

GV120 - Politics and Economics Policies

University of Essex - Department of Government

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Week 8 – 22 November, 2019

Correction of the in-lecture test

Question 1

What is Pareto efficiency (also known as Pareto optimality)?
[Please check the one correct answer.]

1. An allocation of resources where no one can be made better off without someone being made worse off.
2. An allocation of resources where we can make someone better off without making someone else worse off.
3. An allocation of resources that reduce inequality.
4. An allocation of scarce resources.

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Correct answer: 1

Question 2

Which of the following best describes a negative externality?
[Please check the one correct answer.]

1. A transnational issue with negative consequences.
2. When actions by one individual impose a cost on others but the individual does not compensate them.
3. When actions by one individual impose a cost on others and the individual compensates them.
4. When one individual confers benefits upon others but does not reap a reward.

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Correct answer: 2

Question 3

What is adverse selection (also known as 'hidden type')? [Please check the one correct answer.]

1. When a market participant does something the other might not observe.
2. When there is a failure of competition.
3. When a market participant knows something the other might not know.
4. When a market participant acts in a risky manner because they do not expect to pay the consequences.

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Correct answer: 3

Question 4

What is a pure public good? [Please check the one correct answer.]

1. A good provided by the government.
2. A good that is organic.
3. A good that is very difficult to exclude people from using and, when used, does not reduce availability to others.
4. A good that confers private benefits to its users and can be consumed simultaneously by more than one person.

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Correct answer: 3

Question 5

What is the main problem with non-excludable public goods?
[Please check the one correct answer.]

1. Consumers will free-ride on the provision of others.
2. Individuals are irrational.
3. You cannot make anyone better off without someone being made worse off.
4. It costs nothing for an additional individual to enjoy benefits.

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Correct answer: 1

Question 6

What does it mean when we say a public good is non-rival?
[Please check the one correct answer.]

1. Consumers will free-ride on the provision of others.
2. If consumed, no other consumer can benefit from the public good.
3. Consumption by one individual will not reduce the good's availability to others.
4. The higher the number of consumers of the good, the more everyone else consumes.
5. Providers will oversupply the good.

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Question 7

What are the two classic characteristics of a “Club”- type public good? [Please check two answers.]

1. Excludable.
2. Non-rival.
3. Fully or partially rival.
4. Weakest link.
5. Non-excludable.

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Correct answers: 1 - 3

Question 8

What is the general definition of a “joint product” public good?
[Please check the one correct answer.]

1. A club good and a pure public good joined together.
2. When multiple types of public goods are bundled together.
3. A public good with weakest-link dynamics.
4. Two products sold together.

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Correct answer: 2

Question 9

What is the difference between a pure public good and a commons? [Please check all applicable answers.]

1. A pure public good is provided by the government and the commons exists in nature.
2. The benefits from using the commons are private, whereas the benefits from consuming a pure public good are shared by the public.
3. The costs of using the commons are shared, whereas the costs from consuming a pure public good are private.
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4. There is no difference between them.

Correct answers: 2 - 3

Question 10

What is the most likely outcome of the classic game “Prisoner’s Dilemma” game? [Please check the one correct answer.]

1. Both players choose to cooperate.
2. One player chooses to cooperate, the other chooses not to cooperate.
3. Both players choose not to cooperate with each other.
4. One player does not make a choice.
5. Neither player makes a choice.
6. Both players consciously choose to make the worst possible decision.

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Correct answer: 3

Question 11

What are Garrett Hardin's solutions to the Tragedy of the Commons? [Please check all correct answers.]

1. People will eventually develop rules on how to manage common resources on their own.
2. There are no solutions because people are trapped in a commons dilemma.
3. Private property.
4. Government administration of commons usage.

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Correct answers: 3 - 4

Question 12

What best describes the underlying core problem of collective action failures? [Please check the one correct answer.]

1. The group interest is in conflict with what is good for society.
2. The individual has incomplete knowledge.
3. Public space can be congested.
4. Rational decisions of individuals lead to suboptimal collective outcomes.
5. The group interest is aligned with the individual interest.

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Correct answer: 4

Question 13

Which of the following defines the exploitation hypothesis? [Please check the one correct answer.]

1. Larger (rich) members carry a burden for the smaller (poor) players. Small players will free-ride.
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Correct answer: 1

Question 14

Which of the following is NOT one of Mancur Olson's principles of collective action? [Please check the one correct answer.]

1. If stakes are high members will be compelled to contribute.
2. Groups with 'large' and 'small' members lead to suboptimal provision.
3. Groups with similar preferences more likely to form.
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Correct answer: 2

Question 15

What type of public good is the Panama Canal? [Please check the one correct answer.]

1. Impurely public good: some rivalry but no exclusion.
2. Club good.
3. Joint product.
4. Open access commons.

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Correct answer: 2

Question 16

What is the best definition of the aggregation technology of a public good? [Please check the one correct answer.]

1. The way some public goods are easier supplied than others.
2. The way weakest-link public goods lead to the a low level of provision.
3. The way threshold public goods lead to the required quantity of a public good.
4. The way best-shot public goods lead to oversupply of a public good.
5. The way individual contributions lead to the overall provided level of a public good.

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Correct answer: 5

Question 17

What aggregation technology is associated with security across a computer network? [Please check the one correct answer.]

1. Best-shot.
2. Summation.
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Question 18

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1. Commons.
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Question 19

What is meant by the principle of “subsidiarity”? [Please check the one correct answer.]

1. How many individuals and nations a public good affects.
2. That the political jurisdiction and the spillover range should match.
3. That people should contribute to a good based on their marginal willingness to pay, not their ability to pay.

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Question 20

How are transnational public goods financed? [Please check all the correct answers]

1. Contributions can be funnelled through multilateral or regional institutions.
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Correct answers: 1 - 2 - 3

Question 21

What is political conditionality as it relates to foreign aid? [Please check the one correct answer.]

1. The requirement goods and services be purchased from firms in donor country, or used for purposes that support groups in the donor countries.
2. The threat or action of reducing or terminating aid to mitigate human rights abuse or to promote democracy.
3. Aid given on the condition that state-owned enterprises are privatized and that states impose fewer economic regulations.

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Correct answer: 2

Question 22

What best describes the concept of “herd immunity”? [Please check the one correct answer.]

1. One person's immunity has negative externalities on another person's health.
2. An immunized portion of the population provides protection to the non-immunized.
3. When farmers are able to solve the tragedy of the commons for their grazing cattle.
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Question 25

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