

ECONOMICS

6841

Thursday 1 July 2004 Morning Session

In addition to this paper you will require:
a 16-page answer book.
You may use a calculator.

Time allowed: 3 hours

Instructions

- Use blue or black ink or ball-point pen. Pencil should only be used for drawing.
- Write the information required on the front of your answer book. The *Examining Body* for this paper is AQA. The *Paper Reference* is 6841.
- Answer **all** parts of Question 1 from Section A, **one** question from Section B and **one** question from Section C.
- **At the very start of the examination**, detach page 5 by tearing along the perforations.

Information

- The maximum mark for this paper is 160.
- Mark allocations are shown in brackets.
- Section A carries 50% of the total marks for the paper. Sections B and C each carry 25% of the total marks for the paper.
- You will be assessed on your ability to use an appropriate form and style of writing, to organise relevant information clearly and coherently, and to use specialist vocabulary, where appropriate. The degree of legibility of your handwriting and the level of accuracy of your spelling, punctuation and grammar will also be taken into account.

Advice

- You are advised to spend 90 minutes on Section A, 45 minutes on Section B and 45 minutes on Section C.

SECTION A: Interpreting Economic Data

Study the data on pages 2–4 and then answer **all** parts of Question 1 which follows on page 5.

1 CRISIS IN THE NORTH SEA FISHING INDUSTRY**Total for this question: 80 marks****Extract A: The prices of salmon and cod**

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Extract B: The tragedy of the commons

This was an extract of text. It has not been reproduced here due to third-party copyright constraints.

Extract C: Fishing industry falls victim to the tragedy of the commons

This was an extract of text and a graph. The graph showed the breeding stocks of cod in the North Sea. They have not been reproduced here due to third-party copyright constraints.

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Extract D: Has our cod had its chips?

This was an extract of text and a graph. The graph showed the quotas and recorded catches of North Sea cod. They have not been reproduced here due to third-party copyright constraints.

Extract E: A ban on cod and haddock catches will mean financial ruin for fishing communities

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Extract F: Output and employment in UK sea fishing and related industries, 1997

Activity	Production (tonnes)	Value (million euros)	Employment
Sea fishing	613 900	803.0	17 847
Fish farming	113 425	350.9	1 617
Fish processing	433 000	873.0	18 140

Source: adapted from *The Future of the Common Fisheries Policy*, Brussels 2001

You may detach this page by tearing along the perforations.

Question 1

- (a) Explain the change that has occurred in the relative prices of salmon and cod over the last thirty years (**Extract A**, lines 1–4). *(10 marks)*
- (b) “For some resources, such as oil, the market mechanism has encouraged consumers to economise and producers to search for and to develop new sources of supply” (**Extract C**, lines 2–4).
Explain this statement. *(10 marks)*
- (c) Using the data and your economic knowledge, discuss the view that the pursuit of self-interest inevitably works against the public interest. *(20 marks)*
- (d) In the light of the information in the data, evaluate the view that a sudden collapse of the sea fishing industry will have little adverse effect on the United Kingdom economy. *(20 marks)*
- (e) Evaluate possible economic policies which might reverse the depletion of North Sea fish stocks. *(20 marks)*

SEE PAGE 7 FOR QUESTIONS 2–5

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SECTION B: Markets and Market Failure

Answer **EITHER** Question 2 **OR** Question 3 from this Section.

2 Evaluate the view that, because of its lack of realism, perfect competition is not a useful economic model. *(40 marks)*

3 “Regulation protects consumers and workers from exploitation and injury but deregulation creates greater opportunities for them.”

Should there be more or less government regulation? Justify your answer. *(40 marks)*

SECTION C: The National and International Economy

Answer **EITHER** Question 4 **OR** Question 5 from this Section.

4 Since 1997, the UK inflation rate has been within the target range set by the UK government.

Evaluate the view that this success has been solely due to monetary policy. *(40 marks)*

5 Through national policy decisions and international agreements, governments have generally encouraged a greater international mobility of capital. However, governments have not generally encouraged a greater international mobility of labour.

Evaluate the economic case for encouraging a greater international mobility of **either** capital **or** labour. *(40 marks)*

END OF QUESTIONS

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Extract B: From the journal *Science*, vol 162, 13 December 1968, The American Association for the Advancement of Science

Extract C and E: © *The Independent*

Extract F: European Commission, Directorate-General for Fisheries

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