

Candidate Name	Centre Number	Candidate Number
		2



**General Certificate of Education
Advanced Subsidiary/Advanced**

371/01

ECONOMICS – EC1

A.M. THURSDAY, 17 January 2008
(45 minutes)

Examiner's Use Only

TOTAL MARK	
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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.

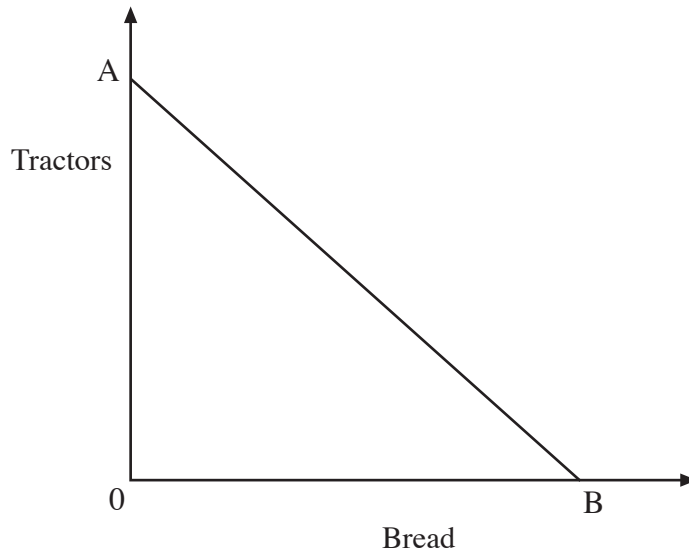
INFORMATION FOR CANDIDATES

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 diagram below shows an economy that produces only tractors and bread.



- (a) Using the diagram, explain what is shown by a production possibility diagram. [3]

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- (b) Why is a production possibility diagram usually presented as a curve concave to the origin rather than as a straight line as in the diagram above? [2]

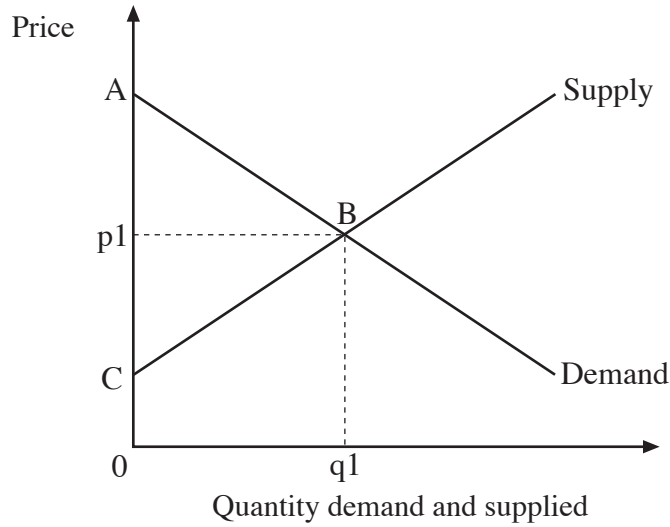
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2. In the diagram below a market is in equilibrium at price p_1 and quantity q_1 .



Define consumer surplus and producer surplus **and** shade and label **both** on the diagram above. [6]

Consumer surplus

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Producer surplus

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3. In 2006 the Chinese economy's national income (GDP) rose by 8% and the demand for Peugeot-Citroën cars in China rose from 200,000 to 264,000.

(a) Calculate the income elasticity of demand for Peugeot-Citroën cars in China. [2]

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(b) Comment on your answer in 3 (a). [2]

