

Multiple Choice Answers

Q5: D

Q6: C

5(a)

Identify two reasons why workers may choose to work in the formal economy.

Two from:

- higher incomes in the formal economy
- may have access to employment protection
- may be covered by a national minimum wage
- may be able to join a trade union
- may be entitled to receive unemployment benefit
- may be entitled to retirement benefits / pensions
- will have a formal income record needed for e.g. bank loans
- formal economy may be regulated by government.

5(b)

Explain two effects of economic growth on a country's population.

Logical explanation which might include:

- more goods and services available / greater ability to purchase health care (1) higher living standards / life expectancy (1) less poverty (1)
- higher employment / more job opportunities (1) more income (1)
- more choice (1) due to more firms starting up / expanding (1)
- lower inflation (1) if due to higher productivity / lower costs / more competition (1)
- higher tax revenue (1) allows more government spending on e.g. education / health (1)
- higher prices (1) due to increasing total demand (1)
- more pollution / external costs (1) due to higher output of manufactured goods (1)
- depletion of non-renewable resources (1) reducing future economic growth (1)
- attracts immigrants / deters emigrants (1) due to benefits from high living standards e.g. job opportunities (1).

5(c)	Analyse how government regulation can reduce market failure. Coherent analysis which might include: market failure occurs when there is an inefficient allocation of resources in a free market (1). laws / rules can be used (1): • to promote the use of merit goods (1) that are under-consumed (1) e.g. making it compulsory to wear seat belts in a car (1) • to reduce the consumption of demerit goods (1) that are over-consumed (1) e.g. banning smoking in public places (1) • to ensure minimum standards for goods and services (1) e.g. making it compulsory for restaurants to reach certain standards of cleanliness (1) can overcome the problem of sellers having more information than buyers (1). • to prevent abuse of monopoly power (1) by imposing maximum prices (1) e.g. a limit can be imposed on the price that can be charged by a monopoly water company (1) • to reduce exploitation of labour (1) by imposing minimum wages (1).
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5(d)	Discuss whether or not an increase in the number of firms will benefit an economy. In assessing each answer, use the table opposite. Why it might: • may increase competition • higher competition may lower costs and prices and increase quality • may increase choice • may reduce monopoly power • more firms may increase output • higher output may increase employment and living standards.
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5(d)	Why it might not: • firms may be smaller • may not be able to take advantage of economies of scale • may be wasteful duplication • may have lower profits and so invest less, lower innovation.
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Multiple Choice Answers

Q16: B

2(d)	Discuss whether or not the demand for chocolate is likely to be price elastic. In assessing each answer, use the table opposite. Why it might: • may have substitutes • may be seen as a luxury • PED of particular brands will be more elastic than demand for chocolate as a whole • the longer the time period, the easier it will be for consumers to change their spending patterns. Why it might not: • may be addictive • may be seen as a necessity • may take up a small % of income.	8	<table><tr><th>Level</th><th>Description</th></tr><tr><td>3</td><td>A reasoned discussion which accurately examines both sides of the economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations. One side of the argument may have more depth than the other, but overall both sides of the argument are considered and developed. There is thoughtful evaluation of economic concepts, terminology, information and/or data appropriate to the question. The discussion may also point out the possible uncertainties of alternative decisions and outcomes.</td></tr><tr><td>2</td><td>A reasoned discussion which makes use of economic information and clear analysis to evaluate economic issues and situations. The answer may lack some depth and development may be one-sided. There is relevant use of economic concepts, terminology, information and data appropriate to the question.</td></tr></table>	Level	Description	3	A reasoned discussion which accurately examines both sides of the economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations. One side of the argument may have more depth than the other, but overall both sides of the argument are considered and developed. There is thoughtful evaluation of economic concepts, terminology, information and/or data appropriate to the question. The discussion may also point out the possible uncertainties of alternative decisions and outcomes.	2	A reasoned discussion which makes use of economic information and clear analysis to evaluate economic issues and situations. The answer may lack some depth and development may be one-sided. There is relevant use of economic concepts, terminology, information and data appropriate to the question.
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Multiple Choice Answers

Q9: C

Multiple Choice Answers

Q6: A