

## Quick Answers

### Question 1

**Explain two benefits consumers may gain from a market economic system.**

**Logical explanation which might include:**

- Sovereignty (1) consumers decide what will be produced (1)
- Choice (1) there may be a number of firms producing a product (1)
- Low prices (1) competition may mean that firms have to charge low prices to keep their customers (1)
- High quality (1) the profit incentive may encourage firms to raise quality to attract more consumers (1)

### Guidance

One mark for each of two benefits identified and one mark for each of two explanations.

### Question 2

**Discuss whether or not the operation of a market economic system is harmful to an economy.**

**Up to 5 marks for why it is:**

- Poor consumers will have little influence on what is produced (1) because they have limited purchasing power / inability to afford products (1)
- Monopolies may occur (1) charging high prices (1) producing low quality (1)
- Products causing external costs will be overproduced (1) over-consumed (1) example (1)
- Products providing external benefits will be underproduced (1) and under-consumed (1) example (1)
- Income and wealth may be unequally distributed (1) e.g. those on fixed incomes disadvantaged (1)

**Up to 5 marks for why it is not:**

- In theory there is consumer sovereignty (1) consumers determine what is produced (1) firms respond to changes in consumer demand (1)
- Competition between firms (1) and the profit motive (1) increases efficiency (1) leading to low prices (1) and high quality products (1)
- A variety of products may be produced / there may be choice (1)

*Question 3*

**Discuss the advantages and disadvantages of a market economic system.**

**Up to 5 marks for why it might:**

- In theory, there is consumer sovereignty (1) consumers determine what is produced (1) firms will respond to changes in demand (1)
- Prices may be low (1) quality may be high (1) high efficiency (1) due to competition (1) and the profit motive (1)
- A variety of products may be produced / there may be choice (1)

**Up to 5 marks for why it might not:**

- Poor consumers will have little influence on what is produced (1) as they have little purchasing power (1)
- Monopolies may develop (1) which may charge high prices (1) and produce low quality (1)
- Products that provide external benefits will be under-produced (1) so under-consumed (1) example of such a product (1)
- Products that cause external costs will be overproduced (1) and so over-consumed (1) example of such a product (1)

*Question 4*

**Discuss whether or not a market system benefits consumers.**

**Up to 4 marks for why it might:**

- In theory there will be consumer sovereignty (1) with firms being responsive to consumer demand (1)
- The price mechanism allocates resources automatically / profit motive provides an incentive to respond to consumer demand (1) avoiding delays in responding to changes in demand (1)
- There may be a high level of competition (1) keeping price low (1) increasing efficiency (1) keeping quality high (1) providing choice (1).

**Up to 4 marks for why it might not**

- Those with low incomes will lack purchasing power (1) the market will not produce what they want (1)
- Monopolies may develop (1) driving up price (1) reducing quality (1)
- Consumers may not always be fully informed (1) e.g. cigarettes (harmful / demerit goods) may be over-consumed (1) e.g. healthcare (beneficial / merit goods) under consumed (1) there may be external costs (1) market failure may occur (1)
- Some consumers may find too much choice confusing (1) advertising can distort consumer choice (1)

**Guidance**

- Reward but do not expect reference to public goods.