

Section B

Answer **one** question.

- 2 (a) An economy can produce agricultural and industrial goods. Explain the possible effects on its production possibility curve if there is an increase in the productivity of its agricultural workers. [8]
- (b) Discuss whether a market economy can solve the problem of scarcity more effectively than a command economy. [12]
- 3 (a) Explain, with the aid of a diagram, how consumer surplus will be affected by the introduction of an indirect tax. [8]
- (b) Discuss the advantages and disadvantages of using indirect taxes to deal with the negative externalities associated with some products. [12]
- 4 (a) Explain why there can be problems for an economy if the internal value of its money is unstable. [8]
- (b) Discuss whether it is possible to construct a consumer price index that is an accurate measure of changes in the cost of living for all households. [12]