

**ADVANCED SUBSIDIARY GCE
 ECONOMICS**

2882/AB

Market Failure and Government Intervention

THURSDAY 17 JANUARY 2008

Morning
 Time: 1 hour

Additional materials: Separate question paper
 Candidates answer in this designated Answer Booklet



Candidate Forename

Candidate Surname

Centre Number

Candidate Number

INSTRUCTIONS TO CANDIDATES

- Write your name in capital letters, your Centre Number and Candidate Number in the boxes above.
- Use blue or 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 all your answers in the spaces provided in this separate answer booklet provided.
- The space should be sufficient for your answers but if you require more space use the lined pages at the end of this answer booklet and number your answers carefully.

INFORMATION FOR CANDIDATES

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

For Examiner's Use	
Total Mark	

This document consists of **6** printed pages and **2** lined pages.

(a) (i) Identify **two** characteristics of a 'public good'.

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2.
.....[2]

(ii) Explain **two** reasons why education is not a 'public good'.

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(b) (i) Explain what is meant by an externality.

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(ii) Identify **one** possible example of a positive externality arising from education. Explain why this is a positive externality.

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.....[3]

(iii) Define the term 'market failure'.

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(c) The article looks at the role played by the Office of Fair Trading (OFT) in regulating competition policy in the UK.

(i) Explain why market dominance can lead to economic inefficiency.

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(ii) Explain how competition policy can be used to stop firms abusing their market dominance.

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(iii) With reference to the article, comment upon the effectiveness of competition policy in this case.

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