

Answer ALL the questions.

Question 1

Figure 1a shows the demand and supply of cigarettes.

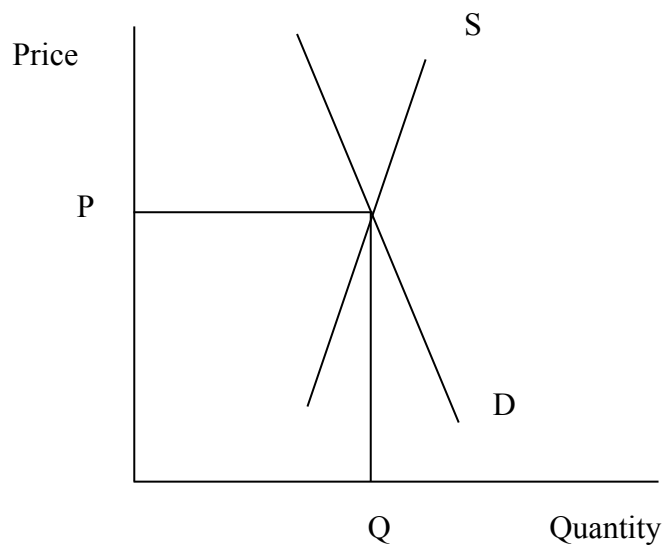


Figure 1a

(a) On Figure 1a

(i) Draw a new demand curve, D_1 , to show the effect of a government health campaign which warns that cigarettes can lead to ill health. (1)

(ii) Label the new equilibrium price P_1 and new equilibrium quantity Q_1 . (2)

(iii) If government spending on the health campaign leads to reduced spending on education, this is an example of

- Opportunity cost
- A subsidy
- An inferior good
- Division of labour

(1)



The price elasticity of demand for cigarettes is inelastic.

(b) (i) Define “price elasticity of demand”.

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..... (2)

(ii) Briefly explain **one** reason why the demand for cigarettes is likely to be price inelastic.

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..... (2)

(iii) Briefly explain **one** reason why the elasticity of supply of tobacco is likely to be price inelastic.

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..... (2)



Question 2

In 2000 Deutsche Post, the German post office, was privatised. Until January 2008 it was a monopoly and the only firm allowed to deliver letters weighing under 50 grams within Germany. From January 2008 other postal firms were allowed to compete with Deutsche Post.

Study the paragraph above.

(a) From the list below complete the following sentences.

- secondary* *companies* *tertiary* *private*
- state* *individuals* *invisible*

(i) Before 2000 Deutsche Post was owned by the and then it was transferred to the sector. (2)

(ii) Farming is in the primary sector. Car manufacturing is in the sector and the Post Office is in the sector of the economy. (2)

(b) After Deutsche Post was privatised and large foreign firms entered the market, the market structure changed from a monopoly to an oligopoly.

(i) With the aid of examples from a country of your choice, distinguish between monopoly and oligopoly.

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(4)



(ii) Do the advantages of privatisation outweigh the disadvantages for the consumer?
Explain your answer.

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(5)

(c) The area of Gdansk in Poland has suffered from industrial decline.

(i) Which of the following might result from the industrial decline of a region?

- Economic growth
- Unemployment
- Inflation
- Increased standard of living

(1)



(ii) Identify **one** financial and **one** non-financial incentive a government can introduce to encourage firms to set up in an area of industrial decline.

Financial incentive:

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Non-financial incentive:

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(2)

(iii) Are government financial incentives more successful than other policies which encourage firms to set up in an area? Explain your answer.

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(5)

(iv) Too many firms in one area can lead to external costs.

Complete the following equation

External costs = – private costs

(1)



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(v) Identify **one** external cost and briefly explain **one** method a government can use to reduce this cost.

External cost:

Policy:

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(3)

(Total 25 marks)

Q2



Question 3

Figure 3a shows the rate of inflation in Armenia and Germany from 2007 to 2009.

