

# ECONOMICS I

Candidates should answer **THREE** questions

1. Is behavioural finance a passing fad?
2. Should there be concern about the growth of private equity?
3. Is there reason to be concerned whether people buy houses to let or buy them to live in?
4. Is there a case for a competition inquiry into the supply of banking services to personal customers in the UK?
5. Why should we care whether an equilibrium always exists?
6. 'To outsiders who are not familiar with the communities of the researchers, it seems strange that the chess-playing program that defeated the best human player is of no interest to game theorists' [E. KALAI]. Is it strange?
7. If 'past performance is not a guide to future financial returns', why are people so preoccupied with it?
8. 'You regard men as infinitely selfish and farsighted. The first hypothesis may perhaps be admitted in a first approximation, the second may call for some reservations' [H. POINCARÉ to L. WALRAS]. Why make use of such extreme assumptions?
9. Is a 'postcode lottery' a necessary consequence of adapting healthcare purchasing to local circumstances?
10. Is there an economic case for having term limits for elected representatives?

## ECONOMICS II

Candidates should answer **THREE** questions

1. Should the EU provide preferential market access to very poor countries?
2. Is there anything wrong with the 'representative agent' approach to macroeconomics? Are there any practical alternatives?
3. How much attention should an inflation-targeting central bank pay to the growth rates of monetary aggregates?
4. 'Work more to earn more' [N. SARKOZY]. But will this help France's unemployment problem?
5. Which economic institutions in developing economies assist growth? How can we tell?
6. Why might micro-credit institutions be more successful than conventional bank lending at raising living standards in poor communities?
7. Surveys indicate that, despite having much higher incomes than 50 years ago, people are on average no happier. Does this have implications for economic policy?
8. Is econometric inference basically a question of how much of a coincidence you are prepared to tolerate?
9. Does game theory provide any guidance as to what international agreements to protect the environment might be feasible?
10. Standard theory predicts that horizontal foreign direct investment (FDI) should become less important as trade costs fall, yet horizontal FDI grew rapidly in the 1990s. Can theory and evidence be reconciled?

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1. In what ways does competition promote economic efficiency?
2. 'Development economics today offers little more than the application of mainstream economics to poor countries.' Do you agree?
3. How important is an appreciation of risk in understanding poverty?
4. Is there an alternative to the use of targets in incentivising UK public services?
5. How should domestic fuel taxation respond to changes in world energy prices?
6. What have we learned from experimental economics?
7. Is self-reported happiness a better measure of individual well-being than observed choice?
8. Is increased transparency of information ever harmful?
9. 'Faced with a choice, there is either a large expected utility difference between the options (in which case my choice is easy), or a small difference (in which case I am almost indifferent). Hence, all choices are easy.' Do you agree?
10. Has cooperative game theory been unfairly neglected?
11. Does modern economic thought have anything more to learn from the classical economists?

## ECONOMICS II

Candidates should answer **THREE** questions

1. Do recent macroeconomic developments show that reports of the death of the business cycle are greatly exaggerated?
2. Can the discovery of natural resources make a country worse off?
3. What can microeconomic theory contribute to our understanding of macroeconomic behaviour?
4. Can inflation targeting survive recent global commodity and energy price shocks?
5. Have we learned anything useful from cross-country growth regressions?
6. What should be the role of the International Monetary Fund?
7. Why do US consumers save so little?
8. Can economics help us to understand the gap in welfare expenditure between Europe and the USA?
9. 'Never believe a new piece of data until it has been confirmed by theory' [SIR ARTHUR EDDINGTON]. Have econometricians paid too little attention to this insight?
10. Consider a linear regression equation of the form

$$y_{it} = \alpha + \beta x_{it} + \mu_i + \epsilon_{it}$$

applied to a problem of your choice. Interpret  $\mu_i$  and  $\epsilon_{it}$ . How would you determine whether this was a suitable application of the model?

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Candidates should answer **THREE** questions

1. Should competition policy be relaxed in a recession?
2. Would opening up state schools to greater competition improve the quality of education?
3. When does it matter whether a Nash Equilibrium is evolutionarily stable?
4. Why might financial assets become cheaper as it becomes harder to trade them?
5. When do bonuses distort incentives?
6. Do results from experimental economics hold any validity beyond the experimental context? Does it matter?
7. Empirical research often seems to show very high marginal returns to capital in developing economies, including among very small enterprises. Why?
8. Can econometric methods usefully explain the causes and consequences of political conflict?
9. Assess the costs and benefits of randomised policy interventions as a basis for empirical analysis in economics.
10. Can economics explain bubbles?

