

# Mini-Quiz

## Module 1: The Birth of the Global Economy

*A Short History of Modern Economic Thought*

NAME: \_\_\_\_\_

It is time to review and synthesise knowledge from the first module. Try to answer all the questions as clearly and concisely as possible – please write legibly. For the multiple-choice questions, circle one correct answer. This should take approx. 60min.

1. What is the “Anthropocene” and what is it predominantly characterized by?

A new planetary epoch where humans are the dominating force on the planet and climate.

2. Which historic (r)evolution kick-started modern globalization? List four global socio-economic trends that have evolved since.

Historic revolution: (Steamships and railroads as part of) the industrial revolution

Four global socio-economic trends:

- world-trade, offshoring, mass manufacturing, corporate food regime, specialisation etc.

3. Which continuously existing international organisations were created in the context of Bretton-Woods? What goals did these institutions have? In addition, name at least two defining characteristics of the Bretton-Woods monetary system.

IOs: IMF, World Bank

Goals: Rebuild postwar economy, reduce global poverty, stop hyperinflation, foster peace through interconnectedness

Monetary system: (1) currencies were pegged to the price of gold (2) the U.S. dollar was seen as a reserve currency linked to the price of gold.

4. Adam Smith famously introduced the concept of the ‘division of labour’. Give a definition of the division of labour.

The assignment of different parts of a specialisation process or task to different people in order to improve efficiency, i.e. Smith’s pin factory example

5. List the three main functions of money.

Medium of exchange, store of value, unit of account

6. What is an “externality”? Give an example of both a positive and negative externality that relate to the environment

Cost or benefit that affects a party who did not choose to incur that cost or benefit

Positive: clean air, pollination (bee-keeping)

Negative: pollution, passive smoking

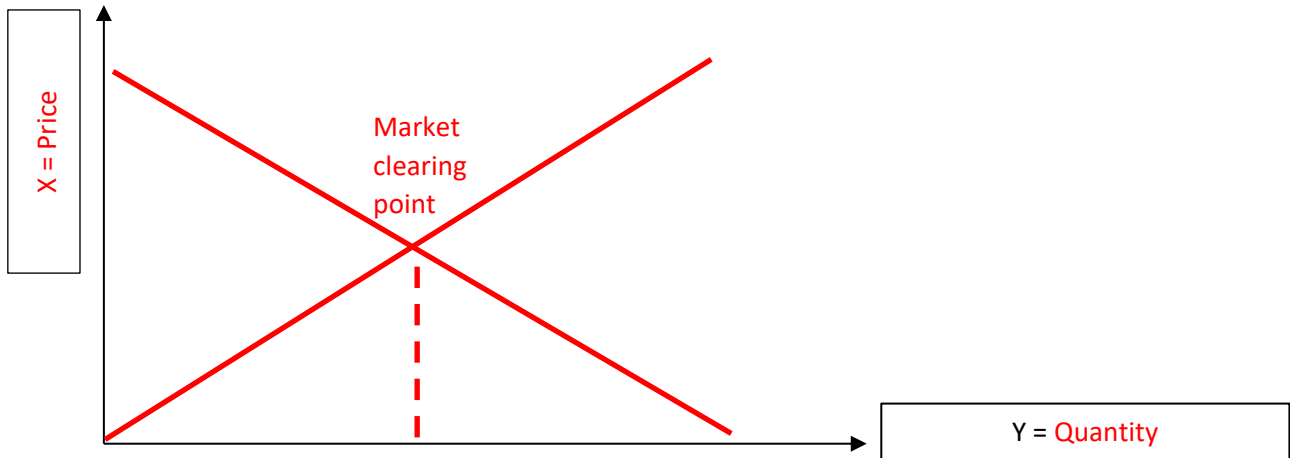
7. Which of the following statements is in line with the model of “comparative advantage”?

a. Two countries can benefit from trade, even if one of them is less efficient than the other in everything it produces.

b. Country A benefits from trading with country B only if country B is more productive.

c. Specialized production is only beneficial if a country’s production is more efficient in absolute terms.

