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|  | **Entrance Examination**  **February 2023** |
| **ECONOMICS**  Time allowed: 1.5 hours (90 minutes)  **Attempt any two questions. Standard non-programmable calculators are allowed.** | |

1. Addressing climate change is an imperative for countries’ governments. What Economics approaches in adapting to and mitigating the effects of climate change would you suggest? Does climate change mitigation require reducing economic growth? Explain your answer. **(50 marks)**
2. Consider the following excerpt from Adam Smith’s 1776 *Wealth of Nations*

“As it is the power of exchanging that gives occasion to the division of labour, so the extent of this division must always be limited by the extent of that power, or, in other words, by the extent of the market. When the market is very small, no person can have any encouragement to dedicate himself entirely to one employment, for want of the power to exchange all that surplus part of the produce of his own labour, which is over and above his own consumption, for such parts of the produce of other men's labour as he has occasion for….In the lone houses and very small villages which are scattered about in so desert a country as the Highlands of Scotland, every farmer must be butcher, baker and brewer for his own family”.

Discuss the relevance of Adam Smith’s ideas “that the division of labour is limited by extent of the market” in today’s economy. Explain your answer.

1. **marks)**
2. Define the concept of price elasticity of demand and explain the factors affecting price elasticity of demand.

**(50 marks)**

1. Inequality has many dimensions, such as income inequality, health inequality, inequality in access to education, employment. Which of these do you consider more important and why? Should policymakers be concerned about inequality? Explain your answer.

**(50 marks)**

1. Describe and evaluate supply-side policies to encourage economic growth. What has been the criticism of some of these policies?

**(50 marks)**

1. Answer all questions below:
   1. Define the concept of and give examples of public goods.

**(25 marks)**

* 1. Explain why public goods are generally provided by the state.

1. **marks)**
2. Answer all questions below:

a. Explain the causes of inflation based on economic models you have studied. **(25 marks)**

1. Discuss the factors responsible for high rates of inflation experienced in recent years.

**(25 marks)**

1. Answer all questions below:
   1. Define the concept of price discrimination and explain why firms price-discriminate.

**(25 marks)**

* 1. Describe some of the strategies firms may use to facilitate price discrimination when firms cannot distinguish between consumer groups with different price elasticities of demand.

**(25 marks)**