## ECONOMICS II

Candidates should answer **THREE** questions

1. 'I made a mistake in presuming that the self-interest of organizations, specifically banks and others, were such that they were best capable of protecting their own shareholders and their equity in the firms' [ALAN GREENSPAN, October 2008]. Would greater self-interest have prevented the crash?
2. Is the current banking crisis a problem of illiquidity, or of insolvency?
3. Why should we pay attention to a government's current borrowing requirements, rather than just its current ratio of debt to GDP?
4. Are 'global economic imbalances' a problem? If so, how should they be rectified?
5. Is there any rational explanation of exchange rate movements over the past year or so?
6. Would the UK's current macroeconomic situation be better or worse if we had joined the Euro?
7. How great are the inflation risks arising from 'quantitative easing'?
8. Endogeneity of treatment and endogeneity of sample selection are both potential causes of inconsistent econometric estimation. Why, then, does the profession worry so much more about the former than the latter?
9. Do we rely too much on the asymptotic properties of estimators rather than on their finite-sample behaviour?
10. Are US labour markets too flexible?

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1. Would a carbon tax be a better way to reduce carbon emissions than a cap-and-trade system?
2. Should Sky TV be forced to sell rights to Premier League football matches to rival broadcasters at regulated prices?
3. 'In the UK at least, the fiscal deficits are mirror images of private sector surpluses. Moreover, the direction of causality is from the latter to the former.' [MARTIN WOLF] Is this claim correct? If so, what implications does it have?
4. Is asymmetric information a reason why an egalitarian economy is not achievable?
5. It has been argued that it is not a failure of economic models that they do not predict the timing of financial crises because they imply that the timing is unpredictable. Discuss.
6. Surveys indicate that, despite having much higher incomes than fifty years ago, people are on average no happier. Do these findings have implications for economic policy?
7. 'Any government wanting to kill an opponent ... would not try it at a meeting with government officials.' [Comment on the allegation that Viktor Yushchenko, presidential candidate in Ukraine, was poisoned at a dinner with government officials] Discuss the level of reasoning displayed in this comment.
8. When, if ever, is an estimated Local Average Treatment Effect useful for policy analysis?
9. Given the differences between the field and the laboratory, is it possible to have useful laboratory experiments in economics?
10. 'The assumption of rational preferences in standard economic theory imposes only consistency of choice, not what preferences are about, which leaves the theory sufficiently flexible to accommodate a wide range of behaviour.' Discuss.

## ECONOMICS II

Candidates should answer **THREE** questions

1. 'Development economics has a lot to say about poor countries, but no longer says much about processes of development.' Do you agree?
2. Why should Euro zone countries with stronger fiscal positions bail out those with weaker ones?
3. Is there a trade-off between economic growth and inequality?
4. How can one get a good estimate of the causal effect of education on earnings?
5. Would an inflation target of 4% be better than 2%?
6. Is the large difference across countries in wages paid to individuals in similar occupations evidence against the factor price equalization theorem?
7. Is homelessness a reflection of a badly functioning economy?
8. Is there an economic case for banning short selling?
9. Has the 2008 crisis undermined the case for central bank independence?
10. Is the promotion of low-cost manufacturing exports a desirable development strategy for poor countries in Africa?

# ECONOMICS I

Candidates should answer **THREE** questions

1. Do markets work better as sellers learn more information about buyers' purchasing habits?
2. Should we expect political betting markets to make reasonable predictions of election results?
3. Should cultural differences play any role in explanations of why countries' income levels differ?
4. Is gender an essential part of any analysis of microfinance?
5. Should public policy try to offset behavioural 'biases'?
6. Beyond concerns about alleviating poverty, is there any reason for governments to be concerned about economic inequality?
7. Should income tax be replaced by consumption tax?
8. Do Keynesian macroeconomic policies depend upon fooling people?
9. Might asset bubbles be good for the economy?
10. 'Macroeconomics is now all about balance sheets rather than interest rates.' Discuss.
11. Can econometricians model rare and extreme events, such as financial crises?

## **ECONOMICS II**

Candidates should answer **THREE** questions

1. How much can economists learn from ‘natural experiments’?
2. Is the ‘marriage market’ economically efficient?
3. Can competition play a useful role in markets for healthcare?
4. Is there an economic case for tighter restrictions on immigration?
5. Does the UK Government’s policy on university tuition fees make economic sense?
6. Should we expect the rapid adoption of mobile phones to contribute to economic growth in Africa?
7. ‘Of all the many ways of organising banking, the worst is the one we have today.’ [MERVYN KING, 2010] Really?
8. Why, if at all, would it be bad for the Euro if a member country defaulted on its sovereign debt?
9. Is China’s trade surplus a global problem?
10. Why has UK labour productivity slumped since 2008?
11. Should poor countries have independent central banks?