1 A university rejects 2000 qualified applicants who wish to study there.

Which factor of production could have caused the university to make this decision?

A infinite quantity of capital

B scarcity of labour

C surplus of land

D unlimited supply of enterprise

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5 Missions to outer space face the same basic economic problem as that experienced on Earth. The African Space Agency was created to improve science and technology on the African continent. This agency also aims to coordinate trade between African countries to help technological development. This may improve how markets work. In 2021, total government spending on this agency was more than $500 million.

(a) Define *the basic economic problem*. [2]

(b) Explain how a market allocates resources. [4]

(c) Analyse the benefits a country may gain from exporting to and importing from other countries. [6]

(d) Discuss whether or not an increase in government spending will benefit an economy. [8]

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2 South Korea makes use of both economic goods and free goods. Its output includes products with both elastic and inelastic supply. The country is building the world's first floating city, estimated to cost $180m. This is to cope with rising sea levels caused by climate change. Governments take a number of measures to reduce greenhouse gases which contribute to climate change, including banning the burning of wood to heat homes.

(a) Identify a difference between economic goods and free goods. [2]

(b) Explain how opportunity cost will influence a government's decision on whether to spend tax revenue on a large infrastructure project. [4]

(c) Analyse the influences on whether supply of a product is elastic or inelastic. [6]

(d) Discuss whether or not a government should ban the burning of wood to heat homes. [8]

1 What has an opportunity cost in consumption?

A air

B food

C sea water

D sunlight

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1 Which economic question is **least** likely to arise as a result of scarcity?

A For whom will we produce?

B How will we produce?

C What will we produce?

D When will we produce?

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1 What is the cause of the economic problem facing the global market for gold?

A Consumer wants for gold are limited.

B Gold is a limited resource.

C Only governments can sell gold.

D There is an unlimited supply of gold.

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1 What is a free good?

A free samples of a new product

B health services provided by the state

C second-hand clothing

D sunlight