

ECT1  
ECONOMICS TRIPOS PART I

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Thursday 9 June 2016                      9:00-12:00

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Paper 4

POLITICAL AND SOCIOLOGICAL ASPECTS OF ECONOMICS

Answer **FOUR** questions only.

Answer all parts to the question.

Each question carries equal weight.

Write your **candidate number** (not your name) on the cover of each booklet.

If you identify an error in this paper, please alert the **Invigilator**, who will notify the **Examiner**. A **general** announcement will be made if the error is validated.

Write legibly.

**STATIONERY REQUIREMENTS**

20 Page booklet x 1  
Rough work pads  
Tags

**SPECIAL REQUIREMENTS TO BE SUPPLIED FOR THIS  
EXAMINATION**

**You may not start to read the questions printed on the subsequent pages of this question paper until instructed that you may do so by the Invigilator.**

1. Markets may fail, but governments fail even more. Discuss.
2. The post-World War Two consensus in British politics was coherent and effective, and it accomplished the objectives of both Labour and Conservative governments. Discuss.
3. To what extent did Margaret Thatcher's Conservative governments establish a new order in British politics? Consider whether the principal political changes made by her governments were consistent with the traditions of Conservatism in Britain?
4. New Labour maintained the economic policies of Margaret Thatcher's Conservative governments, but broke new ground in European, foreign and defence policies. Discuss.
5. Should Europe dismantle monetary union, or complete it?
6.
  - (a) Credit markets are imperfect in rural areas of developing countries. In this context, discuss the informational and other problems associated with bank lending to rural borrowers.
  - (b) How do moral hazard and adverse selection affect who gets access to funds? Do these two issues apply to both formal and informal lenders?
  - (c) What is microcredit and how does it attempt to overcome the problems associated with bank lending?
7.
  - (a) GDP per capita is conventionally used to measure economic development. What are the problems associated with this measure?
  - (b) Discuss the social indicators that can be used to measure economic development. What are the problems associated with these measures?
  - (c) Is there any correlation between GDP per capita and these social indicators? How does this inform the debate about whether GDP per capita should be used to measure economic development?
8.
  - (a) Describe the Lewis dualistic labour-surplus model and discuss each of the assumptions upon which it is based.
  - (b) Discuss the empirical evidence in support of, or against, the Lewis model using case studies taken from at least two different countries.

**END OF PAPER**