

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



General Certificate of Secondary Education
June 2012

Economics

413012

Unit 12 Investigating Economic Issues

Friday 25 May 2012 1.30 pm to 2.45 pm

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(d), 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 2 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 London 2012 Olympics

In 2005, London won the right to host the 2012 Olympic Games. It is expected that the cost of the London Olympics will be about £9 billion. The UK government believes that hosting the Olympics will be good for the UK economy because the benefits will exceed these costs. Hosting the Olympics should help the government to meet some of its economic objectives, including reducing unemployment. However, the London Olympics has prompted a lot of discussion about its costs and benefits, as shown in the comments below.

Many thousands of foreign visitors will come to London. This will benefit the tourism industry in the UK and help our balance of payments.

The Olympics has meant the re-development of parts of London. Big improvements in transport and communications have created many jobs, especially in the construction industry.

The money spent on hosting the Olympics could have been better spent on building more houses and on improving health and education services. Some of the Olympics buildings may not be used again in the future.

Londoners have had to pay higher taxes to pay for the building of the Olympic Village. During the Olympics, roads and public transport will be congested.

1 (a) State **two** possible benefits to the UK economy of hosting the 2012 Olympics.

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(2 marks)



1 (b) Explain how hosting the 2012 Olympics might help the UK government to meet its objective of reducing unemployment.

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Question 1 continues on the next page

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1 (c) State **and** explain **two** possible social costs which may arise as a result of hosting the 2012 Olympics.

Social cost 1

Explanation

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Social cost 2

Explanation

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(6 marks)



1 (d) The UK government believes that the benefits of hosting the Olympics will exceed the costs, and so will be good for the UK economy.

Do you agree that hosting the 2012 Olympics is good for the UK economy?
Give reasons for your answer.

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Total for this question: 22 marks

Local/UK economic issues: Dominant firms

2 Read **Item B** and then answer the questions that follow.**Item B****The UK supermarket industry**

Source: Getty Images

The supermarket industry in the UK is dominated by large, powerful firms, including *Tesco*, *Asda*, *Sainsbury's* and *Morrisons*. These firms controlled 75.2% of the market in 2011; see **Figure 1**.

Figure 1 – Market share of UK supermarket industry, 2011

Firm	% of total grocery sales
Tesco	30.6
Asda	16.8
Sainsbury's	16.3
Morrisons	11.5
Total	75.2

The UK's Competition Commission investigates issues such as market dominance. It had concerns about dominant supermarket firms having an unfair advantage over other grocery retailers and the effects that this has had on producers, such as farmers, and consumers. One effect has been that many small grocery businesses have been unable to compete and have therefore closed.

However, these dominant supermarket chains are keen to point out the benefits that their size brings to both consumers and producers.

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



2 (a) Explain **one** benefit to UK consumers of large supermarkets.

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(2 marks)

2 (b) Explain the effects on producers of large firms dominating the UK supermarket industry.

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Total for this question: 24 marks

The Global Economy: Developing Economies (China & India)

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

Item C

Ethical issues of economic growth in China and India



Source: A slum in Mumbai, India, *Getty Images*

The economies of both China and India are growing rapidly. This has been greatly helped by increases in labour productivity in both countries.

However, it has been suggested that the benefits of rapid growth, such as increased incomes and higher living standards, are being felt by relatively few people. As a result, the poor are being left further behind, widening the gap between rich and poor and leading to further inequality.

The rapid growth of China and India has also worsened the income divide between rural and urban areas. It has also led to ethical issues arising from pollution and the use of non-renewable resources.

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



3 (a) Explain **two** causes of rapid economic growth in China and/or India.

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3 (b) Explain **two** possible negative effects of rapid economic growth on China and/or India.

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END OF QUESTIONS

