

## Section A

Answer this question.

### People in Education

- 1 Most governments see increasing the number of their population in education as a way to raise national productivity and prosperity in the long term.

The Organisation for Economic Co-operation and Development (OECD) has produced statistics of those in different age groups who participate in education. Table 1 shows the percentages of two age groups who are in education in selection of countries. This covers both full-time and part-time students and both public and private providers.

**Table 1: Educational participation rates in 1995 and 2007, selected countries**

Country	Percentage of those aged 15–19 participating in education		Percentage of those aged 20–29 participating in education	
	1995	2007	1995	2007
Belgium	94	94	24	28
France	89	86	19	20
South Korea	75	87	15	28
United Kingdom	72	71	18	17
United States	72	80	19	23
New Zealand	68	75	17	30

Economists classify products into different groups such as private goods or public goods and merit goods or demerit goods. Education is usually considered to be an example of a merit good.

- (a) Between 1995 and 2007, which country was
- The least successful in increasing its overall education participation rate and
  - The most successful in increasing its overall education participation rate? (2)
- (b) Explain **two** possible economic reasons why the educational participation rate of 15 – 19 years –old is higher than that of 20 – 29 year- old for all countries as shown in Table 1. (4)
- (c) (i) What is the difference between production and productivity? (2)
- Explain how education may affect labour productivity and the production possibility curve. (4)
- (d) Why education is considered to be an example of merit good? (2)
- (e) Discuss the extent to which the provision of education is different from the provision of national defence. (6)

**Section B**

Answer **ANY ONE** question.

2 (a) Explain, with the help of a production possibility diagram, how the opportunity cost of producing different combinations of goods can be measured. (8)

(b) Discuss the ease with which a planned economy may be changed into a market economy. (12)

3 (a) Explain why the value of income elasticity of demand for a good can be positive, negative or zero, while the value of its price elasticity of demand is most likely to be negative. (8)

(b) Discuss, whether price elasticity of demand is a more useful concept than income elasticity of demand for a business that is trying to increase its sales revenue. (12)

**Section C**

Answer **ANY ONE** question.

4. A study found that demand for tickets for exhibitions at a major art gallery had unitary price elasticity.

(a) Explain, how the concept of diminishing marginal utility may be used to construct a demand curve for the product and whether that analysis still applies in the case of demand for tickets for the exhibitions. (12)

(b) Discuss whether the law of diminishing returns contradicts the concept of economics of scale. (13)

5. In 2011, as a result of a recession, the governments of some countries reduced the wages that they paid to public sector workers. Trade unions organized mass demonstrations in protest.

Discuss how the economic theory of wage determination in perfect competition can be adapted to explain such a situation. (25)