(Each question is worth 4 points)

Section I

1. Using one grammatical English sentence, define the word, "externality."

2. Using one grammatical English sentence, define the word, "deflation."

Section II:

Read the following abstracts from economic journals and then read the statements that follow the abstract. Judging from the content of the abstract, is each statement TRUE, FALSE or UNCERTAIN? Mark (a) for TRUE, (b) for FALSE and (c) for UNCERTAIN.

Immediately following a minimum wage hike, household income rises on average by about $250 per quarter and spending by roughly $700 per quarter for households with minimum wage workers. Most of the spending response is caused by a small number of households who purchase vehicles. Furthermore, we find that the high spending levels are financed through increases in collateralized debt. Our results are consistent with a model where households can borrow against durables and face costs of adjusting their durables stock.

3. On average, spending of households with minimum wage workers rises more than income when the minimum wage rises.
4. The paper shows that households with minimum wage workers cannot borrow using collateral.

見背面

We study the allocation and compensation of human capital in the U.S. finance industry over the past century. Across time, space, and subsectors, we find that financial deregulation is associated with skill intensity, job complexity, and high wages for finance employees. All three measures are high before 1940 and after 1985, but not in the interim period. Workers in finance earn the same education-adjusted wages as other workers until 1990, but by 2006 the premium is 50% on average. Top executive compensation in finance follows the same pattern and timing, where the premium reaches 250%. Similar results hold for other top earners in finance. Changes in earnings risk can explain about one half of the increase in the average premium; changes in the size distribution of firms can explain about one fifth of the premium for executives.

5. Controlling for education, workers in the U.S. financial industry now earn more than other workers, but this has not always been true.
6. Financial deregulation has caused an increase in job complexity in the U.S. financial industry
7. Most of the change in the compensation premium for U.S. financial industry executives is due to changes in the size distribution of firms.

Do labor market opportunities for women affect marriage and fertility decisions? We provided three years of recruiting services to help young women in randomly selected rural Indian villages get jobs in the business process outsourcing industry. Because the industry was so new at the time of the study, there was almost no awareness of these jobs, allowing us in effect to exogenously increase women's labor force opportunities from the perspective of rural households. We find that young women in treatment villages were significantly less likely to get married or have children during this period, choosing instead to enter the labor market or obtain more schooling or post-school training. Women also report wanting to have fewer children and to work more steadily throughout their lifetime, consistent with increased aspirations for a career.

8. When labor market opportunities for women improve, they are less likely to get married.
9. When the study began, women in the villages knew very little about job prospects in the business outsourcing industry.
10. Women in the selected villages not only had fewer children, but also wanted to have fewer children in the future.

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We analyze the impact of globalization on individual gains from trade in a general equilibrium model of monopolistic competition featuring product diversity, pro-competitive effects and income heterogeneity between and within countries. Although trade reduces markups in both countries in our framework, its impact on variety depends on their relative position in the world income distribution: product diversity in the lower income country always expands, while that in the higher income country may shrink. When the latter occurs, the richer consumers in the higher income country may lose from trade because the relative importance of variety versus quantity increases with income. Using data on GDP per capita and population, as well as on the U.S. income distribution, our theoretical results are illustrated in two different contexts: the hypothetical bilateral trade liberalization between the U.S. and 188 countries; and the historical sequence of U.S. free trade agreements since 1985.

11. In this paper's model, globalization does not always lower prices to consumers in all countries.
12. Globalization increases product diversity within a country.
13. The poor are more certain to gain from international trade than the rich.

In 2003, a new law required that 40% of Norwegian firms' directors be women—at the time only 9% of directors were women. We use the pre-quota cross-sectional variation in female board representation to instrument for exogenous changes to corporate boards following the quota. We find that the constraint imposed by the quota caused a significant drop in the stock price at the announcement of the law and a large decline in Tobin's *Q* over the following years, consistent with the idea that firms choose boards to maximize value. The quota led to younger and less experienced boards, increases in leverage and acquisitions, and deterioration in operating performance.

14. The new Norwegian law increased Norwegian stock prices.
15. This paper's results show that Norwegian firms had not been choosing boards of directors so as to maximize the firm's value.
16. Before the law was passed over 90% of Norwegian directors were male.

Recent literature on the historical determinants of African poverty has emphasized structural impediments to African growth, such as adverse geographical conditions, weak institutions, or ethnic heterogeneity. But has African poverty been a persistent historical phenomenon? This article checks such assumptions against the historical record. We push African income estimates back in time by presenting urban unskilled real wages for nine British African colonies (1880–1965). We find that African real wages were well above subsistence level and that they rose significantly over time. Moreover, in West Africa and Mauritius real wage levels were considerably higher than those in Asia.

17. Research has suggested that Africa is poor due to its geography.
18. Real wages in Asia were higher than those in West Africa
19. This research shows that ethnic heterogeneity does not cause poverty.

Two decades after the end of central planning, we investigate the extent to which the advantages bequeathed by planning in terms of high investment in physical infrastructure and human capital compensated for the costs in allocative inefficiency and weak incentives for innovation. We assemble and analyse three separate types of evidence. First, we find that countries that were initially relatively poor prior to planning benefited more, as measured by long-run GDP per capita levels, from infrastructure and human capital than they suffered from weak market incentives. For initially relatively rich countries the opposite is true. Second, using various measures of physical stocks of infrastructure and human capital we show that at the end of planning, formerly planned countries had substantially different endowments from their contemporaneous market economy counterparts. However, these differences were much more important for poor than for rich countries. Finally, we use firm-level data to measure the cost of a wide range of constraints on firm performance, and we show that after more than a decade of transition in 2002–05, poor ex-planned economies differ much more from their market counterparts, in respect to both good and bad aspects of the planning legacy, than do relatively rich ones.

20. The effect of central planning on poorer countries was more beneficial than its effect on comparatively rich countries.
21. Planned economies invested relatively more in infrastructure than in human capital compared with market economies.
22. Firms in richer economies which underwent planning are now more similar to firms in their market counterparts than firms in poorer economies.

接次頁

This paper considers a simple model of credit cycles driven by moral hazard in financial intermediation. Financial agents or bankers must earn moral-hazard rents, but the cost of these rents can be efficiently spread over an agent's entire career by promising large late-career rewards if the agent has a consistently successful record. Dynamic interactions among different generations of financial agents can create credit cycles with repeated booms and recessions. In recessions, a scarcity of trusted financial intermediaries limits investment and reduces employment. Under such conditions, taxing workers to subsidize bankers may increase employment enough to make the workers better off.

23.The credit cycles in this paper cause moral hazard problems.

24.Credit cycles are caused by the interaction between older and younger financial agents.

25. It can actually help workers if you tax them more and give the money to bankers.