8. Draw and label the supply and demand curve. Add labels for the x and y axes and indicate where the market clearing point is.



9. Connect the right theory with the correct economist by drawing a line.

- |                       |   |
|-----------------------|---|
| Adam Smith            | theory of competitive advantage - Ricardo                 |
| David Ricardo         | the population principle - Malthus                        |
| John Maynard Keynes   | Defender of classic liberalism - Hayek                    |
| Friedrich von Hayek   | commonly seen as founder of the political economy - Smith |
| Thomas Robert Malthus | fundamental uncertainty - Keynes                          |

10. Based on the development readings, what can be seen as problematic about the North-South perspective in development discourse?

North sees itself as the target goal for developing. I.e. The south should aspire to live like the North (values, norms, consumption patterns, cultural identity)

11. How is GDP used as a metric to measure the progress of an economy? Name one alternative to GDP as an economic metric.

Measure of all reported transactions in within a country (excludes imports and exports)  
Alternatives to GDP: Human Development Index, Gross National Happiness Purchasing Power Parity/Big Mac Index

12. What is the Jevon's paradox (rebound effect)?

When technological progress increases the efficiency with which a resource is used (reducing the amount necessary for any one use), but the rate of consumption of that resource rises due to increasing demand

13. Which one of the following is not a view of globality?

- a) Hyperglobalist
- b) Reformist
- c) Sceptic
- d) Transformationalist

14. Based on the lecture on Systems Thinking, give an example of a reinforcing feedback loop and a balancing feedback loop in the context of climate change.

Reinforcing: Albedo effect - diminishing ice surface area causes additional warmer as darker colours absorb more sunlight  
Balancing: Net primary productivity – increased Co2 concentration stimulates photosynthesis which reduces Co2

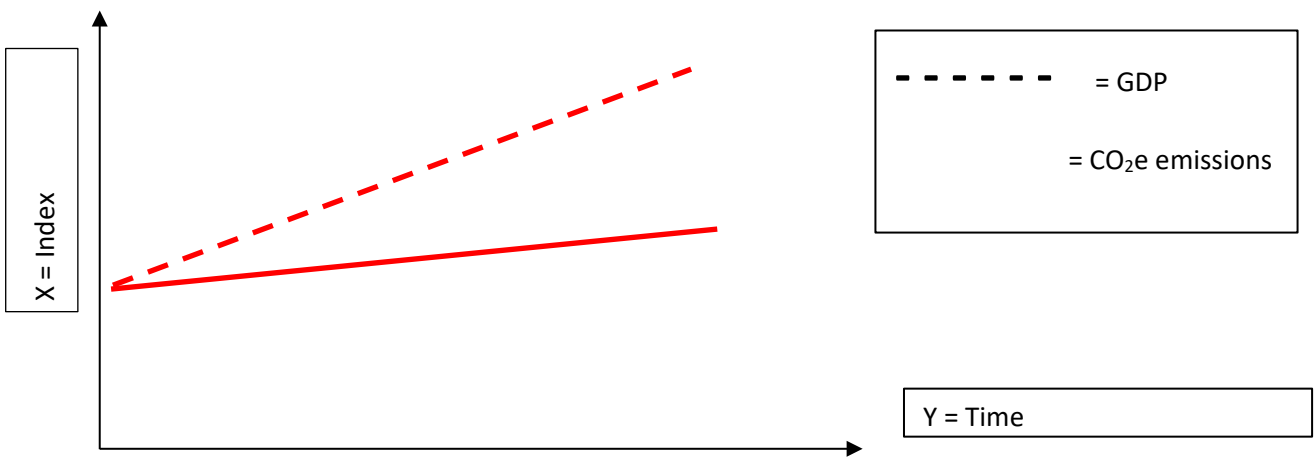
15. Define Hyperinflation and give one historical example.

