

Econ 162: Final Review Questions

Final exam coverage:

Lecture notes: topics 1-14

Chapters in the textbook: all

Final exam requirements:

A close-book exam

Time: May 14, 2006, Monday, 5-8pm

Location: Wheeler Auditorium

1. What is the meaning of “financial deepening?” Explain it in the context of China’s economic reform between 1978 and 2000.
2. What are the major differences between debt and equity as financial instruments? Are they necessarily linked to indirect and direct financing respectively?
3. Explain the asymmetry of the banking reform in China in the two sides of deposit and lending.
4. Evaluate the non-performing loan problem in China’s banking sector from the both stock and flow perspectives. What is the purpose for the government to create Asset Management Companies?
5. In what sense that the fragility of China’s financial system differs from other East Asian countries that had experienced financial crisis such as Thailand, South Korea and Indonesia?
6. Give three most prominent peculiarities of China’s securities markets as compared to developed securities markets such as those in the U.S.? Explain.
7. What does it mean a pension system is fully funded? What is the demographic argument for China to adopt a funded pension system?
8. What are the major features of age structure in China in the near future (2000-2010) and beyond? What are the direct economic implications?
9. How did the local government react to the problem of “floating migrants?” Explain the economic consequences of their responses.
10. What are the three trade regimes in China in the post-1949 period? Describe the major features of each regime.
11. How did the dual-track foreign exchange market work? How did the dual track in foreign trade work?

12. Why a dual-track instead of a single track? Use the examples in foreign exchange market and foreign trade to explain the advantage and disadvantage of a dual-track.
13. Why is there a huge discrepancy between the average statutory import tariff and the actual tariff revenue share in import values in China?
14. What are the major structural changes in China's exports in the last 20 years? What were the forces behind such changes? Explain.
15. Why was China so eager to join the WTO? Explain the top three reasons.
16. Why was the negotiation difficult for China's accession to WTO?
17. What is "Tariff-Rate Quota" (TRQ) system? What are the three important parameters in TRQ? What is the purpose of TRQ?
18. Under the terms of China's accession to WTO, can the U.S. impose quantitative restrictions only on imported goods originating from China? Can the U.S. do the same to other WTO members? Why?
19. In antidumping cases, why cannot China use its domestic production costs as a basis for calculating the normal value of its export? What can China do in this circumstance?
20. What are the problems in China's agriculture sector after it enters the WTO? What are the possible solutions?
21. Why do economists consider China's financial sector very fragile after the WTO accession? What are their arguments?
22. What are the distinct patterns of foreign investment in China? Name some government policies that are directly responsible for such patterns. Explain.
23. In what aspects are Special Economic Zones in China special? How are Special Economic Zones in China compared with Export Processing Zones in other Asian economies?
24. What are the three major forms of foreign direct investment in China? What is the dynamics in the relative importance of each form over time? Explain the reasons.
25. What is the comparative economic advantage of Hong Kong and Taiwan respectively in the near future?
26. What are the three categories of government fiscal revenue in China? How should one calculate the true government debt in China?

27. Is it true that fiscal contracting practiced in China between 1980 and 1993 has led to a significant increase of the share of local government expenditure in total government expenditure? What is the major feature the fiscal contracting between the central and local governments, and what is the economic rationale?
28. How did local governments respond to the fiscal contracting between 1980 and 1993?
29. What are the major components of fiscal and tax reform of 1994?
30. Compare value-added tax, sales tax, and personal income tax. Explain the major advantages and disadvantages of each in the context of today's China from the perspectives of efficiency and equality.
31. Explain the two basic economic roles of law in the modern economy. Why does one make a distinction between rule of law and rule by law?
32. On what legal basis can the Chinese government be sued by its citizens and organizations? What are the major limitations in such a lawsuit?
33. What are the most common contract-related lawsuits in China? What are the most common administrative litigation cases?
34. What is judiciary local protectionism? Why is it so prevalent in China but not in the U.S.?
35. Explain the relationship between law and *Guanxi* (connections) in the context of economic contracting?
36. Using the quantity equation of money to explain why the link between money growth and inflation in China is not as tight as in other countries.
37. What are the Chinese government policies to fight inflation? In which aspect the Chinese government used the policy instruments that are different from those used by the U.S. Federal Reserve Bank?
38. What is the macroeconomic policy pursued by the Chinese government in the period between 1998 and 2002? What is the economic rationale?
39. What are the forces making pressure on China's currency to appreciate since 2005?
40. Explain the reasons for the pressure of Yuan appreciation from the perspective of China's domestic macroeconomic policies.