

Surname		Other Names	
Centre Number		Candidate Number	
Candidate Signature			

For Examiner's Use
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General Certificate of Secondary Education  
June 2007

**ECONOMICS**  
**Foundation Tier**  
**Paper 1**

**3144/1F**  
**F**



Friday 22 June 2007 9.00 am to 11.00 am

<p><b>You will need no other materials.</b> You may use a calculator.</p>
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Time allowed: 2 hours

**Instructions**

- Use blue or black ink or ball-point pen. Use pencil only for drawing.
- Fill in the boxes at the top of this page.
- This paper is divided into **two** Sections.
- Answer **all** questions in **Section A**.
- Answer **one** question from **Section B**.
- Answer the questions in the spaces provided.
- Do all rough work in this book. Cross through any work you do not want to be marked.
- If you need additional space, you should continue your answers at the end of this book, indicating clearly which question you are answering.

**Information**

- The maximum mark for this paper is 105.  
Five of these marks will be awarded for the quality of written communication.
- The marks for questions are shown in brackets.
- You are reminded of the need for good English and clear presentation in your answers. All questions should be answered in continuous prose. Quality of Written Communication will be assessed in all answers.

For Examiner's Use			
Question	Mark	Question	Mark
1		4	
2		5	
3		6	
Total (Column 1)		→	
Total (Column 2)		→	
Quality of Written Communication			
TOTAL			
Examiner's Initials			

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**SECTION A**

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

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**Total for this question: 18 marks**

**1** Study the information below and answer the questions that follow.

**Item A**, an article on the introduction of a speed limit on Windermere, has not been reproduced here due to third-party copyright constraints.

(a) (i) Using **Item A**, state **two** effects on the local area of the speed limit.

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*(2 marks)*

(ii) Explain why **one** of these effects could lead to unemployment.

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*(2 marks)*

(b) Explain **two** reasons why large hotel businesses might survive a fall in trade while small businesses might not.

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*(4 marks)*

(c) The Table below gives three possible definitions of economic growth. Select **one** that best describes economic growth.

Economic growth is the increase in the:	Tick the <b>one</b> that best describes economic growth
Manufacturing sector of the economy	
Income of the population of an economy	
Value of goods and services produced in the economy	

*(1 mark)*

**Turn over ►**

**Item B**

**There are gains for Windermere**

The Lake District National Park claims that the speed limit has been a success. Sailors and canoeists have been attracted by the peaceful waters. It states that its objective is to protect the countryside, which is not the same as the objectives of private businesses.

The Boars Head is a hotel that caters mainly for walkers and sightseers. The owner said that the ban had made no difference to his customer numbers.

- (d) (i) Using **Item B**, what is the objective of the Lake District National Park?

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*(1 mark)*

- (ii) State and explain **one** other objective that a business might have.

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*(2 marks)*

(e) Discuss why the ban has had no effect on the number of customers at the Boars Head.

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*(6 marks)*

<b>18</b>

**Turn over for the next question**

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**Total for this question: 20 marks**

2 Study the information below and answer the questions that follow.

**Item C**

**Job advertisements**

The following jobs in the London area were advertised in early August 2005.

• Art Gallery Assistant	£13 750
• Clerical Officer, National Health Service	£14 794
• Information Technology Staff	£16 700
• Quality Assurance Manager	£22 600
• Administrative Services Manager	£25 000
• Area Manager, National Medical Charity	£35 000

(a) The demand for labour is often called a derived demand. Complete the following sentence that uses this idea.

The demand for Art Gallery Assistants depends on the demand for

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*(1 mark)*

(b) (i) Using **Item C**, calculate the average pay of the three managers.

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*(2 marks)*

(ii) With reference to **Item C**, explain **two** reasons why the pay of managers is more than that of the other jobs advertised.

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*(4 marks)*

(c) A job advertisement for Information Technology Staff in the Midlands offered pay of £14 468. State and explain **one** factor that could lead to similar staff in London being offered pay of £16 700.

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*(2 marks)*

**Question 2 continues on the next page**

**Turn over ►**

**Item D****Low pay**

Many unskilled workers are paid only the minimum wage. It is thought that this is because:

- British workers have low levels of productivity
- many do not belong to a trade union
- the number of jobs in retailing has increased and many of these jobs are often low paid.

