

Candidate Name	Centre Number	Candidate Number

WELSH JOINT EDUCATION COMMITTEE
 General Certificate of Education
 Advanced Subsidiary/Advanced



CYD-BWYLLGOR ADDYSG CYMRU
 Tystysgrif Addysg Gyffredinol
 Uwch Gyfrannol/Uwch

371/01

ECONOMICS – EC1

A.M. WEDNESDAY, 18 January 2006

(45 minutes)

Examiner's Use Only

TOTAL MARK	
-----------------------	--

DO NOT OPEN THIS BOOKLET UNTIL YOU ARE TOLD TO DO SO.

ADDITIONAL MATERIALS

In addition to this examination paper, you will need a calculator.

INSTRUCTIONS TO CANDIDATES

Write your name, centre number and candidate number in the spaces at the top of this page.

Answer **all** the questions in the spaces provided. You may use continuation paper on page 10 if necessary, taking care to number the continuation correctly.

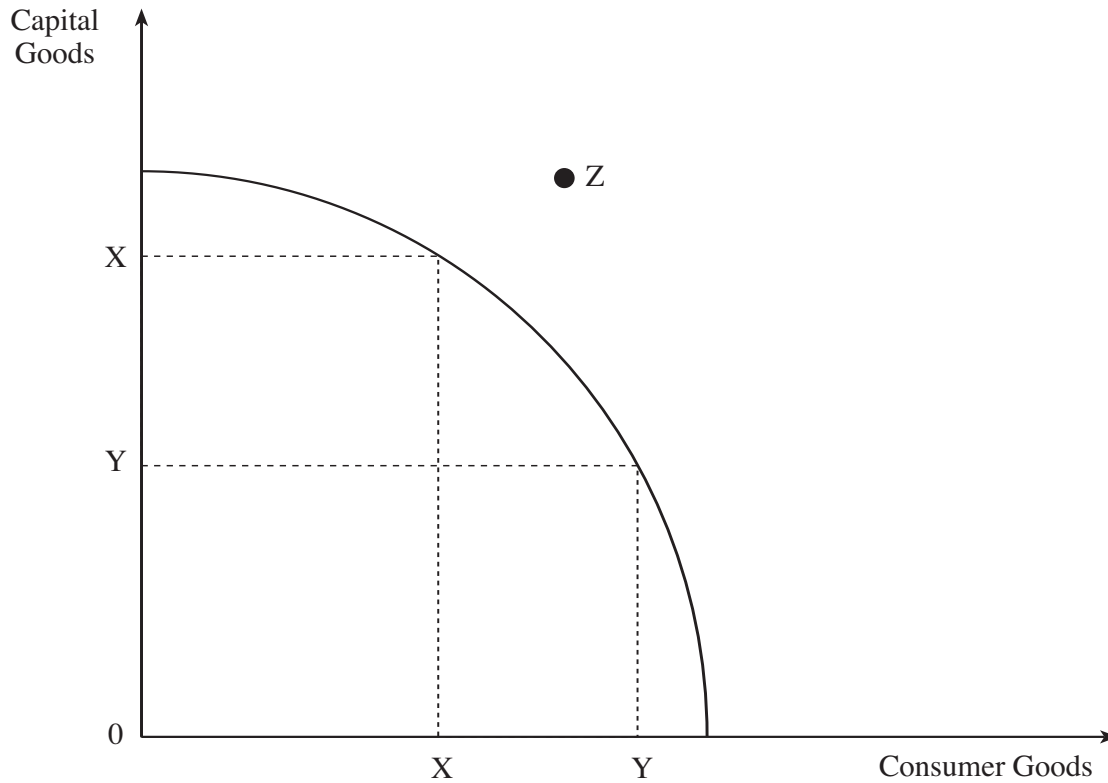
INFORMATION FOR CANDIDATES

Mark allocations are shown in brackets. This paper has a total of 50 marks.

No certificate will be awarded to a candidate detected in any unfair practice during the examination.

Answer **all** the questions in the spaces provided.

1. In the production possibility diagram below a country produces only capital goods and consumer goods.



- (a) Which combination of capital goods and consumer goods (XX or YY) will shift the production possibility frontier furthest to the right in the **long run**? Explain your answer. [3]

.....

.....

.....

.....

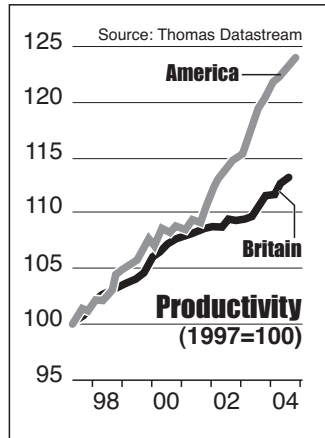
- (b) In the **short run** explain why the country could consume at point Z but not produce there. [2]

.....

