



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

Economics

Assessment Unit AS 2
(Essay)

assessing

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

[ASE21]



FRIDAY 16 JANUARY, MORNING

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

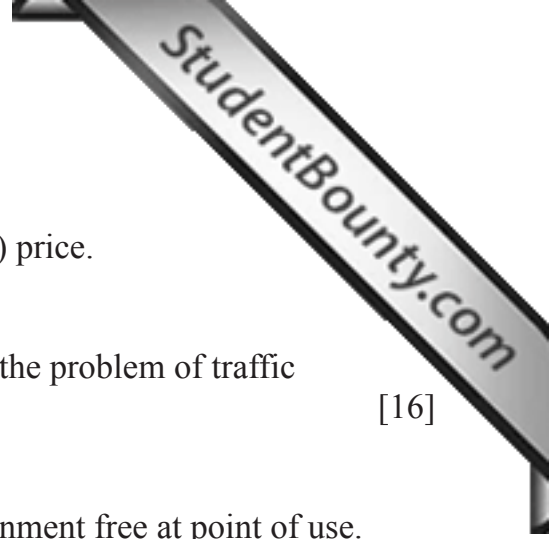
The total mark for this paper is 40.
Quality of written communication will be assessed in all parts of the question.
Figures in brackets printed down the right-hand side of pages indicate the marks awarded to each question or part question.

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 market-clearing (or equilibrium) price.
- (b) Analyse how the price mechanism could be used to solve the problem of traffic congestion. [16]
- (c) At present most education in the UK is provided by government free at point of use. Evaluate the view that the private sector should replace the government as the main provider of education in the UK. [16]
- 2 (a) Explain what is meant by price elasticity of supply. [8]
- (b) Discuss some of the factors which might affect the price elasticity of supply of fresh fish. [16]
- (c) Evaluate the view that estimates of the price elasticities of demand and supply are too unreliable to be of any practical value. [16]
- 3 (a) Explain what is meant by allocative efficiency. [8]
- (b) Explain how competition and the profit motive should lead to the achievement of productive and allocative efficiency in an economy. [16]
- (c) Evaluate the view that market failure rather than efficiency is the more likely outcome of the operation of free markets. [16]

THIS IS THE END OF THE QUESTION PAPER
