explain how an expansionary monetary shock results in overshooting of the exchange rate. Which market adjusts sluggishly? Why must investors expect a depreciation of the currency?

{Block}=2

{Source}=Romer, P., Advanced Macroeconomics, 5th ed. McGrawHill 2019

###0028 (question number)

Smoking causes cancer. Yet the tobacco industry for some time argued that an unobserved phenotype was independently responsible for people's craving for nicotine and for a predilection to develop cancer. How can such an explanation undermine the hypothesis that smoking causes cancer? Which strategies can you use to clarify?

{Block}=2

{Source}=Pearl, J., Causality, Cambridge University Press, epilogue http://bayes.cs.ucla.edu/BOOK-2K/causality2-epilogue.pdf

###0029 (question number)

What is a natural experiment? Use an example to show how a natural experiment can be used to resolve a research problem.

{Block}=2

{Source}=Card, D. (1990), The Impact of the Mariel Boatlift on the Miami Labor Market, Industrial and Labor Relations Review 43 https://davidcard.berkeley.edu/papers/mariel-impact.pdf (for one example)

###0030 (question number)

In order to make college more affordable for students from families with fewer resources, a government has proposed allowing the student of any family with less than $50,000 in savings to attend a public university for free. Discuss the direct and possible indirect effects of such a policy.

{Block}=2

{Source}=Gruber, J., Public Finance and Public Policy 10th ed., Worth Publishers 2010, chpt 1

###0031 (question number)

Assume that it is a government goal to have more people privately saving for their retirement but it wants to respect the free choice of people. So it asks companies to offer their employees a private retirement saving scheme in which they may opt in. Can you think of ways to increase the number of people who end up joining this scheme?

{Block}=2

{Source}=Thaler, R., Cass, S., Nudge, Yale UP 2008

###0032 (question number)

Describe an example of a free rider problem in your hometown and suggest a way for the local government to overcome this problem!

{Block}=2

{Source}=Gruber, J., Public Finance and Public Policy 10th ed., Worth Publishers 2010, chpt 8

###0033 (question number)

How does the opportunity cost of a government purchase vary depending on whether the market for the purchased good is perfectly competitive or monopolistic?

{Block}=2

{Source}=Gruber, J., Public Finance and Public Policy 10th ed., Worth Publishers 2010, chpt 8

###0034 (question number)

One approach to calculating the value of life involves the use of compensating wage differentials in risky occupations. What informational problems make these studies difficult to carry out?

{Block}=2

{Source}=Gruber, J., Public Finance and Public Policy 10th ed., Worth Publishers 2010, chpt 8

###0035 (question number)

One way to structure a student loan repayment plan is to make it income -contingent—that is, to relate the amount that a student would have to repay in any given month to how much income he or she earns. How might the existence of such a plan alter a student’s choice of college major?

{Block}=2

{Source}=Gruber, J., Public Finance and Public Policy 10th ed., Worth Publishers 2010, chpt 11

###0036 (question number)

Which government intervention would you recommend regarding tobacco consumption? Justify your answer.

{Block}=2

{Source}=Rosen, H., Gayer, T., Public Finance, 10th ed., chpt 1

###0037 (question number)

Some economists believe that public schools would improve if they were subjected to competition. Discuss the pros and cons of this idea.

{Block}=2

{Source}=Rosen, H., Gayer, T., Public Finance, 10th ed., chpt 4

###0038 (question number)

Standardized tests for rating school performance do not receive universal acceptance as being helpful in making schools more accountable. Discuss why.

{Block}=2

{Source}=Rosen, H., Gayer, T., Public Finance, 10th ed., chpt 7

###0039 (question number)

Does increasing reliance on student loans in some countries distort students career choices?

{Block}=2

{Source}=Rosen, H., Gayer, T., Public Finance, 10th ed., chpt 7

###0040 (question number)

Should the government provide university education for free? Justify your position!

{Block}=2

{Source}=Rosen, H., Gayer, T., Public Finance, 10th ed., chpt 7

###0041 (question number)

A public project plans to employ different workers, some of whom have previously been involuntarily unemployed, voluntarily unemployed and employed. How would you calculate the opportunity cost of each worker? Why is it wrong to simply use the salary paid for these workers?

{Block}=2

{Source}=Rosen, H., Gayer, T., Public Finance, 10th ed.

###0042 (question number)

A researcher wants to model determinants of the probability of cancer. Suppose that the dependent variable is the probability of cancer. Should she use a linear regression function or a nonlinear function? What factors might determine her choice?

{Block}=2

{Source}=Wooldridge, J. (2014), Introductory econometrics: a modern approach

###0043 (question number)

Consider the OLS model r\_i = 1 + 0.75 r\_m where the dependent variable r\_i is the rate of return to stock issued by company i and the independent variable r\_m is the rate of return to a market portfolio (such as the KASE index or the Dow-Jones index). The dataset consists of 150 companies, all surveyed on a given day. The standard error for the intercept is 1 and the standard error for the slope parameter is 1. A stock is said to be “volatile” if its beta coefficient (the coefficient on the market-portfolio return) exceeds 1. Test the null hypothesis that the stock of the typical company in this dataset is not volatile! At the 5% level of significance, the critical t values are 1.645 for a one-tailed test, and 2 or -2 for a two-tailed test.

