



Centre Number

71

Candidate Number

General Certificate of Secondary Education  
2014

## Economics

### Paper 2

**[G9272]**

**TUESDAY 3 JUNE, AFTERNOON**



#### TIME

1 hour 45 minutes.

#### INSTRUCTIONS TO CANDIDATES

You should answer all questions in the spaces provided in this question and answer booklet. If you do not have enough space to complete your answer, extra lined pages are provided at the back of the booklet.

Answer **all** questions in **Section A**.

Answer **both** questions in **Section B**.

Answer **one** question from questions **6, 7, 8 and 9** in **Section C**.

For Examiner's use only	
Question Number	Marks
<b>Section A</b>	
1	
2	
3	
<b>Section B</b>	
4	
5	
<b>Section C</b>	
Total Marks	

#### INFORMATION FOR CANDIDATES

The total mark for this paper is 90.

Your quality of written communication will be taken into account in assessing your answers to **all parts** of the question you choose to answer from **Section C**.

#### ADVICE TO CANDIDATES

You should take into account the maximum marks available when deciding how much time to spend on each question.

**Section A**

Answer **all** questions in this section.

1 The pound depreciated against the euro last month.

*Source: Bloomberg October 16 2012*

(a) What is meant by an exchange rate?

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[2]

(b) What is meant by depreciation of the pound (£)?

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[2]

(c) How would depreciation of the pound affect:

(i) UK exporters of manufactured goods?

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[2]

(ii) Tourists from the Eurozone visiting the UK?

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[2]

Examiner Only	
Marks	Remark

2 In October 2012, the rate of inflation in the UK rose sharply to 2.7%.

Source: BBC Website

(a) What is meant by inflation?

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[2]

(b) Give **one** possible cause of inflation.

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[2]

(c) Give **one** effect of inflation on households.

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[2]

Examiner Only	
Marks	Remark

3

## Bank of England Base Rate

Examiner Only	
Marks	Remark

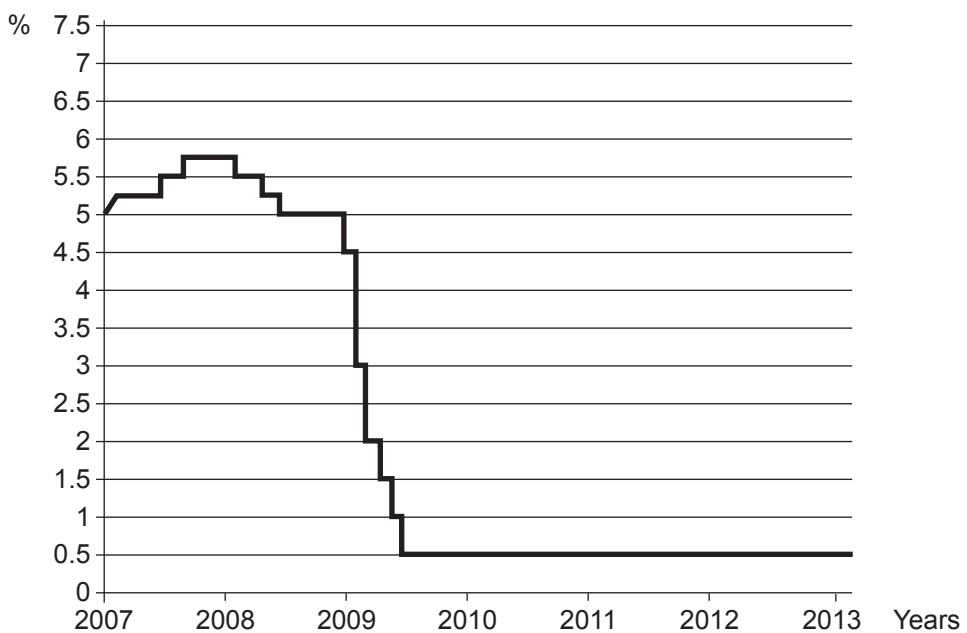


Fig. 1

(a) By how much did the Bank of England base rate change between the start of 2007 and 2012?

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[2]

(b) Give **one** advantage and **one** disadvantage of low interest rates.

