

May 2015 HP1

M15/3/ECONO/HP1/ENG/TZ2/XX

1a Explain how changes in price work to reallocate resources in a market. (10 marks)

1b Discuss the view that the overuse of common access resources is best addressed by government. (15 marks)

Syllabus question:

Explain, using diagrams, that price has a signaling function and an incentive function, which result in a reallocation of resources when prices change as a result of a change in demand or supply conditions.

M14/3/ECONO/SP1/ENG/TZ2/XX

May 2014 SP1

1. (a) Explain three factors that could lead to an increase in demand for cigarettes. [10 marks]

(b) Discuss three policies a government might use to reduce the consumption of a demerit good such as cigarettes. [15 marks]