

FINAL EXAMINATION
NOVEMBER 2023

COURSE TITLE	ECONOMICS AND SOCIETY
COURSE CODE	TECO1213
DATE/DAY	25 FEBRUARY 2024 / SUNDAY
TIME/DURATION	09:00 AM - 11:00 AM / 02 Hour(s) 00 Minute(s)

INSTRUCTIONS TO CANDIDATES:

1. Please read the instruction under each section carefully.
2. Candidates are reminded not to bring into examination hall/room any form of written materials or electronic gadget except for stationery that is permitted by the Invigilator.
3. Students who are caught breaching the Examination Rules and Regulation will be charged with an academic dishonesty and if found guilty of the offence, the maximum penalty is expulsion from the University.

(This Question Paper consists of **3** Printed Pages including front page)

*****DO NOT OPEN THE QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO*****

This question paper consists of TWO (2) questions only. Answer ALL questions in the answer booklet provided. [100 MARKS]

QUESTION 1

(50 Marks)

**Uncharted Challenges:
Econland's Quest for Economic Revival Amidst a Skills Mismatch Crisis**

Econland, a nation with a rich economic history, now finds itself at a crossroads, grappling with an unexpected economic downturn. Once celebrated for its diverse economic sectors that fueled growth and prosperity, the country is now facing a daunting challenge — a persistent and alarming increase in the unemployment rate. Despite overarching economic growth, the joblessness epidemic has become a cause for concern, casting a shadow over the nation's once-vibrant landscape.

At the heart of this crisis lies a pressing issue: a growing mismatch between the skills held by the workforce and the evolving demands of the job market. As industries in Econland transition towards advanced technologies and new methodologies, the existing workforce, though skilled, faces the struggle to adapt. This skills mismatch has become a significant contributor to the rising unemployment rate, leaving many skilled workers stranded in sectors facing decline while high-demand industries remain understaffed.

Caught in the midst of this economic turbulence are individuals who, until recently, were the backbone of Econland's thriving economy. Now, faced with job insecurity and an uncertain future, they navigate the uncharted waters of unemployment. The mismatch between their acquired skills and the demands of emerging industries has created a disheartening scenario, where once-prominent professionals find themselves sidelined by technological advancements and shifting market dynamics. As Econland strives to find a way forward, addressing this skills mismatch becomes paramount in unlocking the nation's potential for renewed economic prosperity and individual success.

- a) Describe the prevailing economic situation in Econland and the key challenge it is currently facing. (4 marks)
- b) Which type(s) of unemployment is/are prevalent in Econland? (6 marks)
- c) Evaluate whether Econland is currently experiencing full employment, taking into account the impact of skills mismatch. (12 marks)
- d) Discuss the negative impacts of unemployment, with a specific focus on the challenges posed by skills mismatch. (12 marks)
- e) Propose short-term and long-term policy recommendations to address the rising unemployment rate in Econland, considering the skills mismatch issue. (16 marks)

QUESTION 2

(50 Marks)

**Unraveling Economic Challenges:
Deflationary Trends and Policy Dilemmas in Country XYZ (2023)**

Amid the economic turmoil experienced by Country XYZ during the 2023 financial crisis, the prevailing deflationary trends continued to persist, presenting a formidable challenge despite the implementation of historically low-interest rates. The compounding predicament was underscored by the publication of discouraging inflation statistics, demonstrating a prolonged struggle to ease the deflationary pressures. During August 2023, consumer prices in Country XYZ went down by 0.2 percent, mirroring the 0.3 percent decline observed in the preceding month and aligning with prevailing market anticipations. However, a deeper analysis revealed a more disturbing scenario, as the annualized consumer price index fell by 0.4 percent, surpassing the more optimistic projection of a 0.2 percent decline suggested by economists.

The nominal impact of low-interest rates appears insufficient in countering the systemic challenges faced by Country XYZ, necessitating a nuanced evaluation of the structural dynamics at play. Furthermore, the evident conflict between economic forecasts and actual outcomes underscores the complexity inherent in forecasting and policymaking, urging strategies employed by economic analysts and policymakers alike.

- a) Discuss the negative effects of deflation on Country XYZ's. (8 marks)
- b) What factors might contribute to the disconnect between economic forecasts and actual outcomes, particularly in the context of the annualized consumer price index falling more than predicted? (12 marks)
- c) Suggest **THREE (3)** traditional monetary policy tools and explain how these tools should be implemented to address the crisis. (18 marks)
- d) Based on your opinion, should the Central Bank put too much reliance on monetary policy tools to achieve the goals of economic stabilization and sound debt management? (12 marks)

*** END OF QUESTION PAPER ***