Economics Interview Questions

1. Imagine you are at a beach holiday resort and people are relaxing on the beach. Assume they are randomly distributed and the population density is equal anywhere on the beach. There are two ice-cream makers with their vans. Assuming people go to the van closest to them for ice-creams, how and where should they locate themselves to achieve the best outcome / get maximum market share? Here's a pen and a piece of paper, please draw a diagram and demonstrate.

2. Follow-up questions: If one van's location is fixed at the centre, how should the other move strategically to maximum his market share? If one's market share's more than the other, should the other move to other location to change this or stay where he is? Will both two vans be constantly on the move to compete for market share? If so, or if not, is there ever a point that the market share obtained by both ice-cream shops are equal? Now, the local authority steps in. It has the power to regulate the operation of ice- cream shops and it can fix their locations. Where should the local authority fix these two vans and why?

3. If a petrol station, on a road, is equidistant from two towns, where should a second petrol station be built? What about a third?

4. I am going to offer you £100. You have to offer part of this £100 to someone else. If they don't accept the offer, you get nothing. How much will you offer?

5. If you had infinite money, how could you keep the price of a Big Mac from McDonald's at £1? How could you keep it at £20?

6. You have 50 red balls, 50 blue balls, and two cups. By placing each ball in one of the two cups, how could you maximise the chance that someone who picks a ball at random from one of the two cups will pick a red ball? What is the probability of them picking a red ball?

7. You have a sum of money and someone asks you to invest it in one of two banks. One bank offers rates of 3% for the first year, 4% for the second, and 5% for the third. The other bank offers rates of 5% for the first, 4% for the second, and 3% for the third. Which one do you choose?

8. A group of people are asked to guess a number between 0 and 100. The winner is the person whose guess is closest to ⅔ of the average of all guesses. What is the likely outcome?

9. Imagine a room of 100 people, where 99% are right-handed. How many right-handed people must leave for the percentage to fall to 98%?

10. Should the main objective of a business be to make money?

11. Does the welfare state trap people into poverty?

12. Are there too many people in the world?

13. Would raising the minimum wage increase unemployment? Would it be worth it anyway?

14. Why is income per head between 50 and 100 times larger in the United States than in countries such as Burundi and Malawi?

15. What is the monetary value of your desk?