

- 1131/01
- **ECONOMICS EC1**

A.M. MONDAY, 13 May 2013

1 hour plus your additional time allowance

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

Surname		
Other Names		
Centre Number		
Candidate Number 2		

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1	3	
2	10	
3	4	
4	4	
5	3	
6	10	
7	8	
8	8	
Total	50	

### ADDITIONAL MATERIALS

In addition to this paper you may require a calculator and a ruler.

### **INSTRUCTIONS TO CANDIDATES**

Use black ink, black ball-point pen or your usual method.

Write your name, centre number and candidate number in the spaces provided on the front cover.

Answer ALL the questions in the spaces provided. You may use continuation paper on pages 22-23 if necessary, taking care to number the continuation correctly.

### **INFORMATION FOR CANDIDATES**

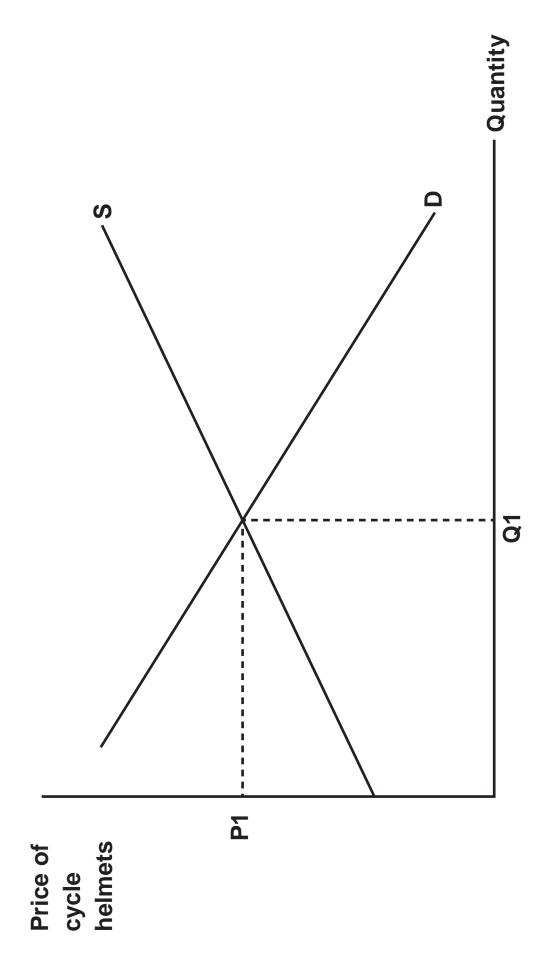
Mark allocations are shown in brackets. This paper has a total of 50 marks.

4

Answer ALL the questions in the spaces provided.

1 The data opposite shows the trends in output and employment of UK manufacturing since 1980.

With reference to the data, explain one factor that could explain the change in manufacturing productivity over the period shown. [3]



2 The diagram opposite shows the market for cycle helmets.

Suppose, as a result of an increasing number of serious accidents involving cyclists, firstly the government made the wearing of cycle helmets compulsory and secondly, at the same time, reduced the rate of VAT on cycle helmets.

 (a) Adapt the diagram opposite to discuss whether the policy changes are likely to increase or reduce the price of cycle helmets. [6]

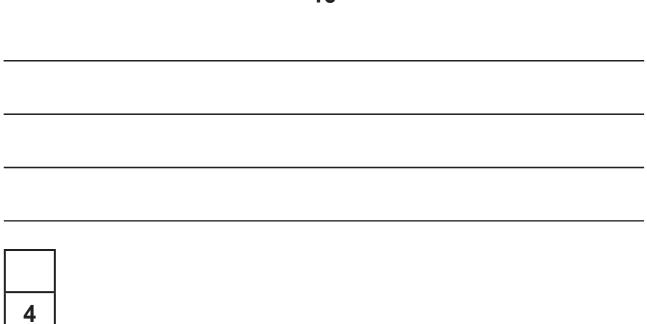


6

2(b) Explain how the policies outlined on page 5 may help to correct market failure. [4]

3 A football club charges a £15 admission fee to their home games and its average attendance is 5,000 per game. It then reduces its admission fee to £12 and as a result average attendances rise to 7,000 per game.

