



GCE AS/A level

373/01

ECONOMICS –EC3

P.M. WEDNESDAY, 4 June 2008

1¼ hours

ADDITIONAL MATERIALS

In addition to this examination paper, you will need a 12 page answer book.

INSTRUCTIONS TO CANDIDATES

Answer **any two** questions.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part-question.

You are reminded of the necessity for good written communication and orderly presentation in your answers.

Answer **two** questions.

1. VEGETABLE PRICES SOAR AS FLOODS HIT UK HARVEST

- (a) Comment on the price elasticities of demand and supply of vegetables **and** with the aid of a diagram show how flooding will raise their prices. [10]
- (b) Discuss the view that a system of guaranteed minimum prices should operate in agricultural markets. [10]

2. MINIMUM WAGE INCREASED TO £5.52 PER HOUR

- (a) Using a diagram, explain how wages are determined in the labour market. [10]
- (b) Discuss the view that the Government should increase substantially the national minimum wage each year. [10]

3. SCHOOL LEAVING AGE TO BE RAISED TO 18 BY 2013

- (a) Explain why the Government provides secondary education free of charge but imposes taxes on cigarettes and alcohol. [10]
- (b) Discuss the **economic** effects of the Government making it compulsory for young people to stay in education or training until they are eighteen years of age. [10]

4. UK GOVERNMENT ONLY BORROWS TO PAY FOR CAPITAL EXPENDITURE

- (a) Explain what is meant by Government capital expenditure **and** with the use of examples and a diagram show how it benefits the UK economy. [10]
- (b) Discuss whether a rise in current spending by the Government on such things as teachers' pay and state pensions is good for the economy. [10]

5. EXTENSIVE SUPPLY-SIDE REFORM NEEDED IN EUROPE

- (a) Explain, with examples, what is meant by supply-side policies. [10]
- (b) Discuss the view that supply-side policies will produce only advantages for an economy. [10]

6. UK TRADE DEFICIT WORSENS

- (a) Explain the main forms of protectionism used to reduce the level of imports into a country. [10]
- (b) Evaluate the view that a depreciation of the pound on the foreign exchange market would benefit the UK economy. [10]