

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

P.M. FRIDAY, 8 June 2007

(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 9 if necessary, taking care to number the continuation correctly.

INFORMATION FOR CANDIDATES

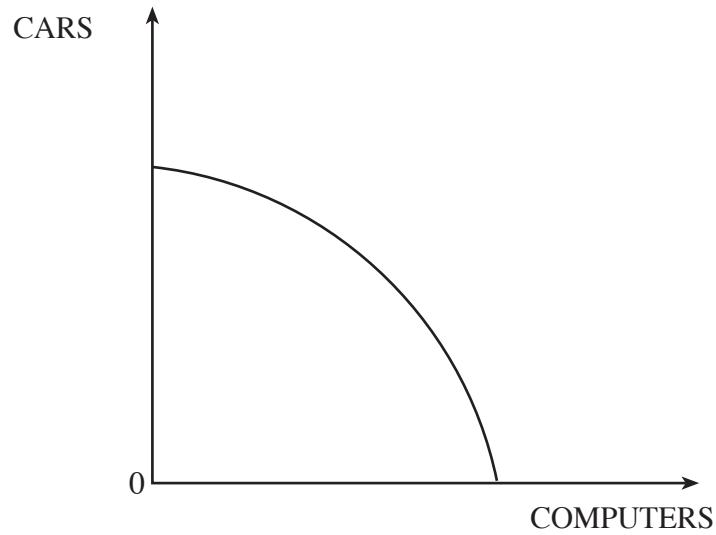
Mark allocations are shown in brackets. This paper has a total of 50 marks.

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

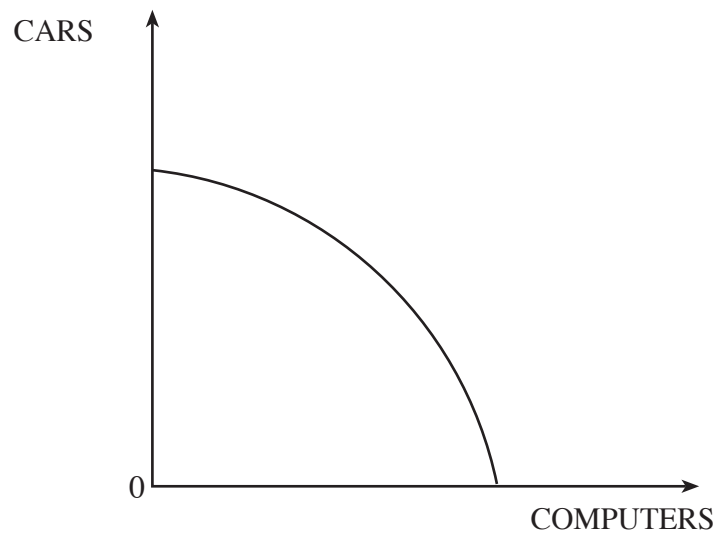
Answer **all** the questions in the spaces provided.

1. The production possibility diagrams below show a country that produces only cars and computers.

(a) Adapt the diagram below to show the effects of a natural disaster in the country which destroyed buildings and infrastructure. [1]

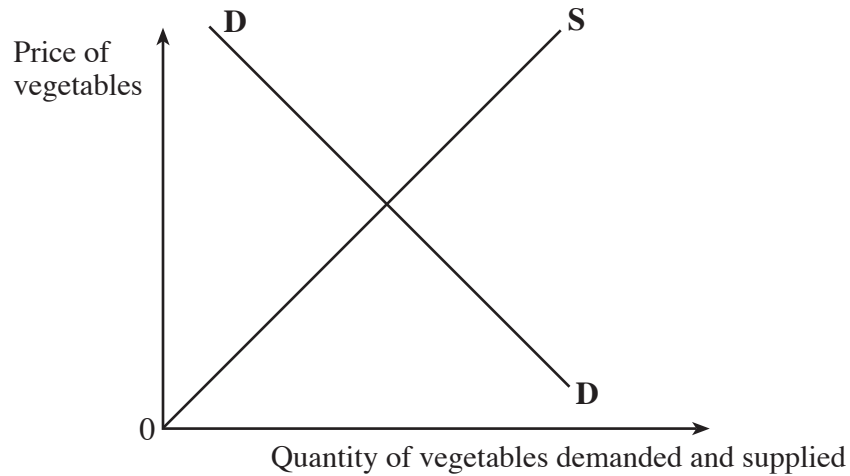


(b) Adapt the diagram below to show the effects of a rise in the productivity of car production. [1]



2. In the summer of 2006 many growers of vegetables in the UK were badly hit by low rainfall and intensive irrigation was needed to water the crops. Increased water and electricity costs pushed up the price of vegetables.

Adapt the diagram below to show how vegetable prices rose. [2]



3. Manchester United football club recently announced that the average price of its season tickets is to go up by 14%. The capacity of its stadium is fixed at 75,000 and they still have a waiting list of 15,000 supporters who wish to become season ticket holders despite the price rise.

(a) Using economic analysis explain what would happen to Manchester United's revenue following the increase in ticket prices. [3]

.....

.....

.....

.....

