PEARSON EDEXCEL A-LEVEL ECONOMICS B · 9EB0

ECONOMICS



EXAM QUESTION PACK

1.1 SCARCITY, CHOICE AND POTENTIAL CONFLICTS

SCORE	PERCENTAGE
/314	%

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Questions

Q1.

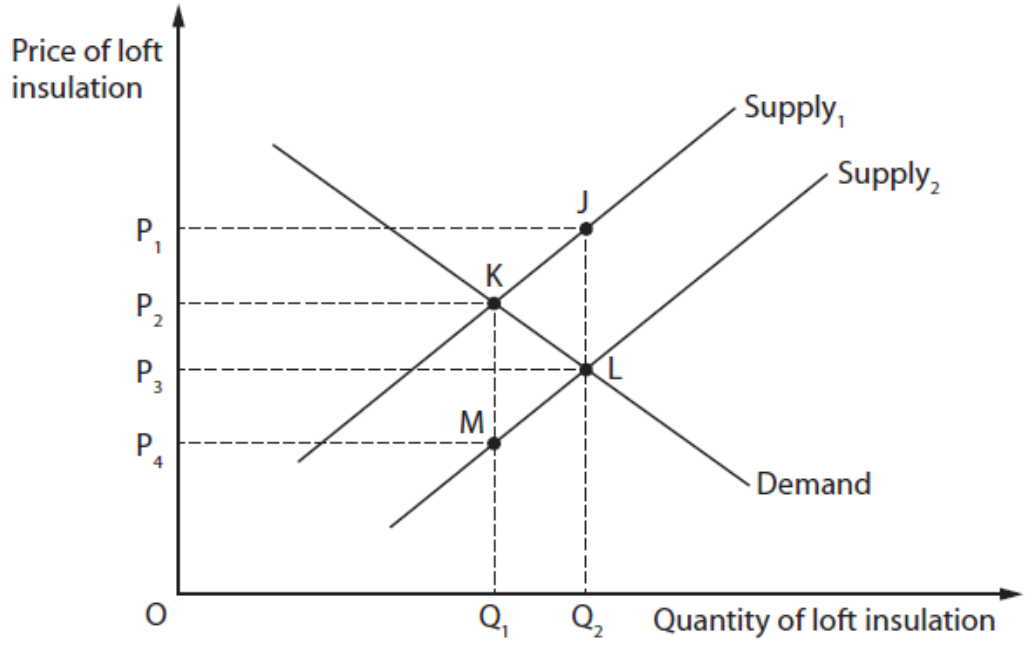
Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The 'Energy Company Obligation' is the government's term for its programme to make houses in the UK more
energy efficient.

(a) In the diagram below, the government grants a subsidy to energy suppliers to install loft insulation.

This shifts the market supply curve for loft insulation from $Supply_1$ to $Supply_2$.



The total amount spent by the government on subsidies is represented by the area:

(1)

☒ **A** OP_1JQ_2

☒ **B** OP_3LQ_2

☒ **C** P_3P_1JL

☒ **D** P_4P_2KM

(b) Explain an opportunity cost to the government of granting subsidies to energy suppliers to

install loft insulation.

(3)

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(Total for question = 4 marks)

Q2.

The market for cigarettes

Figure 1: Price elasticity of demand - a comparison between tobacco and e-cigarettes

Price of packet of 20 tobacco cigarettes £7.70–£9.50	Price of e-cigarette kit £9.99–£19.99
Average price per tobacco cigarette 48p	Single cigarette equivalent price of an e-cigarette 7p
Price elasticity of demand for tobacco cigarettes –0.35	Price elasticity of demand for e-cigarettes –1.9

(Source: adapted from https://www.blucigs.co.uk/united-kingdom/kits/all-kits)

Extract A

Government intervention on tobacco

There was a time when smoking was fashionable. Television and magazine advertisements glorified smoking. Everyone from your dad to your doctor smoked in all places – cars, restaurants and even hospitals.

Tobacco is still the single biggest cause of cancer in the world and the leading cause of preventable deaths. Nearly 80% of the 1 billion smokers worldwide live in low- and middle-income countries.

Bans on tobacco advertising, promotion and sponsorship can reduce tobacco consumption. Comprehensive smoking bans covering indoor workplaces, public places and public transport have been introduced in 48 countries.

Tobacco taxes are the most cost-effective way to reduce tobacco use, especially among the young and people in low-income groups. A tax increase that raises tobacco prices by 10% decreases tobacco consumption by 4% in high-income countries and 5% in low- and middle-income countries.

However, some 8 million people are expected to die each year by 2030 – because they have smoked tobacco or have been exposed to passive smoking. The use of alternative products such as electronic cigarettes (e-cigarettes) are gaining in popularity but information about their effects is uncertain. Little research has yet been done about the long-term health effects of e-cigarettes and the nicotine dispensed by e-cigarettes is highly addictive. The illegal tobacco market still counts for 1 in every 10 cigarettes consumed globally. In addition, tobacco companies still spend tens of billions of dollars each year on advertising and promoting tobacco products and sponsoring events. They continuously challenge the regulatory measures governments are taking.

(Source: adapted from http://www.who.int/topics/tobacco/en/ and http://www.who.int/mediacentre/commentaries/reducing-tobacco-use/en/)

Extract B

Free market approach

Are free markets incompatible with good health? If the solution to every problem involves banning advertising, raising prices and restricting availability, you might easily conclude that the free market is the disease and government regulation is the cure. From this perspective, the providers of food, alcohol and tobacco are determined to push the most unhealthy products on the public at the lowest prices.

Contrary to this viewpoint, the profit motive is not unhealthy. Businesses have an obvious incentive to keep their customers alive and customers have a strong incentive to seek out healthier options. Any company that can make a scientifically sound health claim gains a competitive advantage over its rivals. Health sells. In contrast, government regulation can lead to negative health outcomes. Markets can correct themselves long before government failures are even acknowledged. Over a million Britons, almost all of whom are smokers or ex-smokers, use e-cigarettes, as a less hazardous product than cigarettes and yet e-cigarettes face increased regulations and in many countries they are banned.

