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**OLLSCOIL NA hÉIREANN, MÁ NUAD
NATIONAL UNIVERSITY OF IRELAND, MAYNOOTH**

SECOND ARTS (GENERAL) EXAMINATION – SUMMER 2001

ECONOMICS

Paper 1

**Professor Ronald MacDonald, Professor Leonard Waverman, Professor P.T. Geary, Professor G. Boyle,
Dr. G. Dewit, S. Feehan.**

Answer Parts A, B and C.

PART A: MICROECONOMICS (50%)

Answer Question 1 and two other questions. All questions in Part A carry equal marks.

1. In the case of **four** of the following, indicate whether the statement is true, false or uncertain, and **explain your choice**.
 - (a) In the elastic part of the demand curve that faces an individual firm, its marginal revenue is positive.
 - (b) Profit maximisation implies that a firm's marginal revenue is equal to its marginal cost.
 - (c) With Bertrand competition profits are typically lower than with Cournot competition.
 - (d) Under constant returns to scale, marginal costs are equal to average costs for all levels of production.
 - (e) It is always true that the price of a firm's product is equal to that firm's marginal cost.
 - (f) There is no deadweight loss under perfect competition.

2. Consider two goods, x and y. Discuss the effect of an increase in income on the demand for x and y
 - (a) when both goods are normal.
 - (b) when x is an inferior good and y is a normal good.

3. Draw and discuss the total cost curve of a firm with an optimal size. Draw the marginal and average cost curves of such a firm and explain how their shapes are related.

4. Discuss the effect of a specific tax on producers under perfect competition when demand is
 - (a) perfectly price-elastic.
 - (b) perfectly price-inelastic.

5. Explain why, from a welfare point of view, a monopoly is sometimes better than perfect competition. Give a real-world industry in which a monopoly typically yields higher welfare for society than perfect competition.

6. Discuss the main features of an industry characterised by monopolistic competition and compare this market structure to
 - (a) perfect competition.
 - (b) oligopoly.

PART B: PUBLIC SECTOR ECONOMICS (25%)

Answer one question.

1. Using examples, distinguish between positive and negative externalities. Illustrate how emission standards and fines can be used to correct pollution externalities. Which should be used?
2. 'Using tolls on an under-utilised bridge is an efficient way of funding its construction.' Do you agree with this statement? Illustrate and explain your answer.
3. Consider a lump-sum tax and a commodity tax. Assume the individual is indifferent between them. Illustrate and explain which tax generates the most revenue.

PART C: HISTORY OF ECONOMIC THOUGHT (25%)

Answer one question.

1. Write notes on two of the following:
 - (a) *The Iron law of Wages.*
 - (b) *The Paradox of Value.*
 - (c) Adam Smith's theory of *Wage Differentials.*
2. Outline the key features of Adam Smith's model of economic growth.
3. Critically assess Malthus' theory of population.