{Block}=2

{Source}=Gujarati, D., Porter, D., Basic Econometrics, 5th Ed., McGraw Hill, 2008

###0044 (question number)

A recent regression model studies seven master’s programs at KIMEP from the Academic Year 2007 through AY2011. Each observation is for a particular program in a particular year—for example, the MAE program in AY2008. The dependent variable is the natural log of the number of students enrolled in the program (LNEnroll). The independent variables are the natural logs of: tuition per credit hour, adjusted for consumer inflation (LNRealPrice); and of the number of admitted students (LNAdmit). R-square for the model is .973. Interpret this number in plain words. The intercept is .536; the coefficient on LNAdmit is 1.008; and the coefficient on LNRealPrice is -0.107. For the LNAdmit coefficient, the t-value is 28.003 and the p-value is 0.000. For the LNRealPrice coefficient, the t-value is -0.557 and the p-value is .582. For each of these two slope coefficients, interpret the magnitude, the sign, the t-value and the p-value.

{Block}=2

{Source}=Gujarati, D., Porter, D., Basic Econometrics, 5th Ed., McGraw Hill, 2008

###0045 (question number)

What are the advantages of a “pegged” exchange rate and why is it costly to defend the “peg”?

{Block}=2

{Source}=Miles, Scott and Bredon, Macroeconomics, 3rd ed., Wiley, 2012, chpt 21

###0046 (question number)

What is a currency board, what is the idea behind it and why, at least in the case of Argentina, did it fail?

{Block}=2

{Source}=Miles, Scott and Bredon, Macroeconomics, 3rd ed., Wiley, 2012, chpt 21

###0047 (question number)

What does the life cycle/permanent income hypothesis predict for the path of consumption relative to income over the life cycle? Which problems follow for an economy with a shrinking population?

{Block}=2

{Source}=Romer, P., Advanced Macroeconomics, 5th ed. McGrawHill 2019

###0048 (question number)

The J-curve implies that, given a fixed exchange rate, devaluation immediately deteriorates the current account but improve it after a time. Explain.

{Block}=2

{Source}=Mankiw, G., Macroeconomics, 10th ed., Worth 2018

###0049 (question number)

Explain the short run relationship between inflation and unemployment (the short run Phillips curve).

{Block}=2

{Source}=Mankiw, G., Macroeconomics, 10th ed., Worth 2018

###0050 (question number)

Explain what is meant by hysteresis.

{Block}=2

{Source}=Mankiw, G., Macroeconomics, 10th ed., Worth 2018

###0051 (question number)

What is the equilibrium unemployment rate? What policies can governments use to reduce the equilibrium unemployment rate?

{Block}=2

{Source}=Mankiw, G., Macroeconomics, 10th ed., Worth 2018

###0052 (question number)

The output gap is the percentage difference between actual output and potential output. What happened to the output gap following the 2020 Covid pandemic?

{Block}=2

{Source}=Mankiw, G., Macroeconomics, 10th ed., Worth 2018

###0053 (question number)

In the IS-LM model, the schedule of equilibria in the money market (the LM function) slopes upward for a closed economy but is usually assumed vertical for a small open economy.

{Block}=2

{Source}=Why? Mankiw, G., Macroeconomics, 10th ed., Worth 2018

###0054 (question number)

What is “quantitative easing” and what does its success reveal about money demand?

{Block}=2

{Source}=Miles, Scott and Bredon, Macroeconomics, 3rd ed., Wiley, 2012, chpt 13

###0055 (question number)

How does the efficacy of fiscal policy and monetary policy compare in the cases of a flexible exchange rate and a fixed exchange rate?

{Block}=2

{Source}=Mankiw, G., Macroeconomics, 10th ed., Worth 2018

###0056 (question number)

What is a “Lucas supply curve” and which arguments are behind its construction?

{Block}=2

{Source}=Romer, P., Advanced Macroeconomics, 5th ed. McGrawHill 2019

###0057 (question number)

Consumers must all pay a higher price for a good because some new customers begin buying it. Explain why this describes the free-market equilibrium Pareto efficiency.

{Block}=2

{Source}=Begg, D., Vernasca, G., Fischer, S., and R. Dornbusch: Economics, 12th ed., McGrawHill 2020.

###0058 (question number)

Explain the ‘Laffer curve’ relationship between the income tax rate and the tax revenue collected. Why tax revenue is maximized at a tax rate between 0% and 100%?

{Block}=2

{Source}=Begg, D., Vernasca, G., Fischer, S., and R. Dornbusch: Economics, 12th ed., McGrawHill 2020.

