

## Malaysian Economics Olympiad Questions (Part 1)

This part contains 30 multiple choice questions, the marking scheme are as follow:

- Each correct answer will attract 1 point
- For each wrong answer, 3 points will be deducted
- For questions not answered, no points will be deducted

1. Which of the following cases represents the concept of “*natural experiment*”
  - a. The placebo effect of a drug was confirmed in the laboratory
  - b. People sometimes cooperate in the Prisoner’s Dilemma game conducted for writing papers in experimental economics
  - c. The difference of economy between Malaysia and Singapore
  - d. Playing the Ultimatum game in different experimental set up
  
2. The Government may use the following policy tools to reduce the unequal distribution of income within the society
  - a. Privatisation
  - b. Price ceiling
  - c. Monetary policy
  - d. Taxation
  
3. If the demand for good A rises when the price of good B rises. Then the relationship between goods A and B are:
  - a. Complements
  - b. Unrelated
  - c. Substitutes
  - d. Price inelastic
  
4. A situation where a government decides to tax more of taxpayers that have greater ability to pay and tax less those with lesser ability to pay is called:
  - a. Horizontal equity
  - b. Vertical equity
  - c. Proportionality in tax
  - d. Capital gains tax
  
5. The *Basu Proposal*, is a concept about:
  - a. A policy where it is legal to give bribes and severely punishes the bribe takers to encourage whistleblowing
  - b. A monetary policy regime in which a central bank has an explicit target inflation rate for the medium term and announces this inflation target to the public
  - c. An expansionary fiscal policy, designed to stimulate the economy that is often used during a recession and times of high unemployment
  - d. Reducing the overnight policy rate to reduce the cost of borrowings
  
6. Which of the following statement is incorrect about pareto-efficient:
  - a. When the allocation is pareto-efficient, we cannot make anyone better off without making someone else worse off
  - b. The Pareto frontier is the set of all Pareto efficient allocation

- c. The Pareto efficiency does not necessarily result in a socially desirable distribution of resources
  - d. In the Pareto efficient state, the economy achieves equality
7. Which of the following statement is incorrect:
- a. The Paradox of Value is also commonly called “Diamond-Water Paradox”
  - b. Marginalism is an economic theory that attempt to explain the different in the income level between the rich and the poor or in other words, the inequality in economic distribution
  - c. The “Diamond-Water Paradox” refers to the apparent contradiction that although water is more useful to the survival of mankind as compared to diamonds, the price of a diamond is much more expensive
  - d. The marginal utility theory says that the price of a good is determined by its marginal utility or how much important a good is to a person
8. Which of the following statement is incorrect:
- a. Intergenerational mobility refers to a change in the social status between different generations within a same family
  - b. Intragenerational mobility refers to a change in the social status throughout a person’s lifetime
  - c. Economic mobility is the ability of a person or a group of people to improve (or lower) their economic status or income level
  - d. Income mobility is about channelling the financial resources in a productive activities
9. Which of the following is the assumption of Game Theory?
- a. Rationality & maximization
  - b. Rationality & cooperation
  - c. Rationality & competition
  - d. None of the above
10. Which of the following statement is incorrect:
- a. The intrinsic value of a stock reflects the price of a stock based solely on a firm’s specific factors
  - b. The intrinsic value of a stock reflects the price at which a stock is traded in an open market
  - c. One way to calculate the intrinsic value of stocks is using the discounted cash flow method
  - d. Internal factors such as business model, strength of management, strength of the brand are used to determine the intrinsic value of a company
11. Which of the following best illustrates the economic concept of *moral hazard*?
- a. The profits earned from human trafficking
  - b. When poverty increases, crime rate increases
  - c. A financial broker recommending a high risk product that they know because of the commission to sell such product is not made transparent
  - d. A discount given to traffic offenders if they agree to pay early