- (d) (i) In the Table below, put a tick against the statement that defines productivity of labour.

Productivity of labour is the:	Put a tick against the correct definition
Total output produced by the workers	
Total output divided by the workforce	
Extra output produced by an individual worker	

*(1 mark)*

- (ii) Explain **two** advantages of belonging to a trade union.

Advantage 1 .....

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Advantage 2 .....

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*(4 marks)*



(iii) Most employees in the retail trade are paid a lot less than the average wage. Discuss whether this is the result of the competition among retailers.

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<b>20</b>

**Turn over for the next question**

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**Total for this question: 19 marks**

**3** Study the information below and answer the questions that follow.

**Item E**

**Trade war may push up the price of clothes**

Shoppers face rising prices if the European Union’s trade war with China is not quickly resolved, a major British retailer warned.

UK retailers have been badly hit since the introduction of EU textile quotas restricting imports of cheap, Chinese-made trousers, sweaters and T-shirts.

(a) (i) What is meant by a quota?

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*(2 marks)*

(ii) Explain **one** other way that a country could reduce imports.

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*(2 marks)*

(b) On the diagram below:

(i) Draw and label a supply and demand diagram showing the equilibrium price and quantity of T-shirts. *(3 marks)*

(ii) Show the effect on price and quantity of the introduction of a quota. *(2 marks)*



(iii) Explain why the introduction of a quota would result in the effects shown on your diagram.

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*(2 marks)*

**Question 3 continues on the next page**

**Turn over ►**

**Item F**

**Effects of protection**

Consumers are annoyed that they will not be able to buy cheap clothing.

European manufacturers of clothes are delighted, however, that the EU has introduced quotas to prevent them from being forced out of business by cheap imports from China.

(c) Discuss whether free trade or protection gives a country greater benefits.

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*(8 marks)*

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**Total for this question: 18 marks**

4 Study the information below and answer the questions that follow.

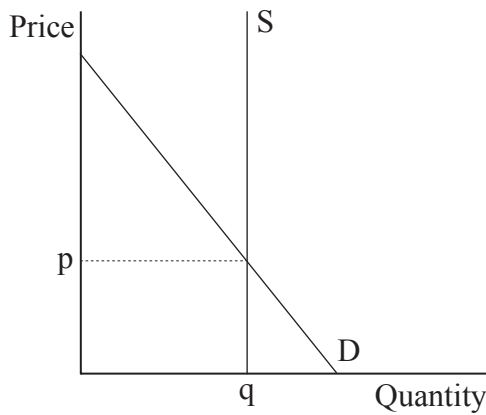
**Item G**

**The price of petrol around Lancaster**

Caton is a village four miles outside Lancaster. In October 2005, the price of unleaded petrol at a supermarket near Caton was 91.9 p per litre. At a village garage, six miles away, the price was 99.9 p per litre.

(a) The diagram below shows the supply and demand for petrol.

(i) Using the diagram, show how a shift in demand could lead to a rise in the price of petrol.



*(2 marks)*

(ii) Explain **one** factor that could lead to a shift in the demand curve for petrol.

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*(2 marks)*

(iii) Discuss why the price of unleaded petrol varies between the supermarket and the village garage.

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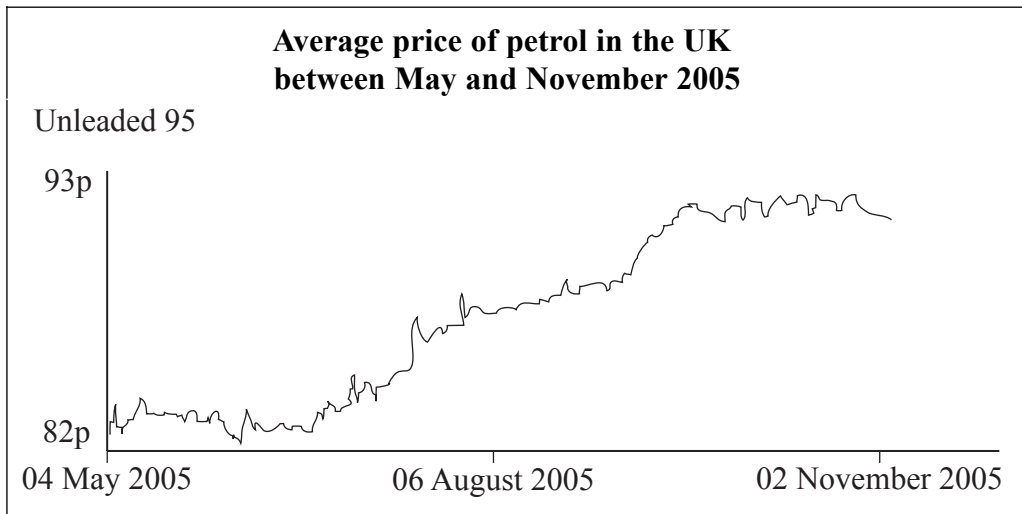
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*(6 marks)*

