



Rewarding Learning
ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2009

Economics

Assessment Unit AS 2
(Essay)

assessing

Module 1: The Market Mechanism,
Market Failure and Government Response

[ASE21]



ASE21

FRIDAY 5 JUNE, AFTERNOON

TIME

45 minutes.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number on the Answer Booklet provided.
Answer **one** question only.

INFORMATION FOR CANDIDATES

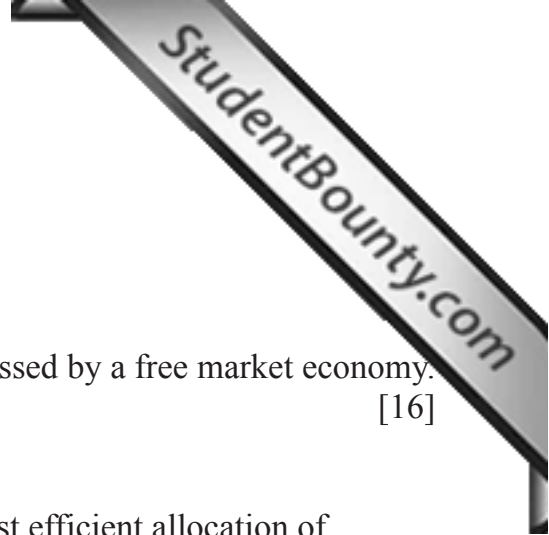
The total mark for this paper is 40.
Quality of written communication will be assessed in all parts of every question.
Figures in brackets printed down the right-hand side of pages indicate the marks awarded to each question or part question.

ADVICE TO CANDIDATES

You are advised to take account of the marks for each part question in allocating the available examination time.

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Answer **one** question only.



- 1 (a) Explain what is meant by the basic economic problem. [16]
- (b) Analyse how the basic economic problem would be addressed by a free market economy. [16]
- (c) Evaluate the view that free markets always lead to the most efficient allocation of resources. [16]
- 2 (a) Explain what is meant by the term price elasticity of demand. [8]
- (b) Analyse how, all other things being equal, the price elasticity of demand influences how the burden of an indirect tax is divided between the consumer and the producer. [16]
- (c) In response to concerns over congestion and pollution, environmentalists have argued for the use of subsidies to promote cycling.
Evaluate the view that subsidies are an ineffective way of encouraging cycling. [16]
- 3 (a) Explain what an economist means by social costs and social benefits. [8]
- (b) Explain how an economist might use cost benefit analysis (CBA) to assist in making decisions about building a new national sports stadium. [16]
- (c) Recent estimates suggest that the total cost to the UK economy of hosting the 2012 Olympic Games is to be £9.3bn – almost four times the original estimate.
Evaluate the view expressed by some commentators that this is a waste of public money. [16]

THIS IS THE END OF THE QUESTION PAPER
