

## **ECONOMICS PAPER 3 COLLECTION**

### **9158/3 N2003**

- 1 (a) what is the basic economic problem? [10]
- (b) Assess the view that formerly command economies have changed to market economies so as to better solve the basic economic problem. [15]
- 2 (a) Explain how a market economy improves the efficiency of a firm's operations. [12]
- (b) Which market structure would you advise your economy to adopt to best distribute scarce resources? [13]
- 3 (a) How do economists measure the size of a firm? [10]
- (b) Discuss the real benefits of a big firm to society. [15]
- 4 Examine the likely consequences, to producers and consumers, of price controls on goods [25]
- 5 Use economic analysis to justify differences in wages. [25]
- 6 (a) Explain the problems one would encounter in measuring the level of activity in your country. [12]
- (b) Of what economic value is the information obtained from the measurement of economic activity? [13]
- 7 (a) Explain how interest rates are determined in the loanable funds theory. [10]
- (b) Discuss how the economy of your country would be affected by a cut in interest rate. [15]
- 8 Zimbabwe has experienced a sharp decline in the exchange rate of its currency since the late 1990s.
- (a) What is the impact of a depreciating exchange rate of a country's currency on its economy? [12]
- (b) Should a country adopt policy measures to influence the exchange rates of its currency? [13]
- 9 (a) Is it important to control the rate of inflation in a country? [12]

- (b) Discuss the policies that government could adopt to counter a high rate of inflation. [13]
- 10 (a) What are the causes of unemployment in your country? [10]
- (b) Discuss how the unemployment in your country could be reduced. [15]
- 11 (a) Explain how
- (i) a budget deficit and
  - (ii) Exchange rate depreciation
- affect the rate of inflation in a country. [12]
- (b) Is a rise in inflation of economic significance to a country? [13]
- 12 Should the size of a national debt worry the authorities in your country? [25]

### **9158/3 J2004**

- 1 Show how resources are allocated in a planned economy and discuss why some planned economies have recently tried to place greater emphasis on market forces. [25]
- 2 (a) How does the economic theory explain the consumption pattern of an individual consumer? [12]
- (b) 'The consumer is king'.
- Do you agree with this statement in the light of what happens in the market places? [13]
- 3 'Large firms enjoy lower average costs than small firms. They are therefore more beneficial to society.'
- To what extent is this argument correct? [25]
- 4 'Supernormal profits only exist in the short run.'
- Discuss this assertion. [25]
- 5 (a) Explain the marginal revenue productivity theory of demand for labour. [10]
- (b) To what extent does the marginal revenue productivity theory explain wage differential in your country? [15]
- 6 (a) Explain the differences between the income and output methods of measuring national income. Why do the two approaches give the same result? [12]

(b) To what extent are national income statistics useful when comparing standards of living of two countries? [13]

7 (a) What factors determine levels of investment in your country? [10]

(b) Investment and output are linked. Discuss the extent to which changes in output cause changes in investment and changes in investment cause changes in output. [15]

8 (a) How are interest rates determined? [12]

(b) Assess the effects of a fall in interest rates on the level of economic activity in your country? [13]

9 (a) Explain the comparative advantage theory of international trade. [12]

(b) Trade liberalization was one of the economic policy instruments Zimbabwe used in its Economic Structural Adjustment Programme (ESAP). To what extent does trade liberalization benefit a country such as Zimbabwe? [13]

10 What do economists mean by

- (i) externalities,
- (ii) opportunity cost in production [10]

(b) Discuss how the discovery of new mineral deposits in a park should be assessed by government. [15]

11 Each government faces several macroeconomic objectives which include full employment, balance of payment equilibrium, stable prices and high growth rate.

(a) What is full employment? [10]

(b) Consider the view that full employment is the government's first priority.

