

# The University of Nottingham

SCHOOL OF ECONOMICS

TAKE-HOME EXAM **SPRING** SEMESTER  
MAIN EXAM, 2020-2021

## **ECON3080 ECONOMIC POLICY ANALYSIS II**

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***Answer ONE question from Section A and ONE question from Section B  
Sections A and B are given the same weight  
The maximum word limit for this exam is [1000] words.***

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### **Specific instructions:**

**Typed Equations:** Any equations in your answer should be typed either with the Word Equation Editor (or similar) or just with normal text (e.g. using subscripts etc.). Any mathematical notation used must be defined within your answer. Any diagrams in your answer should either be constructed directly within Word (e.g. using the Insert and Shapes menus, to obtain lines, curves etc.) or constructed separately and then imported (e.g. using Insert-Picture or Insert-Object). In all cases, your submission must be a single .pdf file and it is your responsibility to insure it contains and reliably displays all desired components.

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**Academic Misconduct:** Please Read the THE submission instructions fully regarding academic misconduct rules and regulations.

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### **SUBMISSION INSTRUCTIONS:**

- All submissions should be uploaded into the designated box on the Moodle page by 11am (BST) on the above return date.
- Please upload in PDF format only.
- Exam start and return times are based on UK clocks (British Summer Time), so if you are based out of the country, please ensure this is considered in your workload planning.
- This rubric should be read in conjunction with the previously released THE submission instructions which provides more detailed information about formatting and referencing.

***Submission of your work to the Moodle box constitutes an acceptance of the above procedures and that you have read and understood them.***

## SECTION B

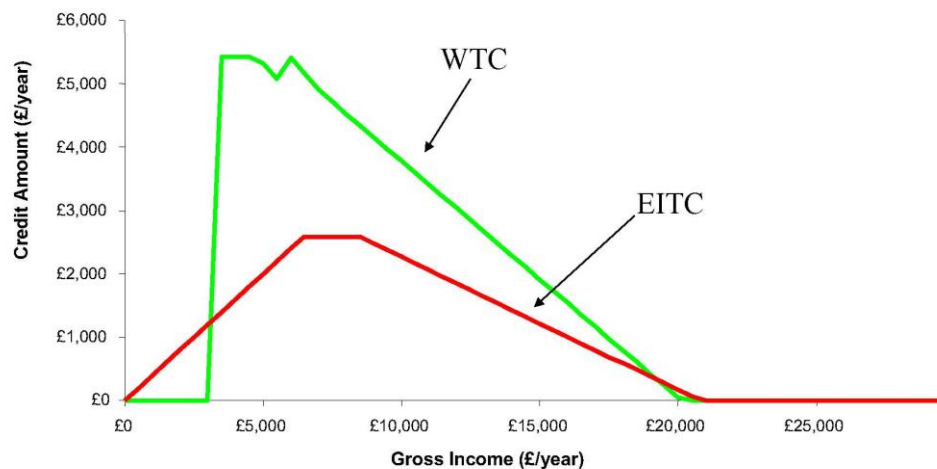
### Answer ONE of the following

3. Read the following article from The Guardian about the “high-income child benefit charge”. Using the analytical tools from class, write a short essay explaining in your own words how the **£50,000 tax trap** discussed in the article might affect behavioural responses of parents earning below and above £50,000 a year. Be as precise as possible (e.g., make use of key technical terms) and feel free to reference any paper covered in class that you deem relevant (the mark is not based on whether you agree or not with the article but on how well you can put the arguments in perspective based on what you learned in class).

**Article’s link:** [click here](#).

4. The figure below depicts the in-work tax credit schedule (in £) for a typical low-income single parent in the UK (the WTC) and in the US (the EITC). Assume the worker earns the same wage in both countries and there are no other benefits available (i.e., no out-of-work benefits). Write a short essay explaining how these two schedules might affect the behavioural responses of individuals differentially in the UK and the US (relative to a world without taxes and transfers) over the range of gross annual income in x-axis. Briefly discuss in your own words one empirical method that you could use to estimate the Elasticity of Taxable Income of low-income workers under each of these schemes. Be as precise as possible (e.g., make use of key technical terms and the analytical framework from class) and feel free to reference any paper and information covered in class that you deem relevant.

### The UK and US tax credit systems compared



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