Calculate the price elasticity of demand for this football club and explain why the club's revenue has been affected by the price change. [4]

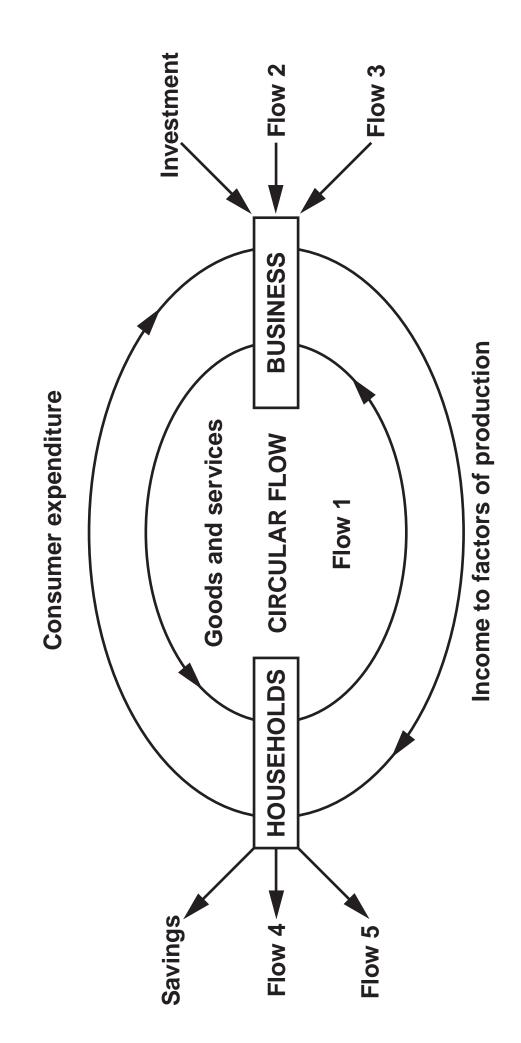


4 An antiques expert has bought a valuable religious painting dating back 1,000 years at a car boot sale for £13. The painting has since been valued at several thousand pounds.

Using the above passage explain the concept of asymmetry of information. [4]

11

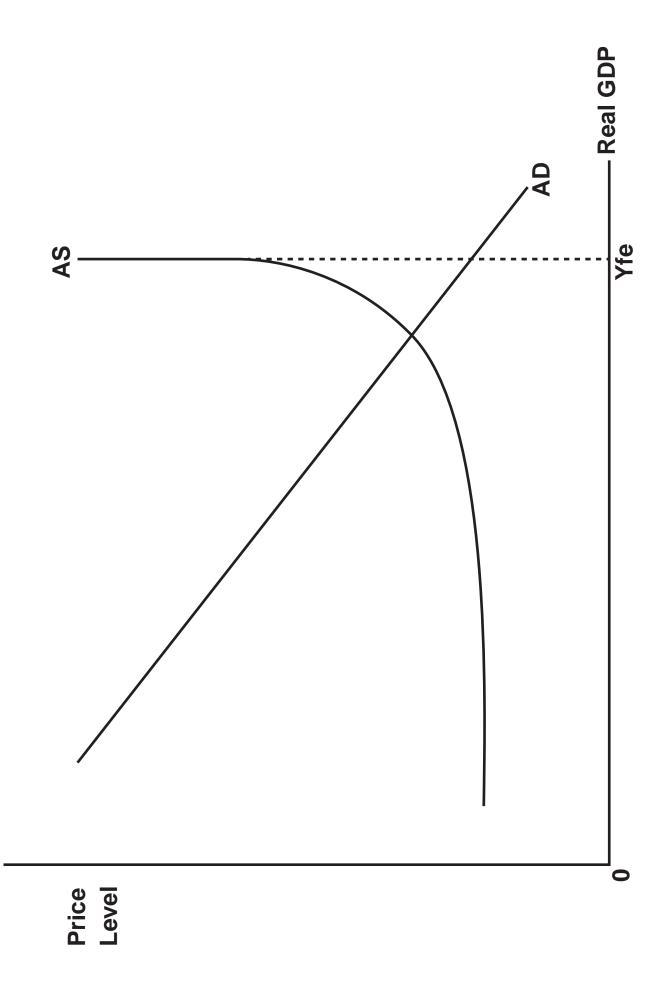
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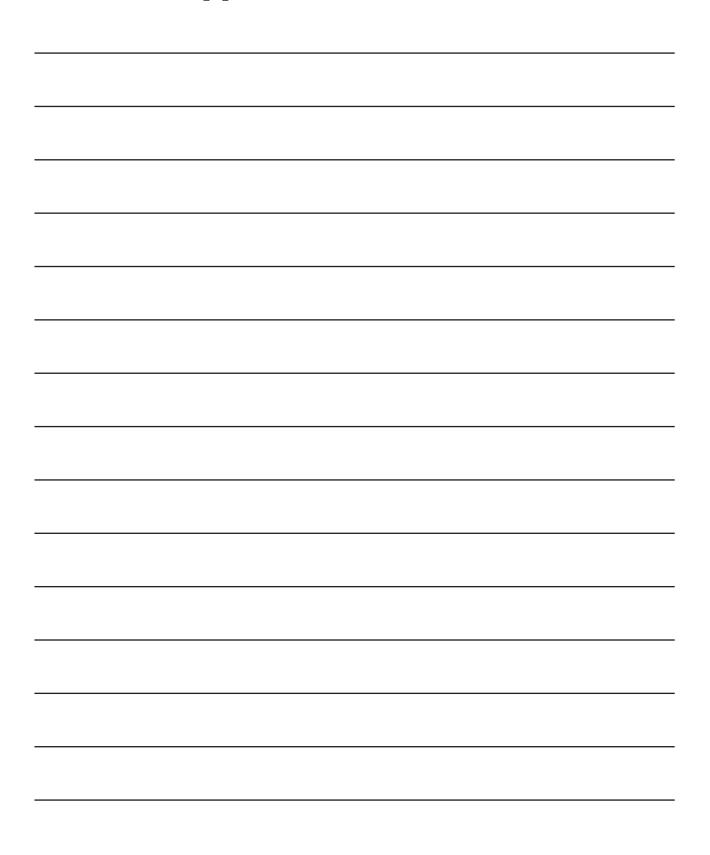
5 Complete the circular flow diagram opposite by identifying flows 1 to 5. [3]

