



GENERAL CERTIFICATE OF SECONDARY EDUCATION
ECONOMICS
 How the Economy Works

A592

Candidates answer on the Question Paper

OCR Supplied Materials:
None

Other Materials Required:

- Calculators may be used

Monday 7 June 2010
Morning
Duration: 1 hour



Candidate Forename		Candidate Surname	
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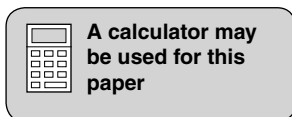
Centre Number						Candidate Number				
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INSTRUCTIONS TO CANDIDATES

- Write your name clearly in capital letters, your Centre Number and Candidate Number in the boxes above.
- Use black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully and make sure that you know what you have to do before starting your answer.
- Answer **all** the questions.
- Do **not** write in the bar codes.
- Write your answer to each question in the space provided. If additional space is required, you should use the lined pages at the end of this booklet. The question number(s) must be clearly shown.

INFORMATION FOR CANDIDATES

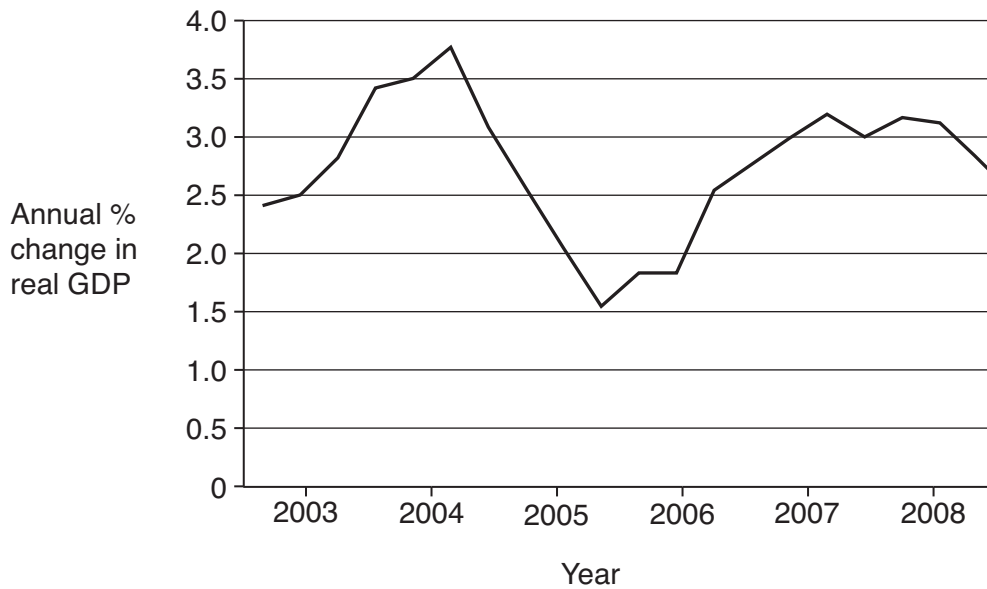
- The number of marks is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is **60**.
- You will be awarded marks for the quality of written communication.
- This document consists of **12** pages. Any blank pages are indicated.



Answer **all** questions.

- 1 Fig. 1 shows the annual rate of economic growth in the UK between 2003 and 2008. Economic growth is measured as growth of real Gross Domestic Product (GDP).

Fig. 1



- (a) Using Fig. 1, circle the year which had:

- (i) the fastest rate of economic growth;

2004 **2005** **2006** **2007** [1]

- (ii) the slowest rate of economic growth;

2004 **2005** **2006** **2007** [1]

(b) Explain the difference between GDP and GDP per capita.

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(c) Would the benefits of economic growth to the UK economy exceed the costs? Give reasons for your answer.

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(d) (i) State **two** policies which the government could use to achieve economic growth.

Policy 1

Policy 2 [2]

(ii) Discuss how successful these policies might be in achieving economic growth.

Policy 1

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Policy 2

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[Total: 20]

2 Fig. 2 is a brief article about inflation in the African country of Zimbabwe in 2008.

Fig. 2

Inflation in Zimbabwe

In 2008, inflation rates in Zimbabwe reached 1 000 000 % per year. The government printed more high value banknotes, including a Z\$5 billion note (5 billion Zimbabwe dollars). A Z\$10 million banknote was not enough to buy one banana.

