

Microeconomics FRQs

1. (a) Using diagram(s), explain the signalling and incentive functions of price. [10 marks]

(b) Evaluate the view that the market failure caused by the consumption of demerit goods is best dealt with through the use of taxation. [15 marks]

2. (a) Explain why firms might wish to collude. [10 marks]

(b) Discuss the view that governments should always try to prevent a monopoly occurring in a market. [15 marks]