

*OLLSCOIL NA hEIREANN, GAILLIMH*  
NATIONAL UNIVERSITY OF IRELAND, GALWAY

SUMMER EXAMINATIONS 2001

**ECONOMICS II – EC 872**

Diploma in Business Studies

Professor H.Dixon

Professor M.Keane

Ms. Sarah Callanan

**Time allowed: 2 hours**

**This paper has two parts, Part A and Part B. Part A contains 15 short questions, you must answer 10 (4 marks each). Part B contains three questions, you must answer two (15 marks each).**

**Part A – answer 10 questions**

1. Outline three methods for calculating GNP.
2. What factors influence the AD curve's shape?
3. List four factors that may cause the AS curve to shift.
4. What is the Quantity Theory of Money?
5. Why is independence of Central Banks considered desirable?
6. What is a wage-price spiral?
7. What, according to Keynes, causes unemployment?
8. What do Efficiency Wage Theories propose?
9. What is the Fisher Equation?

10. Differentiate between Active and Passive Monetary Policy.
11. What is Ricardian Equivalence?
12. What is the balance of Payments?
13. How are exchange rates determined?
14. What effect has an inflation rate differential between two countries on their exchange rate?
15. Outline four types of exchange rate systems.

**Part B – answer 2 questions**

1. “Keynesian counter cyclical demand management is fundamentally flawed and has no relevance in today’s economies” – discuss this statement.
2. Initially interest rates in Ireland and the UK are both 4%. If the UK interest rate rises to 7% and the Irish rate remains at 4%, what would expect to happen to the IR£/STG£ exchange rate – illustrate your answer.
3. “Joining the Euro means Ireland is now answerable to the EU for it’s fiscal policy decisions, and was a big mistake!” – discuss this statement.