**Question 4 continues on the next page**

**Turn over ►**

**Item H**Source: [www.whatprice.co.uk](http://www.whatprice.co.uk)

- (b) (i) What happened to the price of petrol in the UK between May and November 2005?

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(2 marks)



- (ii) Discuss the effect that the change in the price of petrol might have had on the rate of inflation.

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<b>18</b>

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**SECTION B**

Answer **either** Question 5 (pages 18–21) **or** Question 6 (pages 22–25).

**Total for this question: 25 marks**

**5** Study **Items I, J** and **K** and then answer **all** parts of the question which follows.

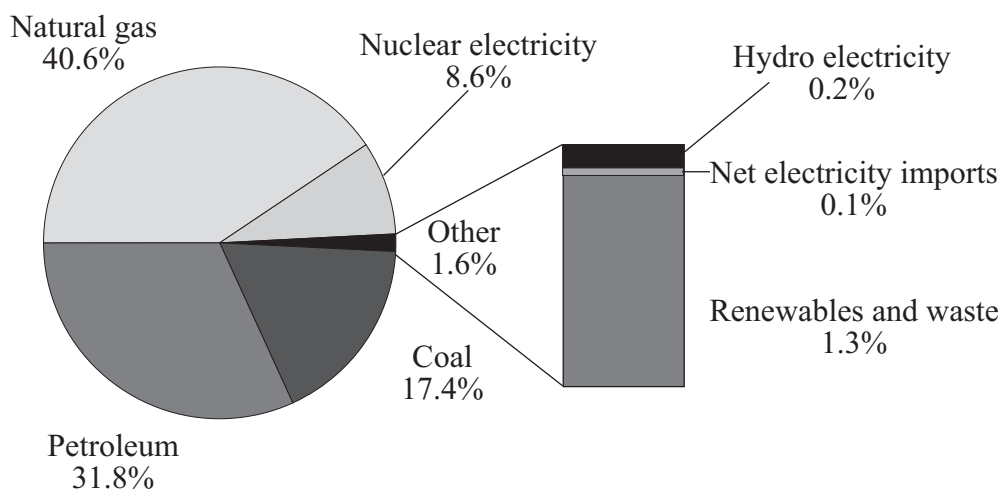
**Item I****Renewable energy**

Renewable energy sources, such as wind and solar energy, offer clean energy that is safe for the environment and good for the economy. Other sources, such as coal, gas and oil, cannot be used again.

Wind power is already an increasingly important source of energy. It could supply 10 per cent of electricity within twenty years. The use of Solar power has been growing by 33 per cent annually.

Business, governments and individuals must begin now to bring in clean, sustainable energy sources and phase out coal, gas and oil. Major investments must be made in renewable energy, replacing large-scale coal, gas and oil production.

People are changing the climate, causing extreme weather events such as droughts and floods, disruption of water supplies, melting Polar regions, rising sea levels and much more. It is not too late to slow global warming and to prevent more disasters.

**Item J****Sources of Energy**

Source: [www.dti.gov.uk](http://www.dti.gov.uk)

**Item K****The Energy White Paper**

On 24 February 2003, the Government launched its Energy White Paper 'Our energy future – creating a low carbon economy'.

The main goals of the policy were:

- to cut the UK's carbon dioxide emissions by some 60% by about 2050
- to maintain the reliability of energy supplies
- to ensure that every home is adequately and affordably heated.

- (a) Using **Items I, J** and **K** and your knowledge of economics, discuss whether the goals set by the Energy White Paper are likely to be achieved.

