



# ICM

DECEMBER 2016

PUBLIC SECTOR ECONOMICS

**Instructions to candidates:**

- a) Time allowed: Three hours (plus an extra ten minutes' reading time at the start – do not write anything during this time)
  - b) Answer any FIVE questions
  - c) All questions carry equal marks. Marks for each question are shown in [ ]
- 
1. Despite its popularity, commentators continue to highlight a number of inefficiencies associated with the system of direct democracy. Analyse the inefficiencies that have been identified. [20]
  2. Before it can be tackled effectively, inequality needs to be accurately and consistently defined. However, a variety of approaches are taken to define inequality. Critically evaluate the approaches that have been taken. [20]
  3. Privatisation continues to be a policy which finds favour with governments around the world. Explain the continuing popularity of privatisation as a policy approach. [20]
  4. Critically evaluate the concept of the equity-efficiency trade-off. [20]
  5. Income tax, despite its widespread adoption in many countries around the world, has a number of widely recognised disincentives. Explain what these are. [20]
  6. Healthcare costs continue to absorb a significant element of gross domestic product in countries around the world. Explain the reasons for this and analyse the consequences for government policy. [20]
  7. Various approaches have been taken to define poverty. Explain why it has proved difficult to identify and agree a single universal measure of absolute poverty. [20]
  8. Establishing the true demand for public goods is a challenge facing policymakers in many countries. Explain the approaches that have been adopted to assess the demand for public goods. [20]