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| Centre Number | | Candidate Number | |
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General Certificate of Education
January 2004
Advanced Subsidiary Examination



ECONOMICS **ECN2/1**
Unit 2 Part 1 Objective Test: The National Economy

Friday 16 January 2004 Morning Session

In addition to this paper you will require:

- an objective test answer sheet;
- a black ball-point pen;
- the question paper for Part 2 (ECN2/2).

You may use a calculator.

Time allowed: 1 hour for papers ECN2/1 and ECN2/2 together

Instructions

- Use a black ball-point pen. Do **not** use pencil.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- For each question there are four alternative responses. When you have selected the response which you think is the best answer to a question, mark this response on your objective test answer sheet. If you wish to change your answer to a question, follow the instructions on your objective test answer sheet.
- Do all rough work in this book, **not** on your answer sheet.

Information

- The maximum mark for this paper is 15 marks.
- Each question carries one mark. No deductions will be made for wrong answers.

Advice

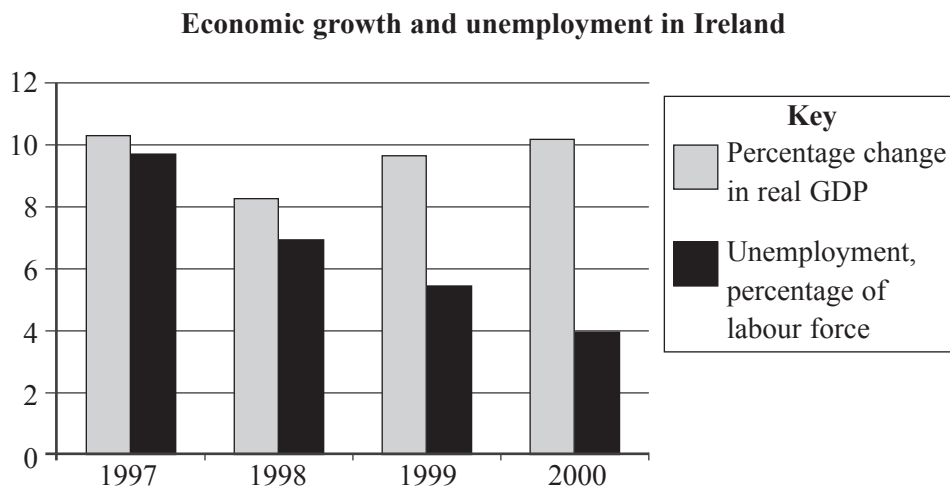
- You are advised to spend no more than 15 minutes on paper ECN2/1.
- Do not spend too long on any question. If you have time at the end, go back and answer any question you missed out.
- Make sure that you hand in **both** your answer sheet **and** this question book at the end of the examination.

OBJECTIVE TEST QUESTIONS

You are advised to spend no more than 15 minutes on these questions.

Each item consists of a question or an incomplete statement followed by four suggested answers or completions. You are to select the most appropriate answer in each case.

- 1 Economic growth is best defined as an increase in
- A aggregate demand.
 - B the inflation rate.
 - C wage rates.
 - D productive capacity.
- 2 The chart below shows economic growth and unemployment in Ireland over the period 1997-2000.



Source: *The Independent*, 29 January 2001

The chart shows that

- A economic growth was higher in 1997 than 1998.
- B the total labour force declined between 1997 and 2000.
- C unemployment was highest when prices were lowest.
- D real GDP was lowest in 2000.

- 3 Which one of the following is an instrument of monetary policy?
- A Income tax.
 - B Government expenditure.
 - C National Insurance contributions.
 - D Interest rates.
- 4 An economy is operating below its trend rate of growth and simultaneously experiencing inflation and a deficit on its balance of trade. All other things being equal, a reduction in the rate of income tax is most likely to lead to a decrease in the
- A inflation rate.
 - B level of unemployment.
 - C rate of economic growth.
 - D balance of trade deficit.
- 5 The table below contains data on an economy's annual rate of inflation and rate of growth of money national income.

| Year | Inflation rate | Rate of growth of money national income |
|------|----------------|---|
| 1999 | 3% | 5% |
| 2000 | 4% | 6% |
| 2001 | 3% | 2% |
| 2002 | 1% | 1% |

From the data it can be inferred that over the period 1999-2002 the level of real national income increased by approximately