Advantage

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[2]

Disadvantage

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[2]

## Section B

Examiner Only

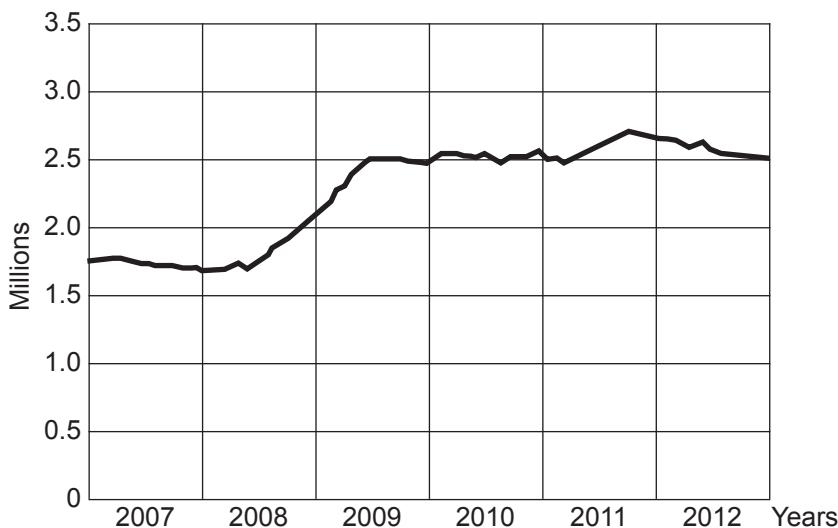
Marks	Remark
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Answer **both** questions in this section.

4 Carefully study the information below and answer the questions that follow.

In November 2012, there were 2.5 million unemployed people in the UK. Youth unemployment, those under the age of 25, accounted for approximately one million of the total number of unemployed.

**Unemployment in the UK 2007–2012**



**Fig. 2**

© Crown copyright - ONS

(a) What is meant by unemployment?

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[2]

(b) Describe what happened to unemployment between January 2007 and December 2012.

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[4]

(c) Explain **two** possible causes of unemployment.

1. \_\_\_\_\_

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[2]

2. \_\_\_\_\_

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[2]

(d) Explain **two** costs to the economy of high unemployment.

1. \_\_\_\_\_

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[2]

2. \_\_\_\_\_

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[2]

Examiner Only	
Marks	Remark

(e) Explain **two** ways in which the government might respond to rising unemployment.

1. \_\_\_\_\_

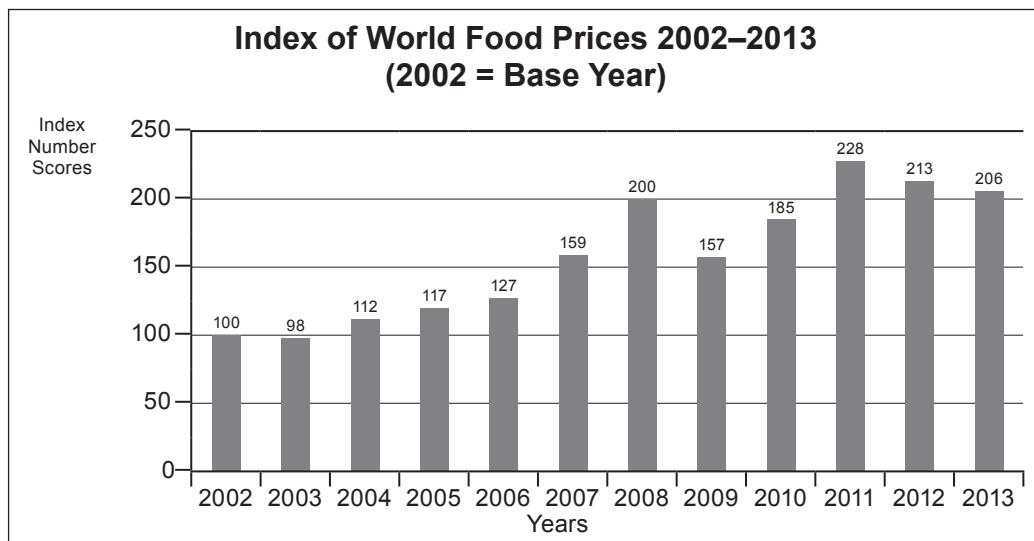
[3]

2. \_\_\_\_\_

[3]

<b>Examiner Only</b>	
<b>Marks</b>	<b>Remark</b>

5 Carefully study the information below and answer the questions that follow.



Source: Adapted from World Food Organisation, [www.fao.org.uk](http://www.fao.org.uk)

**Fig. 3**

### What is driving up food prices?

Many of the world's leading food producing countries have been affected by poor weather conditions, leaving stocks low. In India, for example, there are fears that low rainfall will reduce the output of rice and sugar.