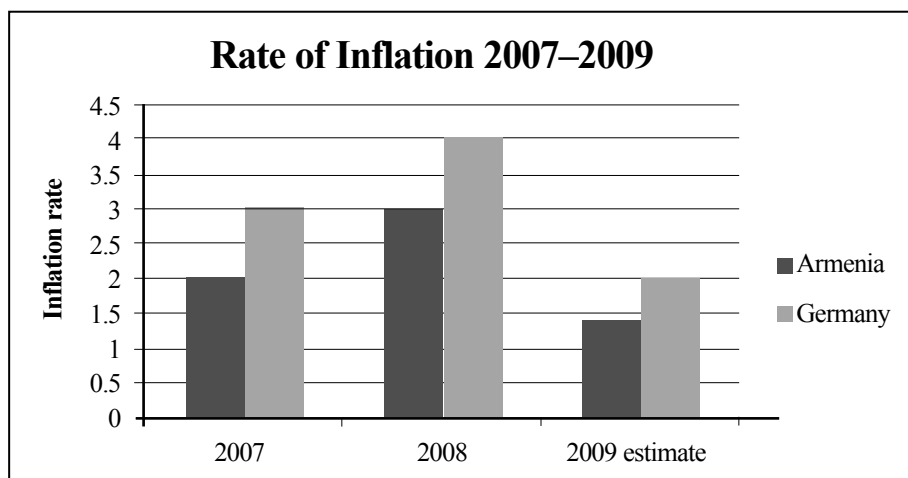


Figure 3a

- (a) (i) With reference to the data in Figure 3a, compare the rate of inflation in Armenia and Germany from 2007 to 2009.

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(4)



(iv) Which of the following government measures can reduce inflation in an economy?

- Reduce income tax
- Increase government spending on pensions
- Increase tariffs
- Reduce government investment

(1)

Figure 3b shows the economic growth of Armenia and Germany from 2007 to 2009.

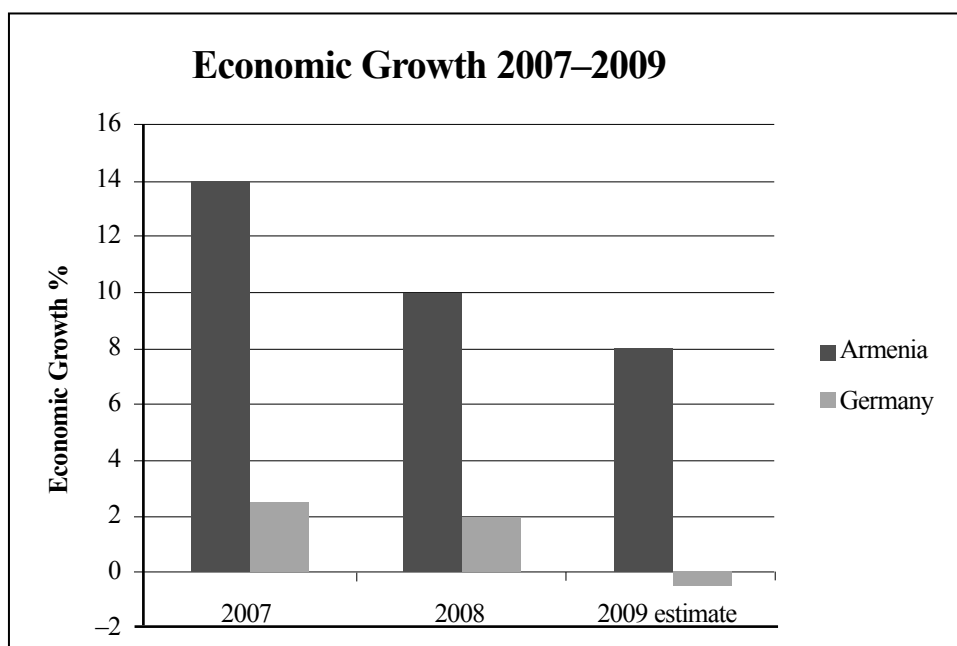


Figure 3b

(b) (i) What is happening to real Gross Domestic Product in Armenia from 2007 to 2009? Explain your answer.

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(3)



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(ii) With reference to the data in Figure 3b identify the **one** similarity and **one** difference in the economic growth rates of Armenia and Germany from 2007 to 2008.

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(4)



Question 4

In 2008 the US multinational company Tyco announced it was to move a manufacturing plant from Ireland to Central America.

(a) (i) What is meant by a “multinational” company?

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(1)

(ii) Briefly explain **two** possible reasons why Tyco decided to move from Ireland to South America.

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(4)



(b) Figure 4a shows the current account of the balance of payments for Turkey in 2007. Complete the table below.

| | Million US Dollars |
|----------------------------|---------------------------|
| Goods: exports | 115.0 |
| Goods: imports | 162.0 |
| Balance of (i) | (ii) |
| | |
| Invisible exports | 35.1 |
| Invisible imports | 28.1 |
| Balance of invisibles | 7.0 |
| Balance on current account | (iii) |

Figure 4a

(3)

(iv) Briefly explain **two** policies the Turkish Government could introduce to solve its current account problems.

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(4)



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