

# **ECONOMICS**

**Time Allowed – 1.5 hours**

**Instructions for candidates:**

**a) Attempt any two questions**

**b) Standard non-programmable calculators are allowed.**

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1. Discuss the advantages and disadvantages of fixed and floating exchange rate systems. **(50 marks)**
2. Discuss the economic implications of Brexit. **(50 marks)**
3. Answer all questions below:
  - a. Explain what externalities are. **(15 marks)**
  - b. Give examples of positive and negative externalities. **(15 marks)**
  - c. Use your examples to explain why market fails when externalities are present. **(20 marks)**
4. Answer all questions below:
  - a. Describe the functions of money. **(20 marks)**
  - b. Explicate and compare the monetarist versus Keynesian views of money. **(30 marks)**
5. Answer all questions below:
  - a. Explain what a monopoly is and draw a diagram of a monopoly producer maximizing profit. **(25 marks)**
  - b. Discuss whether a monopoly is always against the public interest. **(25 marks)**
6. Answer all questions below:
  - a. Examine the economic theory arguments for the importance of human capital. **(30 marks)**
  - b. Should provision of education be paid for by the state, privately, or both? Discuss. **(20 marks)**

*See over ...*

7. Answer all questions below:

- a. Economists distinguish between various types of unemployment. Describe these explaining the causes of unemployment for each type. **(20 marks)**
- b. Explain how unemployment has been measured. Would you suggest alternative measures and if so, why? **(15 marks)**
- c. What policies would you suggest to lower the unemployment level? **(15 marks)**

8. Explain comparative advantage as the basis for international trade. Evaluate the arguments for and against free trade. **(50 marks)**