(b) Define price elasticity of supply **and** comment on the short-run and long-run price elasticity of supply of seating capacity at Manchester United's stadium. [5]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

4. (a) Define cross elasticity of demand.

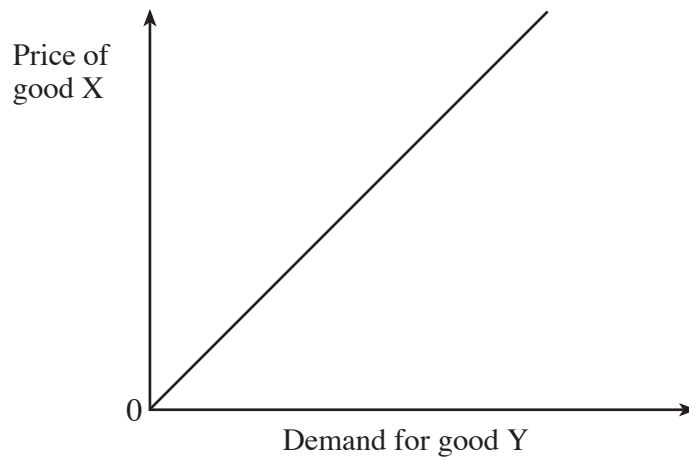
[1]

.....

.....

.....

(b) Using the diagram below **and** an example explain the cross elasticity relationship between good X and good Y. [4]



.....

.....

.....

.....

.....

.....

5. The UK National Minimum Wage was increased again in October 2006.

The minimum wage is a legal right which covers almost all the workers above compulsory school leaving age. There are different minimum wage rates for different groups of workers. These are shown as follows:

Workers aged 22 and over	£5.35 per hour
Training rate for 18-21 year olds	£4.45 per hour
Youth rate for 16-17 year olds	£3.30 per hour

(a) Why are there different levels of minimum wage for different age groups in the UK? [3]

.....

.....

.....

.....

.....

.....

(b) With the aid of a diagram, discuss the view that the national minimum wage will raise unemployment in the UK. [6]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(b) Evaluate **two** policies that could be introduced to reduce road congestion.

[6]

(i)

.....

.....

.....

.....

.....

.....

.....

(ii)

.....

.....

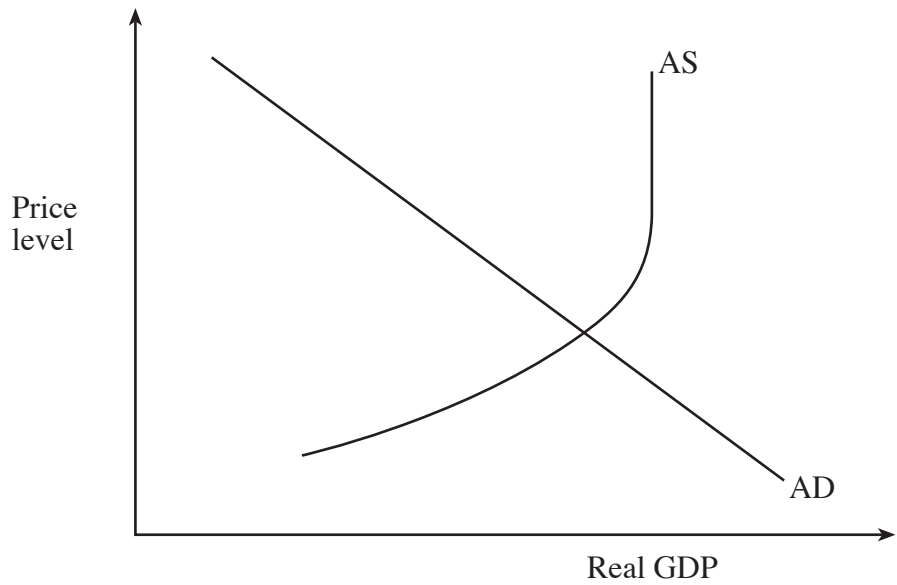
.....

.....

.....

.....

7. Adapt the aggregate demand and aggregate supply diagram below to evaluate how a cut in income tax rates might affect the economy. [6]



.....

.....

.....

.....

.....

.....

.....

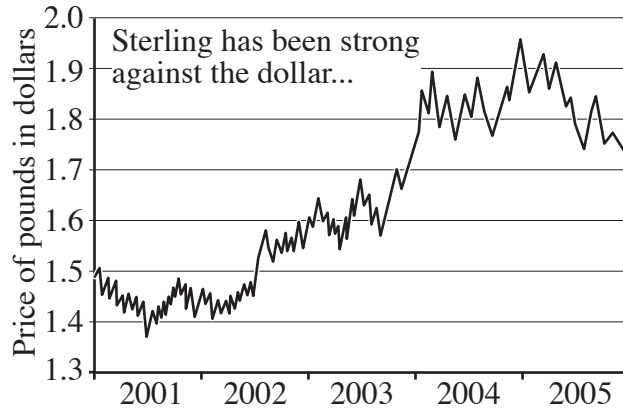
.....

.....

.....

.....

8. Using the data below, evaluate the effects on UK consumers **and** producers of the changes in the exchange rate of the pound sterling against the dollar. [6]



Source: Thomson Datastream

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

