

Answer ALL the questions.

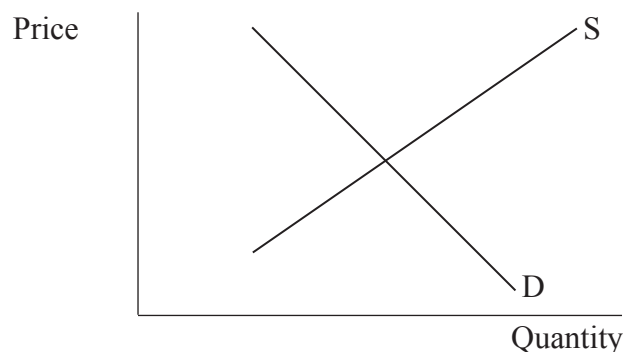
Question 1

China Bicycle, one of China's biggest bicycle manufacturers, closed in 2005. One of the reasons for its closure was fierce competition from foreign bicycle producers.

- (a) Figure 1a shows the demand and supply of bicycles in China before foreign competition.

Figure 1a

The Market for Bicycles made in China



- (i) Indicate on Figure 1a the original price, P_1 , and original quantity, Q_1 . **(2)**
 - (ii) Draw a new demand curve, D_2 , to show the effect of fierce competition from foreign bicycle producers. **(1)**
 - (iii) Label the new equilibrium price P_2 and the new equilibrium quantity Q_2 . **(2)**
- (b) (i) What is meant by price elasticity of demand?

.....
.....
..... **(2)**



Complete the following table:

Price of bicycles \$	Quantity demanded	Total revenue \$
60	8	(ii)
50	10	(iii)

(2)

(iv) Place a cross in the correct box to indicate the price elasticity of demand of bicycles when the price rises from \$50 to \$60.

Elastic

Inelastic

Normal.

(1)

(v) Briefly explain **one** factor which affects price elasticity of demand.

.....

(2)

(c) In China's capital city, Beijing, the government is trying to encourage people to use public sector transport rather than cars.

(i) With the aid of an example explain, what is meant by "public sector transport".

.....

(2)

(ii) What is the term used to describe an economy which consists of both public and private sector firms?

.....

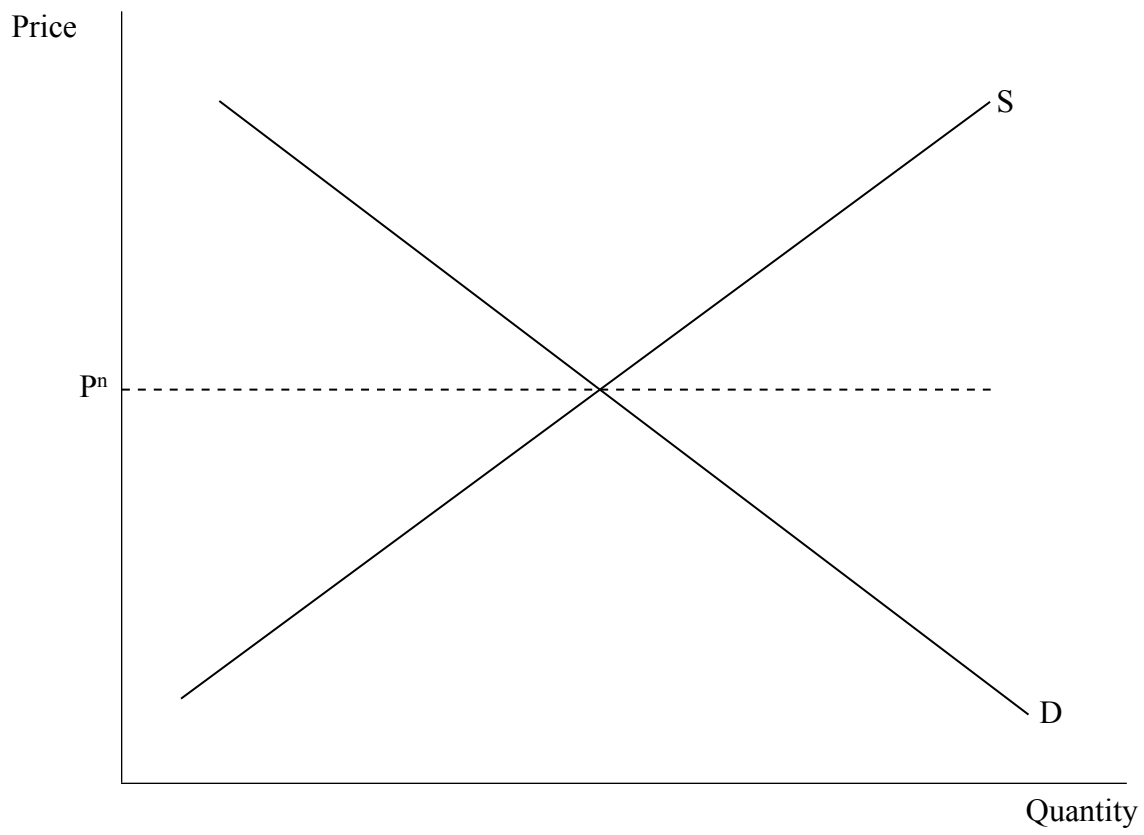
(1)



