

Political Economy of the Public Sector – Exam Guidelines

Structure of the Final Exam

SECTION A: MC, T/F, matching, numerical: Answer All – 30-40 points

SECTION B: Short answer: 3 out of 4 or 4 out of 6 – 30-40 points

SECTION C: Essay style: 1 out of 2 – 30-40 points

Indicative examples for MC, T/F, matching and numerical questions are included in the revision quiz.

Indicative examples of short answer questions:

- How do we measure the size of the public sector? What are the difficulties in doing so?
- What is the role of a government? Which are its main functions? Give examples.
- Which three types of efficiency characterize a competitive market? Use examples.
- What do we mean by incomplete markets? Give examples.
- What do we mean by public goods and merit goods? Give examples?
- Describe four market failures.
- What is an externality? Give examples.
- Which are the four main types of goods (based on consumption rivalry and ease of exclusion)?
- What problems do we face with publicly provided public goods and how can we ration them?
- What do we mean by “voting paradox”? What other problems do we have with voting?
- What is the difference between direct and indirect taxes? Give examples of both.
- What types of taxes (based on tax basis) are the most commonly used?
- Which are the main social insurance systems? What are their advantages and disadvantages?
- What do we mean by inequality of effort and inequality of opportunity? Give examples.

Indicative examples of essay style questions:

- *“Taxation is just a sophisticated way of demanding money with menaces”.* Terry Pratchett

Do you agree? Justify your opinion.

- Do we need a public sector? Why? What is the right size for a public sector? Justify your answers.
- *“A moderate tax on robots, even a temporary tax that merely slows the adoption of disruptive technology, seems a natural component of a policy to address rising inequality. Revenue could be targeted toward wage insurance, to help people replaced by new technology make the transition to a different career.”* Robert J. Shiller

What do you think?

- What is the impact of inequality? Which factors contribute to its increase and what could be done to reduce it? Justify your answers.
- Do we need a social insurance system? What kind of social insurance system do we need?

