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

any two:

- resources are mainly **privately owned**
- the **price mechanism** allocates resources
- firms aim to make a **profit**; little government intervention

2.2

- firms try to win customers from rivals (K)
- so they cut **prices**, improve **quality** or offer more choice (An)

2.3

- $45 \div 5 =$ **9** times
- income is very **unequally** shared

3.1

C

3.2

(a)

- $(40 - 25) \div 40 \times 100$
- $=$ **37.5** %

(b) two advantages, each explained (K + App each):

- **competition** forced firms to cut prices: bills fell from $40 to $25
- the **profit** motive led firms to invest, so coverage improved in villages
- more **choice** of firms and plans for consumers

(c) a developed chain, for example:

- in a market, incomes depend on what people **own** and the skills they sell (K)
- owners of capital and land earn profit, rent and interest; those with only labour earn wages (An)
- workers with scarce skills earn high wages; unskilled workers earn little (App)
- wealth earns more income, which buys more assets and education for children (An)
- with no government to redistribute, the gap widens over time (An)

(d) for: (An)

- efficient: resources go to what consumers want; prices fall, quality rises
- innovation and choice; no costly planning

against: (An)

- inequality; public goods and merit goods under-provided; pollution ignored
- a few firms may come to dominate and raise prices, as the case warns

judgement: (Ev) for example, markets are best at producing most goods efficiently, but a **mixed** economy is better overall, because government is needed for public goods, to limit monopoly power and to reduce inequality.

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.