



Beijing-Dublin International College



SEMESTER II FINAL EXAMINATION - 2020/2021

School of Economics

ECON1046J: Economics and Society

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Time Allowed: 120 minutes

Instructions for Candidates

Candidates should attempt all questions. Read the questions carefully and check they do not continue over the following page. The use of calculators is **NOT** permitted. Write all your answers in the answer sheet provided

Good luck!

BJUT Student ID: _____

UCD Student ID: _____

I have read and clearly understand the Examination Rules of both Beijing University of Technology and University College Dublin. I am aware of the Punishment for Violating the Rules of Beijing University of Technology and/or University College Dublin. I hereby promise to abide by the relevant rules and regulations by not giving or receiving any help during the exam. If caught violating the rules, I accept the punishment thereof.

Honesty Pledge: _____

(Signature)

Instructions for Invigilators

This examination paper is not to be removed from the examination. Candidates are allowed to perform rough work on it. They should hand it to the examination supervisor at the end of the examination, together with their answer sheet and any rough work. The use of calculators is **NOT** permitted.

MCQ (40 points) for each question, choose the single best answer. There is no negative marking.

1. To increase the money supply, the bank central could:
 - A. Cut taxes
 - B. Buy bonds in the open-market
 - C. Encourage people to hold more cash
 - D. Increase the government spending
 - E. At least two answers are correct
2. An expansionist fiscal policy could include:
 - A. Lower interest rates
 - B. Increase interest rates
 - C. Increase government spending
 - D. Increase corporation taxes
 - E. None of the answers is correct
3. The European Central Bank:
 - A. Is based in Germany
 - B. Has the inflation target of approximately 1%
 - C. Is a central bank for 27 European Union countries
 - D. Has the unemployment rate target of approximately 5%
 - E. None of the answers is correct
4. Who were the founding members of the European Union?
 - A. Belgium, France, Germany, Italy, Luxembourg, the Netherlands and Spain
 - B. Belgium, France, Germany, Italy, Luxembourg, Ireland and Portugal
 - C. Belgium, France, Germany, Italy, Luxembourg and the Netherlands
 - D. Belgium, France, Italy, Luxembourg and the Netherlands
 - E. France, Italy, Luxembourg, the Netherlands and the United Kingdom
5. Which of the following reasons for an optimum currency area is most applicable for the Eurozone area?
 - A. High trade integration
 - B. High degrees of wage and price flexibility
 - C. High labour mobility
 - D. Symmetric macroeconomic shocks
 - E. None of the answers is correct
6. Which of the following is the biggest limitation of the Eurozone?
 - A. There is little if any diversification in consumption among Eurozone countries
 - B. Each country prints its own Euro notes
 - C. The European Central Bank sets monetary policy, but each country sets its own budget
 - D. Political integration in the Eurozone is decreasing in recent years
 - E. Not all EU countries are part of the Eurozone
7. A tax for which high-income taxpayers pay a smaller fraction of their income than do low-income taxpayers is known as
 - A. A proportional tax
 - B. An equitable tax
 - C. A regressive tax
 - D. A progressive tax
 - E. A flat tax

8. According to the table, the marginal tax rate for a taxpayer earning €52,000 is:

Tax rate (%):	Earnings (€):
0%	Earnings up to 7000
15%	7,001 to 52,000
43%	52,001+

- A. 0 per cent
- B. 43 per cent
- C. 29 per cent
- D. 15 per cent

9. Value Added Tax (VAT) is an example of:

- A. Consumption tax
- B. Wealth tax
- C. Corporate tax
- D. Direct tax
- E. None of the answers is correct

10. The Laffer Curve illustrates the relationship between:

- A. Average income tax rate and total income tax revenue
- B. Marginal income tax rate and total income tax revenue
- C. Average income tax rate and marginal income tax rate
- D. Cumulative share of households and cumulative share of income
- E. None of the answers is correct

11. When the Gini coefficient increases

- A. Income inequality increases
- B. Income equality increases
- C. The slope of the Lorenz curve decreases
- D. Everyone is made better off
- E. None of the answers is correct

12. The Purchasing Power Parity:

- A. Is constructed using the price of Big Mac in different countries
- B. Allows to compare economic productivity and standards of living across countries
- C. Allows to compare the quality of life across countries
- D. Allows to compare GDP across time
- E. None of the answers is correct

13. The production output of Coca-Cola's company in China is part of _____. The profits of the company which are repatriated to the US, on the other hand, are part of US _____ but not US _____

- A. China's GDP; GNP; GDP
- B. China's GDP; GDP; GNP
- C. US GDP; GNP; GDP
- D. US GNP; GNP; GDP
- E. None of the answers is correct

14. Which of the following is a measure of output?

- A. Gross Domestic Product (GDP)
- B. Gross National Product (GNP)
- C. National Income
- D. GDP, GNP, and National Income are all measures of output

- E. None of GDP, GNP, and National Income are measures of output
15. What is the difference between GDP and GNP?
- A. GNP includes income earned abroad by Irish citizens; GDP includes income earned in Ireland by non-Irish citizens
 - B. GDP includes income earned abroad by Irish citizens; GNP includes income earned in Ireland by non-Irish citizens
 - C. GDP is measured in nominal terms; GNP is measured in real terms
 - D. GDP measures income; GNP measures output
 - E. GNP always undercounts output; GDP is always much higher
16. Which of the following is a negative unintended consequence of the automobile?
- A. It transports people to see family and friends
 - B. It causes traffic congestion
 - C. It gives people an alternative way to get to work
 - D. Repair and maintenance of automobiles create jobs for people
 - E. All of these
17. Which is not one of the three kinds of incentives?
- A. Social
 - B. Economic
 - C. Moral
 - D. Familial
18. Which of the following can be considered as the basic features of public goods
- A. They are state-owned
 - B. They are characterized by non-excludability and non-rivalry
 - C. They are characterized by excludability and rivalry
 - D. May be positive or negative
 - E. At least two of these answers are correct
19. Which statement best describes minimum wage laws?
- A. They are a good strategy to reduce poverty because there are no losers
 - B. They increase employment but reduce hourly wages for low-skilled workers
 - C. They raise hourly wages for low-skilled workers, but in response firms reduce wages high-skilled workers
 - D. They usually reduce employment among low-skilled workers
 - E. They require a lot of government intervention and therefore are very expensive policies for governments to enact
20. The theory of comparative advantage, states that a country will export a good only if
- A. It can produce it using less resources than other countries
 - B. Its productivity is higher in producing the good than the productivity of other countries in producing it
 - C. Its wage rate in producing this good is lower than in other countries
 - D. It has a lower opportunity cost in the production of this good than other countries
 - E. None of the answers is correct

Part II (60 points, 10 points each) – Answer all questions clearly and concisely.

Question 1: What is monetary policy? Describe one instrument used by central banks to control the money supply?

Question 2: If GDP grows at 3% a year, approximately how many years will it take for GDP to double? Explain your answer.

Question 3: Suppose that the equilibrium price for Coca-Cola is ¥3 per bottle. What would happen if supermarkets offered the non-equilibrium price of ¥2 per bottle? Illustrate your answer using a fully-labelled graph.

Question 4: What is a preferential trade area and how is it different from a customs union?

Question 5: Explain the difference between the comparative and the absolute advantage

Question 6: Describe the difference between a single mandate and a dual mandate central bank. Provide an example of each of those types of central banks.

Bonus question: (3 marks)

Draw a map of the European Union (contour).

***** END *****

ROUGH WORK:

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