27 What is an advantage of international specialisation?

A Choice is limited.

B Countries become over-dependent on each other.

C Resources are used more efficiently.

D Transport costs are decreased.

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4 What is **not** a function of prices in a market economy?

A prices allow income to be distributed equally

B prices ration scarce resources among economic agents

C prices rise and fall to reflect shortages and surpluses

D prices send information to consumers and producers

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5 There are three key questions to be decided in determining resource allocation within an economy.

What does **not** relate to one of the choices in the three key questions?

A whether all income groups receive the output

B whether consumer or industrial goods are produced

C whether economic goods or free goods are supplied

D whether labour or capital is used in production

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3 The central bank of Madagascar intervenes in the country's foreign exchange market. However, Madagascar has a largely market economic system. Nearly 70% of Madagascar's population live in poverty. Most of the country's industries are labour-intensive. In 2020, Madagascar had an economic growth rate of 6% and a deficit on the current account of its balance of payments of $0.6bn.

(a) Define *foreign exchange market*. [2]

(b) Explain **two** reasons why a firm may adopt labour-intensive production. [4]

(c) Analyse how the macroeconomic aims of economic growth and balance of payments stability may conflict. [6]

(d) Discuss whether or not a high level of poverty is likely to exist in a market economic system. [8]