

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 effectiveness of fiscal and monetary policies under exchange rate system.
(50 marks)
2. Discuss the economic implications of climate change.
(50 marks)
3. Answer all questions below:
Suppose you are an economist advising the health minister. The objectives of the government are to reduce smoking and raise revenue. What are the policy alternatives available? What policy would you suggest? Use diagrams to explain your answer.
(50 marks)
4. Answer all questions below:
 - a. Describe the functions of the financial market.
(25 marks)
 - b. Explain the role of the Central Bank/Bank of England in the financial system.
(25 marks)
5. Answer all questions below:
 - a. Outline the perfect competition model. State the assumptions underlying the perfect competition model. Draw a diagram of perfectly competitive firm making short-run profits
(30 marks)
 - b. Explain why the perfect competition model may not be very realistic.
(20 marks)
6. Answer all questions below:
 - a. Explain what a minimum wage is. Show how the imposition of a minimum wage may create unemployment in a competitive labour market.
(25 marks)
 - b. Discuss whether the minimum wage is an effective anti-poverty programme
(25 marks)

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7. Answer all questions below:

- a. Inequality is an important area of study in Economics. Explain how inequality has been measured. **(25 marks)**
- b. Discuss why many governments make effort to lower inequality. **(25 marks)**

8. Discuss the arguments for and against free trade. **(50 marks)**