

THE ROLE OF MARKETS IN ALLOCATING RESOURCES

Water is a scarce resource in Singapore because the island's small geographical area means there is little land on which to collect water for its 4.8 million people.

Which method would be **least** successful in tackling its water scarcity?

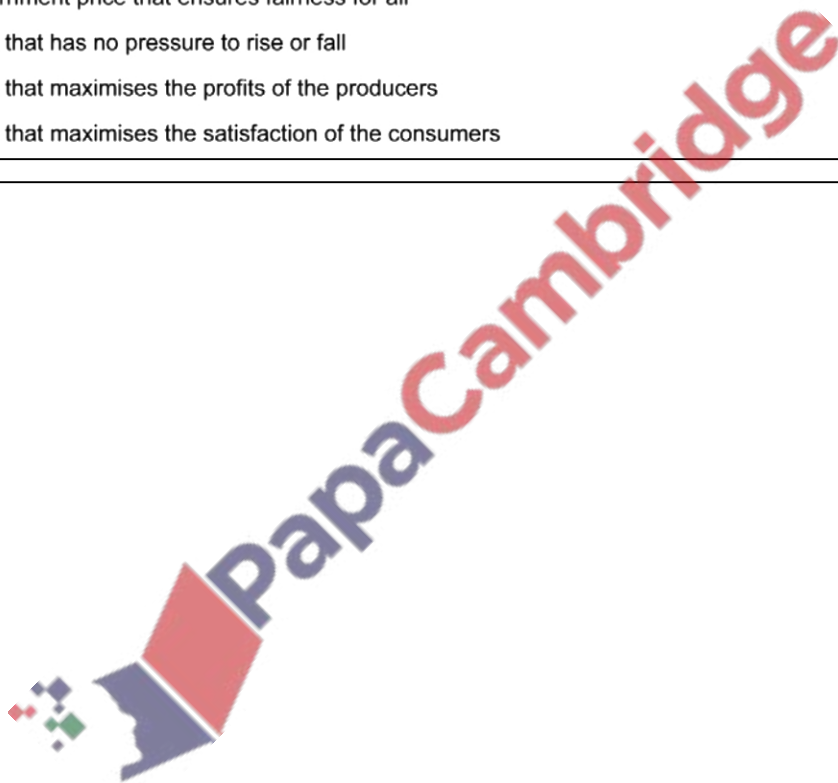
- A exempting large families from paying water taxes
- B importing water from neighbouring countries
- C introducing a water tax that rises as consumption rises
- D redirecting funds from education to schemes to purify rainwater

A

What is meant by an equilibrium price?

- A a government price that ensures fairness for all
- B a price that has no pressure to rise or fall
- C a price that maximises the profits of the producers
- D a price that maximises the satisfaction of the consumers

B



| | |
|---|----------|
| <p>What is a benefit of the market system?</p> <p>A Competition ensures choice for consumers.</p> <p>B Prices equal supply costs.</p> <p>C Unemployment is kept to a minimum.</p> <p>D Wage differentials are small.</p> | <p>A</p> |
| <p>The market for a good was in equilibrium. A change occurred which resulted in a new equilibrium with a higher price for the good and a lower quantity traded.</p> <p>What change would have caused this?</p> <p>A the demand curve moved to the left</p> <p>B the demand curve moved to the right</p> <p>C the supply curve moved to the left</p> <p>D the supply curve moved to the right</p> | <p>C</p> |
| <p>A demand curve shows the relationship between the quantity demanded and</p> <p>A a change in income</p> <p>B consumer tastes</p> <p>C the supply of the product</p> <p>D the price of the product</p> | <p>D</p> |
| <p>The weight for a product in the consumer price index was increased.</p> <p>What is most likely to have caused this adjustment?</p> <p>A The product has become more expensive to produce.</p> <p>B The product has been offered for sale in more retail outlets.</p> <p>C The product has improved in quality and performance.</p> <p>D The product has taken a bigger share of consumers' income.</p> | <p>D</p> |

C

In many countries, extra staff are employed by the postal service and additional collections of post are made to clear the large amount of mail before holiday periods.

What happens to the demand and supply curves for postal services during these periods?

| | demand curve | supply curve |
|----------|----------------|----------------|
| A | moves to left | moves to left |
| B | moves to left | stays the same |
| C | moves to right | moves to right |
| D | stays the same | moves to right |

C

A good is successfully advertised.

What is the most likely impact on the demand and supply curves for the good?

| | demand curve | supply curve |
|----------|----------------|----------------|
| A | shift to left | shift to left |
| B | shift to left | shift to right |
| C | shift to right | shift to left |
| D | shift to right | shift to right |

B

In 2002 the world price of cocoa was higher than in 2001.

Which combination of changes in the demand for and the supply of cocoa would always lead to a rise in price?

| | demand for cocoa | supply of cocoa |
|----------|------------------|-----------------|
| A | higher | higher |
| B | higher | lower |
| C | lower | higher |
| D | lower | lower |