

Section A

Answer this question.

People in Education

- 1 Most governments see increasing the number of their population in education as a way to raise national productivity and prosperity in the long term.

The Organisation for Economic Co-operation and Development (OECD) has produced statistics of those in different age groups who participate in education. Table 1 shows the percentages of two age groups who are in education in a selection of countries. This covers both full-time and part-time students and both public and private providers.

Table 1: Educational participation rates in 1995 and 2007, selected countries

| Country | Percentage of those aged 15–19 participating in education | | Percentage of those aged 20–29 participating in education | |
|----------------|---|------|---|------|
| | 1995 | 2007 | 1995 | 2007 |
| Belgium | 94 | 94 | 24 | 28 |
| France | 89 | 86 | 19 | 20 |
| South Korea | 75 | 87 | 15 | 28 |
| United Kingdom | 72 | 71 | 18 | 17 |
| United States | 72 | 80 | 19 | 23 |
| New Zealand | 68 | 75 | 17 | 30 |

Economists classify products into different groups such as private goods or public goods and merit goods or demerit goods. Education is usually considered to be an example of a merit good.

- (a) Between 1995 and 2007, which country was
- (i) the least successful in increasing its overall educational participation rate and
 - (ii) the most successful in increasing its overall educational participation rate? [2]
- (b) Explain **two** possible economic reasons why the educational participation rate of 15–19 year-olds is higher than that of 20–29 year-olds for all countries as shown in Table 1. [4]
- (c) (i) What is the difference between production and productivity? [2]
- (ii) Explain how education may affect labour productivity and the production possibility curve. [4]
- (d) Why is education considered to be an example of a merit good? [2]
- (e) Discuss the extent to which the provision of education is different from the provision of national defence. [6]

Section B

Answer **one** question.

- 2 (a) Explain, with the use of diagrams, the different effects on the price and quantity of a product of the removal of a subsidy and the removal of an indirect tax on that product. [8]
- (b) Discuss the possible benefits and drawbacks of government subsidies to agriculture. [12]
- 3 (a) Explain, with the use of an aggregate demand (AD) and aggregate supply (AS) diagram, the different effect of cost-push and demand-pull inflation on real output. [8]
- (b) Discuss whether the effect of the rate of inflation on the exchange rate is more or less important than the effect of the exchange rate on the rate of inflation. [12]
- 4 (a) Explain the different types of international economic integration. [8]
- (b) Discuss the possible economic effects of a global ban on all forms of trade protection. [12]

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