EXAMINER'S REPORT

MAY 2004

ECONOMICS

General Comments

The results this year were better than in previous years, both in terms of overall appreciation of the subject and in scores, as measured by grades. Two candidates achieved an A, there were more Bs and Cs than usual, and the failure rate was down to 20%. There were 5 Es.

The paper contained an innovation arising from the annual meeting with lecturers. **Questions 3 and 4**, about elasticity and market equilibrium had a choice between a verbal and numerical section. Very few attempted the numerical sections, though those who knew how to do them did very well. The elasticity question was very easy. Indeed, some who attempted the verbal part gave numerical examples, but could have done much better taking the other section of the question. Some also attempted to answer the market equilibrium question by drawing the graphs and eye-balling the answer. It is easier to solve the equations, but it is clear that this really held no fears for those who attempted it. Over time people have mastered these two topics, and this is part of the improvement in overall results.

Some lessons can be learned from an analysis of responses to questions. As a general rule students are poor at applied work. This was most clearly seen in **Question 1**, where they were asked to consider the economic issues, but mostly gave their opinion without any analysis. This was also the case with **Question 2**, where I had expected some input from other disciplines covered over the year.

Question 5 could have been done better. This requires a diagram showing the profit-maximising output of the monopolist. Then a separate diagram, showing the same information, and with the effect of the fixed price shown is needed. No candidate indicated that where price is fixed by Government then the MR has effectively changed so that MR=P. This really is important.

Question 6 and the money supply process remains a mystery to many. Several candidates gave two pages of ever decreasing loans and reserves without giving a total or indeed giving a conclusion. It is also worth remembering why it is a process; no bank can lend out in the first round money it does not have, though several people thought banks could.

Question 7 is really about the automatic stabilisers and discretionary policy. Even if Governments did nothing then many would have experienced increasing deficits, as the recession has persisted. Some have also used discretionary measures and this has increased the size of deficits. The final part of the question requires judgement and a justification for the position taken; there is no right answer.

Question 8 is about two things: the exchange rate and the boom in the economy. As the Euro depreciated our inflation increased and conversely. The strength of the economy and emergence of full employment created wage and price pressure in the non-traded sector.