

Centre Number						Candidate Number				
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Other Names										
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For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
3	
TOTAL	



General Certificate of Secondary Education
June 2011

Economics

413012

Unit 12 Investigating Economic Issues

Monday 6 June 2011 9.00 am to 10.15 am

You will need no other materials.
You may use a calculator.

Time allowed

- 1 hour 15 minutes

Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 70.
- You are reminded of the need for good English and clear presentation in your answers. Quality of Written Communication will be assessed in Questions 1(c), 2(c) and 3(c).

Advice

- You are reminded that Questions 2 and 3 are based on the economic issues you will have investigated before this examination.



J U N 1 1 4 1 3 0 1 2 0 1

Answer **all** questions in the spaces provided.

Total for this question: 24 marks

Managing the Economy

1 Read **Item A** and then answer the questions that follow.

Item A

The UK and the EU in recession

Figure 1 – UK Economic Growth, 2008–2010

After more than 15 years of positive economic growth, the UK economy went into recession in 2008. The UK government tried to pull the UK economy out of this recession by reducing Valued Added Tax (VAT). VAT is a tax on spending put on most goods and services.

Between 2008 and 2009, most European Union (EU) countries also went into recession. This made it harder for the UK to recover.

The UK has been a member of the EU for over 30 years. This has a number of both advantages and disadvantages for the UK economy. The advantages include increased trade and a bigger market for UK businesses. However, the disadvantages include increased competition for UK firms and more competition for jobs in the UK.

1 (a) (i) Identify the **two** stages of the economic cycle shown in **Figure 1**.

Stage 1

Stage 2

(2 marks)



1 (a) (ii) Briefly describe what happens to output in **each** of the two stages you identified in 1 (a) (i).

Stage 1

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Stage 2

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(2 marks)

1 (a) (iii) Explain how moving into recession might affect jobs **and** prices in the UK.

Jobs

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Extra space

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Prices

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Extra space

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(4 marks)

Turn over ►



1 (b) In December 2008, the UK government reduced VAT from 17.5% to 15%.

Explain how this could help to bring the UK economy out of recession.

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(4 marks)

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1 (c) Many people feel that the UK economy has benefited from being a member of the European Union (EU).

Do you agree that being a member of the EU is good for the UK economy? Give reasons for your answer.

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Total for this question: 22 marks

The UK Economy: Poverty

2 Read **Item B** and then answer the questions that follow.

Item B

Living standards and poverty in the UK

Poorer people more likely to suffer health problems

A recent report by the UK's National Health Service (NHS) found that people who are better off can live up to 10 years longer than poorer people. People who live in poverty tend to suffer from poorer health than those who are better off. This can be caused by a number of factors which can lead to significant health problems, including illnesses such as heart disease.

Poorer people more likely to be victims of crime

A recent study has found that poorer people are up to six times more likely to be victims of violent crime. It is claimed that people who live in poverty have a greater chance of being victims of crime.

Poverty continues to be a problem for the UK even though the government tries to tackle it. Anti-poverty groups have argued for an increase in the National Minimum Wage and increased benefit payments to those on low incomes as ways of reducing poverty.

You should refer to **Item B** and what you have learnt from your investigation of this topic when answering the following questions.

2 (a) State **two** possible ways the standard of living in the UK could be measured.

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- 2 (2 marks)

2 (b) (i) Explain why poverty can lead to health problems.

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(3 marks)

Extra space

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2 (b) (ii) Explain the possible effect(s) on the UK economy of a large number of people suffering from poor health.

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(3 marks)

Extra space
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2 (c) The UK government might consider the following two methods to reduce poverty.

- Increasing benefit payments to those who are unemployed or on low incomes
- Raising the National Minimum Wage from around £6 per hour to £8 per hour.

Recommend which method you think would be most effective in reducing poverty in the UK. Use **Item B** and what you have learnt from your investigation of this topic to give reasons for your answer.

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Total for this question: 24 marks

The Global Economy: Developing Economies (India & China)

3 Read **Item C** and then answer the questions that follow.

Item C

Rapid economic growth in India and China



Source: A factory in China on the banks of a river, *Getty Images*

The economies of India and China have grown rapidly by an average of more than 5% per year over the last 10 years. This growth is much greater than the growth in most developed countries such as the UK.

This rapid growth has led to problems for India and China, such as more pollution of cities and an increasing gap between the rich and poor. The rapid growth of India and China has also led to a number of disadvantages for developed countries such as greater overseas competition. There have also been benefits to developed countries as there is a cheaper and greater range of imports.

Some economists have concerns about whether this rapid economic growth in India and China can continue without harmful effects, which could be felt throughout the world.

You should refer to **Item C** and what you have learnt from your investigation of this topic when answering the following questions.

Turn over ►



3 (a) State and explain **two** economic differences between developed countries such as the UK and developing countries such as India **and/or** China.

Difference 1

Explanation

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Extra space

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Difference 2

Explanation

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Extra space

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(4 marks)

3 (b) Explain **two** possible effects on **developed** countries such as the UK of the rapid economic growth of developing countries such as India **and/or** China.

Effect 1

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Extra space

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Effect 2

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Extra space

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(6 marks)

3 (c) Rapid economic growth in China and India has had many effects on those two countries, and the rest of the world.

Which effect do you think is the most damaging in the long term? Use **Item C** and what you have learnt from your investigation of this topic to give reasons for your answer.

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(14 marks)

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END OF QUESTIONS

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