Past-paper walk-through

Resource allocation in different economic systems ▪ 1.4

eXercise

Questions in this set

- 9708/12 N25 Q3 ▪ 1 mark
- 9708/11 J25 Q5 ▪ 1 mark
- 9708/1 23 Q2 ▪ 1 mark

Question 3

9708/12 N25 ▪ Q3 ▪ 1 mark

3 What is **not** a characteristic of a planned economy?

A Consumers have limited influence on what is produced.

B Profit is the motive for increasing output.

C Resources are owned by the government.

D There is limited competition in the market.

Solution 3

Answer: **B**

Why

- In a planned economy the state owns the resources and directs what is produced.
- Consumers have little influence, and output targets replace market signals.
- *Profit* as the motive belongs to a market economy, so it is not a planned-economy characteristic.

Question 5

9708/11 J25 ▪ Q5 ▪ 1 mark

5 How can a public good become a private good?

A Consumers are dissatisfied with the performance of state-run services.

B New technological developments make the good excludable.

C The government privatises the industry producing the good.

D The price of the good increases so it becomes more profitable.

Solution 5

Answer: **B**

Why

- A public good is non-excludable, which is precisely why the market fails to provide it.
- If technology makes it possible to exclude non-payers, it can be charged for.
- It then becomes a private good – dissatisfaction with a state service changes nothing about the good itself.

Question 2

9708/1 23 ▪ Q2 ▪ 1 mark

2 What is likely to be introduced in the market for bus travel if an economy moves from a mixed economy to a market economy?

A allowing companies to bid for bus routes

B free bus travel for school children

C maximum prices for bus travel

D subsidies to bus operators

Solution 2

Answer: **A**