

Question 3 (Answer: **A**)

- A movement **along** the PPC means producing more of one good and less of the other.
- It happens when resources are switched between the two uses.
- A shift of the whole curve would need more resources or better technology.

Question 21 (Answer: **B**)

- An economy on its PPC is using all its resources.
- A recession leaves resources idle, so production moves to a point **inside** the curve.
- If workers permanently lose their skills, the curve itself shifts inwards – capacity is lost.

Question 3 (Answer: **C**)

- A point on the PPC uses all resources, so more of one good means less of the other.
- Capital goods add to future productive capacity; consumer goods do not.
- So choosing more capital goods now means less consumption now but faster growth later.

Question 3 (Answer: **C**)

- A point **on** the PPC means all resources are being used.
- Producing more of one good therefore requires producing less of the other.
- That trade-off along the curve is the opportunity cost.

Question 3 (Answer: **A**)

- A point **inside** the PPC means resources are unemployed or used inefficiently.
- A point **on** it means full and efficient use.
- A point **outside** is unattainable with current resources and technology.

3(d)	Discuss whether or not consumers would benefit from only one firm producing shampoo. In assessing each answer, use the table opposite. Why they might: - one firm may be able to benefit from economies of scale - lower average cost may lead to lower prices - firm may spend a large amount on research and development due to high profits and security - quality of product may be high - less time / less effort choosing shampoo. Why they might not: - lack of competition may drive up prices - lack of choice - if quality is poor, cannot switch to substitutes - firm may experience diseconomies of scale.	8	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.
3(d)			Level	Description
			1	There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding.
			0	A mark of zero should be awarded for no creditable content.

Question 3 (Answer: A)

- An outward shift of the PPC means more of both goods can be produced.
- That needs more resources, better technology or a more skilled workforce.
- A movement *along* the curve would just be a change in the mix of the two goods.

2(a)	Identify <u>two</u> places where a production point could be located on a PPC diagram. Two from: • point inside the curve / left of the curve • point on the curve / along the curve • point outside the curve / right of the curve
2(b)	Explain <u>two</u> reasons why someone may switch from eating in one restaurant to eating in another restaurant. Logical explanation which might include: (Change in) prices (1) lower price making it more affordable / substitutes / save money (1). (Change in) quality (1) better ingredients / better cleanliness / quicker service / new menu / more satisfaction / better taste / change in staff (1). (Change in) convenience (1) e.g. longer opening hours / better location (1) (Change in) facilities (1) e.g. better restrooms (1). (Change in) income (1) enabling some to eat in more expensive restaurants (1). (Change in) consumer tastes (1) switch to e.g. vegan restaurant (1) Advertising (1) may attract/persuade customers / increase attractiveness (1). (Change in) quantity provided (1) lower quantity may represent lower value for money (1).

2(c)

Analyse why the wage of a chief executive of a large commercial bank is higher than that of a waiter.

Coherent analysis which might include:

Chief executive may be more qualified / more educated (1)
received more training (1) more skilled / talented (1) more
productive (1) more experienced (1) higher level of
responsibility / higher level of stress / more demanding job
(1) in shorter supply / harder to replace (1) more inelastic
supply (1).

Chief executive may be in higher demand (1) more inelastic
demand (1).

Chief executive may have stronger bargaining power (1)
may be more likely to be in a trade union / professional body
(1).

May be less likely to be in a group that is discriminated
against (1) e.g. migrant workers (1).

Chief executive may work longer hours (1).

2(d)

Discuss whether or not free trade will increase economic growth.

In assessing each answer, use the table opposite.

Why it might:

- may enable countries to specialise on what they are best at producing
- higher competition may increase productivity and lower costs of production, increasing demand for their products
- may enable firms to buy raw materials and capital goods at a lower price
- may give firms access to larger markets, enabling them to expand output.

Why it might not:

- may prevent infant industry from growing
- may speed up the closure of declining industries
- may replace domestic output with imports
- may reduce tax revenue
- firms may gain monopoly power and may restrict output
- firms may engage in unfair competition e.g. dumping.