



BRAC University
Department of Economics and Social Sciences (ESS)
Master of Science in Applied Economics (MSAE)
Admission Test Sample Question
(Applicants with Economics Background)
Time: 1 Hour and 30 Minutes
Total Marks: 50
Answer all questions

Section 1: Microeconomics	15
1. Using indifference curve analysis, explain how a consumer reaches equilibrium.	5
2. Explain how a firm selects inputs to produce a given output at minimum cost.	5
3. Distinguish between:	5
(i) Movement along a demand curve and shift of a demand curve	
(ii) Classical and neoclassical economics	

Section 2: Macroeconomics	10
4. Using graphs explain the difference between demand-induced and supply-induced one-shot inflation.	5
5. Explain the following:	5
(a) When less than full employment equilibrium is reached in an economy.	
(b) The Keynesian solution to get the economy out of the recessionary gap.	

Section 3: Comprehension 25

6. Read the following passage and answer questions (i) to (v) that follows:

What is economics? How will the study of economics help us to understand how modern economies function, and how modern economies differ from the economies of the past? What makes some economic theories more sensible than others? What is the difference between microeconomics and macroeconomics, and is one more important than the other? The concepts of *scarcity*, *choice*, and *opportunity cost*; each is central to understanding any economic system. *Tradeoffs* between various policy goals are inevitable, and are often the source of disagreements about what constitutes the best policy. The progress of economics, as a social science, is based upon the distinction between *positive*

statements and *normative statements*. The role of *theory* in economics, and why economists build *models* are to help them think about the complex world they are trying to understand. Economists *test* their theories with the *evidence* drawn from the real world.

- (i) What is the basic question and how is the basic question's answers explained by raising several related questions? **5**
 - (ii) Which concepts are considered central in understanding economics? **5**
 - (iii) In which context trade-offs are seen as inevitable? **5**
 - (iv) In which context, the distinction between positive and normative statements is noted? **5**
 - (v) How do the economists test their model? **5**
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Inspiring Excellence

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1. What you visualize will be your (a) challenge in studying for a master in economics without having an undergraduate degree in this discipline? (b) Which aspects of your study program for undergraduate degree you may be able to use fruitfully for doing well in economics at master's level? Answer the question in an essay style but do include specific examples from your learning that will be of benefit and what you have not learned that will have to be learned. **25 marks**

2. On the basis of reading of the following text excerpted from the book, *Capital: In the Twenty First Century*, by Thomas Piketty, answer questions (i) to (v): **25 marks**

The distribution of wealth is one of today's most widely discussed and controversial issues. But what do we really know about its evolution over the long term? Do the dynamics of private capital accumulation inevitably lead to the concentration of wealth in fewer hands, as Karl Marx believed in the nineteenth century? Or do the balancing forces of growth, competition and technological progress lead in later stages of development to reduced inequality and greater harmony among the classes as Simon Kuznets thought in the twentieth century? What do we really know about how wealth and income have evolved since the eighteenth century, and what lessons can we derive from that knowledge for the century now under way?

These are the questions I attempt to answer in this book. Let me say at once that the answers contained herein are imperfect and incomplete. But they are based on much more extensive historical and comparative data than were available to previous researchers, data covering three centuries and more than twenty countries, as well as on a new theoretical framework that affords a deeper understanding of the underlying mechanisms. Modern economic growth and the diffusion of knowledge have made it possible to avoid the Marxist apocalypse but have not modified the deep structures of capital and inequality – or in any case not as much as one might have imagined in the optimistic decades following World War II. When the rate of return on capital exceeds the rate of growth of output and income, as it did in the nineteenth century and seems quite likely to do again in the twenty first, capitalism automatically generates arbitrary and unsustainable inequalities that radically undermine the meritocratic values on which democratic societies are based. There are nevertheless ways democracy can regain control over capitalism and ensure that general interest takes precedence over private interests, while preserving economic openness and avoiding protectionist and nationalist reactions. The policy recommendations I propose later in the book tend in this direction. They are based on lessons derived from historical experience, of which what follows is essentially a narrative.

- (i) Which question is today's most widely discussed and also a controversial issue? 5
- (ii) What is the qualifying statement that the author makes about his attempt to answer the questions in the book? 5
- (iii) Which statement the author makes that we may consider as the methodology used in conducting the research for writing the book? 5
- (iv) What happens when the rate of return on capital exceeds the rate of growth of output? 5
- (v) What is indicated as the policy direction of the book? 5