

International Economic Policy · Test exam · 29 March 2023

On the table below, write **T** if the corresponding claim is true or **F** if false.

1. Let A and B be two high-rank economic policy makers having to address a certain economic problem. If A suffers from the 'Hubris Syndrome' and B does not, it is reasonable to infer that A will address the problem more effectively than B.
2. The Dunning-Kruger effect increases the effectiveness of economic policy measures.
3. Since the discovery of the Dunning-Kruger effect economic policy measures have turned more effective.
4. The expression 'The Great Seesaw' refers to the generational swing between, on the one hand, admiring 'technology' and criticizing 'nature' and, on the other, criticizing both 'technology' and 'nature'.
5. The theory based on 'We vs Me' cycles offers an explanation of why some generations value individuality and freedom most (selfish generations), while others value working together and fulfilling personal and social obligations most (altruistic generations).
6. The 'quantitative fallacy' holds that the most important facts are those not subject to quantification.
7. Jorgen Randers' term 'grocline' designates an apparently paradoxical state in which people individually improve but collectively decline (a rising consumption per capita coexists with a contracting GDP).
8. Of Nick Bostrom's four possible futures of humanity (recurrent collapse, plateau, takeoff and extinction), plateau is the one the current empirical evidence supports most.
9. 'Global overshoot' is an expression roughly meaning that 'we are using more stuff than the planet can renewably provide'.
10. The 'Doomsday argument' involves a probabilistic justification of the claim that the end of humanity is more likely to occur in the relatively near future than in the relatively distant one.
11. Ugo Bardi's 'Seneca effect' refers to phenomena characterized by, on the one hand, long and slow growth and, on the other, slow and long decay (like the Roman Empire, which took generations to be created and generations to disappear).
12. According to Ugo Bardi's guide to collapse, growth is the rule and collapse the exception and, accordingly, the 'Seneca strategy' is to resist collapse, since there is no way to profit from collapse.
13. In *Brief answers to the big questions* (2018), Stephen Hawking claimed that he regarded as almost inevitable within the next thousand years the occurrence of a nuclear confrontation or an environmental catastrophe.
14. Applied to an economic system, the 'Red Queen hypothesis' implies that an economy needs to grow just to preserve economic welfare.

15. For economic policy makers, the 'Goldilocks principle' is the reminder that pursuing some policy goals easily puts in danger achieving other such goals: too much regulation could be as bad as too little.
16. X-events are high-impact yet predictable events.
17. The 'Olduvai theory of industrial civilization' holds that industrial civilizations last just a few generations and that energy production per capital determines its rise and fall.
18. Joseph Tainter's theory of societal collapse: (i) asserts that collapse arises when the benefits of investing in sociopolitical complexity do not cover its costs; and (ii) relies on the premise that solving social problems by investing in sociopolitical complexity is subject to increasing marginal returns.
19. Stephen Gould's 'punctuated equilibrium' is the notion that evolutionary processes do not occur slowly and gradually, but quickly and suddenly.
20. One of Wolfgang Streeck's systemic disorders of contemporary capitalism is global anarchy, meaning that no one is providing and sustaining a global, stable monetary regime.
21. According to world-system analysis, the modern world-system is structured in terms of a core of less powerful and less developed states and a dominant small periphery consisting of economically and militarily powerful states.
22. World-system analysis takes the rise and fall of hegemonic states as one of the systemic features of the modern world-system.
23. Michael Yates' dilemma contends that it is impossible to have a global capitalist economy without a hegemonic power (guaranteeing that profits are privatized and losses socialized).
24. The trilemma of democratic capitalism asserts the impossibility of having a market economy, respect for individual civil and political rights and an institutional system based on the principles of liberty and justice for all.
25. In Matt Mason's pirate dilemma, legal firms have to decide whether to legally confront successful competitors that operate in the underground economy (at the risk of becoming unpopular with those sympathizing with the 'pirates') or to compete with them in their underground environment.
26. Varoufakis's global minotaur hypothesis is an explanation of why, after the collapse of the Bretton Woods system, the US allowed its twin deficits to fall to levels endangering the stability of the global economy.
27. As part of his global minotaur hypothesis, Varoufakis points to the accelerating flow of foreign capital into the US public debt as evidence that the world is in disarray (since global money desperately seeks a safe haven).
28. The sectoral identities provide a simple justification for not imposing the same (austerity) fiscal rules on countries that, despite running private sector surplus, have trade balances with different sign.

