**Economics Olympiad – International Final Round 2026**
**Oral Examination Questions**

## Intermediate Questions (Lower Difficulty)

1. Social media platforms such as Instagram, TikTok, and YouTube have seen rapid growth of self-appointed “finfluencers”—personalities who post financial advice or commentary on topics such as crypto, side hustles, and “financial freedom” in short, accessible formats. For many young people, this content is their first exposure to investment concepts. The quality of information shared by finfluencers can vary widely. Evaluate whether the rise of finfluencers represents a significant risk or a genuine opportunity for improving financial literacy. In your answer, analyze the trade-off between consumer protection and preserving access to useful financial information when deciding whether and how to regulate finfluencers.

2. First-time homebuyers must make several important decisions: the type of mortgage, the amount borrowed, and the size of the down payment. This typically involves choosing between a level-payment amortizing mortgage—where monthly payments remain constant throughout the loan term—and an equal-principal mortgage—where the principal repaid each period is fixed, so early payments are higher but total interest paid is lower. Buyers must also choose between a fixed and a variable interest rate. Advise a first-time homebuyer on how to select the most suitable mortgage given their circumstances, identifying the key factors to consider when choosing between (i) a level-payment amortizing and an equal-principal mortgage and (ii) fixed and variable interest rates.

3. Large economic shocks—such as a sharp rise in loan interest rates or a sudden increase in energy prices—directly affect household finances, prompting individuals to save more, reduce spending, or pay down debt. When many households respond in the same way simultaneously, their collective behavior can amplify or dampen the original shock for the economy as a whole. To what extent can higher financial literacy among households help soften—or instead worsen—the contractionary effects of such shocks? In your answer, explain how individually rational financial decisions can, when adopted simultaneously by many households, produce macroeconomic effects that differ from what any single household intends.

4. Most high-income economies have experienced a long-term shift from agriculture to manufacturing and, eventually, to service industries. Using the concept of income elasticity of demand, explain why many economies have experienced this structural transformation. Evaluate whether changes in income alone fully explain this transition or whether other factors also play an important role. Support your answer with real-world examples.

5. Some industries, such as electricity transmission and water distribution, are often described as natural monopolies. Explain the cost characteristics—particularly high fixed costs, economies of scale, and declining average costs—that make duplicating network infrastructure inefficient and give rise to natural monopoly. Why may competition between multiple providers in such industries lead to higher costs and worse outcomes for consumers than a single regulated supplier? Compare alternative government policies for regulating natural monopolies, evaluate their advantages, and identify their disadvantages.

6. Governments frequently use indirect taxes, such as excise duties on tobacco, sugar, or fuel, to raise revenue and influence consumer behavior. Explain how the incidence (burden) of an indirect tax is shared between consumers and producers and how this depends on the price elasticity of demand and supply. Evaluate the effectiveness of indirect taxes as a tool for correcting negative externalities compared with other policy options, such as regulation or subsidies for substitutes. Support your answer with real-world examples.

7. Financial and insurance markets often function imperfectly because buyers and sellers do not possess the same information. Explain how adverse selection and moral hazard arise from asymmetric information in these markets. Evaluate the extent to which private market mechanisms can solve these problems. When should governments intervene, and what risks can government intervention itself create? Support your answer with real-world examples.

8. Explain the net effects of artificial intelligence (AI) on the economy, focusing on productivity and employment. Identify one way AI can fuel economic growth and one way it can lead to higher unemployment in certain industries. Then, take a position, stating the variables that will determine whether the overall net impact of AI on the economy will be positive or negative. Justify your stance with sound economic reasoning and a real-world example.

9. Explain the main instruments available to a modern central bank with an independent monetary policy—including the policy interest rate, open-market operations, and reserve requirements—and describe how each affects financial conditions. Suppose the economy is experiencing prolonged unemployment. Walk through the sequence of steps by which a reduction in the central bank's policy rate affects short-term market interest rates, borrowing costs, investment, interest-sensitive household consumption, aggregate demand, and ultimately real GDP and the price level. Identify one factor that could weaken or delay the intended effects of this policy.

10. Distinguish between demand-pull inflation and cost-push inflation. Explain how economists use the Consumer Price Index (CPI) to measure inflation, identifying two well-known limitations of the CPI as a measure of the true cost of living. Identify how unanticipated inflation redistributes wealth between (a) borrowers and lenders and (b) workers whose nominal wages are fixed and workers whose wages are automatically indexed to inflation.

11. Beginning in 2022, the central bank of the United States raised interest rates several times to reduce inflation. Explain how contractionary monetary policy affects aggregate demand, inflation, and unemployment in the short run. Consider two redistributive effects: one affecting the relationship between borrowers and lenders, and one affecting the relationship between workers and employers. Use a real-world example from the United States or another country in your answer.

**Advanced Questions (Higher Difficulty)**

1. Social media platforms such as Instagram, TikTok, and YouTube have seen an explosion of financial content from self-proclaimed “finfluencers”—social media personalities who post about investing, crypto, side hustles, and “financial freedom,” often in short, highly visual formats. For many young people, this is their first exposure to investing, sometimes even before they have encountered a traditional financial adviser. To what extent does the rise of finfluencers pose a threat or offer an opportunity for citizens’ financial literacy? How far should regulation go, if at all, to protect consumers without unduly restricting access to useful financial information?

