

General Certificate of Education
June 2006
Advanced Subsidiary Examination



ECONOMICS
Unit 3 Markets at Work

ECN3

Friday 9 June 2006 1.30 pm to 2.30 pm

For this paper you must have:

- an 8-page answer book

You may use a calculator.

Time allowed: 1 hour

Instructions

- Use blue or black ink or ball-point pen. Pencil should only be used for drawing.
- Write the information required on the front of your answer book. The *Examining Body* for this paper is AQA. The *Paper Reference* is ECN3.
- Choose **one** of the Options and answer **all** parts of the question on that Option.

Information

- The maximum mark for this paper is 40.
- The marks for questions are shown in brackets.
- You are reminded of the need for good English and clear presentation in your answers. All questions should be answered in continuous prose. Quality of Written Communication will be assessed in all answers.

Choose **one** of the Options and answer **all** parts of the question on that Option.

OPTION 1: THE HOUSING MARKET

Total for this question: 40 marks

1 Study **Extracts A and B**, and then answer **all** parts of Question 1 which follows.

Extract A: First-time buyers can't afford homes in even the cheapest boroughs

Extract A was text adapted from a newspaper article.
It has not been reproduced here due to third-party copyright constraints.

Extract B: How different areas compare (selected London boroughs)

Extract B was a table of figures adapted from a newspaper article.
It has not been reproduced here due to third-party copyright constraints.

Question 1

- (a) Define the term ‘public sector’ (**Extract A**, line 3). *(3 marks)*
- (b) ‘... the number of single-person households will rise by a third in the next 20 years ...’
(**Extract A**, lines 23–24).
Explain whether this is a positive or normative statement. *(4 marks)*
- (c) Using the data and the concept of income elasticity of demand, explain how changes in income levels can affect the London housing market. *(8 marks)*
- (d) Using a supply and demand diagram to help you, analyse the possible effects on the level of household rents in London of the higher house prices shown in the data. *(10 marks)*
- (e) Discuss why the government is likely to be concerned about the difficulties for some house-buyers mentioned in the data, and evaluate policies that could be adopted to deal with these difficulties. *(15 marks)*

Turn over ►

OPTION 2: THE ENVIRONMENT**Total for this question: 40 marks**

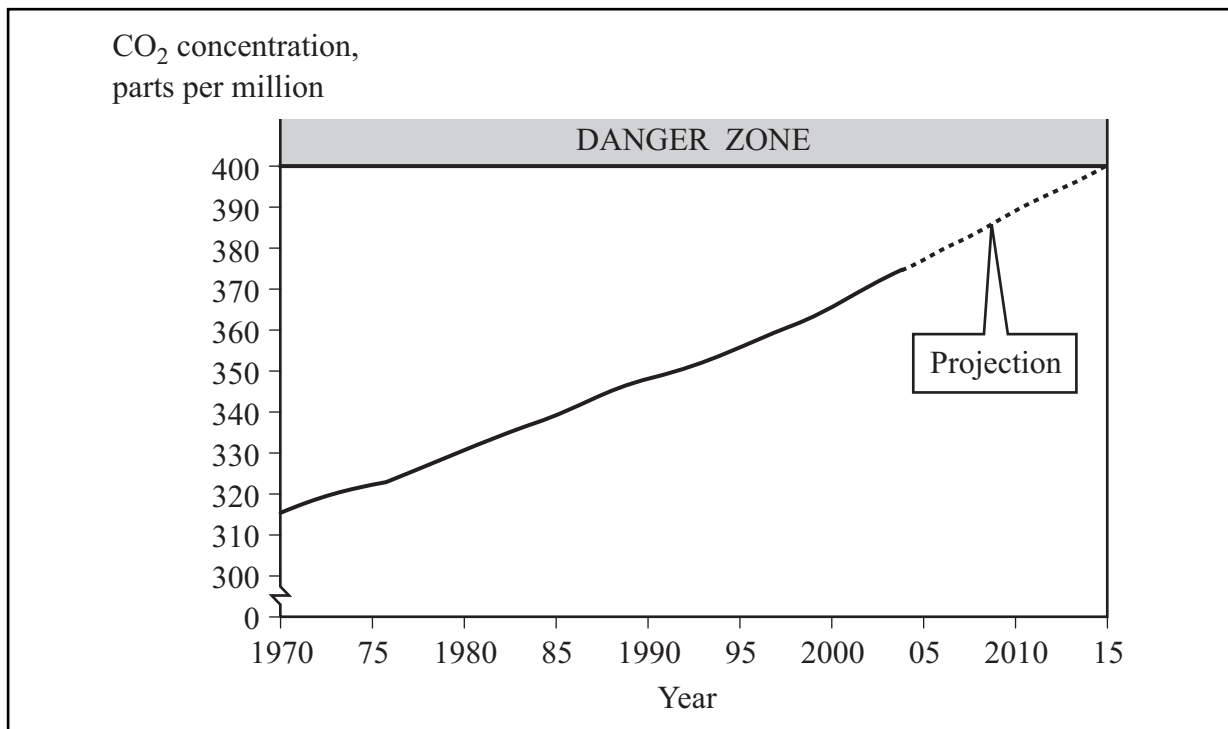
2 Study **Extracts C, D and E**, and then answer **all** parts of Question 2 which follows.