Leave blank

(iii) With the aid of Figure 1b, explain how the use of government subsidies can increase the demand for public transport.

Figure 1b



Explanation:

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(5)

Q1

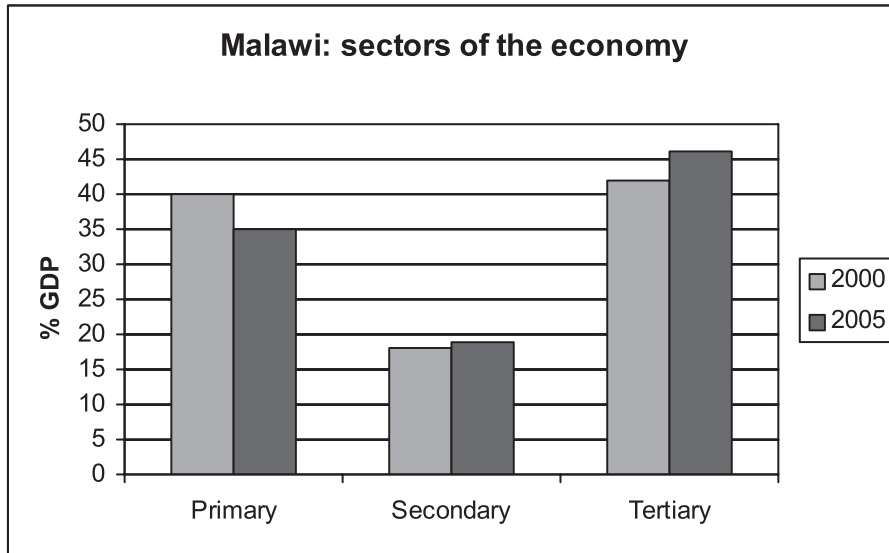
(Total 20 marks)



Question 2

Figure 2a shows the percentage contributed to GDP by the different sectors of the economy of Malawi in 2000 and 2005.

Figure 2a



(a) (i) Which sector of the economy contributed a lower percentage of GDP in 2005 than in 2000?

.....
.....
(1)

(ii) Give an example of an occupation in the sector named in (a)(i).

.....
.....
(1)

(iii) Which sector of the economy contributed the highest percentage of GDP in 2000 and 2005?

.....
.....
(1)

(iv) Give an example of an occupation in the sector named in (a)(iii).

.....
.....
(1)



(v) What is meant by the productivity of labour?

.....
.....
.....
(2)

(vi) Identify and explain **two** ways in which productivity of labour can be increased in the secondary sector of an economy.

.....
.....
.....
.....
.....
(4)

(b) In 2003 a daily charge of £5 was introduced on cars and lorries travelling into London. The aim of the charge was to reduce externalities in London.