It is neither consistent nor ethical to prevent smokers from switching to much safer alternatives. Efforts to regulate e-cigarettes are a far greater threat to public health than the products themselves.

We argue that the interests of consumers are nearly always better advanced by the provision of accurate information and free choice than by prohibitions and regulations. The government policy of small but steady tax rises on tobacco and ever-larger warning labels is becoming less effective and leads to unintended consequences.

(Source: adapted from http://www.iea.org.uk/blog/free-market-solutions-in-health-should-be-allowed-to-flourish, Christopher Snowdon, 11th July 2013)

(a) Explain why 'bans on tobacco advertising' (Extract A, line 7) may result in a decrease in the

revenue of tobacco firms. Include a supply and demand diagram in your answer.

(5)

(b) With reference to the information provided and your own knowledge, assess the view that tobacco consumers switching to e-cigarettes is an example of rational behaviour.

(10)

Tobacco cigarettes and e-cigarettes are considered to be substitutes.

(c) Explain how changes in the price of tobacco cigarettes may affect the demand for e-cigarettes over time.

(6)

(d) With reference to Extract A, lines 11–13, calculate the price elasticity of demand for tobacco cigarettes in high-income countries and in low-middle-income countries. You are advised to show your working.

(4)

(e) With reference to Figure 1, assess the likely reasons for the difference in price elasticity of demand for tobacco cigarettes and e-cigarettes.

(15)

EITHER

(f) Evaluate the possible advantages of a free market approach to cigarette consumption.

(20)

OR

(g) Evaluate the impact of government intervention in the cigarette market.

(20)

(Total for question = 60 marks)

Q3.

Some questions must be answered with a cross in a box (☒). If you change your mind about an answer, put a line through the box (☒) and then mark your new answer with a cross (☒).

Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

The world's first cryptocurrency, Bitcoin is stored and exchanged securely on the internet through a digital ledger known as a blockchain. Bitcoins are divisible into smaller units known as satoshis.

(Source: https://www.coinbase.com/price/bitcoin)

(a) Which **one** of the following would be most likely to cause a country's currency to no longer be acceptable as a medium of exchange?

(1)

- ☒ **A** It becomes harder to counterfeit
- ☒ **B** It becomes unlimited in supply
- ☒ **C** It is issued in smaller denominations
- ☒ **D** It is more long lasting

(b) Explain how Bitcoin fulfils **one** function of money, apart from as a medium of exchange.

(3)

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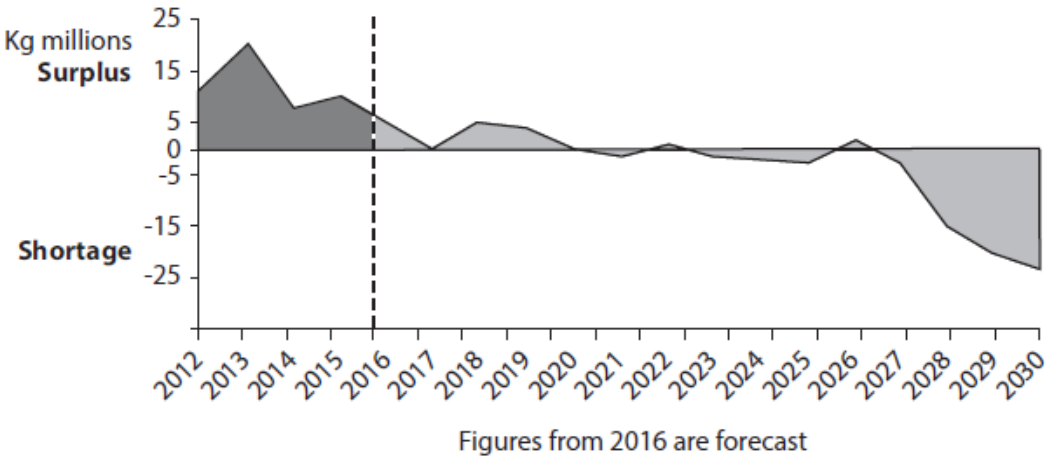
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(Total for question = 4 marks)

Q4.

Energy markets

Figure 1: Annual surplus or shortage of uranium, measured in millions of kilograms



Figures from 2016 are forecast

(Source: adapted from http://www.telegraph.co.uk/business/2016/11/20/uranium-the-unloved-metal-whose-price-is-poised-to-go-radioactiv/)

Extract A

Uranium: the unloved metal

Uranium is a fuel source for nuclear energy production. The price of uranium has fallen to a 13-year low. Uranium is a relatively common metal but locating it in the right concentrations can be difficult. Australia has the biggest known resource of uranium, followed by Kazakhstan. Kazakhstan's production has increased significantly since 2007, accounting for a large proportion of the surplus of this metal. Given the large stockpiles of uranium some firms have ceased production.

The biggest impact on the uranium market has been the devastating accident at the nuclear power station in Fukushima, Japan, in 2011. The accident caused a leak of radiation. The accident reduced confidence in the entire nuclear industry, as high doses of radiation leaks increase the risk of cancer. In addition the high cost of safely storing radioactive waste has delayed the building of new nuclear power stations. Japan initially closed all of its 50 nuclear power stations which reduced the demand for uranium. But it has since concluded that nuclear power must be part of its mix of energy suppliers.

Despite this setback in 2016 work started on a new uranium mine in Spain to meet the expected rise in demand for the metal. Uranium is a controlled material, so mining companies have to comply with many regulations before opening a new mine. When it opens in 2018, this will be the only uranium mine in Europe, producing 2.2 million kilos a year. It has been in development for more than a decade.

Most developed countries, with the notable exception of Germany, have concluded that nuclear power is an essential part of their energy supply. The US and UK are committed to building new nuclear power stations, the latter providing a £30 billion subsidy to build a new nuclear plant at Hinkley Point. China is also building a further 60 nuclear power stations.

