Examination Period 3: 2017/18

ECN101018N

Module Title: Introduction to Macroeconomics
Level: Four
Time Allowed: Two hours

Instructions to students:

- Enter your student number not your name on all answer books.
- Answer the question from Section A and one question from Section B.
- The use of a non-programmable calculator is permitted.

No. of Pages: 3
No. of Questions: 3
Section A

Answer this question.

1. Although unemployment in the UK is at a record low, real wages are hardly increasing. The opposition points out that this is just another factor leading to more inequality, next to the cut in welfare benefits. Using the labour market theory characterised by the price setting and wage setting curve, explain why this is the case. Make sure you explain how to derive both curves and labour market equilibrium.

(50 marks)
Section B

Answer **one** out of **two** questions.

2. People are getting increasingly worried about being on the losing side of technological progress. There has always been a tension between those benefitting from economic growth and those who don’t. Using your knowledge of economics discuss the pros and cons of allowing technological progress and discuss whether political intervention would be helpful. If it’s not helpful, why might it still take place? Use your knowledge of past experiences where appropriate.

   (50 marks)

3. The economy, business cycles and crises.
   
a. Critically discuss the role of Animal Spirits in being able to explain or forecast the business cycle.

   (25 marks)

   b. Since the Global Financial Crisis there has been a big debate about modern banks. The question is whether they are contributing more to our living standards than they are taking away? Using appropriate economic theory discuss the importance of banks for the economic system, their interaction with the central bank and why credit markets sometimes fail.

   (25 marks)