

Final Exam

Course Title: **Terminología Especializada en Económica y Mercados Bursátiles**
Course ID: **IT0522 (Marron, 25-2)**
Cohort ID: **5C**
Exam Date: **24 Apr 2025**

General Instructions: This is a **take-home exam**. The exam is comprehensive and will cover material from the entire course. You are encouraged to organize and review all of your homework and previous exams before starting this final exam. Answer in English unless requested to do so otherwise. Please do your own work and do not share your answers; academic integrity is always your choice.

Attempt to answer all questions, even if you are uncertain. Whenever possible, provide answers in bullet list format with complete content. Tasks will be evaluated by sub-tasks. Three (3) points are available for each sub-task: Accuracy (1 pt), Completeness (1 pt), and Sufficiency (1 pt). Points will be awarded in 0.1 increments. There are **63 points** available.

Please provide your answers on separate sheets of paper. The first page should have the title, “Final Exam.” Make sure your name and the date are written in the top right-hand corner of every page. You may type out your answers or answer in written form with pencil or black/blue pen. When you have finished the exam, please staple all of the pages together in the proper order.

This exam is **DUE Tuesday, April 24, 2025 by 13:00 hrs in Room Locución U, UTECA**. If you prefer to take the exam on during the regular class times you are welcome to do so.

I. Foundations of Economics

Task 1 (3 pts)

Buechner, makes the following statement regarding scarcity, “Nevertheless, scarcity remains as a basic premise [in economics]. This is confirmed by the fact that most economists think that scarcity is the fundamental cause of economic activity, and that without scarcity there would be no production, no exchange, no economizing, and no choice. Further confirmation is the fact that the definition of economics as the study of choice under scarcity is still widespread”(see Buechner, M. Northrup (2014) ‘A comment on scarcity’, *The Journal of Philosophical Economics*, VIII:1)

- a) Do agree with the fundamental premise of economics? That is, do you think “that without scarcity there would be no production, no exchange, no economizing, and no choice”? Explain why or why not.
- Yes, scarcity is the main reason why humankind produces goods and services, basically to satisfy the needs of the population. Thus, stimulating the economy in the process by boosting the markets, the exchange of products, and production of certain goods, etc.

Task 2 (6 pts)

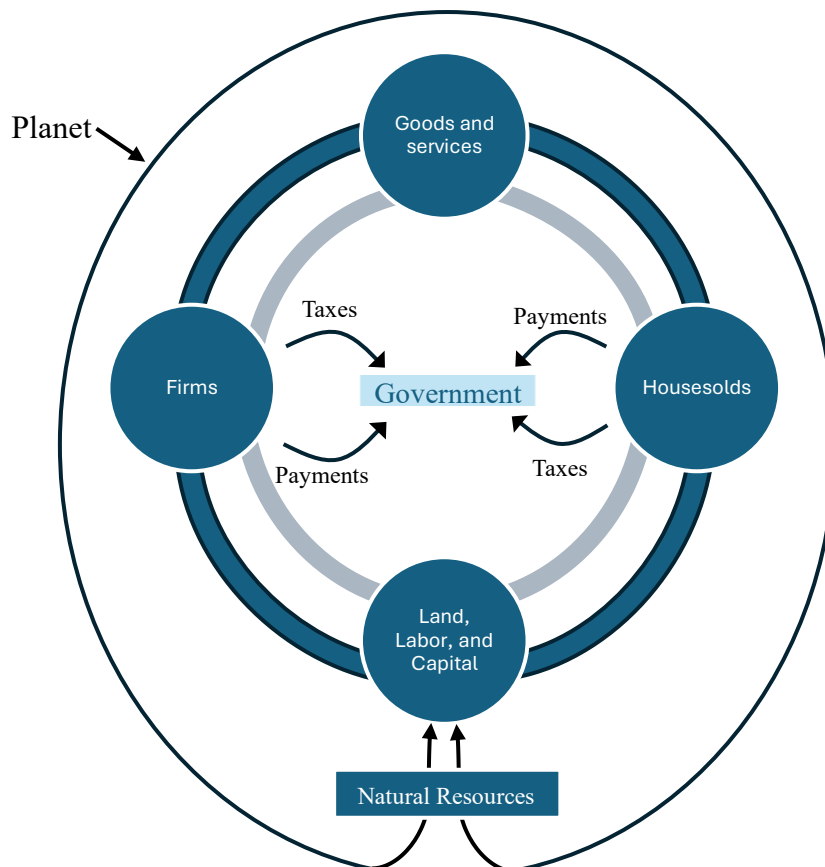
Land, labor, and capital are typically stated as the resources required for economic flows. Major economic flows, often visualized as a circular diagram, involve the movement of goods, services,

resources, and money between households, businesses, and the government, with each sector contributing to the others.

a) Define the terms i) land; ii) labor; and iii) capital as used in economics.