Supporters of nuclear power say it provides a reliable source of energy at a time when the world's population is increasing, unlike solar power and wind power which both vary with the weather. In addition they argue that no country can significantly reduce carbon emissions, which are causing climate change, without nuclear. France and the UK have committed themselves to shut down all coal-fired power stations by 2025. So demand for uranium over the next two decades seems guaranteed.

(Source: adapted from Uranium: the unloved metal whose price is poised to go radioactive, Jon Yeomans, The Telegraph, 20 November 2016 http://www.telegraph.co.uk/business/2016/11/20/uranium-the-unloved-metal-whose-price-is-poised-to-go-radioactiv/)

Extract B

Irrational consumers pay the price

The UK Government has announced that it might introduce maximum price controls on energy used by households.

The UK's largest energy suppliers are braced for what could be the industry's most significant government intervention following a decade of rising energy bills and low numbers of consumers switching between energy providers.

The Prime Minister promised to intervene because the energy market is "manifestly not working" for consumers. Energy prices have risen by 158% in the last 15 years, and four million households, especially those on low incomes, are still on the most expensive energy rates.

Some energy analysts have warned the Government against taking a highly interventionist approach that could undermine the energy market and leave customers paying higher prices in the future.

(Source: adapted from http://www.telegraph.co.uk/business/2017/03/22/governments-pledge-cut-energy-prices-risks-leaving-consumers/)

Extract C

The economics of climate change

Rising carbon dioxide emissions result from the increase in the use of coal, gas and oil in transport and for energy production. In addition, deforestation, food production and processing methods make the problem worse. These carbon emissions are causing a rise in global average temperatures, known as climate change. Climate change could cause hundreds of millions of people to suffer hunger, water shortages and coastal flooding.

Three elements of policy are required for an effective global response to reduce carbon emissions. The first is the pricing of carbon, implemented through tax, trading pollution permits or regulation. The second policy is to support innovation and the deployment of low-carbon technologies. And the third is action to remove barriers to energy efficiency, and to inform, educate and persuade individuals about what they can do to respond to climate change.

(Source: adapted from www.sternreview.org.uk/)

(a) With reference to Figure 1 and Extract A, explain why the price of uranium has 'fallen to a 13-year low' (Extract A, lines 2 and 3) in 2016. Include a supply and demand diagram in your answer.

(5)

(b) With reference to Extract A and your own knowledge, assess whether the supply of uranium is likely to be price elastic or price inelastic.

(10)

(c) With reference to Extract B, explain **two** likely reasons why many consumers of energy have not switched to suppliers offering lower prices.

(6)

(d) Using examples from the information provided, explain what is meant by renewable and non-renewable energy.

(4)

The UK Government is considering introducing a maximum price for energy.

(e) Discuss the likely microeconomic effects of this decision on energy producers **and** consumers. Include a supply and demand diagram in your answer.

(15)

EITHER

(f) Using the concept of external costs, evaluate whether nuclear power is under-provided or over-provided in the energy market. Use an appropriate diagram in your answer.

(20)

OR

(g) Evaluate ways in which government intervention could be used to reduce carbon emissions. Use at least one appropriate diagram in your answer.

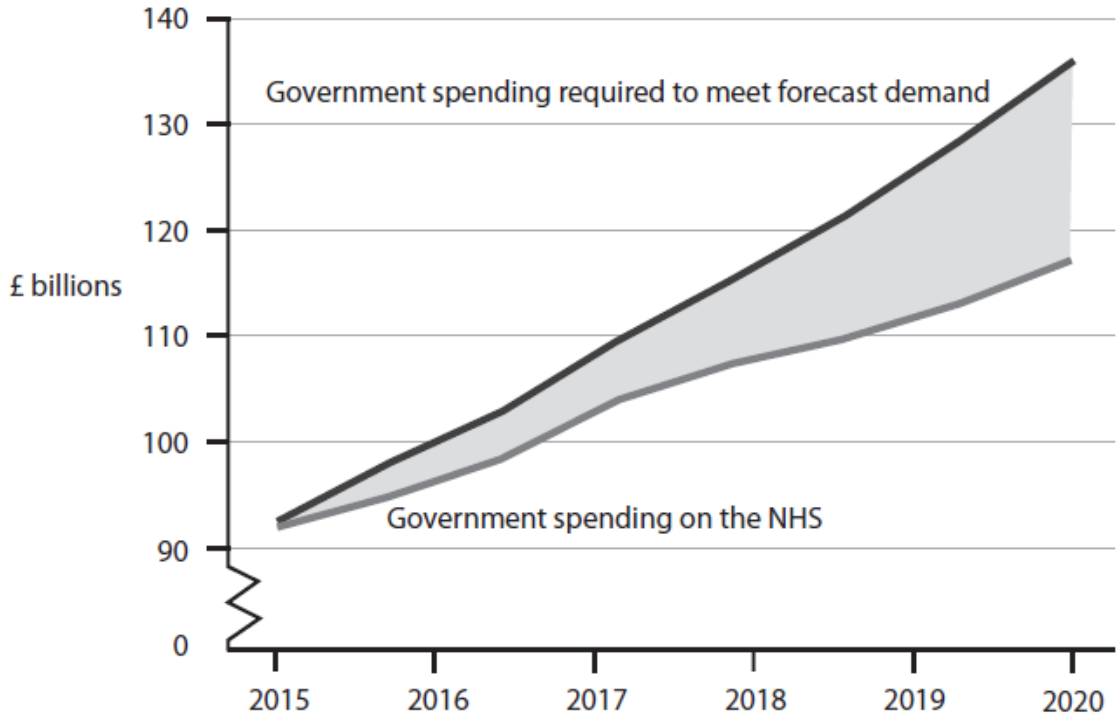
(20)

(Total for question = 60 marks)

Q5.

