



**World Economics Cup**  
**Thinking and Innovation (Sample Questions)**

## Instructions

This is a sample for the Thinking and Innovation module of the competitive events of the World Economics Cup.

**Thinking and Innovation** is a creative economics competition that tests students' abilities to solve economics problems and to solve problems by economics. Solving economics problems focus on testing students' economics knowledge in forms of standard questions, while solving problems by economics encourages students to apply economics knowledge to solve specific social or business problems, where are no standard answers.

This is a presentation event. You will have a given topic to solve and present. The topic has a background introduction that gives you a general idea of the topic. Four free-response questions are related to the topic, consisting of **3 short answer questions and 1 problem-solving question**. You need to **answer all the given questions in your presentation**. Participating as a team, **all team members** must participate in the presentation.

The topic with introductions and questions will be given in advance so that you may prepare the presentation. **The presentation time is 15 minutes**. You may use visual aids or equipment in your presentation. You need to submit the presentation video before the due time.

## **Tutorial**

To assist you to achieve better performance in this competitive event, you may want to spend some time reading this brief tutorial.

### **1. About topics**

The topic is not a typical economics issue that you may encounter in your economics exams. Instead, they are more like social issues that you must have heard about. You should carefully read the topic introduction to establish a general idea about the topic, and try to think about it from an economic perspective. Thinking like an economist is the key to success in this event.

### **2. About short answer questions**

The short answer questions are economics questions that you are trained through economics classes and exams in school. These questions are to examine whether you can apply certain economics knowledge or theories to analyze a specific phenomenon or accomplish a specific task. For example, you are asked to identify the equilibrium price by identifying supply and demand in a market.

To solve short answer questions, you should reflect on your economics knowledge that you have acquired in school. In these question descriptions, the specific economic theories that should be used to solve the question are named in the question clearly. Follow the instructions in the question descriptions, and make sure your answers meet the requirements.

### **3. About problem-solving questions**

Different from economics questions, the problem-solving questions focus on examining students' abilities to solve problems by economics. The problem you are going to solve is not an economics problem but a general problem we face. There is no standard economics theory you need to master or learn in order to solve the problem. You just need to develop your own theories (just like those famous economists) and find a solution based on your own explanations and observations. Some existing economics theories may help, but they will not be specifically defined in the question.

For this kind of question, here is a simple three-step process to facilitate problem-solving.

#### **Step 1 – Understand the problem.**

Although the problem that you need to solve is clearly defined, you still need to think about factors of the problem. What you should do is to understand the problem from an economic perspective, which will eventually be about how scarce resources should be allocated. While the question is asking you to give solutions to a specific problem, you should never jump to solution statements. A clear and logical analysis about the problem will not only help to organize your thoughts, but also make you a huge plus.

#### **Step 2 – Determine solutions.**

As long as you identify the factors of the problem, you can propose possible solutions to deal with one factor or several factors. One of the fundamental mission of economists is to help make better plans, strategies and decisions using economics principles. If you have read any paper or journal in economics, you will always find in the end suggestions from diverse perspectives about how to make things better.

You now should generate as many ideas as possible to solve the problem, and write them down on scratch paper. Let the topic introduction and the previous economics questions inspire you. This is much like a creative thinking process. You can think about the solutions from various perspectives including but not limited to policy making, business practices and consumer behaviors. To make it even simpler, you can ask yourself "what \_\_\_\_\_ can do to solve the problem?" The blank can be filled with the related parties in the identified problem.

Be careful that the gross ideas should not be delivered before they are evaluated. It means you need to assess whether each idea is logic, reasonable, effective and feasible. Be careful that it is not the case that the more solutions the higher scores. Only sound solutions for different perspectives and with supportive economic explanation will be scored.

### Step 3 – Validate your solutions.

This is the most crucial part in your solution statements. You need to support your statement with economic theories, evidences and logical reasoning. Economics theories are accumulated in your in-school study, while evidences may come from your daily life experience. Some very basic and common economic theories include but are not limited to supply and demand in short run and long run, marginal cost/product/benefit/utility, opportunity cost, private and social cost/benefit, profit maximization, etc.