###0059 (question number)

Assuming that P\_X and P\_Y are prices of goods X and Y respectively, write down the equation of the budget constraint for this consumer.

{Block}=2

{Source}=Begg, D., Vernasca, G., Fischer, S., and R. Dornbusch: Economics, 12th ed., McGrawHill 2020.

###0060 (question number)

Why do economists describe externalities as a market failure?

{Block}=2

{Source}=Begg, D., Vernasca, G., Fischer, S., and R. Dornbusch: Economics, 12th ed., McGrawHill 2020.

###0061 (question number)

Give (one of each) example of positive and normative statements.

{Block}=2

{Source}=Begg, D., Vernasca, G., Fischer, S., and R. Dornbusch: Economics, 12th ed., McGrawHill 2020.

###0062 (question number)

Producing an industrial good causes pollution to a lake. Previously, fishermen had used the lake for fishing. Does the situation necessarily indicate an inefficiency? Can the introduction of well-defined property rights resolve the issue? What difficulties may arise?

{Block}=2

{Source}=Begg, D., Vernasca, G., Fischer, S., and R. Dornbusch: Economics, 12th ed., McGrawHill 2020.

###0063 (question number)

Assume the inverse demand function is P = 1000 - 2Q and the supply function is P = 100. What is the market price and output? Now assume that this market is monopolised by a single firm. The demand function remains the same but now the MC is constant and equal to 100. What is the profit maximising price and output of this monopoly? Calculate the deadweight loss of this monopoly?

{Block}=2

{Source}=Begg, D., Vernasca, G., Fischer, S., and R. Dornbusch: Economics, 12th ed., McGrawHill 2020.

###0064 (question number)

Show (i.e., argue) that perfect price discrimination by a monopolist results in an efficient provision of the good.

{Block}=2

{Source}=Begg, D., Vernasca, G., Fischer, S., and R. Dornbusch: Economics, 12th ed., McGrawHill 2020.

###0065 (question number)

One reason for the superiority of firms as an organizational unit over outsourcing all its functions is the imperfection of bilateral bargaining under asymmetric information. Then how can you explain that Uber has contractors-drivers rather than employees?

{Block}=2

{Source}=Tirole, J., Industrial Organization, MIT Press 1988

###0066 (question number)

Organizational knowledge is more easily adopted and remembered when it is embedded in the form of narratives or in relation to persons rather than in the form of instructions. Discuss resulting problems for organizations when work moves to an online environment.

{Block}=2

{Source}=Camerer, C.F., Malmendier, U., Behavioral economics of organizations, in: Behavioral Economics and Its Applications, Princeton University Press 2007, <https://eml.berkeley.edu/~ulrike/Papers/BEO_chap7.pdf>

###0067 (question number)

The second theorem of welfare economics states that every efficient allocation can be achieved as a market outcome. Which are the conditions under which the theorem holds? Which is its relevance for economic policy?

{Block}=2

{Source}=Varian, H., Intermediate Microeconomics, 7th ed., W Norton 2006.

###0068 (question number)

How can a duopolist make a profit if it engages in price competition?

{Block}=2

{Source}=Varian, H., Intermediate Microeconomics, 7th ed., W. Norton 2006

***QUESTIONS FOR THE THIRD BLOCK – Systemic questions***

###001 (question number)

What is an inflation targeting policy and how it can be applied?

{Block}=3

{Source}=Svensson, L. E. O. (2010). Chapter 22 - Inflation Targeting☆☆I (B. M. Friedman & M. B. T.-H. of M. E. Woodford (eds.); Vol. 3, pp. 1237–1302). Elsevier. <https://doi.org/https://doi.org/10.1016/B978-0-444-53454-5.00010-4>

###002 (question number)

To which empirical phenomenon relates the so-called ""middle-income Trap""? What are ways to avoid the middle- income Trap?

{Block}=3

{Source}=Pruchnik, Kamil; Zowczak, Jakub (2017): Middle-income trap: Review of the conceptual framework, ADBI Working Paper, No. 760, Asian Development Bank Institute (ADBI), Tokyo

###003 (question number)

What is a randomized controlled trial? Why randomize? What are methodologies to estimate the results?

{Block}=3

{Source}=Duflo, E., Glennerster, R., & Kremer, M. (2007). Chapter 61 Using Randomization in Development Economics Research: A Toolkit (T. P. Schultz & J. A. B. T.-H. of D. E. Strauss (eds.); Vol. 4, pp. 3895–3962). Elsevier. https://doi.org/https://doi.org/10.1016/S1573-4471(07)04061-2

###004 (question number)

Social assistance programs are an important tool in poverty reduction in developing countries. What are the types of anti-poverty transfer programs? Provide examples of conditional cash transfer programs. What are the measures of incidence of the transfer programs?

{Block}=3

{Source}=Barrientos, A. (2013). Social Assistance in Developing Countries. Cambridge University Press. 256p.