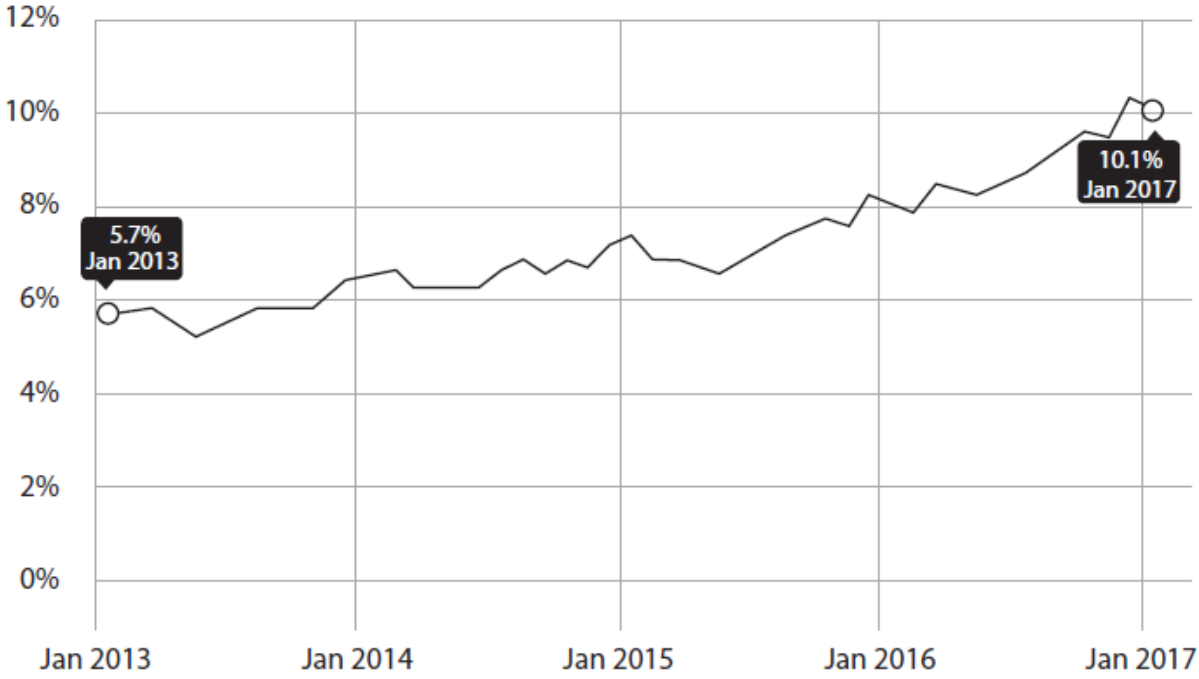
Health provision

Figure 1: National Health Service (NHS) in England: Government spending and projected funding gap, £ billions, 2015 to 2020



(Source: https://www.economist.com/news/britain/21706563-nhs-mess-reformers-believe-new-models-health-care-many-pioneered)

Figure 2: Percentage of NHS patients in England waiting over 18 weeks for non-emergency treatment



(Source: https://www.statista.com/chart/8813/more-and-more-people-made-to-wait-by-the-nhs/)

Extract A

Hospitals already full

National Health Service (NHS) managers' warned that bed occupancy rates are approaching 99% in some parts of the country, compared with recommended levels of 85%. In 2017 the number of patients waiting for non-urgent treatment passed the four million mark, the highest figure for almost a decade.

The chief executive of the NHS suggested that waiting list targets for routine operations such as hip and knee replacements would have to be sacrificed in order to protect other services, including accident and emergency (A&E) and cancer care.

However, the government has insisted waiting time targets must still be met. Recently the Chancellor awarded the NHS £2.8 billion over three years, including £1.6 billion in 2018 - less than the £4 billion which NHS officials had asked for to keep up with an ageing population and new medical technologies.

NHS managers said there was now very little spare capacity in the system, warning of shortages of paramedics, doctors, A&E consultants and nurses.

(Source: adapted from http://www.telegraph.co.uk/news/2017/12/07/hospitals-already-full-bursting-pressures-mount-warn-nhs-chiefs/)

Extract B

How health care is funded

Most countries have a mixed economy of health provision typically funded from taxation, patient fees and private health insurance.

The NHS was launched in the UK in 1948 to ensure direct state provision by the government of health care 'free at the point of use'. The NHS is mainly funded from general taxation. However, some NHS patients pay for some of their medical care, such as prescriptions to buy medicine.

In the ongoing debate about how best to fund the NHS, some people have proposed introducing a £12 charge for visiting a General Practitioner (GP) doctor. Proponents argue that such a charge would deter overuse of GP services by those who do not have genuine health needs. It would also raise additional money for the NHS and create incentives which will stimulate innovation and more choice.

Estimates suggested that a £12 charge on the 450 million visits a year to GPs could have raised enough to cover hospitals' overspend in 2016. Based on exemptions for prescriptions, 90% of patients will not be charged including the elderly, children and low income groups. There would also be administrative costs of collecting the charge and verifying exemptions. These arrangements would significantly reduce the amount a charge would generate, assuming no one paying would be dissuaded from visiting their GP.

The proportion of people in the UK taking out private health insurance (PHI) to pay for private health care has increased to 10.6%, despite significant increases in the prices of treatment in private hospitals. Some economists argue that the government should provide subsidies to encourage people to take out private health insurance. This would reduce the burden on the NHS by taking some people out of the state system. Furthermore it is argued that private health care increases choice for users, encourages competition and drives up standards of care.

A typical PHI policy for a healthy 35-year-old costs about £650 a year but this rises steeply to £2 300 for those aged 70, when claims are far more likely. The level of contribution is based on their risk of requiring health care. PHI also tends to incur high management and administrative costs due to the resources required to assess risk and claims. Also there is the possibility of market failure given asymmetric information.

(Source: adapted from https://www.kingsfund.org.uk/publications/how-health-care-is-funded)

Extract C

Public parks are a public good

Public parks are places which people can use for free to exercise or to relax. Parkrun Limited organises free weekly runs in local parks attracting hundreds of joggers per park to enjoy healthy exercise. The government is proposing to ban local authorities charging Parkrun for the use of public parks to fund the maintenance of public parks. The government considers that it is appropriate for the public to pay a reasonable sum for the private use of a facility such as a tennis court or a football pitch which may be used exclusively. However, the government does not consider it appropriate for a local authority to charge a volunteer community group 'seeking to provide a free weekly event' for the use of a public park. Parkrun share the park with other park users. Although a running course may be marked out there is no restriction on other people using the park.

