Surname		Centre Number	Candidate Number
Other Names			2

WJEC CBAC

GCE AS/A level

1131/01

ECONOMICS – EC1

A.M. TUESDAY, 13 May 2014

1 hour

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1.	5	
2.	3	
3.	4	
4.	3	
5.	10	
6.	4	
7.	8	
8.	8	
9.	5	
Total	50	

DO NOT OPEN THIS BOOKLET UNTIL YOU ARE TOLD TO DO SO.

ADDITIONAL MATERIALS

In addition to this paper, you will need a calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

Do not use pencil or gel pen.

Do not use correction fluid.

Write your name, centre number and candidate number in the spaces at the top of this page.

Answer **all** the questions in the spaces provided. You may use continuation paper on page 13 if necessary, taking care to number the continuation correctly.

INFORMATION FOR CANDIDATES

Mark allocations are shown in brackets. This paper has a total of 50 marks.

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*Answer **all** the questions in the spaces provided.*

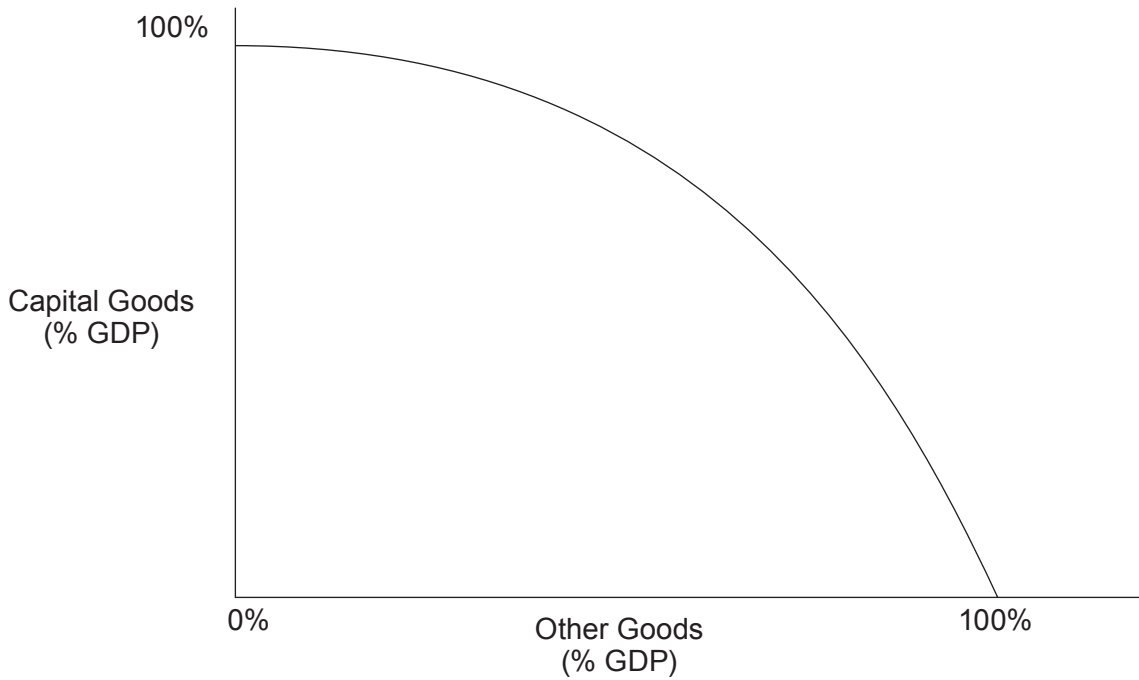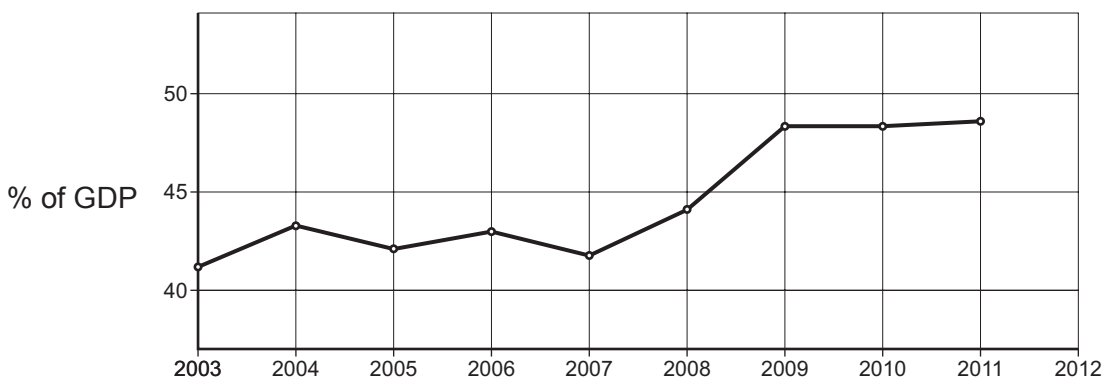**1.** Study the data in Figures 1 and 2 below.

Figure 1.

