

Question 4 (Answer: B)

- In a market system, price changes are the signal that reallocates resources.
- Dearer petrol raises the cost of motoring, so people drive less and demand for cars falls.
- It also raises transport costs for firms, which feeds into other prices.

Question 5 (Answer: A)

- Effective demand requires both willingness *and* ability to pay.
- So the price, the consumer's income and their willingness all matter.
- Wanting something without the income to buy it is not demand in the economic sense.

Question 4 (Answer: B)

- Macroeconomic impacts affect the whole economy, not one firm or market.
- Closing restaurants nationwide raises unemployment and reduces national output.
- A change in one restaurant's prices would be microeconomic instead.

Question 6 (Answer: C)

- A market demand curve is the *horizontal* sum of the individual demand curves.
- So at each price, add the quantities the two buyers want.
- The market curve is therefore flatter than either individual curve.

4(d)	Discuss whether or not economic growth will improve living standards in a city. In assessing each answer, use the table opposite. Why it might: • increase job opportunities in the city – increase income • increase government revenue – more public and merit goods for the city • increase amount of investment in the city – more choice of goods and services Why it might not: • increase negative externalities such as pollution and congestion • overcrowding as more people attracted to come to cities • increase inequality • may produce inflationary pressures – reducing affordability	8	Maximum of four marks if no reference to a cit <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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			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 5 (Answer: B)

- A shift of the demand curve is caused by something other than the good's own price.
- Income, tastes, population or the price of a substitute or complement will do it.
- A rightward shift means more is demanded at every price.

Question 4 (Answer: D)

- Falling raw cocoa prices with rising chocolate prices means the two markets moved apart.
- So supply of raw cocoa must have risen while demand for the finished product also rose.
- Advertising raising demand for chocolate, plus a good harvest, would produce exactly that.

4(a)	Define an <i>extension in demand</i>. A movement along a demand curve (1) higher demand (1) caused by a fall (1) in price (1).
4(b)	Explain two external costs that may be caused by exploring for oil. Logical explanation which might include: Air pollution / pollution (1) those living nearby may experience a reduction in air quality / contribute to climate change/global warming / reduced health (1). Noise pollution (1) disturbing sleep (1). Water pollution / oil spillage (1) damage health (1). Damage to the natural environment / land / deforestation (1) destroy wildlife habitats / cause global warming / climate change (1). Reduce tourism (1) lower employment (1). Congestion (1) increasing transport costs (1).

4(c)

Analyse how growth in a country's tertiary sector can increase its living standards.

Coherent analysis which might include:

May have high productivity (1) increase output (1) increase employment / reduce unemployment (1).

May pay higher wages (1) allowing workers to consume more goods and services / afford education / afford healthcare / reduce poverty / buy more necessities / buy some luxuries/wants (1).

May provide good working conditions (1) less tiring / less physically demanding (1) resulting in good health of workers (1) few accidents (1).

May involve expansion of education (1) increasing future employment / workers' skills (1) earning prospects (1) increase quality of output (1) increase HDI value (1).

More transport services (1) could reduce prices / lower congestion / reduce stress (1).

Growth of entertainment industry (1) improve leisure time (1).

May involve expansion of healthcare (1) increase life expectancy / better health (1).

May increase tax revenue (1) enabling the government to spend more on e.g. education (1).

Less pollution (1) less environmental damage / less climate change / less global warming (1).

4(d)

Discuss whether or not workers who lose their jobs are likely to stay unemployed for a long time.

In assessing each answer, use the table opposite.

Why they might:

- may lose skills / unskilled workers may have greater difficulty than skilled workers in finding another job
- may become out of date with advances in technology / working practices
- may be expensive for firms to employ as may need extra training
- may lose confidence
- may become less attractive to employers
- more likely to stay unemployed if a result of cyclical/structural rather than frictional unemployment
- may be high unemployment benefits.

Why they might not:

- may receive government training
- may be geographically/occupationally mobile
- gap between wages and state benefits may encourage the unemployed to seek work
- economy may grow, expanding employment opportunities
- may leave the labour force, e.g. retire / emigrate
- may be seasonally unemployed.

4(d)	
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