(i) Identify **two** externalities which result from cars and lorries in a city.

.....
.....
.....
(2)

(ii) Briefly explain **one** effect of the charge on the profits of a firm which delivers flowers to shops in London.

.....
.....
.....
(2)

(iii) Suggest **one** other method to reduce externalities caused by lorries.

.....
.....
(1)



Leave
blank

(iv) What method is likely to be most successful in reducing the external costs on London roads? Give reasons for your answer.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(5)

Q2

(Total 20 marks)

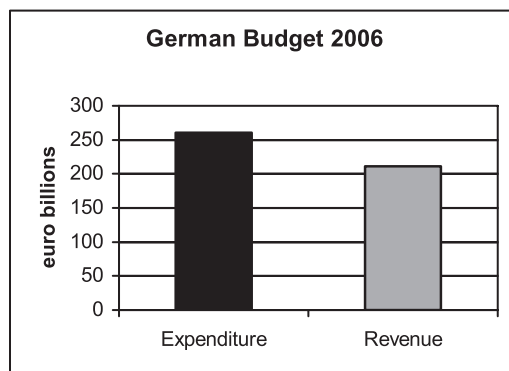
--	--



Question 3

Figure 3a shows the German government's budget in 2006.

Figure 3a



- (a) (i) Place a cross in the correct box to show whether the German government has a
- budget deficit
 - budget surplus
 - budget equilibrium.

(1)

(ii) Using the data in Figure 3a, explain your answer.

.....

.....

.....

(2)

(iii) Complete the following sentence: "The use of government expenditure and government revenue to control the economy is called policy."

(1)



(b) A government can raise revenue by increasing direct taxation and indirect taxation.

With the aid of examples define:

(i) direct taxation

.....
.....
.....

(2)

(ii) indirect taxation.

.....
.....
.....

(2)

The government of a country increases the rate of indirect taxation. Briefly explain

(iii) **one** advantage of the increase

.....
.....
.....

(2)

(iv) **one** disadvantage of the increase.

.....
.....
.....

(2)



(c) (i) The control of unemployment in an economy is a government objective.

Identify **one** other economic objective of a government.

.....
.....
(1)

(ii) With the aid of an example, explain what is meant by structural unemployment.

.....
.....
.....
(2)

(iii) How effective are supply side policies in reducing structural unemployment?

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
(5)

(Total 20 marks)

Q3



Question 4

The United States (US), Canada and Mexico are members of the North American Free Trade Area (NAFTA). Figure 4a shows a map of NAFTA and data for the trade in goods between Mexico and the other member countries.

Figure 4a



(a) (i) Briefly explain what is meant by the balance of trade.

.....
.....
.....

(2)

Study the information in Figure 4a. Calculate the overall balance of trade for Mexico with:

(ii) United States

.....
.....

(1)



(iii) Canada.

.....
.....
(1)

(b) The current account of the balance of payments consists of the balance of trade and the balance of invisibles. Place the following items in the correct parts of the current account in Figure 4b.

(i) Cars, (ii) Insurance, (iii) Banking.

Figure 4b

Balance of trade	Balance of invisibles

(3)

(c) (i) What is meant by a trading bloc?

.....
.....
.....
(2)

Briefly explain

(ii) **one** argument for a country joining a trading bloc

.....
.....
.....
(2)

(iii) **one** argument against a country joining a trading bloc.

.....
.....
.....
(2)



(d) (i) Identify **one** reason why a country might protect its domestic industries.

.....
.....
(1)

(ii) Identify **two** methods of protecting domestic industries from foreign competition.

1
.....
.....
2
.....
.....
(2)

(iii) Examine the extent to which one method identified in (d)(ii) is likely to be successful in reducing imports.

.....
.....
.....
.....
.....
(4)

(Total 20 marks)

Q4

TOTAL FOR PAPER: 80 MARKS

END



BLANK PAGE



BLANK PAGE



BLANK PAGE

