

General Certificate of Secondary Education
2010

Economics

Paper 2
Higher Tier

[G2704]



TUESDAY 15 JUNE, MORNING

TIME

2 hours 15 minutes.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number on the Answer Booklet provided.
Answer **four** questions.
Answer **both** questions in Section A and **two** questions from Section B.

INFORMATION FOR CANDIDATES

The total mark for this paper is 120.
Quality of written communication will be assessed in questions **1(d)**, **2(d)**, **3**, **4**, **5** and **6**.
Electronic calculators may be used in this examination but all working of answers involving calculations must be shown.
Figures in brackets printed down the right-hand side of pages indicate the marks awarded to each question or part question.
Graph paper is provided for use with question **1**.

ADVICE TO CANDIDATES

You are recommended to study the mark allocation for each question and part question and to allocate your time accordingly.

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Section A

Answer **both** questions in this section.

- 1 South Africa will be the venue for the 2010 football World Cup. This is the first time that an African country has hosted this important sporting event. It is expected to result in benefits and costs to the host country. Some critics claim that South Africa cannot afford the cost of such an event. The information below shows the likely demand for tickets at a range of prices for one of the matches.

Price per ticket (£s)	Number of seats (000s)	Demand for tickets (000s)
40	95	135
50	95	125
60	95	115
70	95	105
80	95	95
90	95	85
100	95	75

- (a) Using the graph paper provided, plot the demand and supply for tickets. Label the diagram carefully including the market clearing (equilibrium) price and quantity. [6]
- (b) The organisers plan to use extra temporary seats and sell 105000 tickets for this match.
- (i) On your diagram, show how this will affect the market clearing price and quantity. [4]
- (ii) The organisers now decide to set the ticket price at £80. What is the new level of total revenue? Show your calculation. [3]
- (c) The organisers are considering reducing the price of tickets from £80 to £70 in order to sell all the available seats. Explain what this tells us about price elasticity of demand. [5]
- (d) Discuss how hosting a major event, like football's World Cup, could affect the economic development of the host country. [12]

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

	UK	France
National Income per Person (2006)	\$32213	\$29877
Life Expectancy (2006)	79 Years	80.3 Years
Average number of paid holidays per worker (2006)	20 days	30 days
Unemployment (2006)	4.4%	11.8%

Fig. 1

Workers in the UK work on average 43.6 hours per week, the longest of any European Union (EU) country. Despite this, productivity per worker in the UK is lower than other EU countries. In France the working week is 35 hours for many workers, yet their productivity per worker is 10% higher than in the UK.