How may this objective conflict with other macroeconomic objectives? [15]

12 (a) How do developing countries differ from developed countries? [10]

(b) What should developing countries do to develop their economies? [15]

### **9158/3 N2004**

1 (a) Describe how a planned economy makes economic decision on what, how and for whom to produce. [10]

(b) Evaluate the benefits of a planned economy changing to a market economy. [15]

2 (a) Explain, with examples, what economists mean, by public goods, merit goods and economic goods. [12]

(b) Discuss why and how government participate in the economy to provide merit and public goods. [13]

3 (a) Distinguish between normal and inferior good. [10]

(b) Discuss the practical applicability of elasticity concept to a government. [15]

4 (a) Describe the shutdown and the normal profit position of a perfectly competitive market firm in the short run. [12]

(b) Discuss how the long run equilibrium position for firms in perfect competition and monopoly differ. [13]

5 Assess the benefits of having all urban transport in your country provided by one firm. [25]

6 (a) How does economic theory explain differences in wages? [12]

(b) To what extent are wage differential in your country explained by economic theory? [13]

7 (a) Explain the economic policies the government of your country could use to promote the agriculture industry. [10]

(b) Is it really necessary for government to institute and implement intervention policies in agriculture? [15]

8 Many families had to give way to the construction of Orsborne Dam, in Manicaland, and were resettled in Mutasa, Nyazura and Rusape. The dam was meant to supply irrigation water for middle Sabi and the lowveld farming areas and provide recreational facilities on site.

(a) Using cost-benefit analysis, explain how the decision to construct the dam could have been arrived at. [12]

(b) Discuss the problems that may be encountered in carrying out a cost-benefit analysis of such a project. [13]

9 (a) What is meant by

- (i) trade balance;
- (ii) current balance? [10]

(b) Should a balance of payments deficit worry a developing country? [15]

- 10 Should a developing country pursue an exchange rate policy? [25]
- 11 (a) Explain the differences between gross domestic product at market price and gross national product at factor cost. [10]
- (b) How useful are national income statistics in measuring standards of living in your country? [15]
- 12 Explain why governments are often concerned about the growth of money supply in the economy and discuss what policies they can employ to address money supply problems. [25]

**9158/3 J2006**

1. (a) Explain the characteristics of a free market economy. [10]  
 (b) Free market economies are often viewed as efficient in allocating scarce resources  
  
 Why then, and with what implications on efficiency, are government intervening in economic activities? [15]
2. The manager of a firm selling chocolate and cigarettes reads of a government tax review raising indirect taxes across the board. He approaches you seeking advice on the tax implications on his business.  
 With 'sales' and 'tax incidence' in mind, advise the manager on the impact of the tax review on his business. [25]
- 3 (a) Faced with rising costs, when should a firm close down
  - (i) In the short run,
  - (ii) In the long run? [12]
 (b) Discuss the possible benefits to society of a large firm. [13]
- 4 Schweppes (Central Africa) and Coca-Cola entered into an agreement whereby Schweppes (Central Africa) stopped production of carbonated soft drinks and ceded this to Coca-Cola, while the latter ceded to Schweppes (Central Africa) the right to produce fruit juices. This was to remove wasteful competition.  
 (a) Explain the features of the market structure in the case above. [10]

- (b) Discuss the actual advantages and disadvantages to society arising from an agreement such as that between Schweppes (Central Africa) and Coca-Cola in the case above. [15]
- 5 (a) How does economic theory explain differences in wages within and across occupations? [12]
- (b) Discuss how useful economic theory is in explaining wage differentials in your country. [13]
- 6 (a) How is the level of economic activity measured? [10]
- (b) How useful are the measures of Gross Domestic Product and Gross National Product in indicating living standards in a country? [15]
- 7 (a) Explain how a significant investment by a firm leads to a rise in national income. [12]
- (b) Discuss the economic factors determining investment in Zimbabwe. [13]
- 8 (a) Show how Comparative Advantage Theory justifies trade between countries. [10]
- (b) Should your country pursue trade on the basis of Comparative Advantage Theory? [15]
- 9 Assess the benefits of economic growth to a developing country such as Zimbabwe. [25]
- 10 The Earth Summit brought more consciousness on the environmental impacts of production activities in the world.
- (a) How do economists deal with negative environmental impact of production? [12]
- (b) Should industries that pollute the environment close down in the interests of a clean environment? [13]
- 11 The Keynesian approach to unemployment is higher public spending.
- (a) How would higher public spending reduce unemployment? [10]
- (b) Discuss the possible solutions to the unemployment in your country. [15]

