**Economic Regulation – Final Exam Question**

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**Group: 1007**

1. Explain 3 alternative Approaches of Economic Policy. Make *a case example* related to normative economics with *first* and *second best solution*.
2. What do policymakers do? Explain 6 categories briefly with examples for each one
3. What are the main global problems. Give real example and practical solution related to economic policy both from one country and international organization point of view
4. Explain similarities & difference between 3 functions of economic policy (stabilization, allocation and redistribution). Where and when equity-efficiency trade-off can be implemented
5. What is the simple representation of economic policy- its objectives, instruments and institutions. Give an example of government trade-off: with its 3 objective (unemployment rate, current account, inflation rate) and 2 instruments (fiscal balance and the short term interest rate)
6. Can a single criterion be used for economic policy evaluation? Starting with simple utility function explain the difference between Benthamian and Rawlsian function (graphical illustration is obligatory).
7. Explain major instruments for allocation, stabilization, and redistribution assessments. What are their strengths and weaknesses?
8. Describe differences of Ex-post and Ex-ante economic policy evaluation. Explain evaluation criteria on measuring the effect of GDP on unemployment.
9. Explain why and when state intervention for allocation of resources, macroeconomic stabilization, and income redistribution is required and in which situations it can be failured?
10. What are the collateral effects of 3 Public Policies(reduction in income tax, increase in government expenditures and increase in social transfers) on 3 functions of economic policy?
11. What are the main limits to the traditional approach to economic policy. Describe the limits of representation.
12. Explain “irreversibility” character of economic policy decisions: why UK and Sweden exercised the option to “wait and see” for joining Eurozone? And can it be applied to all challenges?
13. Why credibility of public intervention is very important for successful economic policy implementation? Explain moral hazard and time inconsistency problems in the limit of confidence
14. Explain the limits of information – what is the negatives of asymmetric information within the government? Describe Principle-agent problem and its solution
15. Why politicians may depart from the general interest?
16. How and why cross border effect can be arised. Describe main international coordination institutions and their major motives
17. Global public goods. Illustration with table the relationship between excludable (non excludable) and rival (non rival) goods
18. Give an example of global problem with three major difficulties in international coordination. Explain rules based coordination
19. How and why the international Spillovers occur? Prisoner’s Dilemma case.
20. Explain the main arguments and limits against coordination
21. The main issues in fiscal policy: Fiscal balance and Surplus
22. What is monetization of the deficit. Describe with country example the link between deficit finance and inflation.
23. How can be measured the fiscal imbalances. Explain debt dynamics with one country example
24. Different philosophies in fiscal policy: Country example (case from US, Japan or Euro area)
25. Describe public debt accumulation issue - From solvency to sustainability. What is the criteries for assessing public debt sustainability?
26. What is the main eight criteria for an “ideal fiscal rule”? Explain different fiscal rules in practice (budget rules, debt rules and etc..)
27. Explain with your own words example of fiscal rules through The British Golden Rule and The Stability and Growth Pact in European Union.
28. What is the three major issues in the fiscal policy context of the European Economic and Monetary Union. Explain them briefly.
29. What is the major reasons for nations to coordinate fiscal policies?
30. What are the general issues and the main objectives of Central Banks?
31. Reserve requirement. Definition, country example and which countries eliminated it.
32. Explain with your own word how the price of liquidity can be defined.
33. What is the distinction between market liquidity and funding liquidity. And what you know about their relationship during financial crises in 2008-2009?
34. Which policy issues have been raised by the role of the financial stability to the central banks
35. How monetary policy can affect real variables? Three main transmission channels in the closed economy
36. How monetary policy can affect real variables in an open economy? Explain briefly Monetary condition index, as well as relationship between interest rate and exchange rate
37. What are the main statutes and mandates and their affect to Central banks? Explain the seigniorage concept
38. How central banks can build up their credibility? What are the importancy of monetary policy committees?
39. What are the transparency and independence levels of Central banks of Azerbaijan, Russia and Turkey? Explain differences and similarities between them
40. Explain main features, differences and similarities between Basel I, II and III
41. If the central bank intends to keep inflation at 2%, how should it set the interest rate? The three types of rules.
42. Main advantages and disadvantages of inflation targeting
43. Explain the revolution history of currencies as key currency for international transactions
44. The main exchange rate regimes. Explain road from low flexibility to high flexibility
45. What is the relevant instrument to identify supply and demand of foreign currency. And explain its three accounts
46. Relationship between Real exchange rate and the Balance of Payment. Explain Balassa –Samuelson effect and Marshall-Lerner condition.
47. Explain the currency-crisis models with real country examples
48. Explain Mundell’s Impossible Trinity
49. What is the tax on foreign exchange transactions. Explain exchange rate policies of the three main currency areas
50. How the monetary authorities can influence or try to influence the exchange rate?
51. What is the main stylized facts of growth policies
52. Explain relationship between growth and inequality. How they can affect to each other
53. How can growth be measured. In today economy with which indexes GDP suggested to substitute and why?
54. Explain types of inequality and trends in global inequality nowadays
55. Explain 4 determinants of long-term per capita GDP growth
56. Explain types and 2 differention of Innovation
57. What is the relationship between trade and growth
58. How can we boost the growth. Give brief explanation of pillars
59. Explain growth policy of one country through methods of increasing labor supply
60. How can be seen competition from the eyes of economists and industrialists. Microsoft case
61. Explain three channels of influence on long term growth
62. What & why is the Taxation about
63. Who and how the taxes are collected. Types of the tax
64. What is the role of tax system in two dimension of public intervention. Explain 3 main categories of tax systems
65. Explain tax on supply and demand with graph
66. What is the main 2 theory in Tax system – Ramsey rule and Laffer curve
67. Explain the main tax policies
68. What is VAT and why country budget can’t solely rely on it
69. How tax burden can be distributed equitably. Horizontal and vertical equity
70. Explain how can be corrected market failure through tax system
71. What is the 2 step strategy of the European Commission in removing corporate tax distortions in the EU
72. After 2014 what kind of economic road Azerbaijan has passed? The last data of main macroeconomic indicators (Inflation rate, GDP, share of non-oil sector in GDP, unemployment rate, current foreign reserves, public deficit and etc.)
73. History of Devaluation of Azerbaijan. How and with which policies government stabilized the macroeconomy
74. New Economic model of Azerbaijan (the role of non oil and oil sector) – and what else you can suggest?
75. The taxes that applicable in the Republic of Azerbaijan and how they are regulated. Explain recent changes in tax system