Solutions

Marking: **K** knowledge, **App** application to the case, **An** analysis (a developed chain of reasoning), **Ev** evaluation (a justified judgement); calculations earn **M1** for the method and **A1** for the answer.

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

2.1

- growing tomatoes: **what** to produce
- using machines: **how** to produce
- selling to whoever pays most: **for whom**

2.2

- the higher price shows that consumers want **more** of the toy (K)
- firms see the chance of higher **profit**, so they move resources into making it (An)

2.3

- $(50 - 40) \div 40 \times 100$
- $= \mathbf{25}\ \%$

3.1

B

3.2

(a)

- $(2.00 - 0.50) \div 0.50 \times 100$
- $= \mathbf{300}\ \%$

(b)

- at $2.00 some buyers are **unwilling or unable** to pay (K)
- so the quantity demanded falls (An)
- the masks go to those who value them most / will pay most (App)
- the shortage is removed without queues or a government plan (An)

(c) a developed chain, for example:

- the higher price **signals** that consumers want more masks (K)
- each mask now earns more **profit** (An)
- existing firms increase output; firms making other goods switch to masks (App)
- resources such as factory space, workers and fabric move into masks (An)
- supply rises, and the price can fall again as output increases (An)

(d) for: (An)

- prices allocate quickly, with no planning; firms get a strong incentive to raise output
- masks go to those who value them most

against: (An)

- the poor may be priced out, though they may be at high risk; health is a **merit**-type need
- some buyers may stockpile; people who are ill spread disease to others, so the market ignores **external** effects

judgement: (Ev) for example, the price mechanism is good at raising supply, but during an outbreak the government should also give free masks to vulnerable groups, because the social benefit of everyone wearing one is larger than the private benefit.

Level 3 (6–8): both sides analysed and a justified judgement. Level 2 (3–5): one side analysed or both explained. Level 1 (1–2): simple points.