(Source: adapted from © Crown Copyright Running Free – Government consultation on preserving the free use of public parks, April 2017, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/608372/Parkrun_ConDoc.pdf and http://www.telegraph.co.uk/news/2017/04/14/councils-banned-charging-runners-take-part-regular-saturday/)

(a) With reference to Extract A and Figure 2, explain how the health care market in the UK illustrates the economic problem.

(5)

(b) Explain how 'asymmetric information' (Extract B, line 30) can lead to market failure in health provision.

(6)

(c) 'Public parks are a public good' (Extract C, line 1). Assess this statement.

(10)

(d) Calculate the annual revenue raised by charging £12 per GP visit. Assume there will be 450 million GP visits per year and 90% of these will not be charged. You are advised to show your working.

(4)

(e) Discuss likely reasons why the prices of treatments in private sector hospitals are increasing. Draw a supply and demand diagram to support your answer.

(15)

EITHER

(f) Evaluate possible ways the government could intervene to reduce the excess demand for state-funded health care.

(20)

OR

(g) Evaluate the possible disadvantages of a free market approach to providing health care.

(20)

(Total for question = 60 marks)

Q6.

Read Extracts A and B and Figure 1 before answering the question.

The market for fish

Extract A

Total allowable catches of North Sea cod halved in response to falling stocks

In 2020, new lower limits on the quantity of cod that can be caught by the UK fishing fleet came into force. These limits on the fish catch, called total allowable catches (TACs), were agreed at the annual EU fisheries negotiations.

It was the last December EU meeting attended by the UK before it left the EU. It was agreed that cod catch limits will be cut by 50% in the North Sea, while reduced limits were agreed for cod in the Celtic Sea, Irish Sea and west of Scotland.

However, there were increases for other types of fish, with TACs for haddock in the North Sea rising by 23% and for sole rising by 19%.

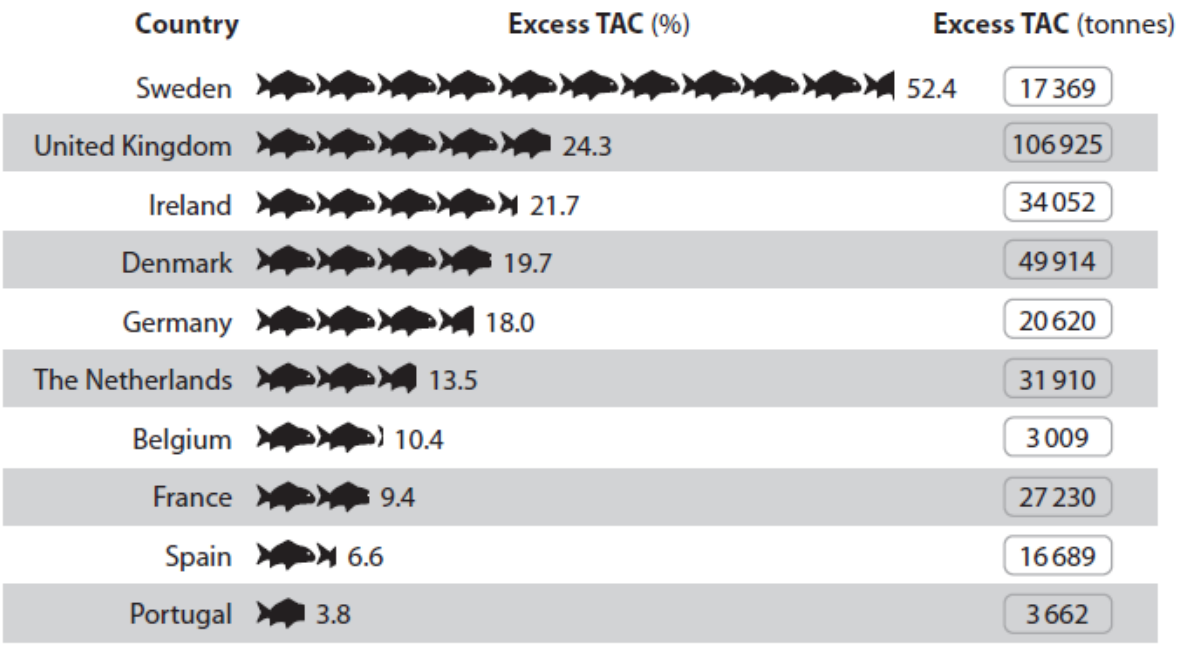
UK Fisheries Minister George Eustice said: "This year there has been mounting scientific evidence suggesting that cod is being overfished in many parts of the northeast Atlantic and we have responded to conserve stocks".

These new regulations applied to the UK while it remained part of the Common Fisheries Policy. In the future it will become an independent coastal state and negotiate on fisheries with the EU and other coastal states such as Norway.

(Source adapted from: https://www.independent.co.uk/news/business/news/north-sea-cod-stocks-quota-climate-change-brexit-a9252196.html)

Figure 1

Atlantic over-fishing: share of total allowable catch (TAC) in excess of scientific advice (2019)



(Source adapted from: Statista 2018)

Extract B

The tragedy of the commons

The 'tragedy of the commons' may occur when there are common access resources (CARs). These are natural resources over which no private ownership has been established. Therefore, there are difficulties in excluding people from using or exploiting them. CARs include fisheries and common grazing lands. Oceans are so vast that it is impractical for one fishing company to establish ownership and control. This means that others cannot be prevented from exploiting the ocean. Economists have suggested that with the lack of ownership of these resources, private producers will act in their own self-interest and exploit CARs to maximise profit. This exploitation is unsustainable. In other words, CARs provide an opportunity for individuals to create profit, while creating negative externalities which impact on everybody else. This process is referred to as the 'tragedy of the commons'.