Here are 10 principles of Economics to inspire you when thinking about a specific problem:

- 1) People face trade-offs, while society also faces trade-off between efficiency and equality.
- 2) The cost of something is what you give up to get it.
- 3) Rational people think at the margin.
- 4) People respond to incentives.
- 5) Trade can make everyone better off.
- 6) Markets are usually a good way to organize economic activity.
- 7) Governments can sometimes improve market outcomes.
- 8) A country's standard of living depends on its ability to produce goods and services.
- 9) Prices rise when the government prints too much money.
- 10) Society faces a short-run trade-off between inflation and unemployment

One important approach to demonstrate logic is to explain in charts. Economists develop diverse charts to demonstrate their theories. So can you. The majority of two-factor relationship can be demonstrated in chart. Just reflect what you learnt in your economics textbooks. Some of the most classical representations of relationship have been taught to you already, including:

- A direct line (descending or ascending) and its steepness (or elasticity)
- A curve and its marginal change
- An intersection or a tangency of lines and curves
- Movement and rotation of lines and curves
- Area that represents the multiplication of the two variables

Here is a suggested thinking map for you to answer the problem-solving questions:

The problem is about ... [analysis of the problem] ...

...

...

...

Solution 1: \_\_\_\_\_ [one sentence description]

To solve the problem, we can ... [concrete descriptions]

...

...

...

The solution is feasible because ... [using economic theories to validate the solution]

...

...

...

[explain in charts]

...

...

Solution 2: ...

[same as solution 1]

Solution 3: ...

[same as solution 1]

In conclusion, ... [conclusion and summary]

...

...

...

#### 4. About the scoring system

The presentation will be scored of 150.

- Scoring short answer questions (maximum 50) will be based on the standard answers.
- Scoring problem-solving questions (maximum 100) will be based on the following dimensions.

<b>Dimensions</b>	<b>Not Demonstrated</b>	<b>Below Expectations</b>	<b>Meets Expectations</b>	<b>Exceeds Expectations</b>
Deep understanding of the problem	No analysis of the problem.	Problem is analyzed but not from an economic perspective.	Problem is analyzed from an economic perspective.	Problem is analyzed from an economic perspective and has a unique point of view.
0-10	0	1-4	5-7	8-10
Diversity of perspectives of solutions	No reasonable solution is provided.	Only one solution or multiple solutions but from one perspective are provided.	Two reasonable solutions from different perspectives are provided.	Three or more reasonable solutions from different perspectives are provided.
0-15	0	1-6	7-11	12-15
Correct application of economic theories	No economic theories are applied.	Only one economic theory is applied or multiple theories are applied but incorrectly.	More than two economic theories are correctly used in analysis or validation.	More than three economic theories are used correctly and naturally in analysis and validation.
0-25	0	1-10	11-20	21-25
Effectiveness of explaining in charts	No explaining in charts.	Only one chart is drawn or multiple charts are drawn but meaninglessly.	More than two charts are correctly drawn and used in analysis or validation.	More than three charts are correctly drawn and used in analysis and validation.
0-25	0	1-10	11-20	21-25
Logic reasoning and evidences	No logic reasoning or evidence.	Superficial logic reasoning analysis and validation.	Both logic reasoning and evidences are used in analysis and validation.	Logic reasoning and evidences are used throughout the answers with a clear structure.
0-25	0	1-10	11-20	21-25

## Sample Topic: The Impact of Coronavirus

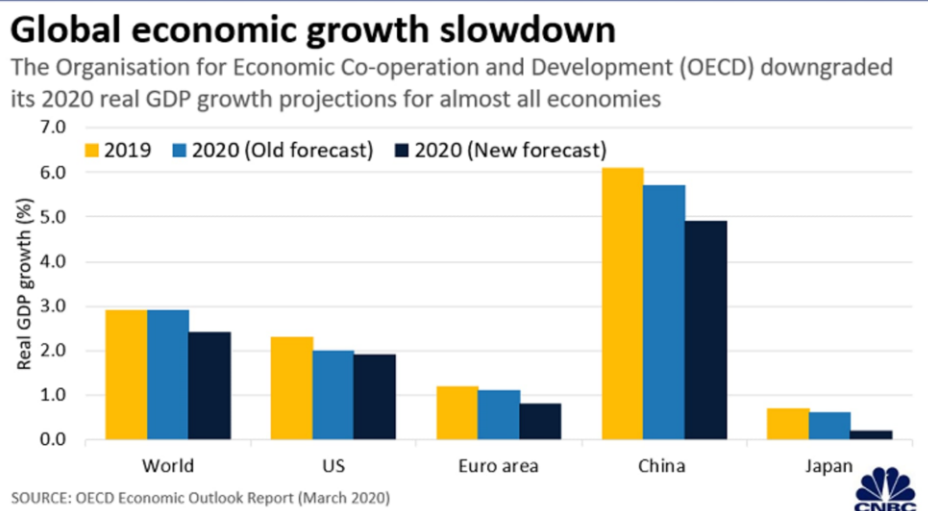
### Topic Introduction

The global spread and outbreak of coronavirus has become the biggest issue in recent months. Starting from China, the whole world is experiencing the huge impact of the pandemic in every aspect, including politics, education, socioeconomics,

More than medical problems, the virus outbreak has become one of the biggest threats to the global economy and financial markets.

