

Surname		Other Names	
Centre Number		Candidate Number	
Candidate Signature			

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General Certificate of Secondary Education
June 2003



**ECONOMICS
HIGHER TIER
Paper 2**

3144/2H

H

Thursday 26 June 2003 1.30 pm to 2.30 pm

In addition to this paper you will require:
the Information Leaflet (enclosed).
You may use a calculator.

Time allowed: 1 hour

Instructions

- Use blue or black ink or ball-point pen.
- Fill in the boxes at the top of this page.
- Write your report in this booklet, starting on page 3.
- Do all rough work in this book. Cross through any work you do not want marked.

Information

- The maximum mark for this paper is 84.
- The marking criteria and the allocation of marks are given on page 2.
- You will be awarded 4 marks for quality of written communication.
- You will be assessed on your ability to present relevant information in a form that suits its purposes. 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 15 minutes:
 - reading the questions;
 - reading through all the data in the Information Leaflet;
 - identifying parts of the data that you might use in answering the questions.
- Writing your answers should take up to 45 minutes.

For Examiner's Use			
Number	Mark	Number	Mark
1			
Total (Column 1)		→	
Total (Column 2)		→	
Quality of Written Communication			
TOTAL			
Examiner's Initials			

J. K. Edwards Ltd is a small but successful firm of house builders based in the North West of England. Recently, the firm has been investigating the possibility of building houses in other areas of the UK, rather than simply expanding in the North West of England.

Your task

As Head of the firm's Economic Development Unit, you have collected the information shown in the enclosed Information Leaflet.

Use this information, together with your knowledge and understanding of economics, to write a report for the firm. Your report should explain clearly the arguments for **and** against building any more new houses and advise the firm on the best way forward. You should take into account area(s) of the country as well as relevant government policies.

In your report, you should:

- outline the factors which determine the demand for, and supply of, owner-occupied housing;
- explain the arguments for building new houses;
- explain the arguments for **not** building any more new houses;
- evaluate these arguments;
- explain which areas of the country the firm should expand into and why;
- explain and discuss the possible solutions open to the firm;
- outline the government policies that would be useful to the firm and explain why;
- recommend which solution would be most appropriate.

You may wish to consider the short-term and long-term solutions.

Your report will be assessed on your ability to:

use economic knowledge, show understanding and use information; *(20 marks)*

apply economic concepts and theories and use appropriate economic terminology and methods; *(20 marks)*

select, organise and interpret information; *(20 marks)*

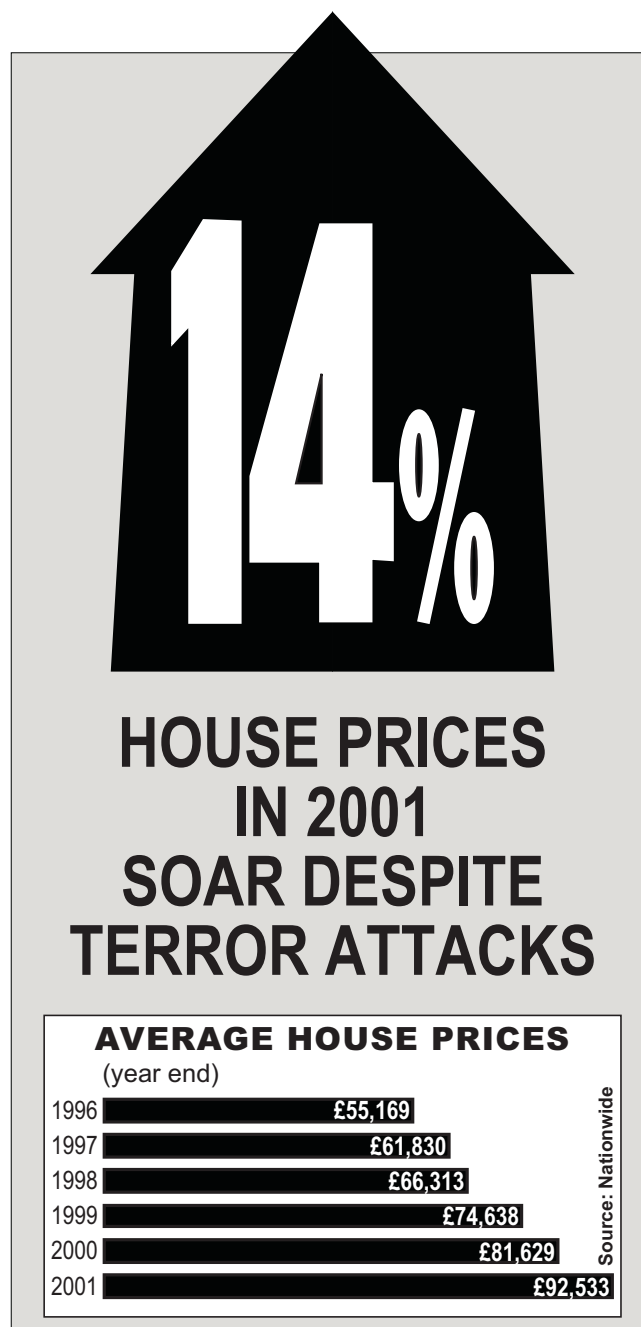
evaluate evidence, make reasoned judgements and draw appropriate conclusions; *(20 marks)*