- Land: All the natural resources in the world, including renewable and non-renewable resources and territory.
- Labor: The work, time, effort and skills the people spend producing goods and services.
- Capital: The “tools” needed to produce the goods and services. It can human-made machinery, tools, transportation, etc.

b) Create a diagram that shows the economic flows of goods, services, resources, and money between households, businesses, and the government. Be sure to adequately label your diagram.



II. Major Elements of the Macroeconomy

Task 3 (9 pts)

As Oosterloo, et al. note, “Central banks have evolved for close to four centuries....the publication of Bagehot’s Lombard Street (1873) ...suggested that a central bank should be seen as a guarantor of financial stability by being a lender of last resort...The definition of financial stability has changed significantly over time. ..In the twentieth century central banks took on the role of stabilizing the macroeconomy (i.e., maintaining price stability, stabilizing the business cycle and maintaining full employment)...More recently, financial stability encompasses both being a lender of last resort and preventing imbalances that will lead to asset price booms and busts. Also the role of lender of last resort has expanded to include the entire financial system not just the banking system” (see Oosterloo, Sander, and Jakob De Haan. "Central banks and financial stability: a survey." *Journal of Financial Stability* 1.2 (2004): 257-273.)

a) What does the phrase, “lender of last resort” mean?

- It refers to the role Central Banks has as and funding emergency provider for other financial institutions when they’re experiencing liquidity shortage.
- Central banks only step in after all other sources of credit have been exhausted.

b) Briefly compare and contrast the central banks of Mexico (Banco de Mexico) and the US (Federal Reserve)

- Differences
 - Different process for each of the banks
 - US Bank structure is more complex than Mexico’s Bank
 - US Bank is decentralized
 - Mex. Bank is centralized
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- Similarities
 - Play crucial roles in the country’s economy
 - Regulate external affairs
 - Decisions are taken by senators
 - Provide the same functions of maintaining stability
 - Their structures are made for their national context

c) What is the function of the Ley del Banco de México ?

(<https://www.diputados.gob.mx/LeyesBiblio/pdf/74.pdf>)

- Establish the legal ground in which the Central Bank of the country will operate, including: the structure, functions and responsibilities.
- Its main goal is to secure stability
- Boost the financial growth of the country.

Task 4 (6 pts)

Nakamura reminds us that, “The banking system, as we all know, processes payments. To the alert banker, these payments are potentially immensely valuable bits of information that, properly understood, form a mosaic that can help make comprehensible the financial status of firms making and receiving these payments” (see Nakamura, Leonard I. *Commercial bank information: Implications for the structure of banking*. No. 92).1. Federal Reserve Bank of Philadelphia, 1991). Assuming that you participate in the banking system, your financial status is visible to bankers and perhaps, to others. Banks and credit unions are permitted to share your information but must have processes in place to protect the personal information they collect, use, and share.

a) From your perspective, when should a bank be able to review or share your account information?

- I believe that only when a person’s account information is shared anonymously, can the bank institutions make use of said information, this way, no one’s privacy is put at risk.

b) Provide a brief description for each of the following types of banks,

i) Commercial banks:

- a. Largest group of depository institutions.
- b. Serve individuals, businesses, and governments.
- c. They obtain funds by issuing checkable deposits, savings deposits, and time deposits
- d. Use the funds to make business, mortgage, and consumer loans.

ii) Credit unions:

- a. Specialized in working with particular groups of people
- b. They acquire funds through their members’ deposits and make consumer and mortgage loans to other members.
- c. Prioritize helping members over maximizing profit.

iii) Savings and loan associations:

- a. They obtain funds through their customers’ time, savings, and checkable deposits
- b. Use funds to make mortgage loans.

iv) Development banks:

- a. Provide long-term financial services.
- b. Promote economic growth
- c. Often fund development projects.

Task 5 (6 pts)

A stock market or stock exchange claims to be a collection of individual, perfectly competitive markets for the buying and selling of shares, bonds and securities.

a) Define the characteristics of a perfectly competitive market.