2. When a first-time buyer chooses a mortgage, they must decide between a fixed or variable interest rate and a level-payment amortizing or equal-principal repayment structure. Households differ in risk aversion, income stability, savings buffers, and expectations about their future finances. Governments can influence mortgage markets through regulation, information provision, and consumer protection measures—affecting the prices, available products, and protections accessible to borrowers. Assuming you advise a risk-averse household with limited savings and moderately uncertain future income, what mortgage combination would you recommend, and why? How could government regulation change the costs, available products, or consumer protections in ways that affect your recommendation?

3. Macroeconomic shocks—such as an unexpected interest-rate hike or a sharp rise in energy prices—do not only affect firms and governments; they also directly affect households. Their reactions—saving more, consuming less, borrowing more, or repaying debt—largely determine how strongly a shock feeds through into the real economy. To what extent can higher financial literacy among households dampen or amplify macroeconomic shocks, and what does this imply for economic policy? In your answer, consider what role central banks’ communication strategies—such as forward guidance on interest rates—can play in shaping household expectations and behavior during periods of economic stress.

4. Persistent inflation and market volatility pose different challenges to wealth preservation depending on a person's life stage. Compare the appropriate asset allocation and risk management strategies of a new college graduate with those of a 62-year-old planning to retire within five years. In your analysis, explain how human capital, investment time horizons, liquidity needs, and sequence-of-returns risk should influence—not uniquely determine—each person's balance among liquid assets, bonds, inflation-protected securities, and equities. Discuss how inflation risk and the timing of large portfolio withdrawals affect this balance differently across life stages.

5. Advances in artificial intelligence and big data have made algorithm-driven pricing increasingly common in industries such as airlines, ride-sharing, and online retail. These pricing systems can take different forms: demand-responsive dynamic pricing that adjusts to real-time supply and demand conditions; personalized price discrimination that charges different customers different prices based on their data; and algorithmic pricing where competing firms' algorithms may converge on similar prices without explicit collusion. Distinguish among these three forms of algorithm-driven pricing, and evaluate how each affects market efficiency, consumer welfare, firm profitability, and competition. To what extent should governments regulate each type? Support your answer with real-world examples.

6. Many consumers systematically make decisions that differ from those predicted by traditional models of rational choice. Evaluate how behavioral biases affect consumer decisions and consumer welfare. Should governments rely more on behavioral "nudges" or on more traditional regulatory policies to improve market efficiency? Support your answer with real-world examples.

7. Technological innovation has transformed industries such as retail, transportation, media, and artificial intelligence, creating new firms while displacing established businesses. Explain Schumpeter's concept of creative destruction and how it influences productivity, innovation, market competition, and long-run economic efficiency. Evaluate whether governments should protect declining industries or allow market forces to reallocate resources. Support your answer with real-world examples.

8. Rapidly declining costs in renewable energy generation, together with government policies such as carbon taxes and clean-energy subsidies, are transforming energy markets around the world. Evaluate how these developments alter firms' long-run cost structures and economies of scale in energy generation. Analyze how the resulting changes affect barriers to entry—distinguishing between the generation segment, where entry is becoming easier as costs fall, and network infrastructure segments such as transmission and distribution, where high fixed costs and economies of scale persist. Support your answer with real-world examples.

9. Explain the short-run Phillips curve and the trade-off it implies for policymakers. Then explain why most economists believe this trade-off does not hold in the long run, and describe the long-run Phillips curve. Using the expectations-augmented Phillips curve framework, trace what happens when a government repeatedly uses expansionary policy to push unemployment below the natural rate: explain how this process leads to accelerating inflation rather than sustained low unemployment. In your answer, distinguish between adaptive and forward-looking expectations, and explain how the credibility of a central bank's commitment to a low-inflation target affects both the short-run trade-off and the cost of bringing inflation back down.

10. Using the loanable funds market model, explain how a government budget deficit is financed and how deficit spending affects the real interest rate and private investment—the 'crowding out' effect. Rather than identifying fixed percentage categories, explain the economic conditions under which crowding out is likely to be large, partial, or small—distinguishing, for example, between a full-employment economy and a recession, and considering whether monetary policy accommodates the fiscal expansion. Critically assess whether fiscal stimulus is an effective tool during recessionary times, incorporating both the crowding-out critique and the Keynesian expenditure multiplier argument.

11. Distinguish between short-run economic fluctuations and long-run economic growth. Evaluate the effectiveness of market-oriented supply-side policies—such as deregulation and privatization—versus state-led investment policies—such as public infrastructure and education spending—in sustainably increasing a country's productive capacity and potential output. Support your answer with real-world examples of structural economic reform.

12. Evaluate the macroeconomic consequences of a sustained shift toward protectionist trade policies, including tariffs and import restrictions. In your answer, analyze the short-run and long-run effects on domestic output, employment, prices, and international competitiveness. Explain how trading partners typically respond and how those responses affect the net economic impact. Consider the conditions under which domestic producers may benefit, and assess the broader costs to consumers, export sectors, and global trade flows. Support your answer with real-world examples.