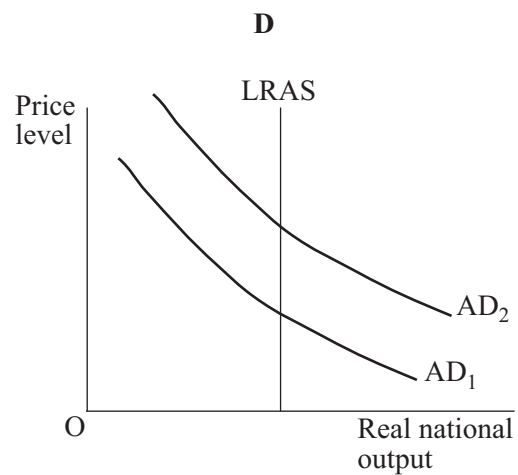
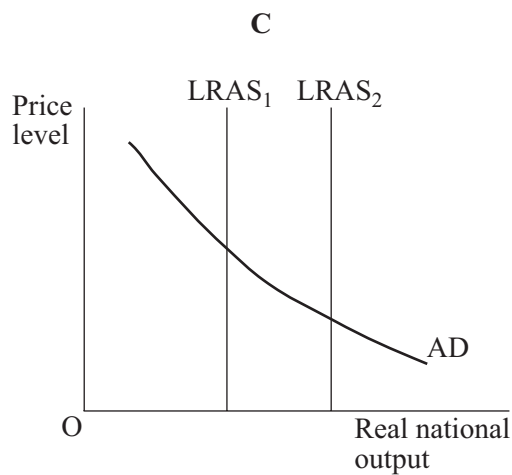
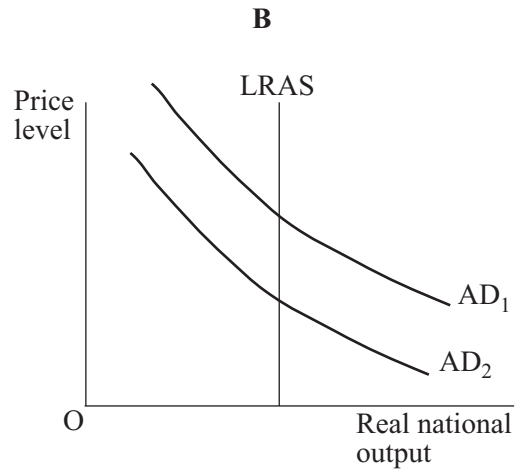
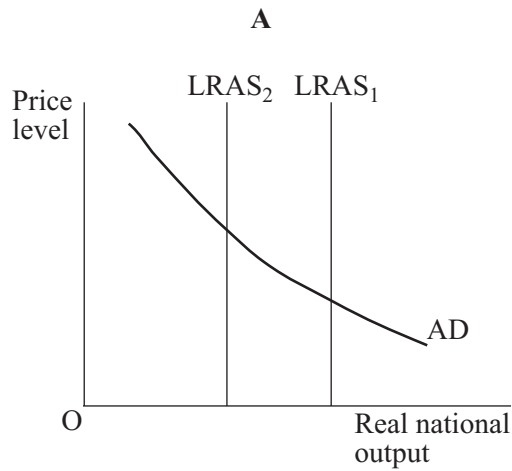
- A 3%.
- B 5%.
- C 11%.
- D 14%.

Turn over ►

- 6 A fall in consumption is most likely to
- A increase the deficit on the current account of the balance of payments.
 - B reduce the budget deficit.
 - C increase productive capacity.
 - D reduce inflation.
- 7 As a component of aggregate demand, consumption is best defined as
- A expenditure by households on goods and services.
 - B expenditure in the economy on all goods and services.
 - C expenditure in the economy minus expenditure on exports.
 - D expenditure by the private sector on goods and services.
- 8 All other things being equal, which of the following is most likely to lead to an increase in imports? A fall in
- A the exchange rate.
 - B national income.
 - C government expenditure.
 - D the savings ratio.
- 9 The government has recently increased its expenditure on health and education. All other things being equal, in the short run this is most likely to
- A increase unemployment.
 - B reduce inflation.
 - C increase aggregate demand.
 - D reduce economic growth.

10 The four diagrams below show the aggregate demand and aggregate supply curves for an economy.

Which diagram best illustrates economic growth occurring?

