

# Economics and Business Examination

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## Instructions to candidates

Read the instructions below before answering any questions

**Three hours are allowed for this paper which carries a total of 160 marks, as follows:**

### **Part I**

**1 compulsory question (case study) 80 marks**

### **Part II**

**2 questions selected from 3 (scenarios) 40 marks each for a total of 80marks**

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- You should answer the question in Part I, and two out of the three questions in Part II.
- You are advised to spend no more than 90 minutes on Part I and 45 minutes on each question selected in Part II.
- It is recommended that you spend 15 minutes reading and planning your answer to the case study and 75 minutes answering it, and that you spend 10 minutes reading and planning your answer to each scenario and 35 minutes answering it.
- A case study tests extensively across syllabus learning outcomes, whilst a scenario will be more focused on specific learning outcomes.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should cross through these notes before you hand in the booklet.
- Answer each question on a new page. If a question has more than one part, leave six lines blank after each part.

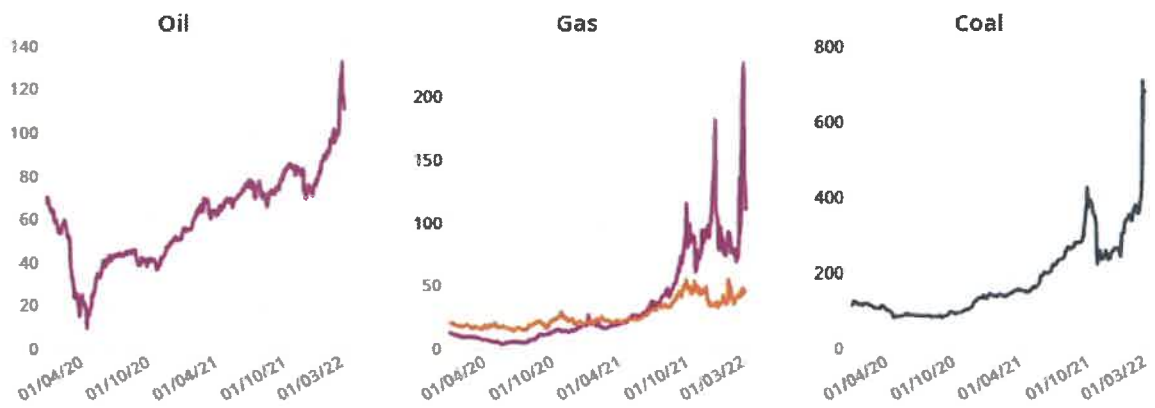
## PART I Case study

This question is worth 80 marks  
You should include relevant examples and further reading in  
your answer where applicable

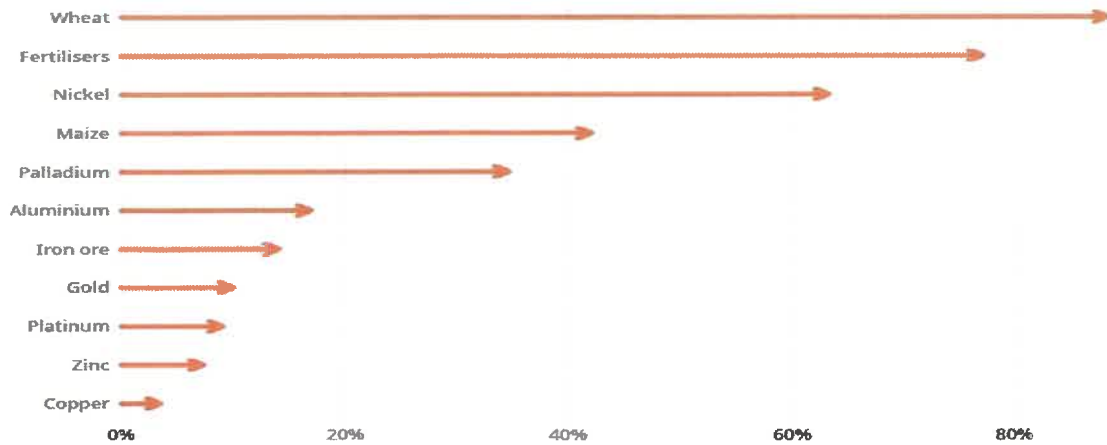
### QUESTION 1

#### CASE STUDY

■ European Union ■ USA ■ Australia



The above chart is displaying oil, gas and coal prices between March 2020 and March 2022. With Russia supplying around 19% of the world's natural gas and 11% of oil, energy prices have soared alarmingly. Europe in particular is highly dependent on Russian gas and oil. Gas spot prices in Europe are now more than 10 times higher than a year ago, while the cost of oil has nearly doubled over the same period. The price shock risks increasing poverty and disrupting the production of goods and services worldwide.



The above chart displays commodity prices which have risen sharply following the Russia-Ukraine conflict. Russia and Ukraine are important producers of wheat, fertilizers and metals used in industry such as nickel and palladium. Disruptions to wheat, maize and fertiliser risk raising hunger and food insecurity across the world in particular in emerging market and low-income countries. Soaring metals prices could affect a wide range of industries such as aircraft, car and chip manufacturing.

### QUESTION

In the light of the above scenario discuss how the Russia-Ukraine conflict will affect national expenditure in different countries and how these countries may respond to such a global resource crisis given their respective different economic systems. Also comment how the forces of demand and supply play a role in the pricing of such commodities.

(80 marks)

## **PART II Scenarios**

**Answer TWO of the following THREE questions.**

**Each question is worth 40 marks**

**To gain maximum marks you should include relevant examples  
and further reading in your answer**

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### **QUESTION 2**

#### **SCENARIO**

A public debate is being organised by the Association of Economics in your country. The debate has Keynesians on one side and Monetarists on the other. Each side is defending their respective economic theory as part of the intended discussions.

#### **QUESTION**

If you were attending this debate what arguments, for and against the two economic theories would you expect to feature?

Detail your discussions.

(40 marks)

### **QUESTION 3**

#### **SCENARIO**

In the UK, there were 32.49 million people in employment between November 2021 and January 2022, compared to 33.01 million between January to March 2020. Between these two quarters, employment levels for people aged 16+ fell by 519,000, a fall of 1.6%. The employment rate (the proportion of 16-64 year-olds in work) has fallen from 76.3% to 75.6%. There was a fall in employment levels throughout 2020 following the start of the pandemic, with levels dropping down to 32.11 million between November 2020 and January 2021. Since then, employment levels have begun to recover, although between November 2021 and January 2022 employment levels decreased on the quarter by 12,000 and remained 519,000 below pre-pandemic levels.

#### **QUESTION**

If you were an economic adviser to the Minister of Finance of the UK government, what monetary and fiscal measures would you suggest to address the above scenario?

(40 marks)

## **QUESTION 4**

### **SCENARIO**

Competition has long played an uneasy role in the insurance industry. If consumers cannot easily observe the financial health of their insurers, competition between insurers may drive premiums down to the point where the risk of failure is high. For several decades the regulatory response was to limit entry and constrain premiums. In addition, special exemptions were granted to this sector under the competition laws. More recently, however, regulatory reform has led to a substantially greater reliance on competition and a greater regulatory focus on prudential regulation.

### **QUESTION**

Discuss to what extent it is possible to rely on competition in the insurance market and what regulatory controls remain necessary. Also comment on the mechanics of a typical oligopolistic market such as the insurance industry in the UK, to effectively combat the challenging forces of competition.

(40 marks)

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