



Rewarding Learning

General Certificate of Secondary Education
2015

Centre Number

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Candidate Number

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Economics

Paper 2



G9272

[G9272]

THURSDAY 4 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
Section A	
1	
2	
3	
Section B	
4	
5	
Section C	
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 In October 2013, the UK was showing signs of economic recovery. Unemployment fell slightly to under 2.5 million and there were approximately 0.5 million job vacancies.

~~1. In October 2013, the UK was showing signs of economic recovery. Unemployment fell slightly to under 2.5 million and there were approximately 0.5 million job vacancies.~~

(a) What is meant by unemployment?

[2]

(b) What is frictional unemployment?

[2]

(c) What is cyclical unemployment?

[2]

(d) Give **one** cost of unemployment to the UK economy.

[2]

Examiner Only	
Marks	Remark

2 In 1980, there were over 13 million workers in the UK who were members of trade unions. By 2014 the number had fallen to approximately 6.5 million.

(a) What is a trade union?

[2]

(b) Give **one** role that a trade union performs on behalf of its members.

[2]

(c) Give **one** possible reason for the large fall in trade union membership.

[2]

Examiner Only	
Marks	Remark

3 The Nissan car plant in Sunderland produces over 1 million cars per year. It enjoys the benefits of economies of scale and is now one of the most efficient car manufacturing operations in Europe.

(a) What is meant by economies of scale?

[2]

(b) Explain **two** types of economies of scale.

1. _____

[2]

2. _____

[2]

Examiner Only	
Marks	Remark

Section B

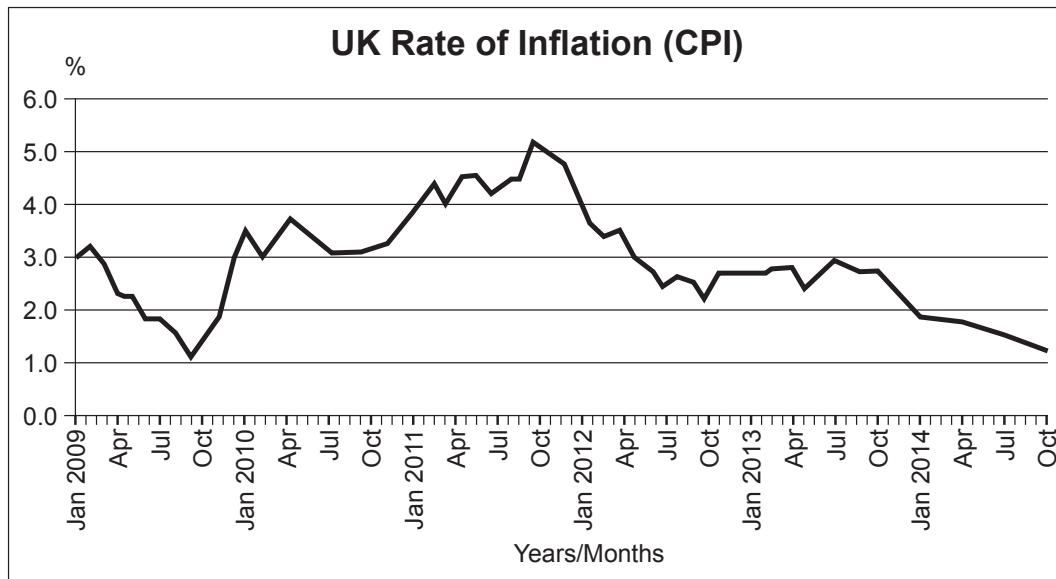
Examiner Only

Marks

Remark

Answer **both** questions in this section.

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



In October 2014, the Office for National Statistics (ONS) said that the Consumer Prices Index (CPI) measure of inflation had fallen to 1.3 per cent. By the end of 2014, average earnings, excluding bonuses rose to 1.4 per cent. This was the first time in six years that the growth in earnings was above the rate of inflation.

The government has introduced the Funding for Lending and Help to Buy Schemes to encourage banks to increase their lending to businesses and households.

(a) What is meant by “inflation”?

[3]

(b) Describe what happened to the rate of inflation between January 2010 and October 2014.

[4]

(c) Explain why prices rising faster than wages can cause problems for the economy.

[5]

Examiner Only	
Marks	Remark

(d) Explain **one** advantage and **one** disadvantage of the government's decision to make it easier for households and businesses to borrow money from banks.

Advantage

[4]