present information in a clear, legible and logical way; spell, punctuate and use the rules of grammar accurately; and enable the meaning of the text to be understood. *(4 marks)*

(Total: 84 marks)

Study **all** the information before you begin your task.

Data A



Source: adapted from the *Daily Mirror*, 4 January 2002

Data B

House prices soared last year despite the economic effects of the terrorist attacks in America on September 11, figures revealed yesterday.

The cost of a home rose by an average of almost 14 per cent – £11 000 – in 2001, according to the Nationwide Building Society. The mortgage lender said that made it the strongest year for increases since 1988. But Nationwide gave mixed news for the year ahead, predicting sustained rises for some areas but a slowdown in others.

LONDON: Prices rose by 14.3 per cent to an average value of £168 783. But rises will “slow substantially” amid fears over jobs and pay.

SOUTH EAST: Prices surged 15.8 per cent to £117 566. Growth will slow.

WEST MIDLANDS: There was a rise of 12.8 per cent to £85 976 despite manufacturing problems. The strong showing should continue.

NORTH WEST: Prices rose by 14.8 per cent to £74 687. Further growth is expected.

THE NORTH: Prices rose by 11.2 per cent to £59 510.

SCOTLAND: One of only two regions not to see double-figure rises. Huge job losses saw a rise in house prices of only 4.7 per cent to £67 731.

NORTHERN IRELAND: The lowest rise in the UK at just 3.5 per cent to £73 697.

Source: adapted from an article by KANCHAN DUTT in the *Daily Mirror*, 4 January 2002

Data C**BIGGEST HOUSE PRICE RISE FOR EIGHT YEARS BUT HOW LONG WILL IT LAST?**

House prices saw the biggest rise for eight years last month – amid fears of a slowdown. The average price of a home rose by 2.8 per cent in September to £92 432, the Nationwide Building Society said. But experts warned that the US terror attacks could signal a sharp slowdown, particularly in London, over the next few months.

One economist said last night: “It’s a tough call. One suspects October and November’s house price figures may paint a very different picture. The horror of September 11 is already savaging some industries, such as tourism. But the real impact of job losses and falling consumer confidence has not been felt yet”.

Nationwide’s chief economist Alex Bannister said a slowdown in prices was likely next year. He said: “It is possible the housing market may slow more quickly and recover more slowly than we thought”. However, he said the prospect of house prices actually falling were “extremely slim”. A lot depends on how rising unemployment and falling pay deals affect consumer confidence. Mr Bannister said London – already hit by a slowdown in tourism from US citizens – was likely to suffer most due to falling share prices and lower City bonuses. But he said mortgage rates would have to rise by 7.5 per cent to put those people borrowing three times their salary under similar pressure to the last housing recession.

