

UNIVERSITY OF BRADFORD

MAN4134M

MSc Business Economics

Thursday 9<sup>th</sup> January 2014

13:00 – 15:00 hours

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*Main*

This is a **CLOSED BOOK** examination

Answer any **THREE (3)** questions

You **MUST** answer at least **ONE** question from Section A  
and at least **ONE** question from Section B

All questions carry equal marks

Ensure that you make use of suitable graphs and/or examples, as appropriate,  
while answering the questions.

Please link your answers to suitable theory.

You will lose credit if you simply answer these questions in a lay manner, without  
employing suitable formal concepts and/or examples.

Answer any THREE (3) questions

You MUST answer at least ONE question from Section A and at least ONE question from Section B

### **Section A**

1. The UK government is discussing a change in the planning laws to allow the building of 3 million new homes by 2020. Discuss what this is likely to mean for (a) the price of houses for first-time buyers and (b) the demand for country houses (including ancient large houses and ordinary rural houses) in areas adjacent to new housing developments. Does your answer to (b) depend upon whether new houses are accompanied by new infrastructure (better roads, shops, train services, flood protection)? Use suitable diagrams.
2. Define minimum efficient scale and explain why this concept is important for firm production decisions. Assume a new technology is developed that increases the productivity of capital and creates additional economies of scale. How would this affect the firm's minimum efficient scale of operation (illustrate this effect graphically also)?
3. Compare and contrast monopoly and oligopoly markets. Comment on the potential for a monopolistic firm and an oligopolistic firm to earn positive economic profits in the short run and the long run.

### **Section B**

4. What is fiscal policy? Why do fiscal deficits and increases in government debt occur?
5. What is demand-pull inflation and what are the sources of demand pull inflation? Explain how the Central Bank's response to inflation works its way through the economy to ultimately affect the real GDP and the price level.
6. 'Economists are preoccupied with what they can measure. GDP is so misleading an indicator of welfare that it is almost pointless to gather statistics about it, either for international comparison across countries or to assess how well particular governments are doing.' (a) Critically comment on the statement in inverted commas. (b) Define GDP. How useful is GDP? Also discuss critically limitations of GDP and GDP per capita.