- 12 Inflation has often been branded ‘public enemy number one’.
- (a) Why is inflation viewed as a ‘public enemy’? [10]
- (b) Discuss how authorities could reduce inflation in your country. [15]

**9158/3 N2006**

- 1 (a) Explain the relationship between opportunity cost and the basic economic questions. [12]
- (b) Discuss whether it is true that opportunity cost of unemployed labour is zero. [13]
- 2 The demand for primary products tends to be inelastic in terms of price and income while demand for manufactured goods is elastic. Discuss. [25]
- 3 (a) Explain
- (i) the law of diminishing returns,
- (ii) returns to scale. [12]
- (b) Is it true that large firms are more efficient than small firms? [13]
- 4 (a) Explain the difference between normal and abnormal profit. [10]
- (b) How far true is it that all firms are after profit-maximization? [25]
- 5 (a) For what reasons might central authorities intervene in economic activities in a country? [10]
- (b) Discuss the implications on efficiency of government intervention in economic activities. [15]
- 6 (a) Explain what is meant by externalities in production. [10]
- (b) Discuss how government may deal with externalities in production in a country. [15]
- 7 (a) What is a
- (i) Balance of trade surplus;

- (ii) Balance of payment deficit [12]
- (b) A country should be concerned about a deficit in its balance of payments. Discuss. [13]
- 8 (a) Explain market imperfections that exist in your country. [10]
- (b) Discuss how the government could address market imperfections in your country. [15]
- 9 (a) Explain how interest rates are determined in economic theory. [12]
- (b) Discuss what determines interest rates in your country. [13]
- 10 Assess the fiscal measures which may be taken by the government of your country to promote economic growth. [25]
- 11 Critically examine the role of government in the economic development of developing countries. [25]
- 12 (a) Explain what is meant by a developing country. [10]
- (b) Discuss the problem faced by developing countries which rely heavily on the production and export of primary products. [15]

**9158/3 J2007**

- 1 (a) Explain what is meant by the basic economic problem of scarcity. [10]
- (b) Discuss whether the basic economic problem is **best** solved in the free market economy. [15]
- 2 (a) Explain the factors that influence price elasticity of demand [10]
- (b) Discuss whether the different elasticity of demand concepts could be useful to a tobacco farmer. [15]
- 3 (a) Explain the difference between the economist's and the accountant's definition of profits. [10]
- (b) Are profitable firms necessarily efficient firms? [15]



- 4 (a) Compare and contrast the features of perfect competition and monopolistic competition. [12]
- (b) Discuss whether perfect competition is the most efficient market structure. [13]
- 5 How far can economic theory explain differentials in wages? [25]
- 6 (a) With examples, explain market failure. [10]
- (b) Assess the effectiveness of policies used by the government to correct market failure. [15]
- 7 (a) What is meant by *commercialization* and *privatization* ? [10]
- (b) Discuss whether privatization leads to efficiency of firms. [15]
- 8 (a) Explain the differences between Gross National Product at factor cost and Net Domestic Product at market prices. [10]
- (b) Is the Gross Domestic Product statistic adequate for measuring changes in living standards within a country? [15]
- 9 (a) What is meant by *free trade area* and *economic union*? [10]
- (b) Assess the benefits of free trade to a country. [15]
- 10 (a) What are the causes of inflation in your country? [10]
- (b) Assess the effectiveness of policies used to cure inflation. [15]
- 11 Population is growing faster in developing countries than in developed countries.
- (a) Describe the characteristics of a developing country. [10]
- (b) Discuss the implications of this population growth for both the developing and developed countries. [15]
- 12 (a) What is
- (i) Economic growth,
- (ii) Economic development? [10]

(b) Assess the effectiveness of policies of borrowing and trade as instruments of effecting development in developing countries. [15]

