

EGT2
ENGINEERING TRIPOS PART IIA

Thursday 6 May 2021 1.30 to 3.10

Module 3E1

BUSINESS ECONOMICS

*Answer not more than **two** questions.*

All questions carry the same number of marks.

*The **approximate** percentage of marks allocated to each part of a question is indicated in the right margin.*

*Write your candidate number **not** your name on the cover sheet and at the top of each answer sheet.*

STATIONERY REQUIREMENTS

Write on single-sided paper.

SPECIAL REQUIREMENTS TO BE SUPPLIED FOR THIS EXAM

CUED approved calculator allowed.

You are allowed access to the electronic version of the Engineering Data Books.

10 minutes reading time is allowed for this paper at the start of the exam.

The time taken for scanning/uploading answers is 15 minutes.

Your script is to be uploaded as a single consolidated pdf containing all answers.

- 1 (a) If the US were to ban the export of wheat, what would be the effect on the price of rice in Japan? Explain with diagrams. [25%]
- (b) If the US were to ban the export of wheat, what would be the effect on wheat producers in the US? Explain with diagrams. [25%]
- (c) Explain with diagrams how advertising affects the demand curve for a product. [25%]
- (d) Contrast how technological progress and an increase in regulation affect the supply curve in an industry. [25%]
- 2 (a) Give an example of a game with two Nash equilibria and explain what economic situation it might be modelling. [25%]
- (b) Explain carefully, and with real examples, how the Cournot and Stackelberg models of oligopoly differ [25%]
- (c) Give three examples of second-degree price discrimination. In each case highlight what exactly allows such price discrimination to take place. [25%]
- (d) Why might the University of Cambridge have monopsony buying power in certain labour markets in Cambridge? Explain and discuss. [25%]
- 3 (a) Explain, with the use of a diagram, why the government might introduce a congestion charge for traffic in a large city. [25%]
- (b) Is there likely to be more or less use of congestion charging for transport in the future? Discuss your answer with reference to the potential move away from the internal combustion engine. [25%]
- (c) Explain the components of the GDP expenditure equation. [25%]
- (d) Using the GDP expenditure equation, contrast the impact of the Brexit referendum of 2016 and the COVID-19 pandemic of 2020 on the UK economy. [25%]

END OF PAPER