12. Which of the following will reduce the impact of a tariff?
- Inelastic demand for imported goods
  - Elastic demand for imported goods
  - Inelastic demand for exported goods
  - Elastic demand for exported goods
13. The demand for private tutors being dependent on the demand of the new universities developed by the private companies is referred to as:
- Structural unemployment
  - Derived demand
  - Seasonal demand
  - Composite demand
14. Which of the following are not types of auction?
- First price sealed bid auction
  - Second price sealed bid auction
  - English Auction
  - American Auction
15. Which of the following is not the assumptions for the *benchmark model* for auction?
- All bidders are risk neutral
  - Each bidder has a private valuation for the item independently drawn from some probability distribution
  - The bidders possess asymmetric information
  - The payment is represented as a function of only the bids
16. Which of the following is incorrect statement about quantitative easing?
- Quantitative easing is a form of monetary policy in which a central bank purchases longer term securities from the open market to increase money supply
  - It expands the Central Bank's balance sheet
  - It lowers the cost of money and induce more lending activities by the banks
  - Without proper monitoring mechanism, quantitative easing can lead to deflation that will be harmful to the economy
17. Which of the following is an example of an improvement in the human capital?
- ABC Sdn Bhd sends five of its staff to learn digital economy
  - ABC Sdn Bhd hires 3 staffs to perform machine learning and data analytics
  - ABC Sdn Bhd dismissed two of its underperforming staffs
  - ABC Sdn Bhd established a dedicated human resource department to address all human capital issues
18. The following statements reflect the concept of homo-economicus, except for:
- It assumes that human are rational
  - It assumes that human are narrowly self interested
  - It assumes that human will rely on cooperation to maximise the benefit
  - It assumes that human pursue their subjectively-defined ends optimally
19. Which of the following statement is incorrect:

- a. Patents are legal instruments that give limited monopoly to the inventor to stimulate innovation
- b. Patent will not cause any adverse implication to the society
- c. The economics surrounding patent is about balancing between the expense of maintaining the patent, and the income derived from owning a patent
- d. As market changes, the value of a patent may fluctuate over time

20. Which of the following statement is incorrect:

- a. The Paradox of Value is also commonly called "Diamond-Water Paradox"
- b. The "Diamond-Water Paradox" refers to the apparent contradiction that although water is more useful to the survival of mankind as compared to diamonds, the price of a diamond is much more expensive
- c. Marginalism is an economic theory that attempt to explain the different in the income level between the rich and the poor or in other words, the inequality in economic distribution
- d. The marginal utility theory says that the price of a good is determined by its marginal utility or how much important a good is to a person

**Part 2 – Subjective (Each of the questions has 30 raw points), all questions must be answered.**

1. Due to the COVID-19 pandemic that hit a planet called Andromeda, most of the classes, lectures and examinations were conducted online. This year, the Agros (one of the country in Adromeda) national secretariat on economics competition would like to perform a selection process in determining top 5 students in Agros to participate in the Adromeda International Economics Olympiad.

One of the issue with online exam is cheating. In the pursue to be the top 5 students to be selected to represent the country Agros, a small portion of students is likely to cheat to obtain the highest score. This issue is of the top concern of the secretariat.

Using Revere Game Theory as a guide, please suggest on how the selection can be conducted, so that the possibility of students of cheated getting selected to represent the country is eliminated or minimised. (30 raw points)

2. a. Please provide observations/examples of how monetary and/or fiscal policy were adjusted in minimising the impact to the economy due to lockdown imposed to curb the spread of COVID-19. (20 raw points)  
b. Please elaborate the problems with fiscal policy and under what circumstances fiscal policy will fail. (10 raw points)
3. a. Please explain the concept in the Auction Theory, the types of auctions available. (15 raw points)  
b. Please suggest the best auctions type to increase the sellability of house in the secondary market. (15 raw points)
4. Pricing strategy is about finding a competitive price of a product or a service. The ultimate goal is to maximise the profit when combined with marketing strategies.  
a) Please briefly explain various available pricing strategies and under what condition certain strategies best applied. (20 raw points)  
b) Please explain pricing strategies that are best applied by an online seller at the start of lockdown due to pandemic. (10 raw points)