29. A Kondratieff cycle is a recurrent oscillation of global inequality.
30. Kondratieff cycles are not associated with technological breakthroughs but with changes in hegemonic powers (Venice, Bruges and later Antwerp in the 15th century; Amsterdam in the 17th; London in the 19th; the United States in the second half of the 20th...).
31. 'Globalization' is a progressive integration of the world that started after World War II.
32. A stylized fact of global finance is that world GDP is many times larger than the value of international financial transactions.
33. Hyman Minsky's 'Financial Instability Hypothesis' holds that attributing the role of global reserve currency to a national currency (such as the US dollar) is ultimately destabilizing for the world economy.
34. The Lucas paradox is the observation that rich countries suffer financial crisis as likely and severely as poorer countries.
35. Olivier Jeanne reduces to one the necessary condition for the viability of an international monetary system: that the countries operating at the centre of the system provide a sufficient amount of financial assets.
36. Both the Triffin dilemma and the safe assets dilemma express the idea of that some form of instability is created by some process of unsustainable growth.
37. The 'Triffin general dilemma' suggested by Tommaso Padoa-Schioppa states that the stability requirements of an international monetary system lacking supranational institutions should exclusively rely on national economic and monetary policy forged on national goals.
38. The bias against countries running current account deficits is a problem of the international monetary system means that the burden of the adjustment in international trade balances falls on surplus countries.
39. The 'Efficient Market Hypothesis' is not a particular case of the 'Financial Instability Hypothesis'.
40. A 'Minsky moment' is like the tipping point in a Seneca-effect process.
41. The 'Sputnik moment' represents the 'loyalty' option in Albert Hirschman's triad exit-voice-loyalty.
42. Supranational bank money is the only solution to Tommaso Padoa-Schioppa's inconsistent quartet.
43. One of the reasons why the dollar is still the dominant international currency is that, in systematically running current account deficits, the US economy acts as a commodity exporter of last resort.
44. One of the reasons why the Chinese renminbi is not yet a dominant international currency is that the Chinese economy is not endowed with open and highly developed financial markets that generate a sufficient supply of liquid assets to the rest of the world.

45. The 'Pollar Tension Belt' is the manifestation of political conflict between developing countries due to climate change.
46. The 'Trilemma of the Service Economy' by Torben Iversen and Anne Wren contends that fiscal discipline and employment growth make it impossible to have an independent monetary policy.
47. Dani Rodrik's 'central dilemma of the world economy' is the tension between the domestic nature of most markets and the global nature of the political and economic institutions under which those markets operate.
48. The most important of James C. Scott's rules of thumb to prevent disaster in policy-making is to take big steps, that is, avoid interventions in which a small step is taken, next its consequences evaluated and subsequently the next small move is planned and executed.
49. David Graeber's 'Iron Law of Liberalism' states that government policies intending to increase public interference in the economy are actually so effective that they end up producing more regulations and bureaucracy than initially intended.
50. Jack Hirshleifer's paradox of power states that the strong tends to get stronger and explains why the international state system is hierarchical.
51. The general Triffin dilemma asserts that capitalism is inconsistent with the welfare state.
52. The 'Trilemma of a Monetary Union' by Hanno Beck and Aloys Prinz is the claim that the correlation between economic and political development is false in a monetary union.
53. The correlation between democracy and peace is also known as 'Kuznets wave'.
54. John Glenn's paradox of dominance is that the economic system created by the dominant powers is used by the challengers to rise and try to replace the current dominant powers.
55. The Thucydides trap describes a situation in which a dominant power is so powerful that no challenger can arise.
56. The North-South divide (or North-South gap) is the prediction that the Western world will decline in relative terms: the 'rise of the West' in the last two centuries will be neutralized by 'the rise of the Rest'.
57. Kenneth Boulding's 'Dismal Theorem' (which holds that if the only ultimate check on the growth of population is misery, then the population will grow until it is miserable enough to stop its growth) is an example of the anti-Malthusian view of the history of humanity.
58. A paradox of the knowledge society is that it may produce a type of ignorance due to excessive information.
59. Moore's law (on computer chip performance) asserts that sustained technological doublings are not possible.
60. Ray Kurzweil's 'Law of Accelerating Returns' says that all technological developments ultimately lead to environmental degradation and ecological collapse.