- Great number of buyers and sellers that reduces highly the risks of the market price.
- Similar products that allow an equative competitive market
- Resources are allocated efficiently

- There's no participant who can influence the market price directly.
- b) There are about 60 major global stock exchanges in the world. Would you expect that these stock exchanges are perfectly competitive markets? Explain why or why not.
- It's incredibly difficult for each of them to be perfectly competitive, although some of them show some of the characteristics of a perfectly competitive market, these characteristics are not met completely.
- c) What are the functions of the Comisión Nacional Bancaria y de Valores (CNBV) and the Securities Exchange Commission (SEC)? Why are these government agencies necessary?
- CNBV functions:
 - Supervises and regulates other financial entities.
 - It prevents money laundry.
 - May impose administrative sanctions.
 - Provides protection and customer service.
 - Gives authorization to other financial entities.
 - SEC functions:
 - Protect investors
 - Maintain fair, orderly and fair markets
 - Facilitates capital formation
 - Investigates and prosecutes violations of securities laws
 - Creates and updates regulations

Task 6 (6 pts)

There is a variety of types of corporations. In Mexico, the allowed legal structures for corporations are detailed in *La Ley General de Sociedades Mercantiles*

(<https://mexico.justia.com/federales/leyes/ley-general-de-sociedades-mercantiles/>)

- a) One of the most popular types of corporations in Mexico is the *Sociedad Anónima de Capital Variable (S.A. de C.V.)*. What are the characteristics of the type of corporation?
- Variable capital
 - The capital is divided into shares
 - Shareholders have limited liability
 - Shares can be freely transferred
 - The company can be managed by one or several individuals
- b) What are the legal and financial advantages for incorporating?
- The flexibility allows for adjustment of share capital
 - Facilitates growth to increase capital
 - It's easier to transfer shares

III. Interpretation and Translation of Economic Documents

Task 7 (9 pts)

Iacovone et al. have published an evaluation of the entire Mexico economy. (see Iacovone, Leonardo, et al. "Productivity growth in Mexico: Understanding main dynamics and key drivers", The World Bank, (2022)). The bottom line: Mexico's economic potential is hampered and has yet to be unleashed.

Translate the following excerpt from the Executive Summary into Spanish,

[This] report undertakes, for the first time, a comprehensive firm-level analysis of the entire Mexican economy over 25 years, relying on the last six rounds of the Economic Census, which were conducted between 1994 and 2019 and surveyed more than 20 million businesses. It finds that Mexico's disappointing aggregate productivity masks large differences in productivity levels and growth across locations, sectors, and firms. A geographic productivity divide runs between the North-Center and South of Mexico, but large differences also persist between municipalities within regions. Fast-growing municipalities that have caught up to the Mexican productivity frontier, including in the South, while others have failed to grow at all. There is also a divide between modern firms, with access to finance and strong management, integrated into global value chains (GVCs), and more traditional firms characterized by limited access to finance and weak capabilities, unable to benefit from Mexico's regional and global integration.

The report shows that Mexico's aggregate productivity is weakened by structural factors at industry and firm level — access to finance, lack of incentives to invest in technology, managerial capacities, and the business environment — that impede productive firms' access to resources....One thing is clear: beyond investment in capital and labor, accelerating growth will require unleashing Mexico's undoubted – but hitherto untapped – productivity potential.

Translation:

[Este] informe presenta, por primera vez, un análisis exhaustivo a nivel empresarial de toda la economía mexicana a lo largo de 25 años. Se basa en las últimas seis ediciones del Censo Económico, realizadas entre 1994 y 2019, que recopilaban información de más de 20 millones de negocios. Entre sus conclusiones destaca que el decepcionante desempeño de la productividad agregada en México oculta notables diferencias en los niveles y el crecimiento de la productividad según la ubicación geográfica, el sector y el tipo de empresa. Existe una marcada división entre las regiones del Norte-Centro y el Sur del país, pero también persisten grandes disparidades entre municipios dentro de una misma región. Algunos municipios —incluidos algunos del Sur— han experimentado un crecimiento acelerado, alcanzando incluso la frontera de productividad nacional, mientras que otros no han registrado avance alguno. Asimismo, el informe identifica una brecha entre empresas modernas —con acceso a financiamiento, gestión sólida e integración en cadenas globales de valor (GVC)— y empresas tradicionales, que enfrentan limitaciones de financiamiento y capacidades débiles, lo que les impide beneficiarse de la integración regional y global de México.

El análisis revela que la productividad agregada del país se ve mermada por factores estructurales a nivel industrial y empresarial, como el acceso al crédito, la falta de incentivos para invertir en

tecnología, las capacidades gerenciales y el entorno de negocios. Estos factores dificultan que las empresas más productivas accedan a los recursos necesarios. Una cosa es clara: para acelerar el crecimiento, no bastará con incrementar la inversión en capital y trabajo; será indispensable liberar el potencial de productividad de México, que hasta ahora ha permanecido sin explotar.