###005 (question number)

The dynamics of income over time. The problems of measurement. Household surveys and income.

{Block}=3

{Source}=Jenkins, S. P. (2011). Changing Fortunes: Income Mobility and Poverty Dynamics in Britain. Oxford University Press.

###006 (question number)

There is a lack of longitudinal data for household surveys in developing countries. How to construct a panel data from the time series of cross-sectional data?

{Block}=3

{Source}=Deaton, A. (1997). The Analysis of Household Surveys. A Microeconometric Approach to Development Policy. The John Hopkins University Press.

###007 (question number)

What is the intra-household allocation problem? Equivalence scales: theory and practice.

{Block}=3

{Source}=Deaton, A. (1997). The Analysis of Household Surveys. A Microeconometric Approach to Development Policy. The John Hopkins University Press.

###008 (question number)

Is there is a link between taxation and inequality?

{Block}=3

{Source}=Atkinson, A.B. (2015). Inequality What can be done? Harvard University Press. Cambridge, Massachusetts.

###009 (question number)

How can you use differences in European settler mortality rates in colonies to estimate the effect of institutions on economic performance?

{Block}=3

{Source}=Acemoglu, D., Johnson, S., & Robinson, J. A. (2001). The Colonial Origins of Comparative Development: An Empirical Investigation. American Economic Review, 91(5), 1369–1401. https://doi.org/10.1257/aer.91.5.1369

###0010 (question number)

Define the assets based approach for the measurement of poverty and poverty traps.

{Block}=3

{Source}=Carter, M., & Barrett, C. (2006). The economics of poverty traps and persistent poverty: An asset-based approach. The Journal of Development Studies, 42(2), 178–199.

###0011 (question number)

How can Kazakhstan overcome the middle-income trap?

{Block}=3

{Source}=Todaro, M., Smith, S.C., Economic Development, 12th ed., Pearson 2020

###0012 (question number)

How can Kazakhstan solve the problem of the resource curse?

{Block}=3

{Source}=Todaro, M., Smith, S.C., Economic Development, 12th ed., Pearson 2020

###0013 (question number)

What are the main challenges Kazakhstan has to address to accelerate accumulation of human capital?

{Block}=3

{Source}=Todaro, M., Smith, S.C., Economic Development, 12th ed., Pearson 2020

###0014 (question number)

Countries with less corruption tend to be richer. Does this allow us to conclude that corruption is detrimental to growth?

{Block}=3

{Source}=Svensson, J., Eight Questions about Corruption, Journal of Economic Perspectives 19, 2005.

###0015 (question number)

Do better institutions result in higher income or are countries with higher income better able to afford themselves better institutions? Suggest a strategy to decide between the two propositions!

{Block}=3

{Source}=Acemoglu, D., Johnson, S., & Robinson, J. A. (2001). The Colonial Origins of Comparative Development: An Empirical Investigation. American Economic Review, 91(5), 1369–1401. https://doi.org/10.1257/aer.91.5.1369

###0016 (question number)

Which observations on comparative economic development cannot be well explained within a model of exogenous economic growth such as the Solow model? What do models of endogenous economic growth add to the explanation?

{Block}=3

{Source}=Miles, Scott and Bredon, Macroeconomics, 3rd ed., Wiley, 2012, chpt 6

###0017 (question number)

Provide a real-life example of a positive network externality (i.e. a band-waggon effect) and evaluate its microeconomic consequences.

{Block}=3

{Source}=Pindyck and Rubinfeld, Microeconomics, 9th ed., Pearson 2017

###0018 (question number)

Provide a real-life example of a company’s first-mover advantage oserved in the context of a Kazakh industry. Evaluate microeconomic consequences.

{Block}=3

{Source}=Pindyck and Rubinfeld, Microeconomics, 9th ed., Pearson 2017

###0019 (question number)

Evaluate the possibilities to establish a cartel of grain exporters encompassing Kazakhstan, Russia and Ukraine. Can the cartel be stable? Discuss.

{Block}=3

{Source}=Pindyck and Rubinfeld, Microeconomics, 9th ed., Pearson 2017

###0020 (question number)

Using real-world examples, explain how a monopolist practicing price discrimination can reduce efficiency losses, i.e. reduce the deadweight loss.

{Block}=3

{Source}=Pindyck and Rubinfeld, Microeconomics, 9th ed., Pearson 2017

###0021 (question number)

Consider and discuss the problem of asymmetric information in the context of a Kazakh industry. Indicate how this problem is to be solved.

{Block}=3

{Source}=Pindyck and Rubinfeld, Microeconomics, 9th ed., Pearson 2017

###0022 (question number)

Economic theory predicts that people evaluate a good at its opportunity cost. In the case of a good which they possess, this often means that they have to evaluate the good at the cost of replacing it. What are typical observations in behavioural economics which challenge this idea? Explain those examples!