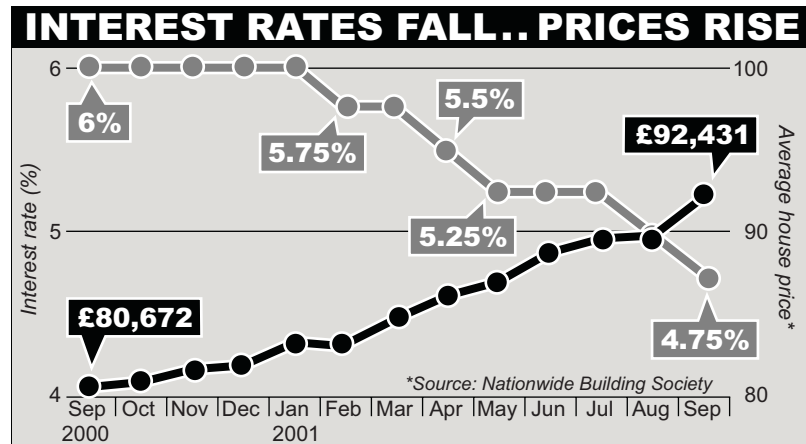
With new data showing UK manufacturing still in recession, the Bank of England could decide to cut interest rates again this Thursday despite the housing boom.

Homebuyers borrowed a *record* £14.5 billion in August, the Bank of England said yesterday – £800 million more than in July.

Source: adapted from an article by CLINTON MANNING in the *Daily Mirror*, 2 October 2001

Turn over ►

Data D



Interest rates may have to rise in a bid to halt record consumer spending, Bank of England boss Sir Eddie George warned last night. But he said it was possible that an economic slowdown will see people tighten their belts before a hike is needed.

Source: adapted from an article by KANCHAN DUTT in the *Daily Mirror*, 2 October 2001

Data E**Data for the UK Economy 2002-2004**

Year	Economic Growth (% change)	Manufacturing Output (% change)	Household Consumption (% change)	Inflation (% change)
2002	2 to 2½	-¾ to -½	2¾ to 3	2¼
2003*	2¾ to 3¼	2¼ to 2¾	2¼ to 2¾	2½
2004*	2¼ to 2¾	1¾ to 2¼	2 to 2½	2½

* Forecast figures

Investment – one of the main determinants of productivity, which Mr Brown aims to boost – is expected to fall sharply as the slowdown takes hold.

A Monetary Policy Committee (MPC) member warned that the risk of recession in the UK was significantly higher than the Bank and the Treasury were calculating. He said that he was “much more concerned” than the rest of the MPC members about the state of the global economy – and its likely impact on Britain.

Source: adapted from *The Guardian*, 28 November 2001

Data F

**GOVERNMENT
RELEASES
BUILDING
LAND FOR
NEW HOMES
IN THE
SOUTH EAST**

**BUILDING
WORKERS
RECEIVE 10%
PAY RISE**

Turn over ►

Data G**House Prices in the North West and Greater London****£32 500****Merseyside**

04 January 2002

* Two storey centre terraced house * Entrance lobby, Hall * Two Reception rooms both with gas fires * Kitchen, three Bedrooms, Bathroom * En-suite in Master Bedroom * Picture windows

£184 950**Greater London**

04 January 2002

* Three Bedroom end terrace house

Merseyside is in the North West of England.
Greater London is in the South of England.

Data H**Average weekly household expenditure on housing 1996 – 1999 (£)**

	North	North West	Yorks and the Humber	East Midlands	West Midlands	East	London
Average weekly household expenditure on housing	43	47	47	48	47	54	69

Average weekly household income in the UK 1996 – 1999

Region	Weekly household income (£)
North	357
North West	401
West Midlands	408
London	523
South East	511

Source: adapted from the website www.statistics.gov.uk, accessed on 8 January 2002