

## ECON 104: Study Questions for the Final Exam 2012

1. All study questions from the First-Day Handout
2. All study questions from the Midterm Study Questions

Some Questions Relating to Krugman (whole book) and Wolf (chapters 3 and 4)

3. What is the "New Deal"? What is the "Great Compression"? Why are they important? What can the occupy movement learn from the Great Compression?
4. Krugman believes that politics is at least as important as economics in reducing economic inequality. Why? Do you believe it? Why or why not?
5. In the USA, many public transfer programs are targeted. How did this affect public support for government redistribution?
6. What targeted public redistribution is there in Canada? Does it affect public support for government redistribution in the same way?
7. In Canada, health care expenditures are publicly insured. In the USA, they will be in the relatively near future. How might this affect public support for redistribution in Canada vs the USA? Does health insurance itself represent a form of government redistribution? If so, is it a big deal?
8. In the USA, private sector unionization has been declining for more than 50 years. How has this affected public support for government redistribution? Private sector unionization has also been declining in Canada over the same period, though not so precipitously. Does it affect public support for government redistribution in the same way?
9. What is the "Great Divergence"? What evidence can you gather from the World Top Incomes database to support or refute Krugman's description of the Great Divergence?
10. Does the occupy movement represent Krugman's "New Politics of Equality"?
11. What is "nonmarket failure"?
12. Wolf describes 9 mechanisms by which government intervention may be increased in the absence of efficiency-related reasons for doing so--5 factors governing nonmarket demand and 4 factors governing nonmarket supply). Which of these mechanisms seem compelling to you? Which seem unconvincing?
13. Why does the absence of a termination mechanism make governments over-produce? Might the same problem be relevant in some private sector environments?
14. What is a "disjunction between costs and revenues"? Why might it make it easier for government to spend than to tax?
15. What is an "externality"?
16. Wolf argues that *both* market production and nonmarket production generate inequity? Are you convinced by his argument? Are the inequities they generate equally bad?

Some Questions relating to the lectures

17. We have just come out of a recession. The province of BC has committed to balance its budget this year and all years. Is this a good idea?
18. The federal government has made the same commitment, while at the same time reducing consumption tax rates (ie, the GST was reduced from 7% to 5%). Is this a good idea?
19. Assume that both levels of government keep their promises. What is the effect of this on public debt levels in the future? Is this redistributive? If so, in what way? Is it good?
20. Identify as many information problems in health care as you can. For each problem you identify, think about: (1) a public production or financing solution; (2) a private production and/or financing solution; (3) whether there is any solution at all.
21. Child poverty is higher in BC than in any other province. What can and/or should we do about it? Is child poverty different from adult poverty? What does the poverty rate reported in the newspaper actually measure?
22. Why is there so much homelessness in Vancouver compared to 30 years ago? Is homelessness different from poverty?

23. What can be done to reduce homelessness? Are we collectively responsible to provide housing for the homeless?
24. What externalities are associated with good health and bad health? Are these big enough to warrant public intervention? What costs are associated with public intervention in health care? Is public health care redistributive? Is it very effective at redistribution?
25. "Governments should eliminate poverty." Support and/or attack this statement.
26. Sometimes people argue that we should invest in social programs like income assistance (giving money to people who don't have much money). Is this an investment? Or is it really redistribution?
27. Sometimes people argue that we should invest in 'social infrastructure', such as public transit, public housing, public parks. Are all of these things investments? Are some of them really redistribution? If so, which ones and why?
28. Why *do* we redistribute? Why *should* we redistribute?
29. Does democracy allow the majority to exploit the minority? Can you give an example?
30. What is social insurance? Bicycle helmets are mandatory in BC. Is this social insurance? There is only one kind of tap water to buy in Vancouver. Is this social insurance? Why do we say that public pensions are social insurance?
31. What is "hidden knowledge" and why does it matter? What is "hidden action" and why does it matter?
32. Government has an advantage over private producers: it has the coercive power to solve some kinds of market failures. Does government use that power properly? Does government have any disadvantages relative to private producers?
33. Define "median voter". Why might majority rule produce outcomes that please the median voter?
34. Define "veil of ignorance". Why might the veil of ignorance lead us to think that redistribution from the wealthy to the poor is socially just? Does this justice outweigh the right of people to keep what is theirs?
35. Define the "Gini Coefficient". Why has the Gini Coefficient for the market income distribution increased so much over the past 3 decades? Does it matter?