61. The resource course thesis is not an expression of techno-optimism.
62. Ray Kurzweil' 'Singularity' designates the state of humanity where machines start annihilating humans.
63. The Washington Consensus is the general agreement that the US should lead the world.
64. The Beijing Consensus is the Chinese proposal to replace US global leadership.
65. 'Great Divergence' is the name given to the inconsistency between the Washington and the Beijing Consensus.
66. The dilemma pointing out by Michael Yates claims that US global dominance is not sustainable.
67. Antonio Verde's globalization slowdown thesis is a particular case of Rodrik's trilemma.
68. Little Divergence and Great Divergence are the names given to the historical processes of globalization and de-globalization, respectively.
69. The 'elephant curve' illustrates how globalization has reinforced autocratic political regimes.
70. A G-zero world is one in which China and the US lead the world cooperatively.
71. The conventional theory on monetary union creation asserts that it is necessary for countries willing to form a monetary union to be already highly integrated and respond quite symmetrically to economic shocks.
72. The 'Trilemma of a Monetary Union' by Hanno Beck and Aloys Prinz states that members of a monetary union cannot all, at the same time, be deeply integrated, flexible to foreign shocks and symmetric to common policies.
73. One of the traits of the model presented in class to determine the level of democracy in a country is that the solution was necessarily dual: a solution involving low democracy levels was possible, but also another one separated from the previous one and characterized by a high democracy level.
74. One of the implications of Ian Bremmer's J curve model is that accepting an increasing openness level eventually, and necessarily, implies a stability loss.
75. The Kuznets curve is one of the consequences of 'the fall of communism' at the end of the 20th century.
76. Consider the model described in class to ascertain the level of integration of a certain country by taking into account two groups, the mass and the elite in the country. Then the model predicts that any event raising the elite's net benefit (at each integration level) increases the integration level actually adopted by the country.
77. One of the features of the model in the immediately preceding question is that, as solution, it singles out a unique integration level.
78. The Kuznets trilemma states that GDP per capita growth, democracy and a declining income inequality cannot be achieved simultaneously.

79. Ian Bremmer's trilemma contends that a stable and open country cannot allocate income fairly.
80. Triffin's trilemma means that a global reserve currency in a hiperglobalized world requires a global government.
81. The COVID trilemma generalizes the Triffin dilemma.
82. The Kuznets curve is the result of combining the elephant curve of global inequality with the tendency of capitalism to generate recurrent crises.
83. Geopolitically speaking, a hegemon is a country that frustrates Rodrik's trilemma, as any hegemon has the power to manage hyperglobalization using domestic economic policy tools.
84. The Bretton Woods system was immune to Rodrik's trilemma, because the system was globalized, promoted democracy and consolidated nation states.
85. Rodrik's trilemma expresses the impossibility of having a developing and stable economy that distributes the outcomes of development equitably.
86. Tommaso Padoa-Schioppa's inconsistent quartet involves the need to choose at most three of: an independent central bank, a sovereign government, a democratic political system and a stable banking system.
87. Both Bremmer's J curve and the Kuznets curve represent processes without any tipping point.
88. The Triffin general dilemma, as described by Tommaso Padoa-Schioppa, asserts that too much inequality is a threat to democracy.



Write down **T** if the sentence is true and **F** if false.

Correct answer: +1 point · Incorrect answer: -1 point

At least 60 answers must be provided. Otherwise, each missing answer adds -1/4 points.

Number of true sentences

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	
41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	
61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	
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