{Block}=3

{Source}=Thaler, R.H., Misbehaving, N.N. Norton

###0023 (question number)

Assume in a lottery a black ball wins. The Ellsberg Paradox shows that people typically prefer a draw from an urn with a 50-50 chance of picking a black ball over a draw from an urn with an unknown mix of black and white balls. Why does this observation pose a challenge to expected utility theory? How can one explain such behaviour?

{Block}=3

{Source}=Mas-Colell, Whinston and Green, Microeconomic Theory, Oxford University Press 1995, 207.

###0024 (question number)

In how far are the assumptions on preferences in expected utility theory more restrictive than the assumptions on preferences in standard consumer theory?

{Block}=3

{Source}=Mas-Colell, Whinston and Green, Microeconomic Theory, Oxford University Press 1995.

###0025 (question number)

Assume a person is a risk adverse expected utility maximizer. Which kind of behaviour would you predict for this person? Which kind of (frequently observed) behaviour would you NOT predict for this person?

{Block}=3

{Source}=Kahneman, D., Thinking: Fast and slow, Farrar, Strauss and Giroux 2011.

###0026 (question number)

Is the assumption in expected utility theory that a person can assign probabilities to all conceivable states of nature a reasonable one? Which problems do you see?

{Block}=3

{Source}=Mas-Colell, Whinston and Green, Microeconomic Theory, Oxford University Press 1995, 207

###0027 (question number)

What does the non satiation axiom in consumer theory say? Discuss some naturally arising cases where the non satiation principle is likely to be violated!

{Block}=3

{Source}=Mas-Colell, Whinston and Green, Microeconomic Theory, Oxford University Press 1995.

###0028 (question number)

What does the convexity axiom in consumer theory say? Why is imposing this axiom convenient if someone wants to estimate demand curves?

{Block}=3

{Source}=Mas-Colell, Whinston and Green, Microeconomic Theory, Oxford University Press 1995.

###0029 (question number)

Which is the contribution of the expected utility model to economic theory and which are the problems and paradoxes which it raises?

{Block}=3

{Source}=Mas-Colell, Whinston and Green, Microeconomic Theory, Oxford University Press 1995

###0030 (question number)

What assumptions do players need to form about their opponent's behaviour to derive an equilibrium in dominant strategies? Compare this to the notion of a Nash equilibrium! {Block}=3

{Source}=Mas-Colell, Whinston and Green, Microeconomic Theory, Oxford University Press 1995

###0031 (question number)

What is the contribution of transaction cost economics to our understanding of the organization of the firm?

{Block}=3

{Source}=Tirole, J., Industrial Organization, MIT Press 1988

###0032 (question number)

Why does bilateral bargaining (under asymmetric information) not necessarily succeed in detecting mutually beneficial trades?

{Block}=3

{Source}=Tirole, J., Industrial Organization, MIT Press 1988

###0033 (question number)

Which problem arises from the separation of ownership and control and how may they be addressed?

{Block}=3

{Source}=Brickley, Smith, Zimmerman, Managerial Economics and Organizational Architecture, 6th ed. McGrawHill 2021

###0034 (question number)

How does the Kaldor-Hicks criterion extend the applicability of the Pareto criterion? Which are the problems with this "extension"?

{Block}=3

{Source}=Rosen, H., Gayer, T., Public Finance, 10th ed.

###0035 (question number)

Transitivity of choice rules is considered a crucial property for rational individual choice. Which is the situation with collective choice rules?

{Block}=3

{Source}=Mas-Colell, Whinston and Green, Microeconomic Theory, Oxford University Press 1995

###0036 (question number)

What is the hold-up problem and what follows for the organization of the firm?

{Block}=3

{Source}=Tirole, J., Industrial Organization, MIT Press 1988

###0037 (question number)

What follows from the imperfections of bilateral bargaining under asymmetric information for the organization of the firm?

{Block}=3

{Source}=Tirole, J., Industrial Organization, MIT Press 1988

###0038 (question number)

Debt-financed government expenditures in general are expansionary. How does the rational expectations school of thought assess the effect of deficits and how can this view be reconciled with observations?

{Block}=3

{Source}=Barro, The Ricardian Approach to Budget Deficits, Journal of Economic Perspectives 3, 1989.

###0039 (question number)

Often central banks try to defend an exchange rate target but ultimately fail and have to accept a devaluation of their currency. Analyse exchange rate crises referring to different explanations where appropriate.

{Block}=3

{Source}=Miles, Scott and Bredon, Macroeconomics, 3rd ed., Wiley, 2012, chpt 21

###0040 (question number)

How can a currency crisis be driven by self-fulfilling expectations? Develop an example which is well-explained by a model of self-fulfilling expectations!

{Block}=3

{Source}=Miles, Scott and Bredon, Macroeconomics, 3rd ed., Wiley, 2012, chpt 21

###0041 (question number)

Incomplete information about fundamentals may give rise to multiple equilibria where it depends on market participants' perceptions whether a currency crisis unfolds or not. Explain the mechanism behind such a crisis. Develop an example which is well-explained by a model with incomplete information about fundamentals.

