**Scholarship Examination - Economics**

**Answer 2 questions**

**Time allowed: 2 hours**

1. Provide two examples of ways in which governments intervene in the economy. What, if any, are the economic justifications for these interventions?
2. In May 2016, it became illegal to produce, distribute, sell or supply the drug known as ‘Spice’ in the UK. Assuming that the demand for ‘Spice’ is inelastic, and the supply elastic, use demand and supply analysis to predict the likely effects of such a ban on the market for ‘Spice’.
3. Explain the concept of comparative advantage, and its implications for international trade. In light of this, how do you view the UK’s economic prospects post-Brexit?
4. Explain why competition is often assumed to be more beneficial to society than monopoly.
5. Since the Brexit referendum in June 2016, sterling has fallen in value against other currencies by somewhere in the region of 10%. What are the implications of this for inflation in the UK? What can and what should the Bank of England do about this?
6. US President Donald Trump has indicated that he will (a) substantially increase spending on infrastructure projects, and (b) significantly reduce taxes. What effects would you expect these policies to have on the US macroeconomy?
7. How good a measure of social welfare is GDP?