4 What are both macroeconomic decisions?

	decision 1	decision 2
A	a school recruits more teachers	a firm sets the prices for its products
B	a central bank reduces money supply	a government spends more on defence
C	a government increases tax rates	a farmer decides which crops to grow
D	a household cuts its energy use	a worker accepts an offer of overtime

IGCSE Economics: **s25 13**

4 What is the function of the price mechanism in a market economy?

A allocating resources and guiding choices

B allowing governments to provide price stability

C enabling markets to operate fairly

D preventing competitors from entering a market

IGCSE Economics: **m25 12**

8 What is a characteristic of a market economic system?

A consumers decide whether production is labour-intensive or capital-intensive

B factors of production are government-owned

C high levels of government intervention

D land and capital are privately owned

IGCSE Economics: **w24 12**

2 What is opportunity cost?

A the allocation of resources in an economy

B the cost to the individual when they consume a good

C the lack of goods and services available to satisfy unlimited wants

D the next best alternative forgone when making an economic decision