

Item 1.

A developing nation has limited resources and must decide how to allocate them between producing **food** and **clothing**. The government has identified that using all its resources to produce **food** results in 100 units of food and Zero(0) units of clothing, while devoting everything to **clothing** produces 120 units of clothing and Zero(0) units of food. Any combination between lies on the nation's Production Possibility Frontier which is a down-ward sloping curve.

Due to scarcity of resources, and the nation must now choose a point on the PPF that best meets the people's immediate needs.

TASKS

- a) Explain how the concept of scarcity, forces the government to make a choice between producing food and clothing.
- b) If the government decides to move production from a point where it makes 80 units of food and 40 units of clothing to a point where it makes

60 units of food and 80 units of clothing, Illustrate the nation's PPF and mark the two points described. Explain what the curve shows and what it implies if the country chooses a point inside, on or outside the PPF.

- c) Critically analyse the factor(s) that can make it possible for the nation to attain the point outside the PPF curve.

Item 2

The government of Uganda is planning its annual national budget. One of the key issues is deciding how much funding to allocate to sectors like healthcare, education and road construction. For example, free immunisation programs are offered in public hospitals as a way of promoting public health, while the construction of street lighting and highways benefits everyone and cannot exclude anyone from using them.

TASKS

- a) Identify and explain the types of goods mentioned in the scenario.
- b) How does the classification of these goods influence government and Private sector involvement in their production?
- c) Using the scenario, explain how the government and private sector attempt to answer the fundamental economic questions.

Item 3

Uganda has discovered a new oil reserve in the Albertine region. The government now faces a crucial decision on how to manage and distribute the wealth from this resource.

Different groups in the country have different opinions;

- i. Some politicians argue that the government should take full control of the oil production and distribution to ensure equal benefits for all citizens
- ii. Others believe that the private sector should be allowed to invest and manage the oil industry claiming that it will lead to more efficiency, innovation and job creation
- iii. Some citizens suggest a joint ownership and control of resources mentioned above.

TASKS

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- a) If you were a policy advisor to the Ugandan government, which system would you recommend to manage the oil resource in relation to Uganda's economy and why?
- b) As an economist, analyse the dangers of opinion(i) according to the scenario.

Item 4

In Nakulabye market, Rubaga Division, it has been observed that many youths buy rolex at a constant price of Shs 2000. However, the quantity of Rolex bought overtime has reduced and this has discouraged many people to venture into the business.

You have been approached by the representative of the traders in the market for your expert view on the issue at hand.

TASKS

- a) Use a suitable illustration to demonstrate the above scenario.
- b) As a student of economics, analyse the possible causes of the trend in the scenario.