### Pressure on the world's limited resources

In just over 60 years the world's population has exploded from 2.5 billion in 1950 to an estimated 7 billion in 2011. However, the problem is not just that there are more people on the planet. Many people are generally getting wealthier particularly in countries where economic growth has been high such as Brazil, Russia, India and China (BRIC countries). This is putting even greater pressure on the world's limited resources.

© BBC News @bbc.co.uk/news  
Source: Adapted from Dambisa Moya Winner Take All 2012

(a) Describe what happened to food prices between 2002 and 2013.

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[4]

Examiner Only	
Marks	Remark

(b) With the aid of demand and supply diagrams, explain how the following events may affect world food prices.

(i) Bad weather in food producing countries

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[4]

(ii) An increase in the world's population

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[4]

Examiner Only	
Marks	Remark

(c) Explain **two** ways in which rapid economic growth might affect countries such as Brazil, Russia, India and China.

1. \_\_\_\_\_

[4]

2. \_\_\_\_\_

[4]

Examiner Only	
Marks	Remark

## Section C

Answer **one** question from questions **6, 7, 8 and 9**.

**6** One of the UK's largest energy suppliers, Airtricity, has merged with Phoenix Gas. Airtricity will now become Northern Ireland's second biggest energy supplier. About 230 000 customers are expected to benefit with their electricity and gas coming from a single supplier.

© BBC News @bbc.co.uk/news

**(a)** Explain what is meant by a merger.

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[6]

Examiner Only	
Marks	Remark

(b) Explain how consumers might be affected by the merger between Airtricity and Phoenix Gas.

<b>Examiner Only</b>	
<b>Marks</b>	<b>Remark</b>

(c) Discuss the social costs and benefits of cheaper energy supplies.

<b>Examiner Only</b>	
<b>Marks</b>	<b>Remark</b>

7 Between 2012 and 2013, total UK household debt decreased very slightly. However, the average household debt, including mortgage debt, stood at approximately £54,000 and £1 out of every £4 of household disposable income was spent paying off debt.

*Source: Adapted from www.stepchange.org and www.creditaction.org.uk*

(a) Explain what is meant by consumer debt.

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[6]

Examiner Only	
Marks	Remark

**(b)** Explain possible reasons for the high levels of UK consumer debt.

<b>Examiner Only</b>	
<b>Marks</b>	<b>Remark</b>

(c) Discuss the impact on the UK economy of high levels of consumer debt.

<b>Examiner Only</b>	
<b>Marks</b>	<b>Remark</b>

8 In his 2012 Autumn Statement the Chancellor of the Exchequer said that it will take longer to reduce the budget deficit than originally planned. Economists warned about the possible impact on UK growth.

**(a)** Explain what is meant by a budget deficit.

<b>Examiner Only</b>	
<b>Marks</b>	<b>Remark</b>

**(b)** Explain why a government would wish to reduce a budget deficit.

<b>Examiner Only</b>	
<b>Marks</b>	<b>Remark</b>

(c) Discuss whether the government should raise taxes to reduce the budget deficit.

<b>Examiner Only</b>	
<b>Marks</b>	<b>Remark</b>

9 Hopes have faded that a rise in exports could help the UK economy recover from recession. Official figures show that the UK trade deficit widened to a record level.

*Source: Independent 9 August 2012*

(a) Explain how countries benefit from international trade.

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[6]

Examiner Only	
Marks	Remark

(b) Examine the impact of a trade deficit on the UK economy.

<b>Examiner Only</b>	
<b>Marks</b>	<b>Remark</b>

(c) Discuss how policies to reduce a trade deficit might affect other government economic objectives.

Examiner Only	
Marks	Remark

Continuation page (Use this page if you need extra space to complete your answers.)

<b>Examiner Only</b>	
<b>Marks</b>	<b>Remark</b>

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<b>Examiner Only</b>	
<b>Marks</b>	<b>Remark</b>

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**THIS IS THE END OF THE QUESTION PAPER**

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