

**ADVANCED SUBSIDIARY GCE****ECONOMICS**

Market Failure and Government Intervention

2882/AB**Wednesday 3 June 2009****Afternoon****Duration: 1 hour**

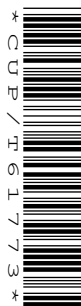
Candidates answer in this Designated Answer Booklet

OCR Supplied Materials:

- Question Paper 2882

Other Materials Required:

None



Candidate Forename		Candidate Surname	
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Centre Number						Candidate Number				
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INSTRUCTIONS TO CANDIDATES

- Write your name clearly in capital letters, your Centre Number and Candidate Number in the boxes above.
- Use black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully and make sure that you know what you have to do before starting your answer.
- Answer **all** the questions.
- Write your answer to each question in the space provided, however additional paper may be used if necessary.
- Do **not** write in the bar codes.

INFORMATION FOR CANDIDATES

- The number of marks is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is **45**.
- The quality of your written communication will be taken into account in marking your answer to the question labelled with an asterisk (*).
- This document consists of **8** pages. Any blank pages are indicated.

FOR EXAMINER'S USE**TOTAL MARK**

(a) (i) Define the term 'external cost'.

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..... [2]

(ii) Using the article, identify **one** possible external cost which might arise from the expansion of Stansted Airport.

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..... [1]

(b) Explain why air travel is classed as a private good.

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..... [4]

(c) (i) Define the term 'productive efficiency'.

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..... [2]

- (ii) Using a production possibility curve diagram, identify **one** possible point of productive efficiency.

[3]

- (iii) Define the term 'allocative efficiency'.

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..... [2]

- (iv) Explain how the existence of external costs causes allocative **inefficiency**.

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..... [3]

- Use a diagram to analyse how a tax on production may correct the market failure arising from negative externalities.

..... [10]

- [6]

- Discuss how effective **one** of these policies might be in correcting market failure.

[12]

[illegible]

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