Flow 1	
Flow 2	
Flow 3	
Flow 4	
Flow 5	

### 



6(a) In the opposite diagram explain the shape of both the aggregate demand and aggregate supply curves. [4]



6(b) Explain how fiscal policy can shift both the aggregate demand and aggregate supply curves to the right. [6]

16
10
10

7 In the 2010 Budget the UK government announced a five year plan to rebuild the economy.

With reference to the data opposite, discuss how successful this plan seems to have been. [8]



18

19
8

### 8 RUSSIA JOINS WORLD TRADE ORGANISATION (WTO).

The WTO is an international organisation which promotes free trade amongst its members.

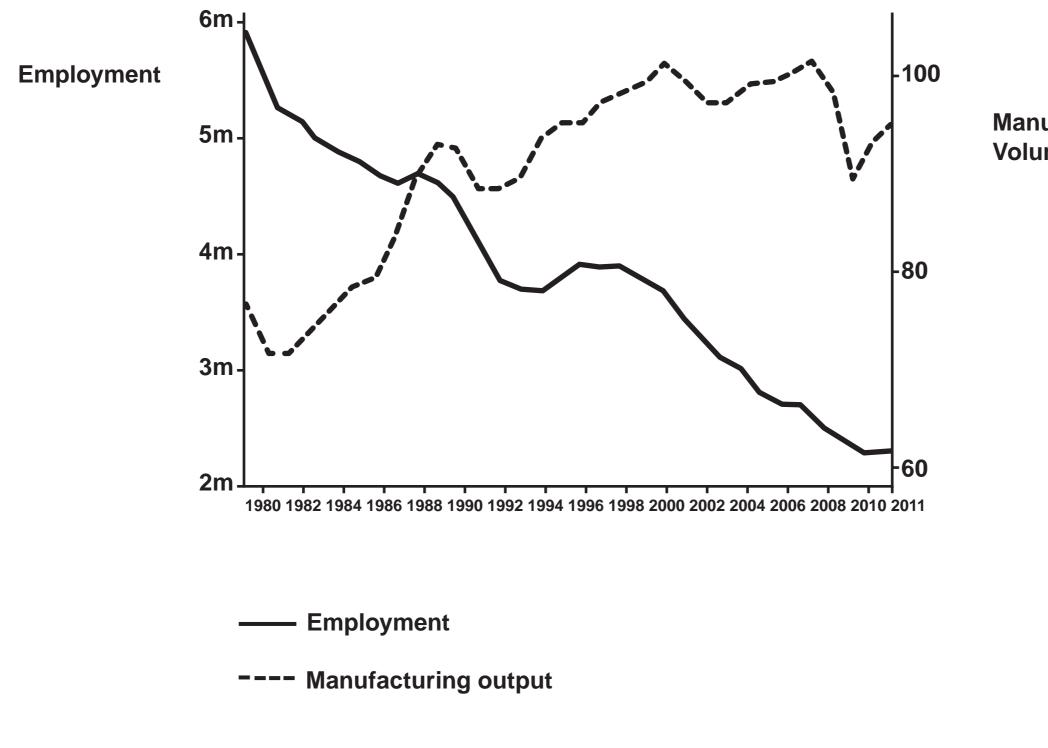
To what extent might Russia expect to benefit as a result of freer international trade? [8]