.....

.....

2. Study the data below and then answer the questions that follow.



(a) Explain the difference between production and productivity. [2]

.....

.....

.....

(b) Explain **two** reasons why productivity in America might have grown faster than in Britain. [4]

(i)

.....

.....

(ii)

.....

.....

3. The following data represents demand and supply schedules for a good which produces external benefits.

Price per unit (£)	Quantity demanded (units)	Quantity supplied (1) (units)	Quantity supplied (2) (units)
80	500	900	—
70	600	800	—
60	700	700	
50	800	600	
40	900	500	

(a) The government introduces a subsidy of £20 per unit to be paid to the **producers**. Complete the new supply schedule above and state the new equilibrium price. [3]

New equilibrium price.

(b) Explain **why** a government might subsidise a good that gives substantial external benefits to society. [4]

.....

.....

.....

.....

.....

.....

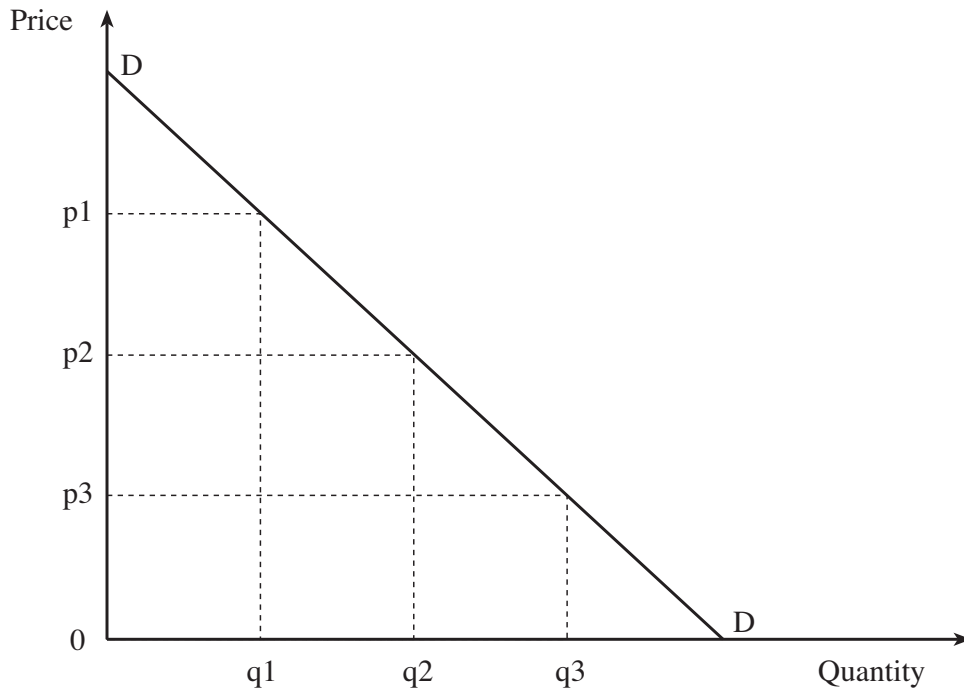
.....

.....

.....

.....

4. The diagram below shows a downward sloping demand curve (DD).



Explain **why** total sales revenue changes as price falls from: (a) p1 to p2 and (b) p2 to p3.

(a) p1 to p2

[3]

.....

.....

.....

.....

(b) p2 to p3

[3]

.....

.....

.....

.....

5. (a) Using the data below explain why the national minimum wage might make the distribution of income more equal. [2]

UK ADULT MINIMUM WAGE AS A PERCENTAGE OF THE AVERAGE WAGE

	Minimum wage	Percentage of the average wage
October 2005	£5.05	45.5%
October 2006	£5.35	46.1%

.....

.....

.....

.....

- (b) Explain **two** other policies that a government could introduce to make the distribution of income more equal. [4]

(i)

.....

.....

.....

