APPLIED MICROECONOMIC ISSUES EXAM

FACULTY/COLLEGE	College of Business and Economics
SCHOOL	School of Economics
CAMPUS(ES)	APK
MODULE NAME	Applied Microeconomic Issues
MODULE CODE	MCD9X02
SEMESTER	Second
ASSESSMENT OPPORTUNITY, MONTH AND YEAR	Supplementary Summative Assessment Opportunity, November 2021.

ASSESSMENT DATE	30 November	SESSION	11:30-17:30
ASSESSOR(S)	**Dr Charles Saba (Course Coordinator), Prof Habiyaremye Alexis, Prof Das Nair Reena, Dr Mulamba Clement Kabeya, Dr Arpan Ganguly, Dr Galetti Jefferson & Dr Mao Zhuqing**		
EXTERNAL MODERATOR(S)	**Dr OO David**		
INTERNAL MODERATOR(S)	**Dr Mduduzi Biyase**		
DURATION	**6 hours (360 min)**	**TOTAL MARKS**	**180**

Student Surname	
Student First Name(s) (Initials)	
Student Number	

NUMBER OF PAGES OF QUESTION PAPER (Including cover page)	3

INFORMATION/INSTRUCTIONS FOR EXAM:

- Fill in your names and student details in the above Table.
- This is a closed-book online assessment.
- There are eight questions, from which you should choose three.
- Read the questions carefully and answer accordingly.
- You should aim to spend approximately 2 hours per question. Although, it is perfectly possible to use 1 hour per question.
- You are not permitted to copy and paste any tables, graphs and equation from the course material(s). **Important: you are not allowed to copy and paste stuff directly from your previous assignments.**

- Write in your owns words in order to avoid plagiarism.
- Exams will be tested for plagiarism.
- You only have **ONE** opportunity to submit your exam online via blackboard. Once you have submitted the exam, it cannot be retrieved for any additional revisions.
- Write neatly and legibly in this exam document and make sure you provide answers under each question that you end up choosing.
- No submissions will be accepted after **17:30**

QUESTION 1   [60marks]

Compare and contrast the key differences between the neoclassical and institutional theories of the firm. As per the empirical literature, how does firm size, firm age, and entry and exit barriers affect productivity growth at the firm level within countries?

QUESTION 2
[60marks]

What are the advantages and disadvantages of a firm-level (or micro) analysis of trade versus a country or industry (macro) level analysis of trade? Discuss using example(s) from theory and the real world.

QUESTION 3
[60marks]

Select an industry that is regulated, and discuss the interface between competition and regulation in that industry. What are the some of the competition problems that have arisen in the selected industry, and what are the respective roles of the competition authorities and the economic regulator?

QUESTION 4   [60marks]

You have just been appointed as the head of industrial policy in an African Country. One of the tasks given to you is to lead the design and implementation process of policies that should resuscitate the dying manufacturing sector in a country known for high levels of corruption in the public sector. As a former UNIDO adviser in South Asian countries in the last 17 years, you strongly believe that businesses in the manufacturing sector should be encouraged to invest in human capital development to trigger efficiency and/or innovation. Based on the work of Kaplan (2001) and the above background, discuss the type of government support would you wish to be considered by the team you are leading as a suitable instrument to encourage investment in Research and Development by private businesses in manufacturing

sector. You must also include in your discussion the justification for the type of tax incentives you are proposing.

QUESTION 5
[60marks]

Present and discuss the main elements of the basic model of human capital investment briefly. Although we can't observe the individual's discount rate used to assess the net present value of future earnings, discuss and give examples of how present-oriented and forward-looking people tend to have different propensities to invest in education.

QUESTION 6   **[60marks]**
Please discuss how the asymmetric information (Moral hazard and Adverse selection) results to market failure and give cases.

QUESTION 7   **[60marks]**
Both rents and corruption are presented in the literature as having positive as well as negative effects on firm/economic performance. Establish the distinction between the positive and negative effects of rents and corruption, and identify conditions under which rents/corruption may positively affect economic performance.

QUESTION 8   **[60marks]**
Property rights are presented in the literature as a core indicator of a country's economic institutions affecting growth performance. Using South Africa's example, provide two arguments indicating how a strict protection of property rights can foster growth performance and two arguments showing how a rigid property right regime may limit growth prospects and entrench economic inequality (i.e. income and wealth inequality).