Figure 2. Gross domestic capital formation (% of GDP) for China

Gross domestic capital formation is a measure of investment in capital goods in an economy.

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(a) Mark on the production possibility curve diagram in figure 1 China's production pattern in 2011. [1]

(b) Explain why the data shown in figure 2 might lead to higher economic growth in China. [4]

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2. In 2010 Toyota's Burnaston car manufacturing factory produced about 130,000 cars with 2600 employees. In 2012, the same factory produced around 110,000 cars with 2750 employees.

Define productivity and calculate the apparent change in productivity between 2010 and 2012. [3]

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3.   The diagram below represents a market for a product before and after the imposition of a specific sales tax. The tax shifts the supply curve from S to S+t.
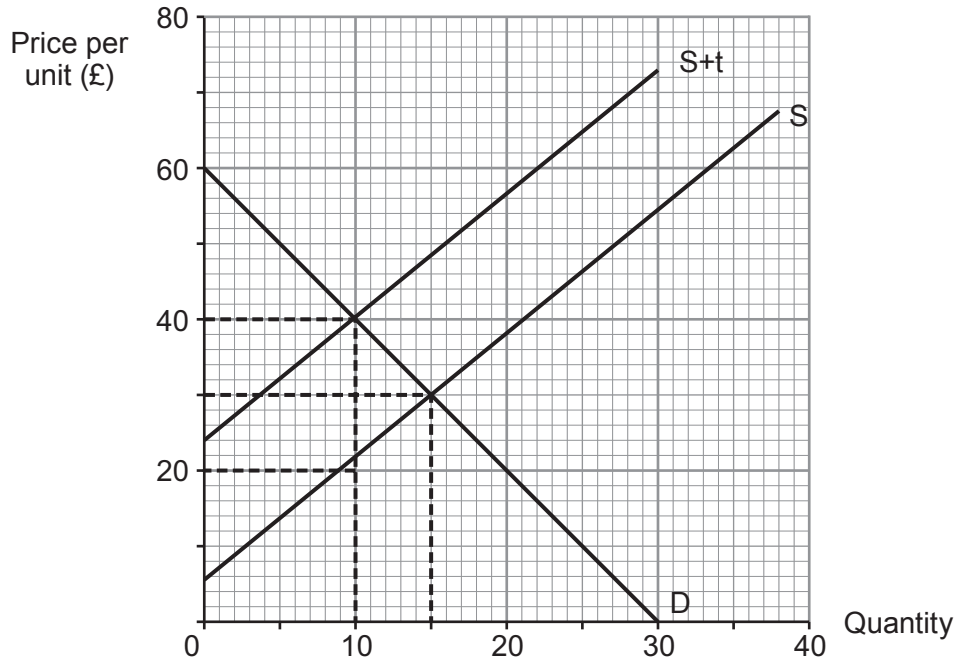
(a)   Calculate the consumer surplus after the imposition of the tax.   [2]

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(b)   Calculate the government's total tax revenue after the imposition of the tax.   [2]

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4.   WATER COMPANIES' PRICES CONTROLLED BY REGULATOR

Ofwat, the water industry regulator, has set limits on how much the price of water bills to households can rise over the next few years. Households in the UK have no choice of water provider as firms such as Welsh Water are monopolies in their own regions.

How might uncontrolled market power of such monopolies result in market failure?   [3]

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5.

ETS carbon price
€ per tonne

The **price of carbon** fell below €5 a tonne for the first time on the European Union's Emissions Trading System. A glut of pollution permits has caused carbon prices to fall by 70% since 2011, providing little incentive for companies to cut emissions rather than pay for the permits. Officials want to withdraw some of the permits in the hope that the price will rise.

Source: Economist 26/1/13

(a) Using a diagram explain why a reduction in the number of pollution permits would raise their price. [4]

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(b) Discuss whether an increase in the price of permits would be likely to cut carbon emissions. [6]

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6. Air passenger duty (APD) was introduced in 1994 as part of the government's policy to reduce carbon emissions. By increasing the price of tickets for air travellers it was hoped that fewer people would travel by air. However by 2013, with APD at £13, a report found that to avoid paying the tax many travellers took connecting flights via European airports such as Amsterdam to avoid paying the tax in the UK. This practice has apparently increased emissions from extra journeys. The same report found that by abolishing the tax altogether 60,000 jobs would be created, GDP would rise by 0.46% and the government's tax revenue would actually rise!