**9158/3 N2007**

1 (a) Explain how resources are allocated in a free market economy. [10]

(b) Discuss why governments the world over still intervene in resources allocation even though free markets economies are viewed as efficient. [15]

2 (a) Explain how price elasticity of demand affects the revenues of farmers. [10]

(a) Discuss the extend to which price elasticity of demand causes price instability for agriculture produce. [15]

3 (a) Explain allocative efficiency and productive efficiency. [10]

(b) The Reserve Bank of Zimbabwe's 'cleansing' of the banking sector resulted in the amalgamation of several banking institutions into the Zimbabwe Allied Banking Group (ZABG), to improve corporate governance and efficiency in the banking sector.

Assess the possible implications, on efficiency and consumer welfare, of this move. [15]

4 (a) How do economists classify firms into small, medium or large firms? [10]

(b) Discuss the benefits a government may be seeking in promoting small to medium scale enterprises (SMEs). [15]

5 Should there be wage differentials in your country? [25]

6 (a) How does the Liquidity Preference Theory explain the determination of the rate of interest in an economy? [12]

(b) To what extent are rates of interest determined by economic theory in your country? [13]

7 (a) Why do governments measure the level of economic activity in their country? [12]

(b) Assess the extent to which national income statistics reflect the well-being of people in your country. [13]

8 (a) Explain, with examples from your country, what economists mean by 'market failure'. [12]

(b) Discuss the means the government of your country could use to intervene in the economy. [13]

9 (a) Explain the terms *free trade area* and *common market*. [10]

(b) Is free trade beneficial to a developing country such as Zimbabwe? [15]

10 (a) Explain how the exchange rate of a country's currency is determined. [10]

(b) Should governments be worried by changes in the level of the exchange rates for their countries' currencies? [15]

11 (a) Explain the terms *economic growth* and *economic development*. [10]

(b) Assess the benefits Zimbabwe would get from a high growth rate of its economy. [15]

12 Governments, the world over, are worried about a high rate of unemployment.

(a) Why should governments be worried by a high rate of unemployment? [12]

(b) Discuss how unemployment in your country could be solved. [13]

### **9158/3 J2008**

1 (a) Explain how resources are allocated in

(i) market economies,

(ii) planned economies.

[10]

(b) Is it true that resources are more efficiently allocated in the market economies than in the planned economies? [15]

2 (a) Explain

- (i) constant returns to scale,
- (ii) diminishing returns to scale. [10]

(b) As firms grow bigger, they enjoy economies of scale. Does this mean that firms should continue to grow? [15]

3 (a) Explain the factors affecting elasticity of supply. [10]

(b) Due to an increase in tourist trade in Zimbabwe, supply for wood carvings increased drastically.

Discuss how elasticity of supply affects the wood carving industry. [15]

4 (a) Describe briefly the main forms of imperfect competition. [10]

(b) Discuss the means by which the government of your country may control the power of monopolies. [15]

5 (a) Using substitution and income effects, distinguish between normal and inferior goods. [10]

(b) Discuss why it is not always possible to predict revenue implications of a fall in the price of a firm's goods. [15]

6 (a) Explain the following terms:

- (i) economic rent;
- (ii) quasi rent;
- (iii) transfer earnings. [12]

(b) Does MRP theory adequately explain the pricing of the use of urban land? [13]

7 (a) Explain

- (i) real growth,

- (ii) nominal growth [10]
- (b) Discuss how fiscal and monetary policies may be used to stimulate economic growth in your country. [15]
- 8 (a) Explain the reason why government may impose minimum and maximum price legislation [10]
- (b) Discuss the effects, to society, of price control on goods. [15]
- 9 (a) Explain the causes of inflation in your country. [10]
- (b) Should government be concerned with controlling inflation in a country. [15]
- 10 (a) Explain how import substitution works. [10]
- (b) Discuss the strategies a country may use to reverse a negative movement on its balance of payments. [15]
- 11 To what extent is it necessary, in a modern economy, for government to interfere with the operation of the price mechanism? [25]
- 12 'An increase in a country's Gross National Product (GNP) will always lead to an improvement in its welfare'.
- Discuss the validity of this assertion. [25]

