

# Mr pake

Finance, Investment



## 5. Assessment DRAFT VERSION – AWAITING EXTERNAL EXAMINER APPROVAL

Assessment will be confirmed by the end of teaching week 3 5. 1

Assessment task This module is assessed by means of an assignment of no more than 3, 000 words. There are three parts to the assignment. You must complete all three parts. Your assignment must be submitted in a sans serif font no smaller than 12 points. Line spacing should be 1. 5 or double. Your completed assignment must be completed and submitted by Friday 26th April, 2013. See Section 5. 2 for details of submission. Section 5. gives some further guidance on the assignment tasks. Written assignments must not exceed the specified maximum number of words. All assignments that do so will be penalised. The penalty is at the discretion of the marker, but will certainly result in a reduction of the mark awarded. Part 1 (20% of overall mark) In 500 words or fewer, answer a question of your choice which requires you to use a microeconomic principle, or principles, discussed in the module. This question should involve a pattern of events or behaviour that you personally have observed.

The issue you address need not be one traditionally analysed using economics, but your work should be an original application of economic logic and reasoning to something which interests you. Examples of issues students elsewhere have addressed are: 1. Why do brides spend so much money on wedding dresses, whereas grooms often rent cheap tuxedos, even though grooms could potentially wear their tuxedos on many other occasions and brides will never wear their dresses again? 2. Why are child safety seats required in cars but not in airplanes? 3.

Why are round-trip fares from Hawaii to the US mainland higher than the corresponding fares from the US mainland to Hawaii? 4. Why do airlines charge much more for tickets purchased at the last minute, yet theatres follow exactly the opposite practice? 5. Why do many people buy larger houses when they retire and their own children leave home? Your question and the issue you address does not need to be important or worthy, but try to begin with an interesting question. You should check with your seminar tutor that the question you wish to address is suitable.

The most successful answers begin with a really interesting question (one that makes the reader instantly curious to learn the answer) and then use an economic principle or principles to construct a plausible answer. You do not have to provide a complete solution to the question – the key is to apply economic principles to achieve an insight into the issue. It should be written as if to a friend or relative who has never taken a course in economics. It must be clearly understood by such a person. It does not need diagrams or mathematics. It should not be heavily laden with economic jargon or terminology.

You do not need to include references (since it is an original application of principles). Nor are you expected to do extensive research in support of your argument, although a relevant fact or two might help convince yourself and others that you are on the right track. Part 2 (40% of overall mark) Answer all five questions below in 1250 words or fewer. The questions carry equal marks. a) Explain why perfectly competitive markets lead to an allocatively efficient allocation of resources in the long run. (8%) b) Explain why free markets will under-produce goods with positive externalities (e. g.

accinations against infectious diseases). Briefly suggest how government might intervene to correct this under-provision? (8%) c) The Consumer Price Index (CPI) is the official measure of inflation in the United Kingdom. Why might CPI not be an accurate measure of the costs of living for any given individual consumer? (8%) d) Explain why a ? 1m increase in net exports might increase the equilibrium output of an economy by more than ? 1m. e) If an economy is initially operating at its potential output, explain the short- and longrun consequences of a permanent increase in government spending. 8%) Part 3 (40% of overall mark) Figure 1 below shows the world price of copper for each month over the period 2004-2011. From a price of \$2424 in January 2004 it rose to a high of \$8046 in May 2008. It then fell rapidly to reach \$3072 in December 2008 before rising again. In an essay of 1250 words or fewer, use economic analysis to explain the changes seen in the price of copper over this period and why there were such large fluctuations in price. Figure 1: The monthly world price of copper 01 January 2004 to 31 December 2011