The 'tragedy of the commons' is at the core of a range of problems that are relevant and threatening to natural resources, environments and human health. In the case of overfishing, fishing companies are not made accountable for the state of the ocean. They continue to fish as much as possible to maximise profit. Today, 90% of fish stocks are depleted.

The reason for such a wide range of problems is because there is an environmental cost for everything. The 'tragedy of the commons' is the outcome of the fact that every resource is limited on this planet, coupled with the rising level of demand for these resources. These issues are large-scale and require laws, regulation and international cooperation.

(Source adapted from: http://felixonline.co.uk/articles/2019-12-09-tragedy-commons-drama-planet-not-enjoying/)

(a) Explain the likely impact of the new 2020 TACs on the price of cod. Include a supply and demand diagram in your answer.

(5)

According to Extract B, lines 15–16, 'fishing companies are not made accountable for the state of the ocean. They continue to fish as much as possible to maximise profit'.

(b) Assess whether it is rational for fishing companies to behave in this way.

(10)

(c) With reference to the information provided and your own knowledge, explain **two** characteristics of private ownership in a free market economy.

(6)

Fish and chips are complementary goods with an estimated cross elasticity of demand of –8. Currently 950 000 bags of chips are sold in UK fish and chip shops each day.

(d) With reference to the information provided, calculate the new quantity demanded of bags of chips from fish and chip shops, following a 2% increase in the price of fish. You are advised to show your working.

(4)

The UK fishing industry employs about 24 000 people, more than half of them working in Scotland.

(e) Discuss the likely impacts on an economy of specialising in the fishing industry. Use a

production possibility frontier diagram in your answer.

(15)

EITHER

(f) Some economists suggest that the market price of cod does not result in the socially optimum level of output. Evaluate the likely external costs from the over-fishing of cod. Use an appropriate diagram in your answer.

(20)

OR

(g) Other than using a TAC, evaluate the policy options which could be used to reduce market failure resulting from over-fishing. Use at least one appropriate diagram in your answer.

(20)

(Total for question = 60 marks)

Q7.

Mozambique

Figure 2: Interest rates (bank rate of the central bank) and inflation rates of selected African countries, 2017

Selected country	Central bank rate of interest	Inflation rate (CPI measure)
Congo (D.R.)	14%	13.8%
Ghana	21%	9.1%
Kenya	10%	10.1%
Malawi	18%	21.4%
Mozambique	**21.75%**	**18.0%**
Nigeria	14%	21.1%

(Source: official government websites, and other news sources, July 2017)

Extract D

Rising debt levels in Africa

Increases in national debt have brought several African governments towards a debt-servicing crisis when the repayment of debt and interest become unsustainable. Between 2010 and 2015, many sub-Saharan countries raised debt totalling more than £20 billion. Back then, with commodity prices soaring and foreign loans available at very low interest rates, everyone agreed that borrowing was the way to grow an economy with expansionary fiscal policy. Since 2015, some African governments – beneficiaries of big debt write-offs at the start of the century – have taken to private debt markets too eagerly, leaving them with heavy repayment schedules at a time of lower commodity prices.

Until recently, the International Monetary Fund (IMF) has played down African debt concerns, pointing to better management of public resources and greater transparency. But it was shaken by Mozambique's default on more than £2 billion of secret loans used to purchase a non-existent tuna-fishing fleet, raising fears of hidden debt in other African countries with similar levels of corruption. The median level of debt in sub-Saharan Africa had risen sharply from 34% of gross domestic product in 2013 to 48% in 2017. Although that is low by international standards, analysts said debt burdens were heavier than they appeared because of most African countries' low tax base. "The real thing to look for is debt to revenue, or debt-service as a percentage of government spending," said John Ashbourne, Africa Economist at Capital Economics. In several countries, he said, debt payments were above 20% of government revenue, with an opportunity cost in terms of government spending.

(Source: adapted from African debt worries intensify as levels near tipping point by David Pilling © Financial Times 2017 https://www.ft.com/content/939808dc-b4d8-11e7-a398-73d59db9e399)

Extract E

Mozambique's economic stability is being put to the test

The economy of Mozambique, which gained independence from Portugal in 1975, has continued to under-perform. Large-scale emigration, especially of skilled workers, economic dependence on South Africa, a severe drought, a prolonged civil war and political tensions have hindered the country's development. More than half of Mozambique's 26 million people continue to live below the poverty line.

GDP growth declined to 3.6% in 2016 due to fiscal tightening and a slowdown in foreign direct investment. A weak manufacturing sector employs just 3.2% of the population, and is made up of small enterprises (90%), many of which were set up with the aid of microfinance. Traditional export earnings dropped due to depressed global demand. In addition a wide-scale drought seriously affected agricultural production. Foreign currency inflows have weakened – as large-scale gas projects were put on hold, and 14 external lenders suspended direct budget support, as a lesson to be learned from the tuna-fleet scandal. The state budget deficit was 10.7% of GDP in 2017. High interest rates have reduced aggregate demand, and import costs added to inflation following further depreciation of Mozambique's currency, the *metical*, to a new low of 100 meticals to £1.

Mozambique needs urgently to improve its investment environment and confidence in its institutions. The World Economic Forum's global competitiveness ranking placed Mozambique 136 out of 137 countries.

Longer term, Mozambique's economic prospects are promising. There has been progress in talks on restoring international confidence in the government's running of the economy, leading to a lasting and sustainable agreement between rival political groups. The development of gas fields off Mozambique's coast discovered in 2011 is set to transform the economy, coming into production in the 2020s. A rise in coal and electricity exports should help growth to increase. But in the short term, it remains uncertain whether Mozambique can deliver badly needed economic stability.