{Block}=3

{Source}=Miles, Scott and Bredon, Macroeconomics, 3rd ed., Wiley, 2012, chpt 21

###0042 (question number)

It has been claimed that the existence of a persistent trade deficit in the US is a consequence of efficient allocation of capital across the globe. Explain this claim!

{Block}=3

{Source}=Mankiw, G., Macroeconomics, 10th ed, Worth 2018

###0043 (question number)

What does the transversality condition for a non-redeemable asset say? When can you say that the price trajectory of an asset is a speculative bubble?

{Block}=3

{Source}=Hallwood, C.P., MacDonald, R., International Money and Finance, 3rd ed., Blackwell 2000, chpt 9

###0044 (question number)

Describe the demographic transition model for countries which move from a pre-industrialization to a post-industrialization era. Explain the problems for a country such as China from demographic transition!

{Block}=3

{Source}=Oizumi, K., How Long will China’s Demographic Dividend Continue? Pacific Business and Industries 11, 2019, https://www.jri.co.jp/MediaLibrary/file/english/periodical/rim/2011/39.pdf

###0045 (question number)

Which relationship does the quantity equation of money establish? What can be said about the empirical value of the velocity V? How can one endogenously determine V to accommodate different monetary theories?

{Block}=3

{Source}=Sidelsky, R., Money and Government: A Challenge to Mainstream Economics, Penguin Books 2018

###0046 (question number)

Identify the main points of contention between Keynesians and monetarists in their debates in the 1960s and early 1970s.

{Block}=3

{Source}=Screpanti, E., Zamagni, S., An Outline of the History of Economic Thought, Oxford University Press 2005

###0047 (question number)

Outline the argument that macroeconomics is finally becoming less factionalised than it used to be.

{Block}=3

{Source}=Screpanti, E., Zamagni, S., An Outline of the History of Economic Thought, Oxford University Press 2005

###0048 (question number)

Which are the main points of the New Keynesian synthesis?

{Block}=3

{Source}=Romer D, The New Keynesian synthesis, Journal of Economic Perspectives, 1993

###0049 (question number)

Most Central banks are focusing on an inflation target rather than a money supply target – why?

{Block}=3

{Source}=Miles, Scott and Bredon, Macroeconomics, 3rd ed., Wiley, 2012, chpt 13

###0050 (question number)

Which empirical facts point to human capital formation as an important driver for economic growth?

{Block}=3

{Source}=Miles, Scott and Bredon, Macroeconomics, 3rd ed., Wiley, 2012, chpt 5

###0051 (question number)

Which are the main differences between the neoclassical growth model and endogenous growth models? Why were the latter thought necessary for explaining growth experiences?

{Block}=3

{Source}=Miles, Scott and Bredon, Macroeconomics, 3rd ed., Wiley, 2012, chpt 6

###0052 (question number)

What does the Lucas critique say and which are the implications for econometric policy evaluation?

{Block}=3

{Source}=Romer, P., Advanced Macroeconomics, 5th ed. McGrawHill 2019

###0053 (question number)

What is a “liquidity trap”? Does quantitative easing make sense even in the presence of a “liquidity trap”?

{Block}=3

{Source}=Miles, Scott and Bredon, Macroeconomics, 3rd ed., Wiley, 2012, chpt 13

###0054 (question number)

What are “rational expectations”? Is there anything that we can learn from the “rational expectations” school of thought even when we know that most people do not behave entirely rational?

{Block}=3

{Source}=Begg, D., Vernasca, G., Fischer, S., and R. Dornbusch: Economics, 12th ed., McGrawHill 2020.

###0055 (question number)

Consider the statement: “if financial markets were efficient, there would be no reason for trading in those markets” – is this statement true? Explain!

{Block}=3

{Source}=Mankiw, G., Taylor, M., Economics, 5th ed., Cengage 2020

###0056 (question number)

Assume the government select projects in such a way as to maximize a social welfare function. How can this goal enter the design of the cost-benefit analysis for each project?

{Block}=3

{Source}=HM Treasury, The Green Book. Central Government Guidance on Appraisal and Evaluation, 2018

###0057 (question number)

Explain how a free rider problem in a public good context can be thought of as a prisoner’s dilemma.

{Block}=3

{Source}=Rosen, H., Gayer, T., Public Finance, 10th ed., chpt 4

###0058 (question number)

Some people do not engage in free riding, even when there is no cost or chance or reprisal. Discuss why.

{Block}=3

{Source}=Rosen, H., Gayer, T., Public Finance, 10th ed., chpt 4

###0059 (question number)

Why are command- and -control regulations less flexible than incentive based systems?

{Block}=3

{Source}=Rosen, H., Gayer, T., Public Finance, 10th ed., chpt 5

###0060 (question number)

Special interest groups are often perceived to be detrimental to general welfare. Discuss why this is so.