### Impact on Global Economic Growth

Major institutions and banks have cut their forecasts for the global economy, with the OECD being one of the latest to do so, expecting the global economy to grow by 2.4% in 2020—down from the 2.9% projected earlier.



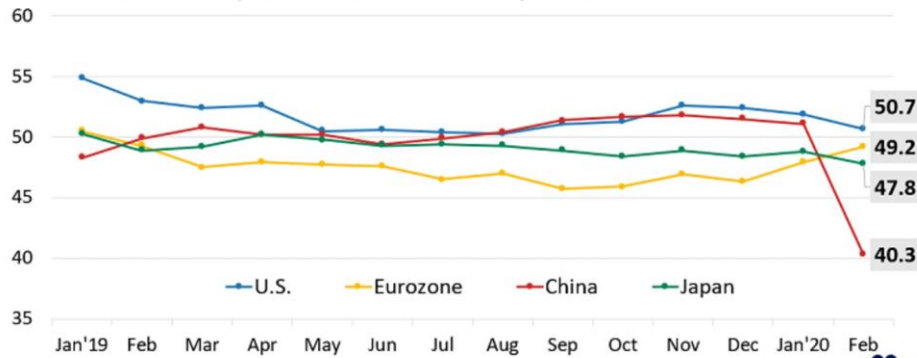
### Impact on the Manufacturing Industry

The manufacturing sector in China has been hit hard by the virus outbreak. The Caixin/Markit Manufacturing Purchasing Managers' Index showed that China's factory activity contracted in February, coming in at a record-low reading of 40.3. Such a slowdown in Chinese manufacturing has hurt countries with close economic links to China. And factories in China are taking longer than expected to resume operations, which means, along with a rapid spread of COVID-19 outside China, that global manufacturing activity could remain subdued for longer.



## Manufacturing activity in major economies

The Purchasing Managers' Index (PMI) is an indicator of economic activity. A reading above 50 indicates expansion, while below 50 represents contraction



SOURCE: Refinitiv, IHS Markit, Caixin, au Jibun Bank

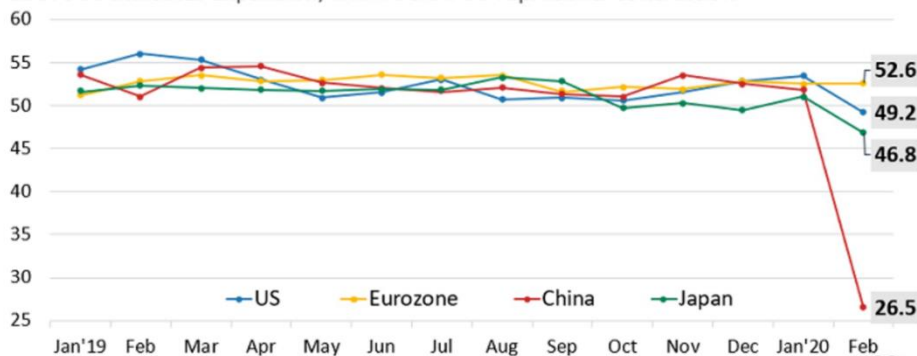


### Impact on the Service Industry

The virus outbreak in China has also hit the country's services industry as reduced consumer spending hurt retail stores, restaurants and aviation among others. The Caixin/Markit Services PMI for China came in at just 26.5 in February, the first drop below the 50-point level since the survey began almost 15 years ago. The services sector in the U.S., the world's largest consumer market, also contracted in February.

## Services activity in major economies

The Purchasing Managers' Index (PMI) is an indicator of economic activity. A reading above 50 indicates expansion, while below 50 represents contraction



