AQA A-LEVEL ECONOMICS · 7136

ECONOMICS



EXAM QUESTION PACK

3.1.8.1 HOW MARKETS AND PRICES ALLOCATE RESOURCES

SCORE	PERCENTAGE
/41	%

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1. ‘Most consumers know, more or less, when and why they are likely to want to replace a TV set or mobile phone. Nobody really knows in advance when or why they might need to go into hospital for a new knee-cap or hip joint.’

Explain why imperfect information might lead to market failure in the case of merit goods and demerit goods.

[15 marks]

2. The lack of clearly defined property rights in a country is most likely to lead to

A overproduction of merit goods. ⬭

B equality of private costs with social costs. ⬭

C overuse of scarce natural resources. ⬭

D an efficient allocation of resources. ⬭

[1 mark]

3. ‘Most consumers know, more or less, when and why they are likely to want to replace a TV set or mobile phone. Nobody really knows in advance when or why they might need to go into hospital for a new knee-cap or hip joint.’

Discuss whether economic welfare would necessarily be increased if the provision of merit goods and public goods were always left to governments without ever involving markets.

[25 marks]

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