



EXAMINER'S REPORT

AUGUST 2008

ECONOMICS

General Comments

A small number of candidates took this paper and all passed. The paper was very standard, covering the main topics. All students attempted 5 questions and showed sufficient knowledge to pass comfortably. The main area of concern relates to the second half of the quantitative question (Question 4), where the question was concerned with the effect of a tax increase. In general the students should know that the price rises by less than the tax increase, in a special case by the same amount, but never by more.

In the question on housing the key point was the overhang of unsold houses in the market. These will exert downward pressure on house prices, and to the extent that they are converted for renting, downward pressure on rents. As a consequence house prices could continue to fall and housebuilding not recover to the underlying level of demand for some years until the backlog is erased.

In discussing elasticity it is necessary to define elasticity in all cases, price, cross-price and income, and to say why concepts are important. This is very standard fare and all students should be familiar with the concepts.

The remaining questions were answered well.