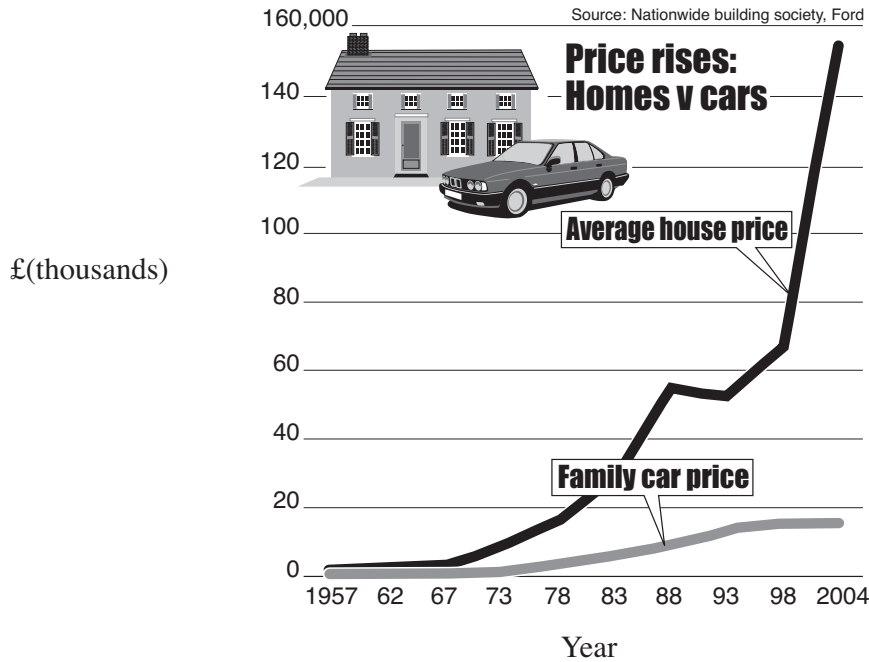
(ii)

.....

.....

.....

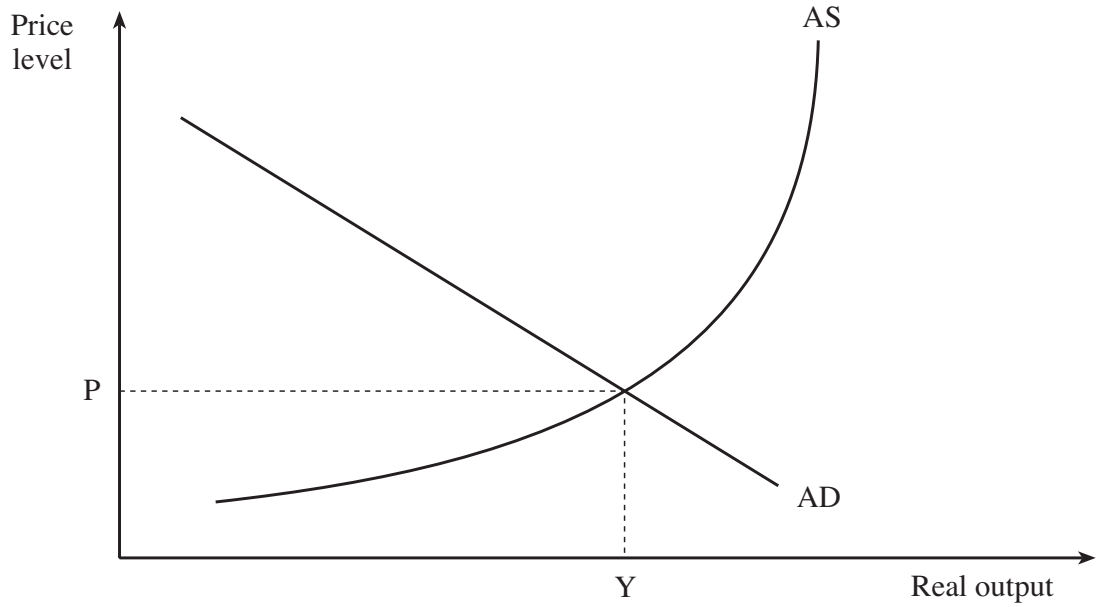
6. Study the data below, which shows changes in the average price of houses and cars in the UK between 1957 and 2004, and then answer the question that follows.



Explain **two** possible reasons why house prices have risen faster than car prices over the period shown. [6]

- (i)
 -
 -
 -
 -
 -
 -
- (ii)
 -
 -
 -
 -
 -
 -

7. (a) In the aggregate demand and supply diagram below, explain why the aggregate demand curve slopes down from left to right. [2]



.....

.....

.....

- (b) Using the above diagram evaluate the likely effects of a fall in the foreign exchange rate on the economy. [6]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

8. Study the following information and then answer the question that follows.

RUSSIA SIGNS KYOTO AGREEMENT ON CLIMATE CHANGE

- The Kyoto Agreement is now in force. The industrialised countries which have signed it, such as the UK, are obliged to cut carbon dioxide emissions by 5.2% of their 1990 levels by 2008.
- Andrei Illarionov, Russia’s economic advisor has warned that as a result of the Kyoto Agreement it will now be impossible for President Putin to meet his target of doubling GDP in the next ten years.
- The United States has refused to sign the Kyoto Agreement because of its possible effects on economic growth.

Evaluate the effect of environmental controls, such as the Kyoto Agreement, on the world’s economies. [6]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