(Source: adapted from http://www.africaneconomicoutlook.org/en/country-notes/mozambiqua and https://www.chathamhouse.org/expert/comment/mozambique-s-stability-being-put-test 6 October 2017 Dr Alex Vines OBE)

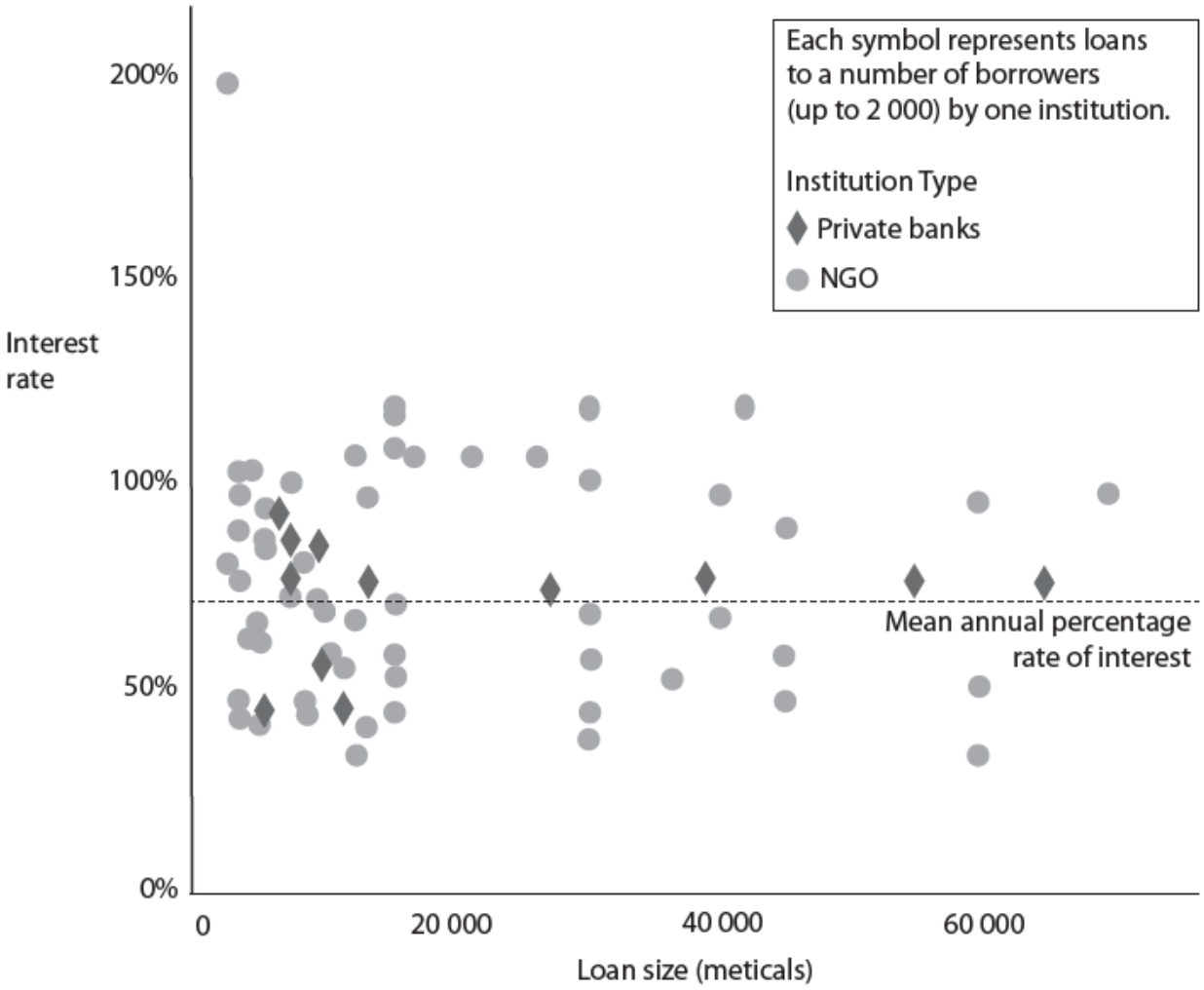
Extract F

Microfinance in Mozambique

Microfinance in Mozambique started in the late 1980s through projects initiated by international relief organisations. The sector has expanded to include many private banks and non-government organisations (NGOs), see Figure 3. This has resulted in wider use (over 100 000 borrowers) and many new business start-ups which could not have gained finance from any other source. Evidence suggests that there is unfulfilled demand for microfinance and a large potential for expansion.

(Source: adapted from http://www.mftransparency.org/microfinance-pricing/mozambique/)

Figure 3: The cost of microfinance loans in Mozambique, 2015



(Source: http://www.mftransparency.org/microfinance-pricing/mozambique/)

(a) With reference to Extract D line 21, explain why 'opportunity cost' is a problem for governments of developing countries when servicing debt.

(5)

(b) Examine **two** reasons, apart from access to finance, why 90% of the manufacturing sector in Mozambique 'is made up of small enterprises' (Extract E, line 9).

(8)

(c) Discuss whether borrowers benefit from microfinance. Make reference to Mozambique in your answer.

(12)

EITHER

(d) Evaluate the microeconomic and macroeconomic factors, apart from access to credit and banking, influencing growth and development in Mozambique.

(25)

OR

(e) Evaluate the likely microeconomic and macroeconomic effects of relatively high inflation rates in many African countries.

(25)

(Total for question = 50 marks)

Q8.

Statement 1: Cuba has a healthcare system with a patient to doctor ratio of 155:1.

Statement 2: Other countries ought to adopt a similar healthcare system to that which exists in Cuba.

(a) Which **one** of the following best describes the two statements above?

(1)

		Statement 1	Statement 2
☐	**A**	Normative	Normative
☐	**B**	Normative	Positive
☐	**C**	Positive	Normative
☐	**D**	Positive	Positive

(b) Cuba's population is estimated to be 11 million. With reference to Statement 1 above, calculate the estimated number of doctors in Cuba. You are advised to show your working.

(2)

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(c) Define the term 'command economy'.

(1)

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(Total for question = 4 marks)

Q9.

In February 2016 the Daily Mail newspaper increased its price from 60p to 65p.
By August 2016 its sales had fallen by 5.41%.

