

## COMPUTER SCIENCE TRIPOS Part IB – 2012 – Paper 4

### 7 Economics and Law (RJA)

- (a) Explain what economists mean by a *lemons market*. [4 marks]
- (b) What is the difference between *hidden information* and *hidden action*? Give examples of each. [4 marks]
- (c) Your company is about to launch a new anti-malware product for use on Android devices. To blunt possible competition from low-cost, low-quality vendors you decide you need to offer prospective customers some kind of assurance. Discuss the advantages and disadvantages of the following options.
- (i) You form a trade association with several other anti-malware firms and promote a quality assurance mark, perhaps with assistance from the government. [4 marks]
- (ii) You approach the UK banks with a proposal that they certify your product for use along with their banking app products, in the sense that a customer using your system will have exercised due diligence. [4 marks]
- (iii) You tell customers that if they are the victims of a scam that used malware on their phone you will pay their legal bills. [4 marks]