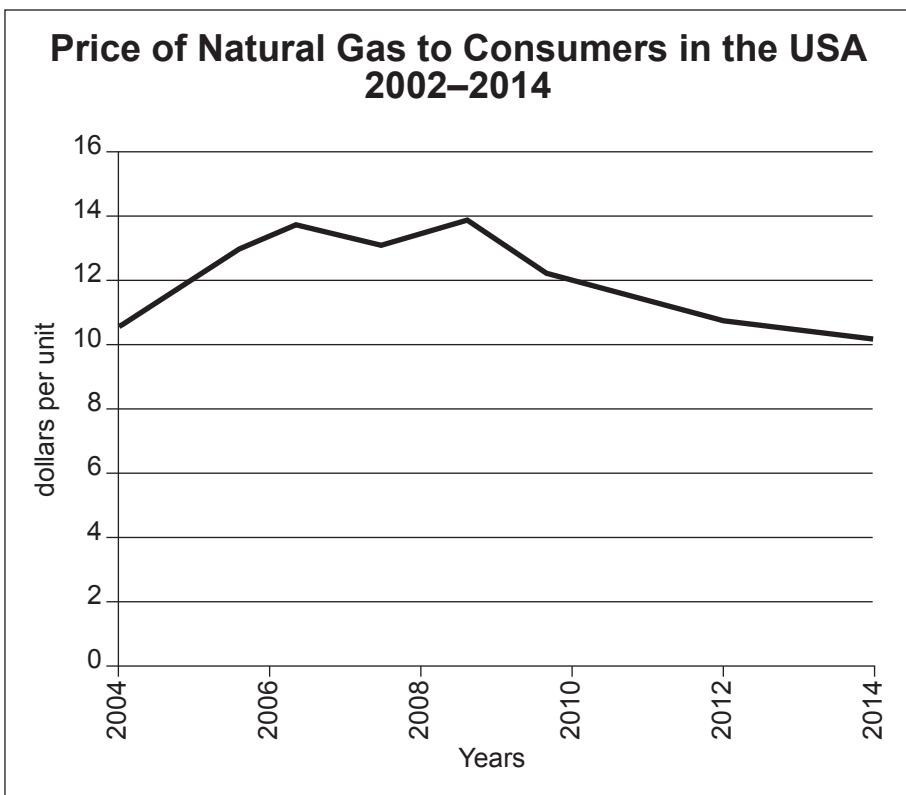
Disadvantage

[4]

Examiner Only	
Marks	Remark

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

Examiner Only	
Marks	Remark



Fracking is a relatively new process used to extract natural gas from rock layers within the earth. In the USA where fracking has been used since approximately 2008, the supply of gas to the market has significantly increased.

A company now wants to use this method to extract gas in County Fermanagh. It claims that there is up to 50 years supply of gas in the area and claimed that the project will create thousands of jobs and provide millions of pounds in tax revenue if given the go ahead.

However, there is strong environmental opposition to the process of fracking due to, for example, its use of chemicals and pollution of water supplies. Opponents claim that it will generate social costs to workers, the local communities and the environment.

The Chancellor of the Exchequer has cut taxes on the profits earned by producers who use fracking to extract natural gas. In future they will pay just 30 per cent tax on their profits, compared to the 62 per cent that the oil and gas industry has traditionally paid.

© Adapted from "George Osborne unveils 'most generous tax breaks in world' for fracking", by Terry Macalister and Fiona Harvey, *The Guardian*, 19 July 2013

(a) Describe how the price of natural gas in the USA changed between 2004 and 2014.

[4]

(b) Use a demand and supply diagram to show how this new production process could affect the equilibrium (market) price and quantity of natural gas. Label your diagram carefully.

[4]

Examiner Only	
Marks	Remark

(c) Social costs include both private costs and external costs. Explain **one** possible private cost and **one** external cost that could result from using fracking to produce natural gas.

Private Cost

[2]

External Cost

[2]

(d) The government has decided to reduce the tax on profits earned from fracking. Discuss **two** possible advantages and **two** disadvantages of this decision.

Advantages

1. _____

[2]

2. _____

[2]

Disadvantages

1. _____

[2]

2. _____

[2]

Examiner Only	
Marks	Remark

Section C

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

6 The government has privatised Royal Mail and is planning to privatise other businesses and services. In future, they will have to compete within the private sector.

(a) Explain what is meant by privatisation.

[6]

Examiner Only	
Marks	Remark

(b) Explain how businesses compete within the private sector.

Examiner Only	
Marks	Remark

(c) Discuss the arguments for and against privatisation.

Examiner Only	
Marks	Remark

7 The government is worried that it will not be able to pay for its current public spending plans. Rather than borrow more money that would increase the national debt, it is cutting spending on public services.

(a) Explain what is meant by “the basic economic problem”.

[6]

Examiner Only	
Marks	Remark

(b) With the aid of a production possibility frontier, examine how the government faces the basic economic problem.

Examiner Only	
Marks	Remark

(c) Discuss the economic policies that the government may use to help the economy to grow.

Examiner Only	
Marks	Remark

8 Croatia joined the European Union (EU) on 1 July 2013 increasing the number of member countries to twenty eight. However, whilst the process of EU enlargement continues with more countries hoping to join, there is a growing demand in the UK for it to withdraw from the EU.

Source: Adapted from BBC News July 1 2013/www.bbc.co.uk/news/world-europe-23118035

(a) Explain what is meant by the EU.

[6]

Examiner Only	
Marks	Remark

(b) Examine the economic effects of EU enlargement on the UK.

Examiner Only	
Marks	Remark

(c) Discuss the economic costs and benefits of the UK being a member of the EU.

Examiner Only	
Marks	Remark

9 In the past 50 years, rich countries have given over a \$1000 billion in foreign aid to developing countries. Some critics are now questioning whether this is the best way to help these countries. They claim that poorer countries are over dependent on foreign aid and that they are not making the most of new opportunities arising from globalisation.

© Adapted from <http://dambisamoyo.com/publications-articles-videos/books/dead-aid/>

(a) Explain what is meant by a developing country.

[6]

Examiner Only	
Marks	Remark

(b) Explain the effects of globalisation on developing countries.

Examiner Only	
Marks	Remark

(c) Discuss whether giving aid to developing countries is the best policy to help their economic development.

Examiner Only	
Marks	Remark

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