

1.B	6.A	11.B	16.C
2.D	7.D	12.B	17.A
3.C	8.C	13.C	18.A
4.D	9.C	14.C	19.C
5.D	10.C	15.A	20.C

- 1 (a) Land: natural resources, e.g. minerals, the sea (1).
Labour: human resources, e.g. workers (1).
Capital: man-made aids to production, e.g. machinery and equipment (1).
Enterprise or entrepreneurship: the ability to combine factors of production and to take risks (1).

A list of the four factors, with no examples, will gain just 1 mark.

A list of the four factors, with examples, will gain 2 marks.

[4]

- (b) The nature of the economic problem:

- at any moment in time in an economy, output is limited by the resources and technology available; there is, therefore, a basic condition of scarcity
- the wants of consumers are unlimited or infinite
- the ability of the resources to satisfy those wants, however, are limited or finite
- there is, therefore, a need to make a choice as a result of this scarcity
- this choice will be in terms of what to produce, how to produce and for whom to produce.

Candidates can gain all 4 marks for addressing any four of these five points.

[4]

- (c) In market systems, decisions are made by individual buyers and sellers who act in their own self-interest. Producers aim to maximise their profits and consumers aim to satisfy their utility/satisfaction. The price system allocates resources through the interaction of the forces of demand and supply so that an equilibrium, market clearing, position is established. There is no or very little government intervention.

In mixed economic systems, the price system continues to exist in many areas of the economy, but there is a recognition of possible market failure. This gives rise to a much greater degree of government involvement to influence the allocation of resources. Sometimes the government will control resources directly and sometimes it will influence the private sector in various ways.

A maximum of 2 marks if only one type of economic system is considered.

[4]

- (d) A one-sided approach in favour of the market economy, including reference to, for example:

- greater efficiency
- consumer sovereignty
- wider choice/more competition
- encouragement of innovation.

(up to 5 marks)

A more balanced answer, which recognises that there are some possible disadvantages of a market economy, including, for example:

- existence of monopolies
- non-provision of public goods
- under-provision of merit goods
- over-provision of demerit goods
- existence of externalities
- inequality in the distribution of income and wealth.

(up to 8 marks)

Note: candidates do not specifically need to refer to terms such as public goods, merit goods or demerit goods, as these are not explicitly referred to in the syllabus.

[8]

2.

(a) provision of services (2)

(b) extraction of r.materials (2)

Conversion of materials into semi or finished products (2)

provision of services (2)

(c) explanation of at least 3 functions of central bank. (3*2)

(d) as the economy expands,

Primary declines, secondary expands and tertiary expands. [4]

As economy further expands, both primary and secondary decline and tertiary expands. [4]

For full marks, students should make reference to the proportion of employment in these sectors.

3 (a) Define 'opportunity cost'. [2]

- (next) best alternative (1) forgone (1)

(b) Explain why the economic problem can never be solved. [4]

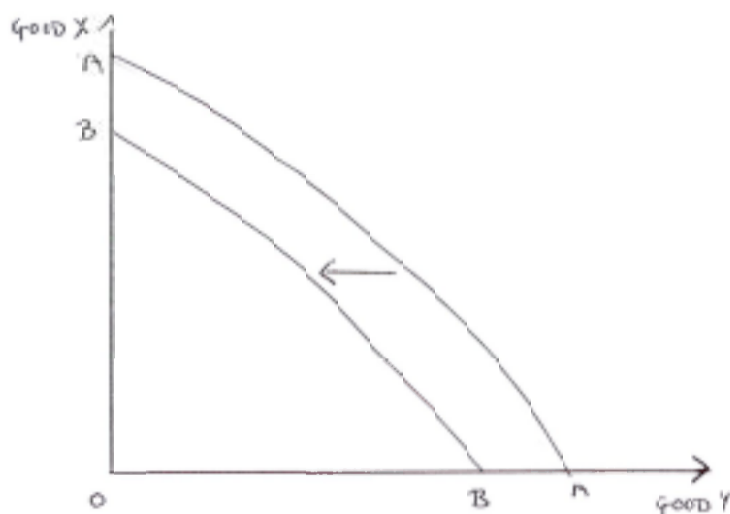
- the economic problem is scarcity (1)
- infinite wants (1) finite resources (1)
- wants exceed resources (1) as wants grow faster than resources/growth of resources will not exceed growth of wants (1)

(c) Using a production possibility curve diagram, analyse the effect of the destruction of some of its resources on an economy. [6]

- axes correctly labelled (1)
- original curve/downward sloping line to axes (1)
- new curve present (1)
- shift to the left clearly indicated either by an arrow or by labelling (1)

Up to 2 marks for written explanation:

- the destruction of resources will reduce the maximum output a country can produce (1)
- this will move the production possibility curve to the left/closer to the origin (1)



(d) Discuss whether a country will benefit from the emigration of some of its people. [8]

Up to 5 marks for why it might:

- emigration of dependents (1) would reduce the burden on the working population (1) reduce government spending on benefits/pensions (1) which means government spending on other items can increase (1)
- if there is overpopulation/population above the optimum level (1) output per head should rise/more efficient use can be made of resources (1)
- workers who emigrate may send money back to relatives (1) this may increase living standards (1)
- emigrants may later return to the country bringing new skills with them (1) this may raise the productivity of the labour force (1)

Up to 5 marks for why it might not:

- skilled workers may emigrate (1) this will reduce the quality of the labour force (1) lowering productivity (1) discouraging multinational companies setting up in the country (1)
- if people of working age emigrate (1) the dependency ratio will increase (1)
- if there is under-population/population below the optimum level (1) output per head would fall/less efficient use can be made of resources (1)
- with lower output less advantage can be taken of economies of scale (1)