(a) Using Fig. 2 to illustrate your answer, explain what is meant by the rate of inflation.

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(b) Identify and explain **two** causes of inflation.

Cause 1

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Cause 2

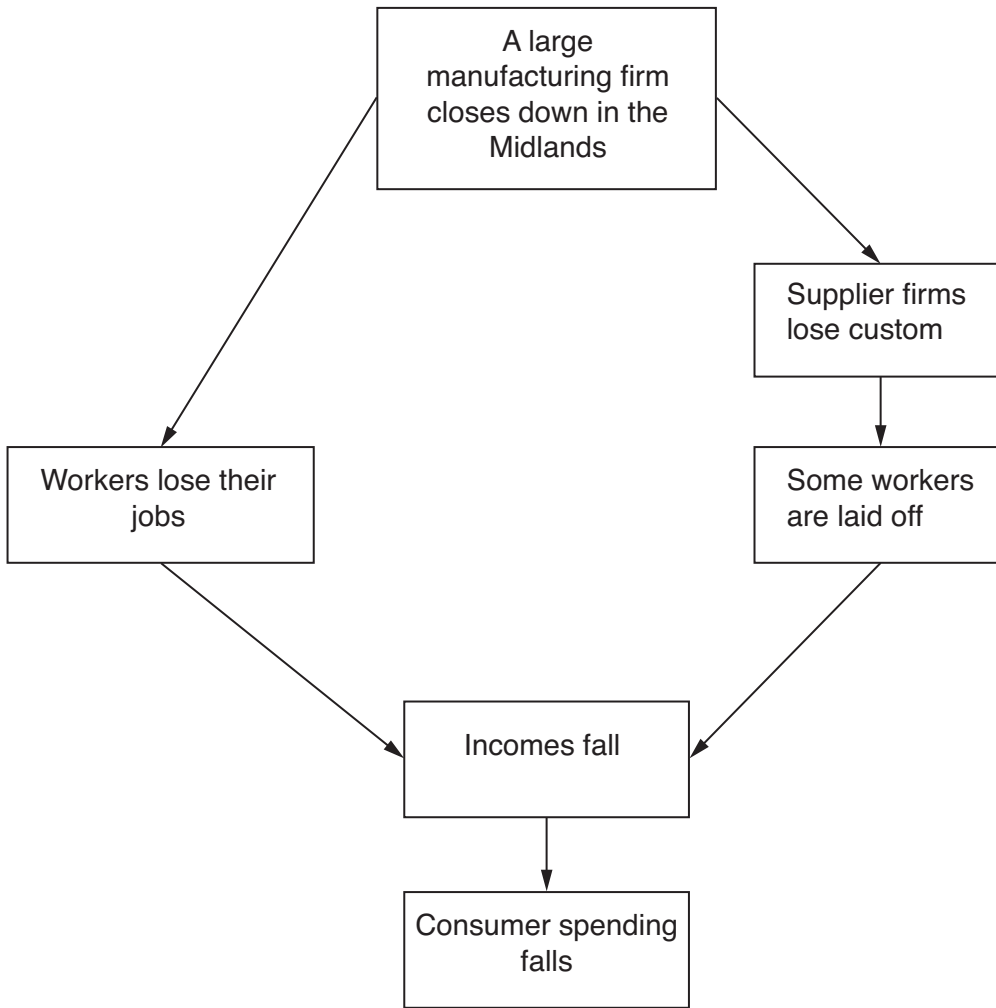
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..... [4]

3 Fig. 3 is a flow chart which shows some effects of a large manufacturing firm closing down.

Fig. 3



(a) Circle **two** types of unemployment which result from a manufacturing firm closing down.

Regional Seasonal Structural Technological [2]

(b) Explain how the closure of a large manufacturing firm in the Midlands will lead to problems for the local community.

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- (c) Explain how the effects shown in Fig. 3 will change government spending and tax revenue.

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(d) Explain **two** policies which the UK government could use to reduce unemployment, and discuss how effective you think each policy might be in achieving this objective.

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Policy 2

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