

## **ECONOMICS**

Time allowed: 1.5 hours (90 minutes)

**Attempt any two questions.**

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

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1. Governments provide social insurance. During recessions when unemployment increases government spending on unemployment benefits automatically rises and households maintain higher consumption than in the absence of transfers. Explain why governments and not private financial institutions provide unemployment insurance in form of unemployment benefits.  
**(50 marks)**
2. GDP per capita is calculated by dividing gross domestic product (GDP), the total value of all the goods and services produced in a country in a given year, by the population of the country. Explain why, in your view, GDP per capita may not be a comprehensive measure of wellbeing. Outline what alternative measure of wellbeing you would overcome some of the shortcomings of the GDP per capita measure.  
**(50 marks)**
3. Define what a market is and describe its functions. Do the same for a social network. Comment on the differences and similarities between the two descriptions you provided.  
**(50 marks)**
4. Privatization is the transfer of assets or economic activity from the public sector to the private sector. Provide the arguments for and against privatization, giving examples of industries/companies, that in your view, should be privately or publicly owned.  
**(50 marks)**

5. Using your knowledge of economic history, business, politics, or science and technology identify a situation of market failure. Explain why it satisfies the definition of market failure (why is the allocation or situation described Pareto inefficient) How would you resolve the market failure you described?

**(50 marks)**

6. Answer all questions below:

a. Outline the factors responsible for the rise of free trade between countries.

**(25 marks)**

b. Explain why, despite the overall trend of freer trade, bilateral trade wars in form of countries raising tariffs and other barriers to trade vis-a-vis another country, have been taking place.

**(25 marks)**

7. Against a backdrop of scarce resources and rising healthcare budgets and costs, the NHS is directed to withdraw treatment for patients presenting for access to medical services with conditions that are lifestyle-caused, e.g. conditions due to tobacco smoking and vaping. Discuss the (economic) implications of this decision.

**(50 marks)**

8. Answer all questions below:

a. Explain the characteristic features of oligopoly.

**(25 marks)**

b. Explain how authorities could prevent collusion in oligopolistic markets.

**(25 marks)**