

UNIVERSITY OF DUBLIN
TRINITY COLLEGE

FACULTY OF ARTS, HUMANITIES AND SOCIAL SCIENCES

DEPARTMENT OF ECONOMICS

Senior Freshman
BESS, TSM, BSL

ECONOMICS II
FOUNDATION SCHOLARSHIP EXAMINATION
SAMPLE PAPER
NOVEMBER 2015

LECTURERS

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Exam Instructions:

Please answer one question from Section A and two questions from Section B. Each question carries equal weight.

You may not start this examination until you are instructed to do so by the Invigilator.

Section A: Please answer one of the following two questions.

1. Bearing in mind the reasons for looking at history at all, please comment on historical economic events and policy in Ireland (a) during the 1920s and 1930s, and (b) during the period 1960 to 1989. Finally, (c), discuss the economic reasons for and against the formation of the euro and Ireland's experience first with EM and to date with the euro.

2. "A proposal is made to levy an added tax ... on the income of the affluent families in an effort to aid the low-income families. However, ... the money must be carried from the rich to the poor in a leaky bucket. Some of it will simply disappear in transit, so the poor will not receive all the money that is taken from the rich. ... Of course, the leak represents an inefficiency. The inefficiencies of real-world redistribution include the adverse effects on the economic incentives of the rich and the poor, and the administrative costs of tax-collection and transfer programs."
(Arthur M. Okun, "Equality and Efficiency: The Big Tradeoff", the Brookings Institution, 1975)

Do you accept Okun's above characterisation of the claimed trade-off between equality and efficiency? Explain your answer.

Section B: Please answer two of the following six questions.

3. Discuss any *three* of the following.

- (i) a. Are people the best judges of their own welfare?
b. What relevance do the issues of migration and population growth have to a discussion of growth in living standards in Ireland?

(ii) Comment critically on the links between GDP per capita and human welfare.

(iii) What is price stability, why is it desirable as a policy objective and what can be done to counter inflation/deflation?

(iv) Critically examine the concept of competitiveness and why it matters so much for a small regional economy like Ireland's.

4. ***Either:***

Discuss the following. (i) Definitions of openness, non-traded sector, and roles of traded and non-traded sectors. (ii) Reasons for regulation. (iii) Approaches to and difficulties with regulation.

Or,

Provide a broad overview of policy in relation to competition, and regulation of networks and natural monopolies, in Ireland.

5. Discuss the key policy issues in relation to the following, drawing on the principles that should underlie any good tax system: (i) corporation taxes; (ii) taxes on income; and (iii) national debt as deferred taxation.

6. In "What Money Can't Buy: The Moral Limits of Markets", Penguin Books, 2012, Michael Sandel provides us with many "interesting" examples of the use of the market as a resource allocation mechanism, e.g. prison cell upgrade, surrogate mother, the right to shoot an endangered black rhino, admission of your child to a prestigious university, fight in Afghanistan for a private military company, paying a child to read a book,

Take one of his examples (or a similar example that you are familiar with) and explore same from an economics of public policy perspective, e.g. arguments in favour of the use of the market mechanism, arguments against using the market mechanism, alternatives to the market, suitable market regulations,

7. "I'm not sure that I want to live in a nudge-world, though – as a notoriously poor chooser – I appreciate the good-hearted and intelligent efforts of choice architects such as Sunstein [e.g., "Why Nudge? The Politics of Libertarian Paternalism", Cass Sunstein, Yale University Press, 2014] to make my autonomous life a little bit better. I wish, though, that I could be made a better chooser rather than have someone on high take advantage (even for my own benefit) of my current thoughtlessness and my shabby intuition." ("It's All for Your Own Good", Jeremy Waldron, The New York Review of Books, October 9, 2014.)

Describe what is meant by a "nudge" from an economics of public policy perspective. Do you agree with Waldron's criticism of nudging (as outlined above)? Explain your answer.

8. The title of Richard Wilkinson and Kate Pickett's 2009/2010 provocative book is "The Spirit Level: Why Equality is Better for Everyone". Outline and evaluate the basic thesis of the book. To what extent, if any, can it be argued that the title of the book is misleading? Explain your answer.