(a) Ceteris paribus, calculate the price elasticity of demand for the Daily Mail newspaper over this period. You are advised to show your working.

(2)

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(b) Which **one** of the following is most likely to be a determinant of price elasticity of demand for the Daily Mail newspaper?

(1)

☒ **A** Availability of rival newspapers

☒ **B** Change in population size

☒ **C** Decrease in the cost of producing the Daily Mail newspaper

☒ **D** Expected rise in the price of the Daily Mail newspaper

(c) Define the term 'ceteris paribus'.

(1)

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(Total for question = 4 marks)

Q10.

The British Broadcasting Corporation (BBC) is a TV broadcaster. It is financed through an annual TV licence fee of £145.50. At this fee level many TV owners benefit from consumer surplus.

(a) Define the term 'consumer surplus'.

(1)

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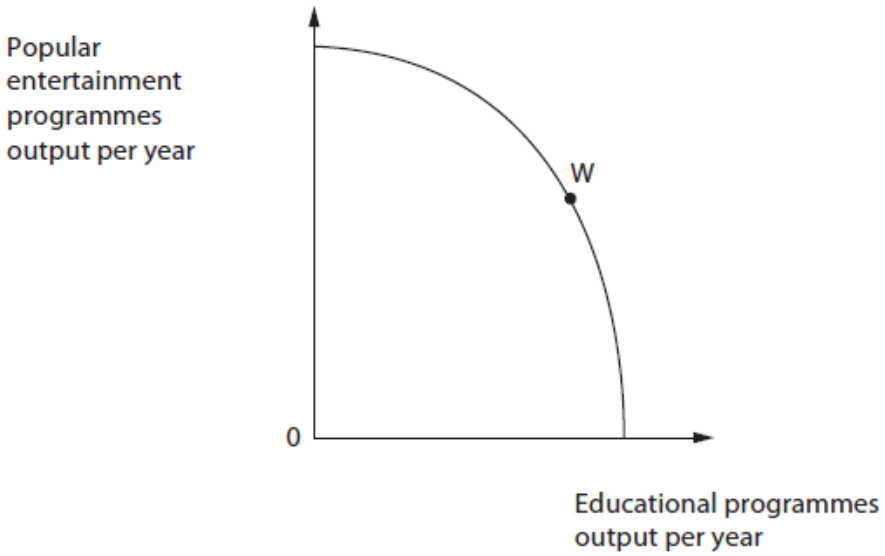
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(b) The diagram shows the production possibility frontier for the BBC. Assuming the BBC is at point W, annotate the diagram to show the opportunity cost of providing more educational programmes.

(2)



(c) BBC programmes are often referred to as being public goods. This is because:

(1)

☒ **A** all BBC programmes are financed by the public sector

☒ **B** the BBC is the most popular broadcaster in the UK

☒ **C** the consumption of these programmes is non-rivalrous

☒ **D** there are external benefits from the consumption of many BBC programmes

(Total for question = 4 marks)

Q11.

The diagram shows a production possibility frontier (PPF) for an economy.

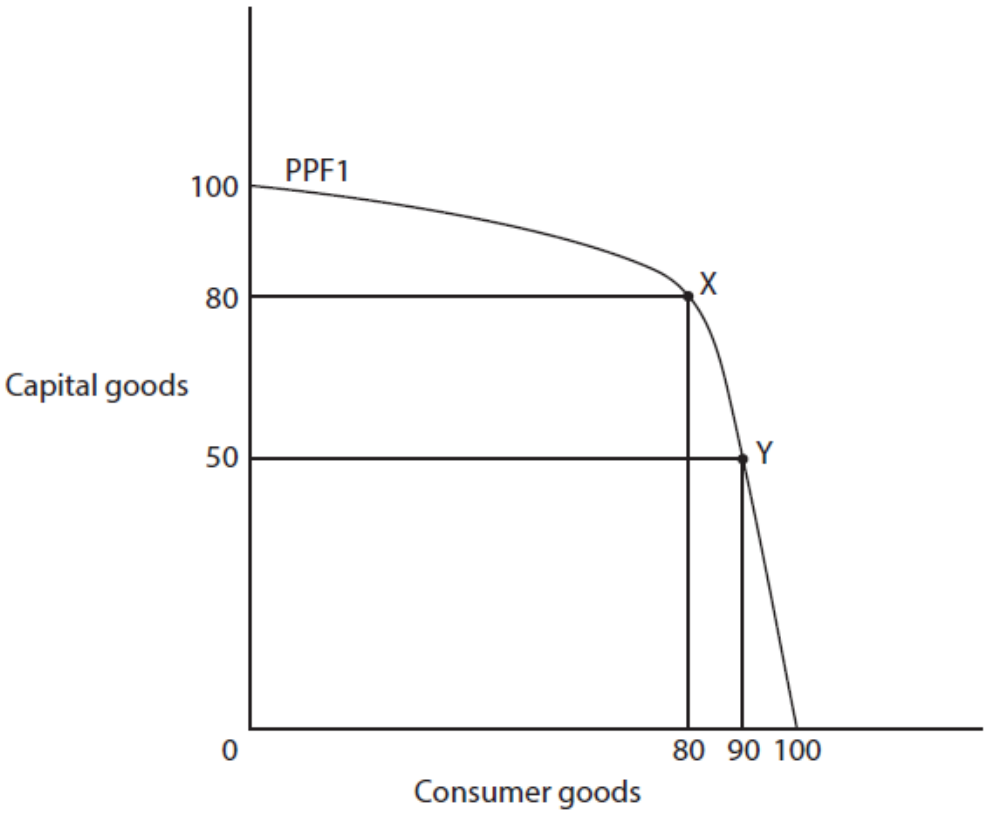


Diagram A

(a) Define the term 'production possibility frontier'.

(2)

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(b) The opportunity cost of a movement from point X to point Y is:

(1)

A 10 units of consumer goods

B 20 units of capital goods

C 30 units of capital goods

D 90 units of consumer goods

Answer

(c) Illustrate economic growth on **Diagram A**.

(1)

(Total for question = 4 marks)