**9158/3 N2008**

- 1 (a) What do economists mean by *the basic economic problem of scarcity*? [10]
- (b) Is it beneficial for an economy to change from a command to a market economy? [15]
- 2 (a) Explain the three concepts of elasticity of demand. [12]
- (b) Zimbabwe is promoting its tourist attraction in order to get the much needed foreign currency

- Discuss whether the difference elasticity concepts are useful for the tourism industry [13]
- 3 (a) Account for the survival of small firms in an industry. [10]
- (b) Are large firms more beneficial to society than small firms? [15]
- 4 (a) Explain, with illustrations, what is meant by normal and abnormal profits. [10]
- (b) Is profitability of a firm an adequate measure of its efficiency? [15]
- 5 To what extent does economic theory explain interest rate determination in your country? [25]
- 6 (a) What are the sources of market failure? [10]
- (b) Assess the effectiveness of government policies meant to correct market failure. [15]
- 7 (a) What causes the exchange rate of a country's currency to depreciate? [10]
- (b) Should Zimbabwe adopt a fixed exchange rate or leave the exchange rate to be determined by market forces? [15]
- 8 (a) Explain what is meant by the equilibrium level of national income and full employment level of national income. [10]
- (b) Assess the effects on the equilibrium level of national income of
- (i) an increase of value added tax,
  - (ii) an increase in government expenditure, for example, on construction of dams.
- [15]
- 9 (a) Analyse the effects of inflation on the functions of money. [12 ]
- (b) Assess the effectiveness of price controls and supply side policies to counter a high rate of inflation. [13]
- 10 (a) Explain what is meant by full employment and natural rate of unemployment. [10]
- (b) Evaluate the policies that government could adopt to reduce unemployment in your country. [15]

11 (a) Explain the term *economic growth*. [10]

(b) Is it really worthwhile for a developing country such as Zimbabwe to pursue economic growth? [15]

12 (a) Explain the main characteristics of a developing country. [10]

(b) Assess the benefits of borrowing from international financial institutions for development by a developing country. [15]

### **9158/3 J2009**

1 (a) Explain what is meant by *allocative efficiency and X-efficiency*. [10]

(b) To what extent does government intervention improve efficiency in an economy? [15]

2 Discuss the benefits to society of changing from a command economy to a market economy. [25]

3 (a) Explain the factors that affect the price elasticity of demand for a product. [10]

(b) Discuss the relevance of elasticity concept to a farmer. [15]

4 (a) Explain

(i) horizontal merger,

(ii) lateral merger,

(iii) vertical merger [12]

(b) Discuss the benefits of a big firm to a society. [13]

5 (a) Explain the difference between oligopoly and monopoly. [10]

(b) Discuss the view that oligopoly is a more beneficial market structure to society than a monopoly. [15]

6 (a) With reference to the labour market, explain the following

- (i) economic rent,
- (ii) transfer earnings,
- (iii) quasi-rent [12]

(b) Discuss the extent to which trade unions contribute to the wage differentials in your country. [13]

7 (a) Explain what is meant by *market failure*. [10]

(b) Microeconomic objectives are not always consistent and may sometimes conflict.

Discuss whether government's microeconomic policy objectives of efficiency and equality can be achieved at the same time in your country. [15]

8 To what extent does the comparative advantage theory determine trade flows in your country. [25]

9 Assess the usefulness of national income statistics in measuring and comparing living standards between countries. [25]

10 Interest in Zimbabwe further increased in the month of March, 2006 due to high inflation in the economy.

(a) Explain the effects of high interest rate in the economy. [12]

(b) Discuss how interest rate can be used to solve inflation in the economy. [13]

11(a) Explain the factors that influence economic growth. [10]

(b) Discuss the costs and benefits of economic growth to an economy such as that of Zimbabwe. [15]

12 (a) Analyse the difficulties of measuring unemployment. [10]

