

5 Street vendors mostly operate outside of the formal economy to avoid government regulation. However, many are now entering the formal economy. This has led to more government revenue, increased productivity and higher economic growth. Some governments plan to take measures to increase the number of firms in the economy.

(a) Identify **two** reasons why workers may choose to work in the formal economy. [2]

(b) Explain **two** effects of economic growth on a country's population. [4]

(c) Analyse how government regulation can reduce market failure. [6]

(d) Discuss whether or not an increase in the number of firms will benefit an economy. [8]