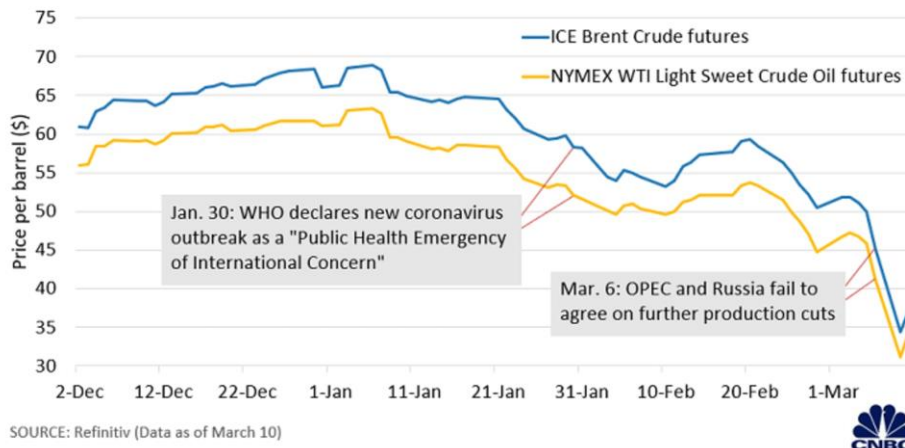
SOURCE: Refinitiv, IHS Markit, Caixin, au Jibun Bank



### Impact on Oil Prices

A reduction in global economic activity has lowered the demand for oil, taking oil prices to multi-year lows. That happened even before a disagreement on production cuts between OPEC and its allies caused the latest plunge in oil prices. Analysts from Singaporean bank DBS said reduced oil demand from the virus outbreak and an expected increase in supply are a "double whammy" for oil markets. China, the epicenter of the coronavirus outbreak, is the world's largest crude oil importer. The spread of the virus in Italy and other parts of Europe is particularly worrying and will likely dampen demand in OECD countries as well.

## Slump in oil prices

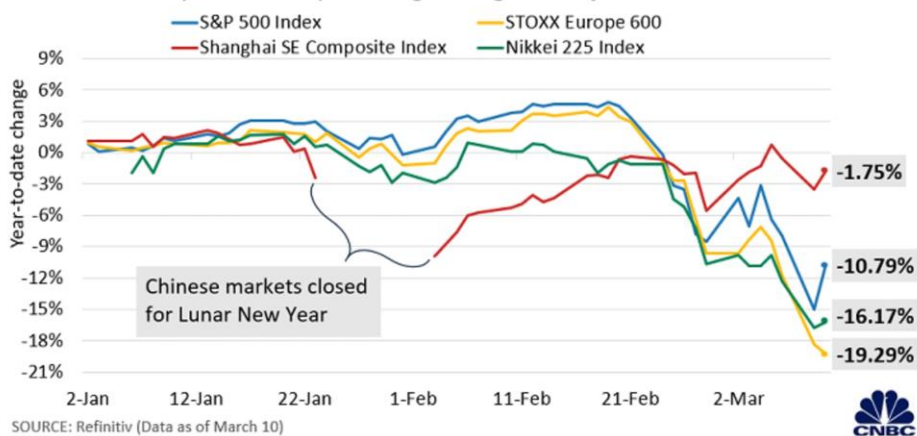


## Impact on Stock Markets

Fear surrounding the impact of COVID-19 on the global economy has hurt investor sentiment and brought down stock prices in major markets. The outbreak weighed on markets through three channels, which are the slowdown in China, the slowdown from domestic outbreaks, and financial markets stress.

## Sell off in stock markets

Chart shows the year-to-date percentage changes in major stock indexes



## Free-Response Questions

### [Short answer] 15p

- 1) We have seen great price rises during the coronavirus pandemic, especially face masks and other necessities. There is a term to describe such a situation - price gouging. It is a situation where business take advantage of an external crisis to charge excessive prices for necessities – selling the goods significantly above their usual price. **Explain the economics rationale behind price gouging, such as allocation efficiency, supply and demand, incentives, etc.**

### [Short answer] 15p

- 2) Some experts are worried about stagflation caused by the pandemic. **Identify what stagflation I, and analyze in economics theories and charts why the coronavirus may lead to stagflation. The chart should include LRAS, SRAS and AD.**

### [Short answer] 20p

- 3) During the COVID-19 pandemic, there is a trade-off relationship between epidemic loss and epidemic prevention cost. The increase of epidemic prevention intensity can effectively cut off the spread among people, so as to reduce the loss of epidemic disease at the cost of increasing prevention cost (opportunity cost). Every country should take a cost-benefit analysis to determine the optimal prevention intensity. **Reflect on the principle of profit maximization, and analyze how policy makers could determine the optimal prevention intensity to achieve maximum social benefit from an economic (rational) perspective. Demonstrate the optimal point in the chart.**

### [Problem-Solving] 100p

- 4) The Coronavirus pandemic has caused various impacts on the world economy. Some economists predict recession and stagflation to come in the aftermath of coronavirus. **What solutions do you think can be helpful to recover the world economy? The solutions should demonstrate diversity, feasibility and understanding about the problem, supported from an economic perspective.**