IV. Topics in Contemporary Economics

Task 8 (6 pts)

Bolton et al. propose a variety of economic instruments to help mitigate global climate change. In particular, they suggest that “[A] well-working global carbon market could generate substantial flows from rich to poor countries and help monetize the natural assets that these countries hold” (see Bolton, Patrick, et al. "On Debt and climate." *Oxford Open Economics* 2 (2023))

- a) Briefly define and describe the general framework for a global carbon market.
- Allows countries, companies, or entities to buy and sell carbon credits or allowances.
 - Its goal is to reduce the greenhouse gas emissions.
 - Provides financial incentives for meeting the climate goals.

V. Elements of Academic Work

Task 9 (6 pts)

Academic work in general, and academic writing in particular, both have very specific format and stylistic requirements. One standard formatting style is that given by the American Psychological Association (APA).

- a) What are the basic elements of APA style?
- Specific paper formatting.
 - In-text Citations and References (Author-Date System and In-text Citations).
 - Uses clear and objective language.
- b) Why is “academic voice” (third-person point of view) considered to be the standard for academic writing?
- It gives a more formal conversation with the readers.
 - It can be more objective and convincing.
 - It emphasizes clarity, precision, and a critical approach to knowledge.

VI. Building Vocabulary

Task 10 (6 pts)

From the list of 215 words we have covered, select 10 words and provide definitions in both Spanish and English (see 5A_All-Vocab_25-2_Python.txt for the complete vocabulary list).

1. **Assets:** Assets are items or rights owned by a person or business that have economic value. These include cash, property, investments, and accounts receivable.
Activos: Bienes o derechos que posee una persona o empresa y que tienen valor económico. Incluyen efectivo, propiedades, inversiones y cuentas por cobrar.
2. **Bonds:** Bonds are debt financial instruments issued by governments or companies to raise funds. The issuer commits to repaying the principal plus interest within a specified period.
Bonos: Instrumentos financieros de deuda emitidos por gobiernos o empresas para obtener financiamiento. El emisor se compromete a devolver el capital más intereses en un plazo determinado.
3. **Capital:** Capital refers to financial resources or assets used to start or operate a business. It includes money, machinery, buildings, and other necessary production assets.
Capital: Recursos financieros o bienes utilizados para iniciar o mantener una empresa. Incluye dinero, maquinaria, edificios y otros activos necesarios para la producción.
4. **Depreciation:** Depreciation is the reduction in the value of an asset over time, due to use, wear and tear, or aging. It's an accounting concept that reflects the loss in value of fixed assets.
Depreciación: Reducción del valor de un activo a lo largo del tiempo debido al uso, desgaste o envejecimiento. Es un concepto contable que refleja la pérdida de valor de los activos fijos.
5. **Gross Domestic Product (GDP):** GDP is the total value of all goods and services produced within a country during a specific period. It is a key indicator of a nation's economic performance.
Producto Interno Bruto (PIB): Valor total de todos los bienes y servicios producidos dentro de un país en un período determinado. Es una medida clave del desempeño económico de una nación.
6. **Liabilities:** Liabilities are financial obligations that a company or individual owes to others. They include debts, loans, and other outstanding payments.
Pasivos: Obligaciones financieras que una empresa o individuo debe a terceros. Incluyen deudas, préstamos y otras obligaciones pendientes de pago.
7. **Liquidity:** Liquidity is the ability of an asset to be quickly converted into cash without losing value. Cash is the most liquid asset; others vary in liquidity.
Liquidez: Capacidad de un activo para convertirse rápidamente en efectivo sin perder valor. El efectivo es el activo más líquido; otros activos varían en su grado de liquidez.
8. **Net Worth:** Net worth is the difference between total assets and total liabilities of a person or company. It represents net value or accumulated wealth.
Patrimonio Neto: Diferencia entre los activos totales y los pasivos totales de una persona o empresa. Representa el valor neto o la riqueza acumulada.
9. **Normative Economics:** Normative economics is a branch of economics based on value judgments and opinions about how the economy should be. It focuses on what "should be" rather than what "is."

Economía Normativa: Rama de la economía que se basa en juicios de valor y opiniones sobre cómo debería ser la economía. Se enfoca en lo que "debería ser" en lugar de lo que "es".

10. **Value Stocks:** Value stocks are shares of companies that are considered undervalued in the market relative to their financial fundamentals. They typically have low prices compared to earnings or assets and offer long-term growth potential.

Acciones de Valor: Acciones de empresas que se consideran subvaloradas en el mercado en relación con sus fundamentos financieros. Suelen tener precios bajos en comparación con sus ganancias o activos y ofrecen potencial de crecimiento a largo plazo.

YOU'RE DONE!!

Congratulations and thank you.