Using the data explain the meaning of the term government failure.   [4]
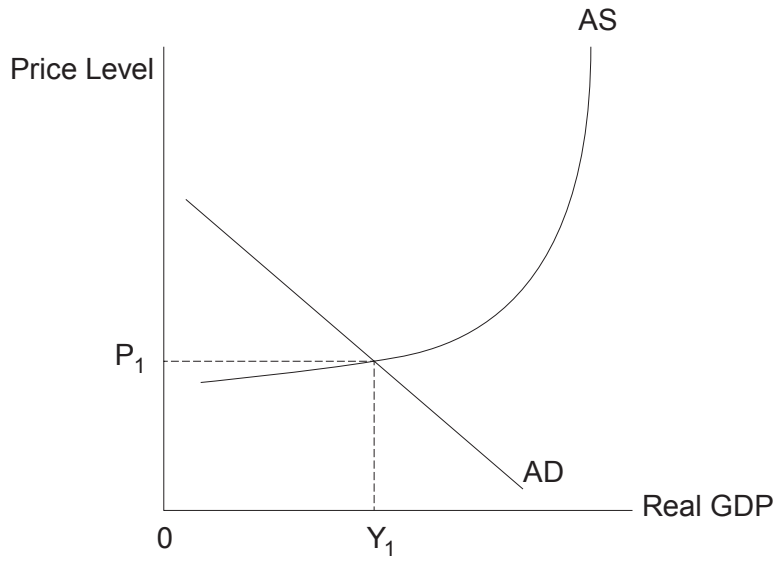
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7.

Price Level

AS

P$_1$

AD

Real GDP

0   Y$_1$

In the above aggregate demand and supply diagram an economy is in equilibrium at Y$_1$. Discuss the view that a cut in interest rates is the best economic policy for this economy.   [8]

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8. **JOBCENTRE REPORTS 2,000 JOBS ON OFFER IN HULL, BUT NO TAKERS**

Jobseekers and employers are being urged to be less choosy as new figures show more than 2,000 vacancies are going unfilled in Hull.

The city has some of the highest rates of unemployment in the country, with 8.3 per cent of the population claiming jobseeker's allowance, more than double the national average of 3.8 per cent.

Source: Hull Mail, 13th November 2012

UK's top 10 most difficult jobs to fill in 2011

1. Engineers
2. Chefs/cooks
3. Management/executive
4. Sales representatives
5. Drivers
6. Technicians
7. Skilled trades
8. Teachers
9. Accounting and finance staff
10. IT staff

Source: Daily Telegraph, 19th May 2011

How effective might supply side policies be in solving the economic problems identified in the data? [8]

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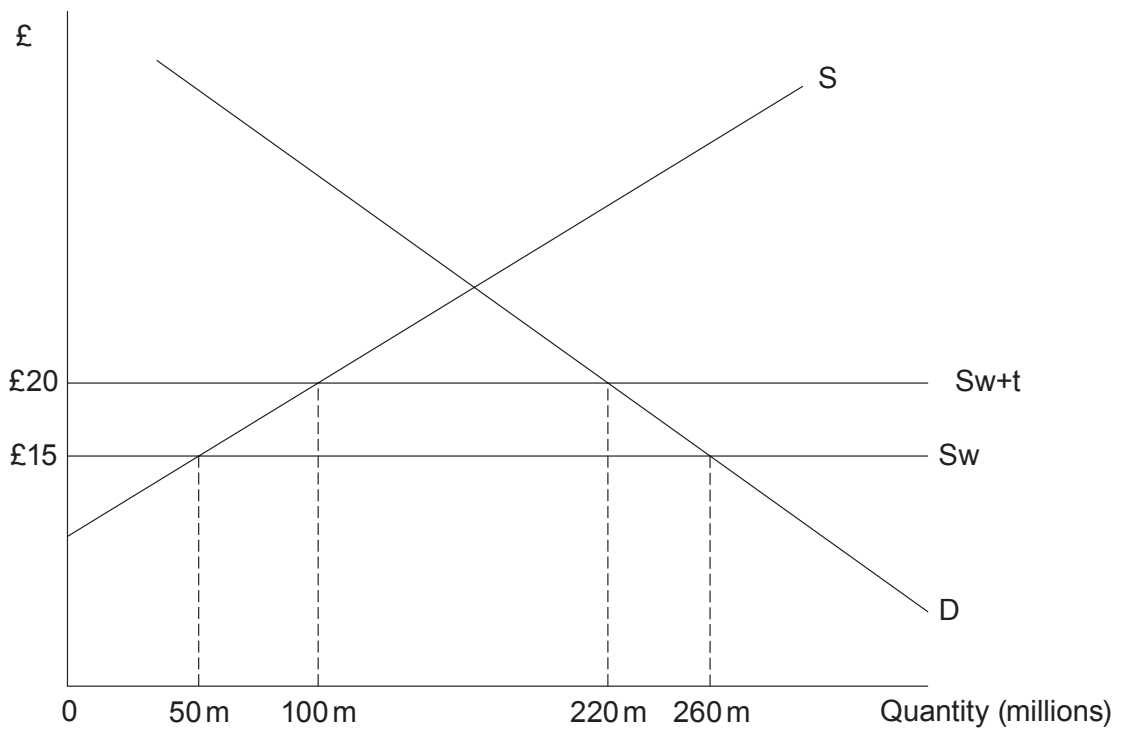
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9. The diagram below shows a £5 tariff being imposed on an imported product with a world price of £15.

(a) By how much will imports fall as a result of the tariff? [1]

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(b) What will be the government's revenue as a result of the tariff? [1]

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(c) With reference to the diagram, explain how domestic producers might benefit from the imposition of tariffs. [3]

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END OF PAPER

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Question number	Additional page, if required. Write the question number(s) in the left-hand margin.	Examiner only

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