

OLLSCOIL NA hEIREANN, GAILLIMH
NATIOANL UNIVERSITY OF IRELAND, GALWAY

SUMMER EXAMINATIONS 2004/2005

ECONOMICS II – EC 872

Diploma in Business Studies

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Time allowed: 2 hours

This paper has two parts, Part A and Part B. Part A contains 8 short questions, you must answer 5 (10 marks each). Part B contains four questions, you must answer two (25 marks each).

Part A – answer 5 questions

1. Explain the difference between Ireland's GDP and its GNP?
2. Briefly outline three explanations for inflation?
3. What are the costs associated with unemployment?
4. Explain how a government borrows?
5. How do changes in the interest rate impact on GDP? (Note: $GDP = C + I + G$)
6. Suppose that in Portugal 1 unit of labour can produce 6 units of alcohol or 4 units of clothing, whereas in the UK 1 unit of labour can produce 3 units of alcohol or 3 units of cloth. What strategy should each state adopt in order to maximise their benefits from trade?
7. What is the balance of payments?
8. What is the difference between money supply targeting and inflation targeting?

Part B – answer 2 questions

1. "The relevance of economic performance is that it may be a means to an end. That end is not the consumption of beef burgers, nor the accumulation of television sets... but rather the enrichment of mankind's well being" (Oswald, 1997). Discuss.
2. "Trade will very powerfully contribute to increase the mass of commodities and therefore the sum of enjoyments" (Ricardo, 1817). Outline the potential gains from allowing free international trade. In what circumstances might restrictions on free trade be justified?
3. Assume the economy is in Long-run equilibrium. With reference to historical examples and using graphs explain the causes of shifts in aggregate demand and supply.
4. What have been the effects of globalisation on the macroeconomic policy instruments of states?