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*(15 marks)*

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**Turn over for the next question**

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Do **not** answer this question if you have answered Question 5.

**Total for this question: 25 marks**

6 Study **Items L, M** and **N** and then answer **all** parts of the question which follows.

**Item L**

**UK employment, October 2005**

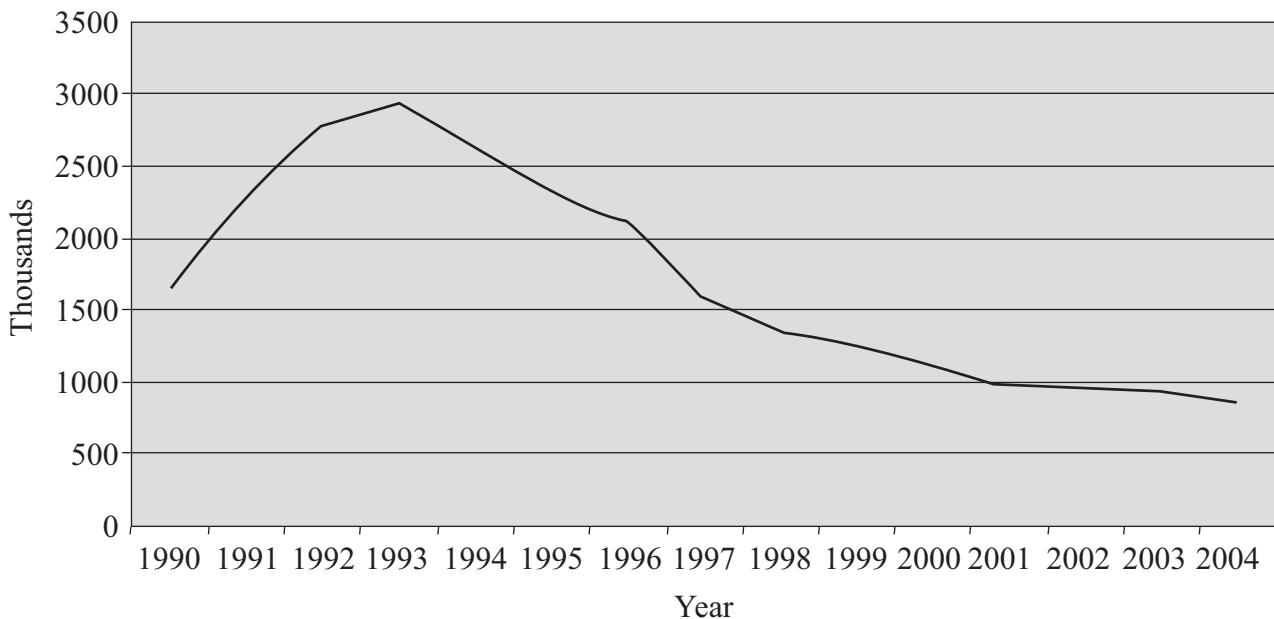
The October figures show that employment is at record levels while the number of unemployed has fallen. There are now more people in work than ever before, up by over a hundred thousand in the last quarter alone. Many new vacancies are placed at Jobcentre Plus offices and more are advertised through other recruitment channels. The Government claims that those who have recently lost their job can find another one quickly.

In addition, the long-term unemployed, lone parents and those claiming incapacity benefits are being helped to overcome the barriers that in the past have prevented them from returning to work.

The Government considers that its supply-side policies, such as education and training, are successful. Some economists believe that increased government spending and other fiscal policies have had greater effect than supply-side policies.

**Item M**

**Unemployment 1990–2004**



Source: [www.statistics.gov.uk](http://www.statistics.gov.uk)

**Item N**

**Unemployment figures**

UK unemployment is much higher than official statistics show. This is because some people who are really unemployed are not included in the figures.

For example:

- those on Government training schemes for the unemployed are counted as employed;
- people who have given up looking for jobs are not counted as unemployed;
- people claiming long-term sickness or invalidity benefits are not counted.

The result is that unemployment statistics could be as much as four percentage points higher than official Government figures show.

- (a) Using **Items L, M and N** and your knowledge of economics, discuss how well the government is doing in reducing unemployment.

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(15 marks)

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**END OF QUESTIONS**



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