Hyperinflation is very high and typically accelerating inflation. It quickly erodes the real value of the currency, as the prices of most or all goods increase. This causes people to minimize their holdings in that currency as they usually switch to more stable foreign currencies.  
Eg. Inter-war Germany, early 00s Argentina, current Venezuela,

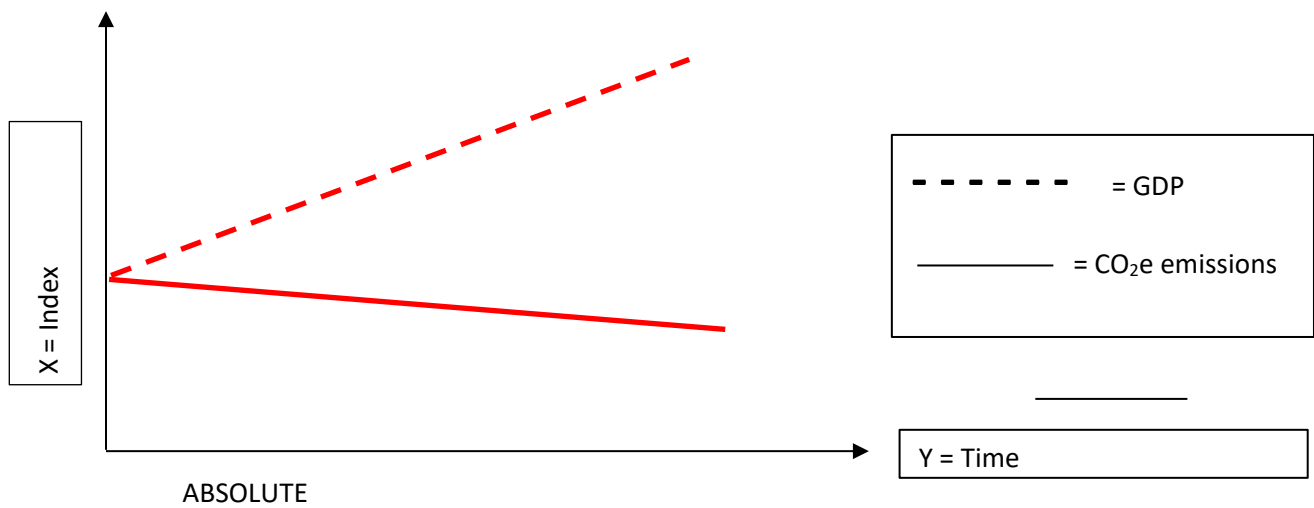
16. What is a Pigovian tax? Please provide one example of how a Pigovian tax can work.

A Pigovian tax (also spelled Pigouvian tax) is a tax on any market activity that generates negative externalities (costs not included in the market price). The tax is intended to correct an undesirable or inefficient market outcome, and does so by being set equal to the social cost of the negative externalities  
Eg. Carbon Tax

17. Draw two diagrams that represent relative decoupling and absolute decoupling of GDP and CO<sub>2</sub>e emissions.



RELATIVE



ABSOLUTE

18. What is diminishing utility?

As a consumer consumes more and more units of a specific commodity, the utility from the successive units goes on diminishing.  
 .e. a 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup> car etc.

19. Name five of the nine planetary boundaries. Why are these important?

Climate change  
Biodiversity loss  
Biochemical flows: Nitrogen/Phosphorus  
Ocean acidification  
Land use  
Freshwater  
Ozone depletion  
Atmospheric aerosols  
Chemical pollution

Important because these represent potential tipping points from which it may be very difficult (if even possible) to restore to their previous states.

20. What is stagflation and why can it be considered problematic?

Stagflation (stagnation and inflation), is a situation in which the inflation rate is high, the economic growth rate slows, and unemployment remains steadily high. It raises a dilemma for economic policy, since actions designed to lower inflation may exacerbate unemployment, and vice versa

Argumentative Question (give your opinion): Which, if any, kinds of industries/sectors of the economy should be monopolised? Why?

Bonus Question: Draw Adam Smith's Invisible Hand.

See below