(b) Assess the effects of unemployment in an economy. [15]



1 Discuss the view that, the price mechanism best allocates resources in an economy. [25]

2 (a) Explain

(i) allocative efficiency,

(ii) cost efficiency. [12]

(b) Discuss the logic behind government intervening to control large firms. [13]

3 Discuss the relevance of elasticity of demand concept to farmers in Zimbabwe exporting their produce. [25]

4 (a) Analyse the effects of a levy imposed on farmers growing tobacco. [12]

(b) Evaluate the success of government policies in influencing prices of farm produce. [13]

5 (a) Explain how a price discriminating monopoly increases profit. [12]

(b) 'Monopolies arise from operating efficiently on the market and are therefore good for society.'

Assess the validity of this view. [13]

6 Are wage differentials existing in your country economically justifiable? [25]

7 (a) Explain how interest rate is determined using the liquidity preference theory. [10]

(b) To what extent are rates of interest in your country determined by economic theory? [15]

8 (a) With examples, explain

(i) market imperfections,

(ii) externalities [10]

(b) Using cost-benefit analysis, discuss how the decision on construction of a large dam for irrigation should be arrived at by central authorities. [15]

9 (a) Explain how movements in the exchange rate of a country's currency affect the country's trade with others. [12]

- (b) Should your country deliberately influence the exchange rate of your currency? [13]
- 10 (a) What is a country's
- (i) gross domestic product (GDP),
  - (ii) net national product (NNP) [10]
- (b) 'If Zimbabwe has a higher gross national product than that of Botswana, it follows that Zimbabweans enjoy a higher living standards than the Botswana'
- Discuss this statement. [15]
- 11 (a) Using the multiplier explain a country can cover a deflationary gap. [12]
- (b) Should a country strive to attain the full employment level of income? [13]
- 12 (a) Why is inflation often viewed as 'an enemy of the state'? [10]
- (b) Discuss the effectiveness of policies aimed at reducing inflation in your country. [15]

### **9158/3 N2010**

- 1 (a) Explain what is meant by *the basic economic problem*. [10]
- (b) Discuss whether the free market economy best solves the basic economic problem. [15]
- 2 (a) With examples from your economy, explain what is meant by goods with price elastic and price inelastic demand. [10]
- (b) Are price and income elasticity concepts of importance in formulating government policy in your country? [15]
- 3 (a) Explain the market structure in which supermarkets are found in your country. [10]
- (b) Assess whether society would benefit more if the supermarkets were taken over by one big firm. [15]
- 4 (a) Explain on what basis businesses are classified as big or small. [10]

(b) Does government's crackdown on big firms, through anti-monopoly and merger legislation, suggest that society is better served by small firms? [15]

5 Are wage differentials in your country justified by economic theory? [25]

6 (a) Explain what is meant by *standards of living* in an economy. [10]

(b) To what extent does gross national product (GNP) reflect the standards of living in your country? [15]

7 (a) How is the level of economic activity measured? [12]

(b) To what extent is the value of economic activity useful to authorities in your country? [13]

8 (a) Explain the idea behind economic integration of countries such as COMESA. [10]

(b) Comment on the benefits Zimbabwe could get by joining an economic grouping. [15]

9 (a) How does inflation affect the four functions of money? [10]

(b) Comment on the measures that monetary authorities could take to control inflation in your country. [15]

10 (a) Explain the factors that contribute to economic growth in your country. [10]

(b) Discuss whether your country should deliberately pursue economic growth [15]

11 (a) Explain the types of unemployment existing in your country. [10]

(b) Discuss how the unemployment in your country could be solved. [15]

12 Environmentalists are increasingly concerned about the clearing of large tracts of forests are some developing countries attempt to institute development programmes for their citizens. This is feared to threaten the livelihoods of thousands of species of flora and fauna, and even that of the citizens the countries wish to help.

(a) Explain the characteristics of developing countries. [10]

(b) Using cost-benefit analysis, discuss how the developing countries should decide on a

project such as clearing a forest for development programmes.

[15]