Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

Each answer shows the steps, then the **result**.

2.1

- the ability to produce a good at a lower opportunity cost than another country (2 for a clear definition; 1 for a partial idea)

2.2

- 1 unit of cloth costs 3 units of food ($30 \div 10 = 3$) (1)

2.3

- any one of: ignores transport costs; ignores trade barriers; assumes constant costs; specialising is risky if the price falls (1)

3.1 B

- Comparative advantage means a lower opportunity cost

3.2

- *[6]* AO1 1 + AO3 up to 5 — if each country makes the good it gives up least to produce and trades for the rest, resources are used where they are most productive
- total output of both goods rises
- trade lets both countries consume beyond their own PPC

3.3

- *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **For:** specialisation raises efficiency, output and living standards. **Against:** over-reliance on one good is risky if its world price falls; it can cause structural unemployment and the loss of strategic industries; the theory ignores transport costs and barriers. Judgement: specialising on comparative advantage usually raises welfare, but some diversification reduces risk — it depends on the good's price stability and the country's flexibility