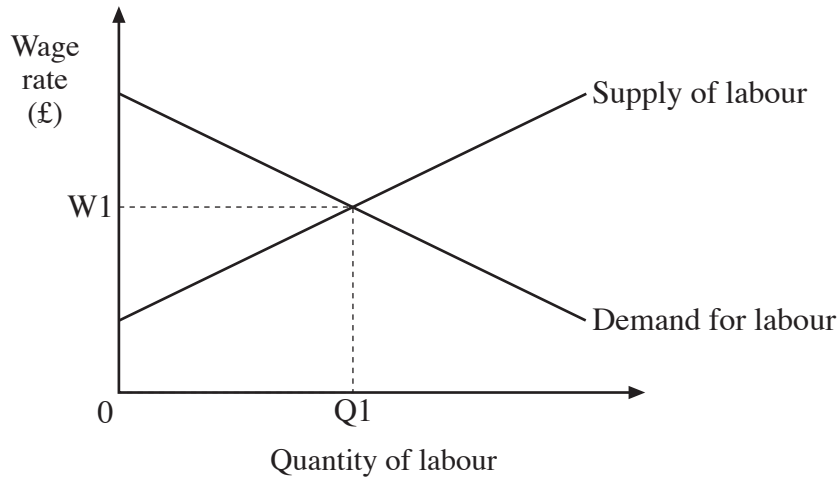
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4. BUILDING WORKERS' WAGES FALL DUE TO INFLUX OF EAST EUROPEAN WORKERS INTO THE UK LABOUR MARKET

Adapt the diagram below and then explain why UK building workers' wages have been falling. [4]



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5. DVD MARKET FACES DECLINE AS CHEAPER DIGITAL DOWNLOADING OF FILMS TAKES HOLD

The Times, 5 January 2007

(a) Define cross elasticity of demand. [2]

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(b) Explain the cross elasticity relationship between DVD sales and digital downloads of films via the internet. [2]

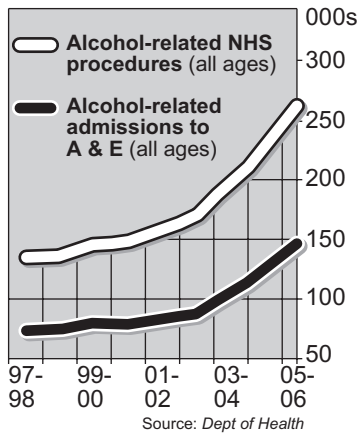
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7. HOSPITALS PAY A RISING PRICE FOR BRITAIN'S BOOZE CULTURE



Alcohol-related NHS procedures = All alcohol related medical treatment
 A & E = Accident and Emergency

With the aid of the data above, explain how alcohol creates external costs.

[4]

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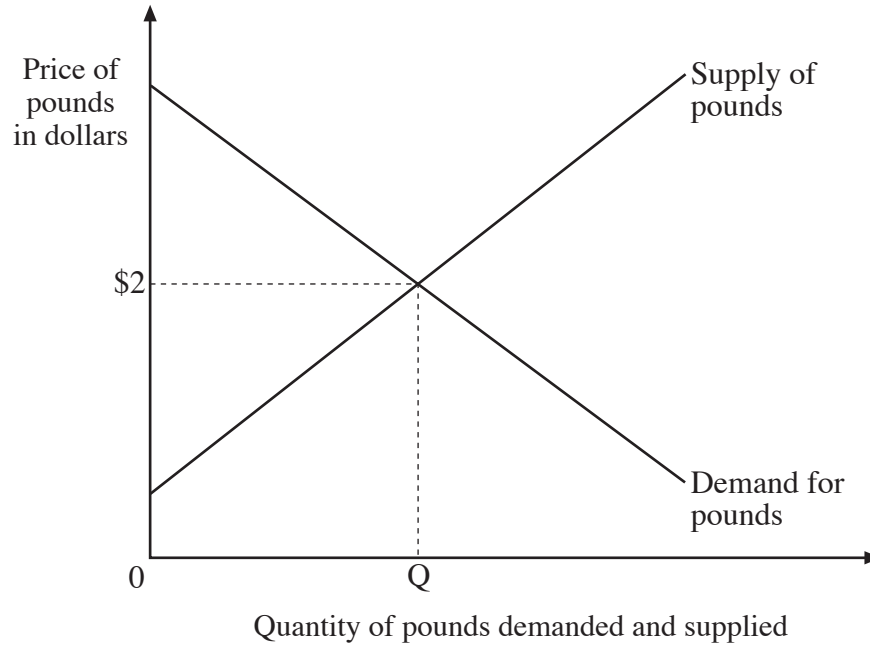
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8. With the aid of the diagram below, evaluate the possible effects of a rise in the UK interest rate on the value of the pound against the dollar. [6]



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