{Block}=3

{Source}=Rosen, H., Gayer, T., Public Finance, 10th ed., chpt 6

###0061 (question number)

What should be the priority of politicians? Should they be mainly concerned with conveying and voting the wishes of the people that they represent? Should they be mainly concerned with standing for positions that they feel strongly about? Should they be mainly concerned with securing reelection? Justify your answer.

{Block}=3

{Source}=Rosen, H., Gayer, T., Public Finance, 10th ed., chpt 6

###0062 (question number)

In a post-Soviet nation, a researcher interviews 100 voters leaving a polling place in a presidential election. From each, he gathers this information: Age; sex; years of education; whether the respondent has a job; and the candidate whom the voter supported. There are two candidates: The incumbent President, who is an elderly man and a former Soviet leader; and the opposition candidate, a younger woman who wishes to accelerate the nation’s transition to markets and democracy. Write down an econometric model explaining a voter’s decision in this election. What is your dependent variable? What are its possible values? What are your independent variables? What are the possible values for each? What independent variables would you like to add to the model and why? What sign do you expect on the coefficient of each independent variable and why? Will you use OLS to estimate this model? If not, what estimation method will you use and why?

{Block}=3

{Source}=Wooldridge, J. (2014), Introductory econometrics: a modern approach

###0063 (question number)

In a post-Soviet nation, a researcher interviews 100 voters leaving a polling place in a presidential election. From each, he gathers this information: Age; sex; years of education; whether the respondent has a job; and the candidate whom the voter supported. There are two candidates: The incumbent President, who is an elderly man and a former Soviet leader; and the opposition candidate, a younger woman who wishes to accelerate the nation’s transition to markets and democracy. Write down an econometric model explaining a voter’s decision in this election! On the day of the election, the news media report that the political party in power plans to falsify the election results in order to ensure re-election of the incumbent. How could this affect the results in your model? Give a brief justification!

{Block}=3

{Source}=Wooldridge, J. (2014), Introductory econometrics: a modern approach

###0064 (question number)

The United States has a new president who has lifted severe sanctions on Iranian exports. Assume that the Mundell-Fleming model for a small open economy with a flexible exchange rate and fully flexible capital imports and exports can be used to predict the effect on Iran: which is the (ceteris paribus) effect of the lifting of sanctions on Iran’s net exports, exchange rate, income, interest rate, consumption, investment, and money supply and demand?

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{Source}=Krugman, P., Obstfeld, M.and Melitz, M., International economics, 11ed, Pearson 2018

###0065 (question number)

A researcher estimates a model to explain the GPA in 2011 of 423 KIMEP undergraduates. All of these students are in exactly one of seven undergraduate programs: BAE, BAIJ, LLB, BSC, BSSIR, BSSPS or BSSPA. In the output, each of the seven programs is represented by a dummy variable equal to 1 if the student is in that program and zero otherwise. For LLB, the estimated coefficient is 0; the standard error of the coefficient estimate is 0; and the t-statistic is 65,535. Does this result point to any anomalies in the LLB data and, if so, what are they? What violation of the classical assumptions of OLS can account for these anomalies - if there are any - and why? How could you address the problem, if there is a problem?

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{Source}=Wooldridge, J. (2014), Introductory econometrics: a modern approach

###0066 (question number)

How can we be sure that the US has higher income than Mexico because its institutions are better, as is often claimed? Why might this claim be doubtful? Can you suggest a natural experiment to settle this questions?

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{Source}=Acemoglu, D., Robinson, J., Why Nations Fail, Crown Publishers 2012, chpt 1

###0067 (question number)

Show, step by step, that the random walk Y(t) = Y(t-1) + e(t) is nonstationary. Why might this result interest a financial investor? How can you show that the first-difference Y(t) – Y(t-1) + e(t) is stationary? Why might this result interest a financial investor?

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{Source}=Gujarati, D., Porter, D., Basic Econometrics, 5th Ed., McGraw Hill, 2008

###0068 (question number)

For which estimation problems would you use two-stage least squares – and why?

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{Source}=Wooldridge, J. (2014), Introductory econometrics: a modern approach

###0069 (question number)

Consider the standard principle agent model: a worker maximizes an expected utility function that depends positively on wages and negatively on effort. Output is a function of effort and "luck". The wage may include parts which are fixed or which are conditioned on output Now assume that the worker does not directly feel the disutility of her effort but that the perception of effort depends on "anchors", that is on preconceived perceptions on the side of the worker. Which adjustments should the firm consider to improve incentives for the worker?

{Block}=3

{Source}=Camerer, C.F., Malmendier, U., Behavioral economics of organizations, in: Behavioral Economics and Its Applications, Princeton University Press 2007, https://eml.berkeley.edu/~ulrike/Papers/BEO\_chap7.pdf

###0070 (question number)

Consider the standard principle agent model: a worker maximizes an expected utility function that depends positively on wages and negatively on effort. Output is a function of effort and "luck". The wage may include parts which are fixed or which are conditioned on output. Now assume that the benefit which the worker derives from wages is not given in absolute terms but depends on some reference point! Which adjustments should the firm consider to improve incentives for the worker?