Extract C: Greenhouse effect ‘may be beneficial’

Extract C was text adapted from a newspaper article.
It has not been reproduced here due to third-party copyright constraints.

Extract D: Countdown to global catastrophe

Extract D was text adapted from a newspaper article.
It has not been reproduced here due to third-party copyright constraints.

Extract E: Atmospheric carbon dioxide (CO₂)

Source: adapted from the Climate Monitoring and Diagnostics Laboratory, NOAA, quoted in an article by MICHAEL MCCARTHY, *The Independent*, 24 January 2005

Question 2

- (a) Define the term ‘sustainable sources’ (**Extract D**, line 20). (3 marks)
- (b) ‘... global average temperature has already risen by 0.8 degrees since 1750 ...’ (**Extract D**, lines 16–17).
Explain whether this is a positive or normative statement. (4 marks)
- (c) Using the data and the concept of income elasticity of demand, explain how changes in income levels might affect global warming. (8 marks)
- (d) Using a supply and demand diagram to help you, analyse the possible effects of global warming on the price of food. (10 marks)
- (e) Discuss which would have the more harmful effects on the UK economy: global warming itself, or government policies aimed at reducing global warming. (15 marks)

Turn over ►

OPTION 3: THE ECONOMICS OF SPORT AND LEISURE**Total for this question: 40 marks**

3 Study **Extracts F and G**, and then answer **all** parts of Question 3 which follows.

Extract F: Super seats set new world record for watching football

Extract F was text adapted from a newspaper article.
It has not been reproduced here due to third-party copyright constraints.

Extract G: Season ticket prices for adults in football's Premiership, 2004–2005

Extract G was a table of figures adapted from a newspaper article.
It has not been reproduced here due to third-party copyright constraints.

Question 3

- (a) Define the term 'disposable income' (**Extract F**, line 19). *(3 marks)*
- (b) 'The people who buy these expensive seats are just as likely to go to the opera' (**Extract F**, line 12).
Explain whether this is a positive or normative statement. *(4 marks)*
- (c) Using the data and the concept of income elasticity of demand, explain how income levels might affect the market for football season tickets. *(8 marks)*
- (d) Using a supply and demand diagram to help you, analyse the possible effects of higher football season ticket prices on the price of season tickets for watching rugby union. *(10 marks)*
- (e) Discuss whether the prices for tickets for major sporting events should be purely a matter for market forces, or whether governments should intervene in the market. *(15 marks)*

END OF QUESTIONS

There are no questions printed on this page

ACKNOWLEDGEMENT OF COPYRIGHT-HOLDERS AND PUBLISHERS

Permission to reproduce all copyright material has been applied for. In some cases, efforts to contact copyright-holders have been unsuccessful and AQA will be happy to rectify any omissions of acknowledgements in future papers if notified.

Extract B: Crown copyright material is reproduced with the permission of Land Registry and must not be copied, distributed, sold or published without the permission of HM Land Registry.
Extracts C, F and G: © Guardian Newspapers Limited 2004
Extract D: © The Independent

Copyright © 2006 AQA and its licensors. All rights reserved.

G/M150964/Jun06/ECN3