Evidence for Question 2 (a)

Candidate 6

2.a) Opportunity cost is when because of scarcity we have to make choices as to how we allocate resources (land, labour, capital, and enterprise).
These choices are made by individuals firms and government.
An example is if the government wishes to increase spending on health care other sectors such as education will lose out, on the ~~money~~ revenue.

2.a) cont It is the loss of satisfaction of the next best product. When we buy one product we lose out on the ~~other~~ next best one, due to limited revenue).

Candidate 4

2 a) Opportunity cost occurs when a choice is made. Choices are made because resources are scarce. Opportunity cost is the sacrifice of the next best alternative. For example the opportunity cost for a government of making a new school is then not having enough resources to make a new hospital.

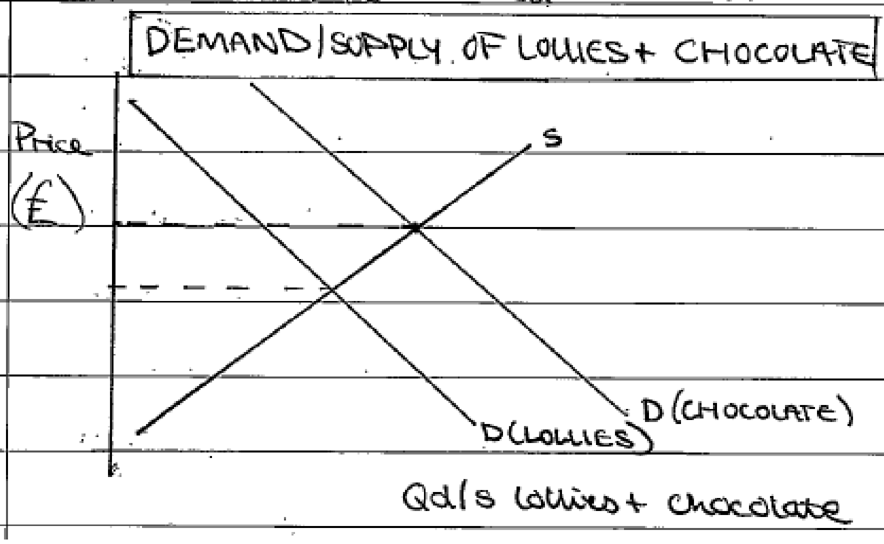
Candidate 3

2 a) opportunity cost is the sacrificed next best alternative when making a choice.
For example a goverment may wish to build a new school and a new hospital, the opportunity cost of choosing the hospital is the school

Evidence for Question 2 (b) (i)

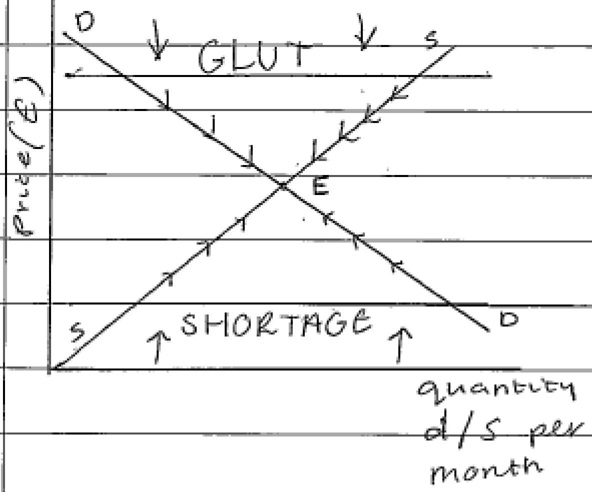
Candidate 1

b) i. The price mechanism involved the Quantity Demanded (Qd) and the Quantity supplied (Qs) in a market. The price mechanism is used for allocative efficiency as the price mechanism shows which goods have a high demand: For instance if there is a high demand for lollies in a market then firms will supply lollies. If there is an even higher demand for chocolate in a market then firms will supply chocolate instead of lollies as if there is a higher demand for chocolate then firms can usually charge a higher price for chocolate than for lollies.



Candidate 2

bi)



Price mechanism allocates scarce resources as there is upward or downward pressure on the price depending how scarce a resource is. If the price is too high there is too much supply and not enough demand, therefor there is downward pressure on the price as there is a glut. As the

	price falls so does demand and	
	the price can sit at equilibrium	
	If the price is too low, there	
	is too much demand and	
	not enough supply therefor	
	there is a shortage in the	
	market. There is upward	
	pressure on the price until	
	it sits at equilibrium. Where	
	demand equals supply.	

Evidence for Question 2 (b) (ii)

Candidate 2

b ii)	Goverment may interveen in	
	a mixed market as they	
	may experience market failure.	
	Public goods are a symtom	
	of market failure, this is	
	where businesses and firms are	
	unable to ~~produce~~ offer a	
	good or service with receiving a	

Sustainable amount of profit therefor they government step in an offer this good or service ~~through~~ which is funded through taxes, an example of a public good is a light house.

another symptom of market failure is merit goods, this is where businesses can make profit from these but only the rich can afford them, therefor the goverment see's merit in all consumers and provides them through ~~[illegible]~~ tax, an example of a merit good is schools and hospitals.

Candidate 7

ii) A mixed market economy has mixed intervention from the government while firms can decide how to produce and what to produce most of the time. The government could intervene to correct market failure where consumers ~~i~~ don't have access to basic needs. To correct this the government could provide merit goods eg. health, education (more to do with welfare and would be under produced if left to the private sector) and public goods such as sewage systems or bin collection. The government could intervene in a mixed market economy to stop the production of de merit goods such as harmful drugs. Another way the government could intervene is to address issues of regional disparity. The government could do this by setting maximum prices of goods (which are often under equilibrium level) so that families on lower income won't be unable to afford basic goods. All of the above methods would ensure a much fairer allocation of resources.

Evidence for Question 2 (c)

Candidate 1

c) A perfectly competitive market is one
in which there are an infinite number
of suppliers This means that suppliers
are price takers as if one firm raises
its price by even just a little all of its
customers will go to another firm.
there are also an infinite number of
demanders as there are always

individuals who demand the goods in a perfect market. This means that a firm in a perfect market will not go out of business, cet par, as there will always be consumers demanding their goods.
There are no barriers to entry and exit of the market so firms are free to enter and leave the market as they like.
There is also one price set throughout all the firms as there is 100% perfect knowledge - consumers know the price of the good ~~that~~ in every other firm and will not buy if it is more expensive elsewhere.

Candidate 4

Q)	One characteristic of a perfectly competitive market is that there is no monopoly power or firm with over 25% market share. Instead there are lots of smaller firms that can act as a substitute for one another. There is perfect information with a competitive market also.
	In a perfectly competitive market a supplier are "price takers" rather then "price makers" as they have to remain competitive and can't make abnormally large profits because of it. Perfectly competitive markets are full of choice for the consumer as there are lots of firms due to low barriers to entry. This means there aren't many natural or artificial constraints involved with joining the market.