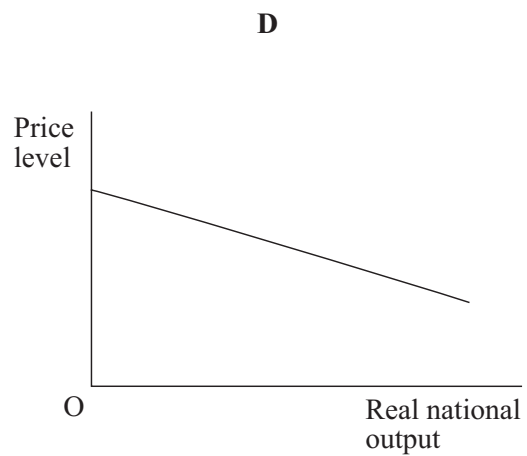
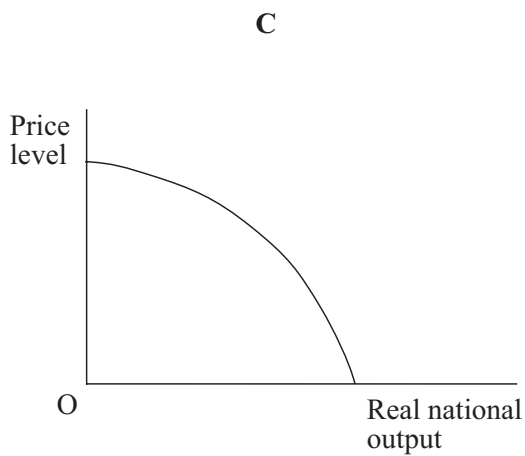
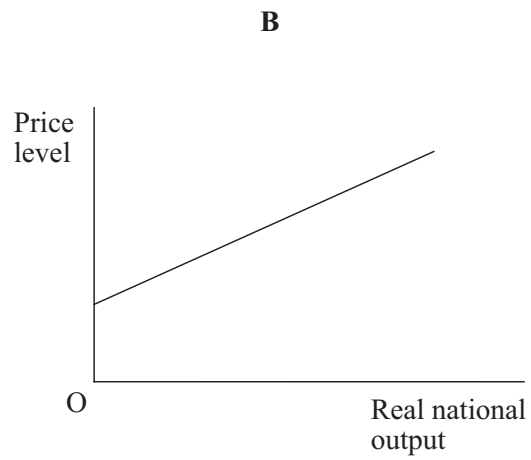
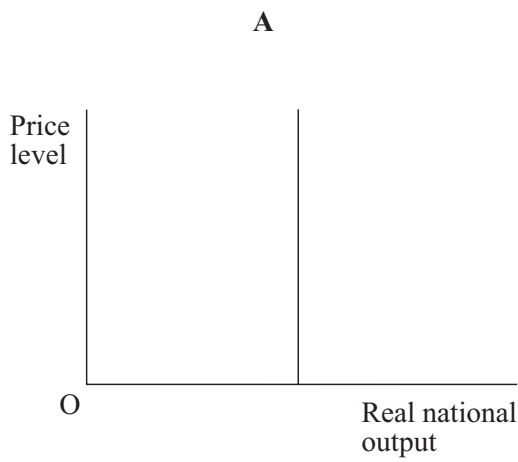


11 Which of the following events is most likely to be caused by a rise in the exchange rate of the pound?

- A An increase in foreign investment in new factories in the UK economy.
- B A rise in the rate of inflation in the UK.
- C An increase in spending on imports.
- D Increased international competitiveness of domestically produced goods.

Turn over ►

12 Which one of the following diagrams is most likely to represent the shape of an economy's short run aggregate supply curve?



13 The economy's short run aggregate supply curve will shift to the left if

- A labour productivity increases.
- B the exchange rate rises.
- C wage rates rise.
- D the budget deficit increases.

- 14 Control of inflation in an economy is most likely to be effective if there is an increase in
- A productivity.
 - B exports.
 - C consumption.
 - D welfare benefits.
- 15 Which of the following is a component of aggregate demand?
- A Savings.
 - B Exports.
 - C Taxation.
 - D The price level.

**QUESTION 15 WAS THE LAST
QUESTION IN THE PAPER**

**ON YOUR ANSWER SHEET
IGNORE ROWS 16 TO 50**

END OF TEST

THERE ARE NO QUESTIONS PRINTED ON THIS PAGE

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