21	

22

23 FOR CONTINUATION ONLY.

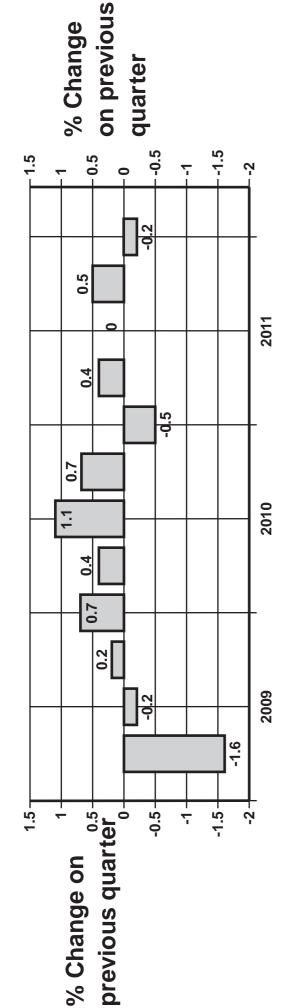
24



Source: Daily Mail 11 December 2011

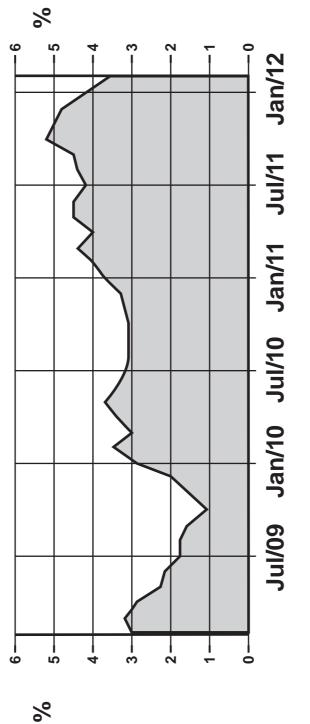
### Manufacturing Volume of Output

### UNITED KINGDOM GDP GROWTH RATE Percentage Change in Gross Domestic Product



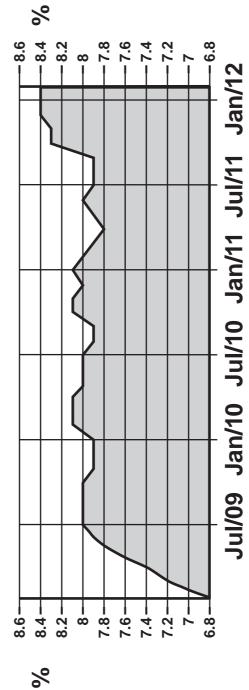
## UNITED KINGDOM INFLATION RATE

# Annual Change in Consumer Price Index



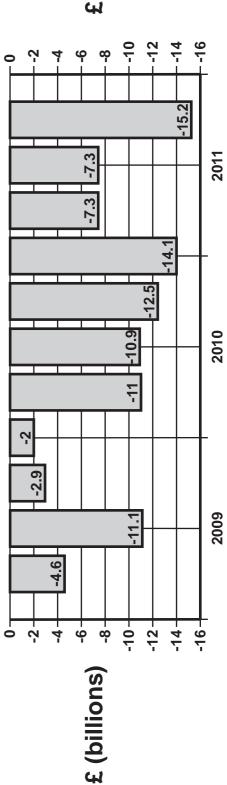
# UNITED KINGDOM UNEMPLOYMENT RATE

### Percentage of Labour Force



# UNITED KINGDOM CURRENT ACCOUNT

### Current Account (Billion)



£ (billions)