{Block}=3

{Source}=Camerer, C.F., Malmendier, U., Behavioral economics of organizations, in: Behavioral Economics and Its Applications, Princeton University Press 2007, https://eml.berkeley.edu/~ulrike/Papers/BEO\_chap7.pdf

###0071 (question number)

Consider the standard principle agent model: a worker maximizes an expected utility function that depends positively on wages and negatively on effort. Output is a function of effort and "luck". The wage may include parts which are fixed or which are conditioned on output. Now assume that it turns out that the worker does not only care about wages but also about the process which generates wages and other outcomes, for example about whether the wage is perceived to be "earned" rather than a windfall. How would such considerations affect the way the firm incentivizes the worker?

{Block}=3

{Source}=Camerer, C.F., Malmendier, U., Behavioral economics of organizations, in: Behavioral Economics and Its Applications, Princeton University Press 2007, https://eml.berkeley.edu/~ulrike/Papers/BEO\_chap7.pdf

###0072 (question number)

Consider the standard principle agent model: a worker maximizes an expected utility function that depends positively on wages and negatively on effort. Output is a function of effort and "luck". The wage may include parts which are fixed or which are conditioned on output. Attribution theory claims that people tend to misattribute outcomes, i.e., they tend to ascribe outcomes to effort rather than luck (in particular if they themselves obtain positive outcomes). If the firm suffers from such a bias - how is it likely to affect the compensation scheme?

{Block}=3

{Source}=Camerer, C.F., Malmendier, U., Behavioral economics of organizations, in: Behavioral Economics and Its Applications, Princeton University Press 2007, https://eml.berkeley.edu/~ulrike/Papers/BEO\_chap7.pdf

###0073 (question number)

Consider the standard principle agent model: a worker maximizes an expected utility function that depends positively on wages and negatively on effort. Output is a function of effort and "luck". The wage may include parts which are fixed or which are conditioned on output. But workers tend to see not only their own effort and wage, but also their own effort and wage in comparison to their peers. How is this going to affect incentives and which adjustments should the firm make?

{Block}=3

{Source}=Camerer, C.F., Malmendier, U., Behavioral economics of organizations, in: Behavioral Economics and Its Applications, Princeton University Press 2007, https://eml.berkeley.edu/~ulrike/Papers/BEO\_chap7.pdf

###0074 (question number)

Are top managers likely to exhibit the same traits and biases that are typically identified in behavioural sciences/economics or are competitive pressures likely to result in a selection of ""unbiased"" top managers? Discuss!

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{Source}=Camerer, C.F., Malmendier, U., Behavioral economics of organizations, in: Behavioral Economics and Its Applications, Princeton University Press 2007, <https://eml.berkeley.edu/~ulrike/Papers/BEO_chap7.pdf>

###0075 (question number)

Will arbitrage in financial markets drive out “irrational” behavior such as following market fads?

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{Source}=Mullainathan, S. and Thaler, R., Behavioral Economics, NBER Working Paper 7948, 2000, https://www.nber.org/papers/w7948

###0076 (question number)

Which are the main differences between expected utility theory and prospect theory?

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{Source}=Mullainathan, S. and Thaler, R., Behavioral Economics, NBER Working Paper 7948, 2000, https://www.nber.org/papers/w7948

###0077 (question number)

What are the predictions of the life-cycle consumption model on the time path of consumption and savings? How does this compare to empirical behavior and how can this behavior be explained?

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{Source}=Mullainathan, S. and Thaler, R., Behavioral Economics, NBER Working Paper 7948, 2000, https://www.nber.org/papers/w7948

###0078 (question number)

People often tend to abide with a default option, for example they rarely opt out of a pension plan if this is the default option and they rarely opt into a pension plan if the default option is not having a pension plan. What does this observation reveal about rational decision making? How can this observation be used to pursue public policy objectives?

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{Source}=Mullainathan, S. and Thaler, R., Behavioral Economics, NBER Working Paper 7948, 2000, <https://www.nber.org/papers/w7948>

###0079 (question number)

As advanced economies are engaging in expansionary fiscal and monetary policies, inflation expectations have moved upwards. How can expansionary fiscal policies now induce such expectations? May there be other reasons for the observation?

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{Source}=Romer, P., Advanced Macroeconomics, 5th ed. MacGrawHill 2019

###0080 (question number)

A standard recommendation for fighting high inflation is that apart from tightening money supply, the low inflation monetary policy needs to be credible. How can tight monetary policies which lack credibility cause inflation now? Is this an empirically valid point?

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{Source}=Romer, P., Advanced Macroeconomics, 5th ed. MacGrawHill 2019