Fig. 2

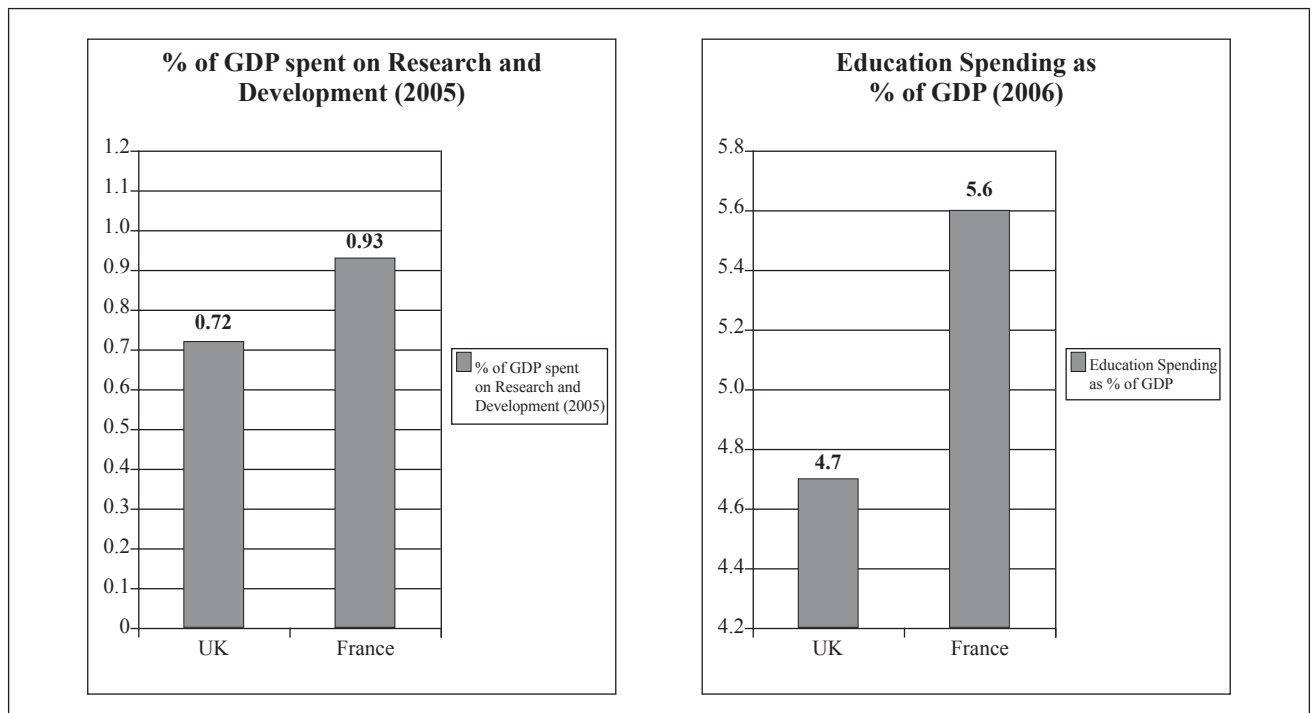


Fig. 3

- (a) (i) Using **Fig. 1**, briefly describe **three** differences in the standard of living between the UK and France. [6]
- (ii) Suggest **two** additional pieces of information that could be used to compare the standard of living between the two countries. [4]
- (b) **Fig. 2** indicates that the UK has the longest working hours in the EU. Explain the possible opportunity cost of this. [4]
- (c) Using **Fig. 3**, explain **two** possible reasons why workers in France are on average more productive than UK workers. [4]
- (d) Discuss the possible ways in which the Government could help to improve the standard of living in the UK. [12]

Section B

Answer **two** questions from this section.

- 3** The UK trade deficit in goods and services for May 2008 was £4.2 billion. Economists expect this situation to improve if there is a fall in the value of the pound.

Source: Adapted from the Scotsman, 9 July 2008

(a) Explain what is meant by a trade deficit in goods and services. [6]

(b) Explain why a fall in the value of the pound might be expected to improve the trade deficit. [9]

(c) Discuss the possible costs and benefits to the UK economy of trade with other countries. [15]

- 4** The supermarket, Asda has launched a £4 basic school uniform. This is expected to attract many customers away from other providers of school uniforms, and possibly give Asda a monopoly in this market.

Source: Reuters UK, 1 August 2008

(a) Explain why it is possible for some large businesses, such as Asda, to sell goods at very low prices. [6]

(b) Explain the ways, other than price, in which supermarkets compete with one another. [9]

(c) Discuss the possible effects of Asda having a monopoly in the market for school uniforms. [15]

5 UK unemployment rose to over two million in March 2009. The Confederation of British Industry (CBI) has predicted that it will rise above three million in 2010.

Source: BBC News website, 18 March 2009

(a) Explain **two** causes of unemployment. [6]

(b) Describe the main costs of unemployment to the individual and the economy. [9]

(c) Discuss possible policies the Government could use to reduce unemployment. [15]

6 George Best Belfast City Airport is considering extending its runway to accommodate more flights. Local residents and environmental groups have objected due to the increased external costs that extra flights will impose.

Source: Belfast Telegraph, 18 September 2008

(a) Explain what is meant by social costs. [6]

(b) Explain the possible social costs and benefits of increasing the number of flights at George Best Belfast City Airport. [9]

(c) Discuss the advantages and disadvantages of imposing higher taxes on air travel. [15]

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