

OLLSCOIL NA hÉIREANN, GAILLIMH  
NATIONAL UNIVERSITY OF IRELAND, GALWAY

SUMMER EXAMINATION 1999

NATURAL AND SOCIAL ENVIRONMENT PAPER 2  
1<sup>ST</sup> B.A. (Economic and Social Studies)

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Time allowed: **THREE** hours.

Instructions:

**IMPORTANT:** For sections where you are given choice if you attempt more questions than will count for marks ensure that you indicate which question(s) you want to count for your mark. Otherwise the grader will **RANDOMLY CHOOSE** which answers to mark.

- The exam consists of four sections.
- **SECTION A** is worth one half of the total exam marks.
  - Answer **BOTH** questions in **SECTION A**.
- **SECTION B** is worth one quarter of the total exam marks.
  - Answer any **TWO** of the **EIGHT** questions provided.
- **SECTION C** is worth one eighth of the total exam marks.
  - Answer **ONE** of the **TWO** questions provided.
- **SECTION D** is worth one eighth of the total exam marks.
  - Answer **ONE** of the **FOUR** questions provided.

## SECTION A

1. Explain the fallacy of misplaced concreteness. Provide three examples to illustrate how economists may be susceptible of this fallacy. Why do the authors of the Common Good seek to highlight areas where economists are susceptible to the fallacy?
2. Consider the course you have taken this term. Your lecturer claims that one of the most important concepts in economics is information. With reference to the material in the course provide three examples to illustrate why information is such an important concept.

## SECTION B

1. Company XYZ is owned by a short man. This man wants all his employees to be shorter than him. As such, he is a height-discriminator. Explain using a graphical analysis how the market would tend to erode at this man's ability to persist in these discriminatory practices.
2. Explain the concept of opportunity cost using a production possibilities frontier for the production of two goods.
3. Firm ABC produces externalities from production that affect the surrounding community. In particular, the firm pumps its waste into the nearby river affecting the enjoyment of fishing and swimming. Graphically illustrate the externality problem in terms of divergence between marginal private costs and marginal social costs (hint: on the x-axis put units of production). What is the most obvious way to solve this problem?
4. Explain why a pure market economy fails to provide public goods in sufficient quantity. Explain why it would be inefficient to charge a positive price for a pure public good.
5. Corn is used in the production of chickens. Illustrate graphically and explain in words what would likely happen to the derived demand for corn if beef is determined to be unhealthy. For any given price for corn will the chicken producer use more or less corn than before beef was determined to be unhealthy?
6. What are the three primary means of controlling activities that damage the environment? In general economists prefer one of these options above the others. Explain why and discuss some circumstances when even economists would argue for a different approach.
7. Why may a rise in the price of fuel lead to more conservation after several years have passed than it does in the months following the price increase? What does your answer imply about the relative size of the long-run elasticity of demand for the fuel and its short-run elasticity?
8. What advantages does the capitalist system have over the socialist system in terms of achieving desirable distributions of goods and resources? Why does the capitalist achieve these better outcomes?

## SECTION C

1. Explain the relevance and significance of these lines (on the right) with respect to the goal of limiting market power and the competition authority.

Within 10 minutes, 10 men wearing dark business suits emerge from different buildings in downtown San Francisco and each immediately opens his black umbrella.  
Isn't that ominous?
2. Explain the relevance and significance of these lines (on the right) with respect to the market and the ability of the market to yield (through market mechanisms) efficient allocations of goods and resources

When she was good  
She was very, very good,  
But when she was bad  
She was horrid'  
(Henry Wadsworth)

## SECTION D

1. Explain the primary reasons for government regulations?
2. What do you think will be the effect of telecommunications deregulation in Ireland? What problems could arise as a result of deregulation of the telecommunications industry in Ireland?
3. List the main taxes in Ireland. For each tax indicate whether it is progressive, proportional, or regressive and explain your position.
4. Explain why a tax break in the purchasing of a new house may not really help the new house buyer.