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Surname	Centre Number	Candidate Number
Other Names		2

GCE A level

1133/01

ECONOMICS – EC3

A.M. TUESDAY, 3 June 2014

1 hour 45 minutes

For Examiner's use only		
Question	**Maximum Mark**	**Mark Awarded**
1.	**4**	
2.	**8**	
3.	**4**	
4.	**4**	
5.	**6**	
6.	**6**	
7.	**8**	
8. or 9. or 10.	**20**	
Total	**60**	

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ADDITIONAL MATERIALS

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

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

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

Answer all the questions in Section A. You may use continuation paper on page 10 if necessary, taking care to number the continuation correctly.

Answer **one** question from Section B.

You are advised to spend no more than one hour on Section A.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part-question. Section A has 40 marks and Section B has 20 marks.

You are reminded that assessment will take into account the quality of written communication used in answers that involve extended writing (Section B).

You are reminded that the essay questions in Section B are synoptic and so will test understanding of the connections between the different elements of the subject.

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SECTION A

Answer **all** *questions in this section.*

1.

Sainsbury's
Respect for our environment

At Sainsbury's, respect for our environment is about doing the right thing. We aim to be the UK's greenest grocer, which is great for our business, but even better for the environment.

In October 2011, we launched our sustainability plan featuring 20 ambitions we intend to achieve by 2020.

By 2020, we'll make sure that our own brand packaging has been reduced by half.

By 2020, we'll reduce our carbon emissions by 30 per cent.

Explain **two** reasons why companies such as Sainsbury's may have environmentally friendly policies as a major objective. [4]

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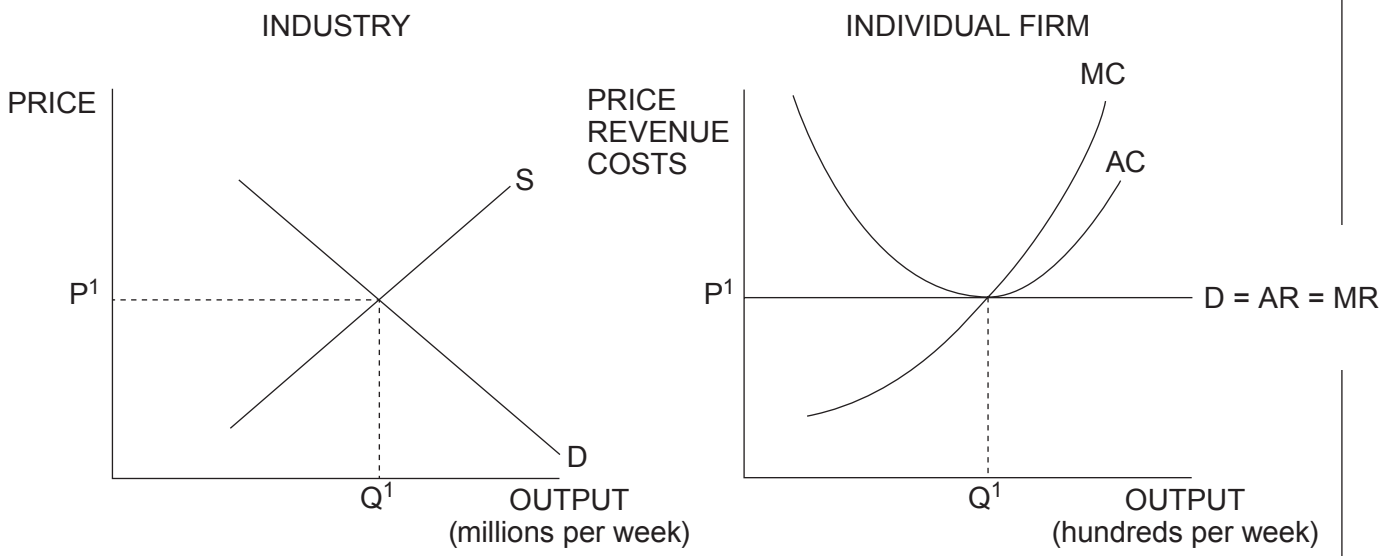
2.



The diagram above shows a firm operating in a perfectly competitive market in long-term equilibrium.

(a) Adapt the diagrams to show how the firm's price, output and profits will be affected by an increase in demand in the short-run. [4]

(b) Explain what will happen to the firm's price, output and profits in the long-run. [4]

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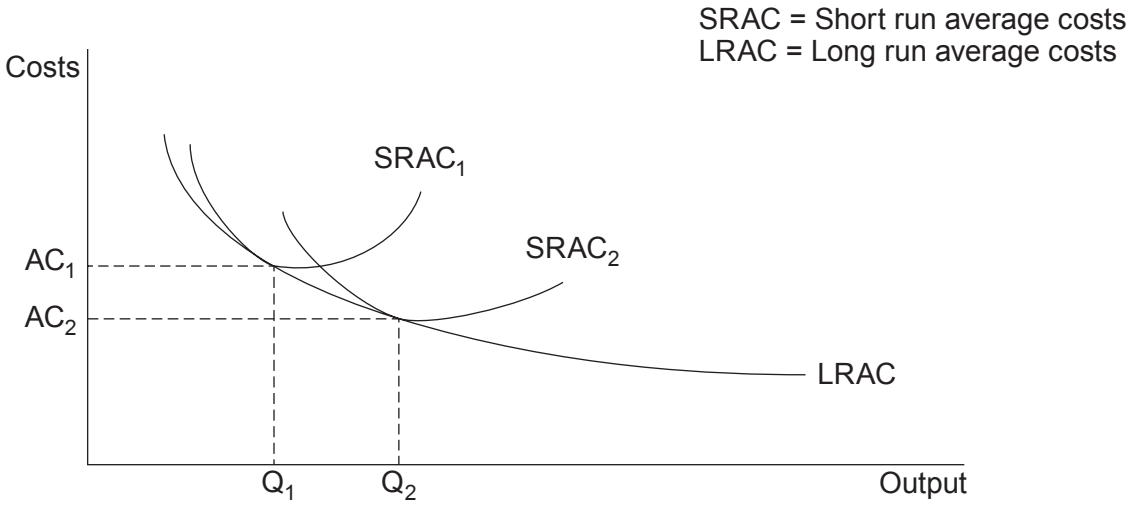
3. A car manufacturer is faced with a large increase in demand for its product. As a result it needs to increase its production.



Using the diagram explain why its long run costs fall when its output expands from Q_1 to Q_2. [4]

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4. The European Union Competition Commission has announced that it will be issuing its highest cartel fines ever against four car glass windscreens and sunroof producers. The companies Asahi, Pilkington, Saint-Gobain and Soliver will be collectively fined over €1.3 billion for illegal market sharing. These four companies controlled about 90% of the market for glass used in new cars and in replacement glass.

Source: http://ec.europa.eu

(a) Explain why companies such as Asahi and Pilkington might form a cartel. [2]

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(b) Explain why the EU might fine companies for taking part in such cartels. [2]

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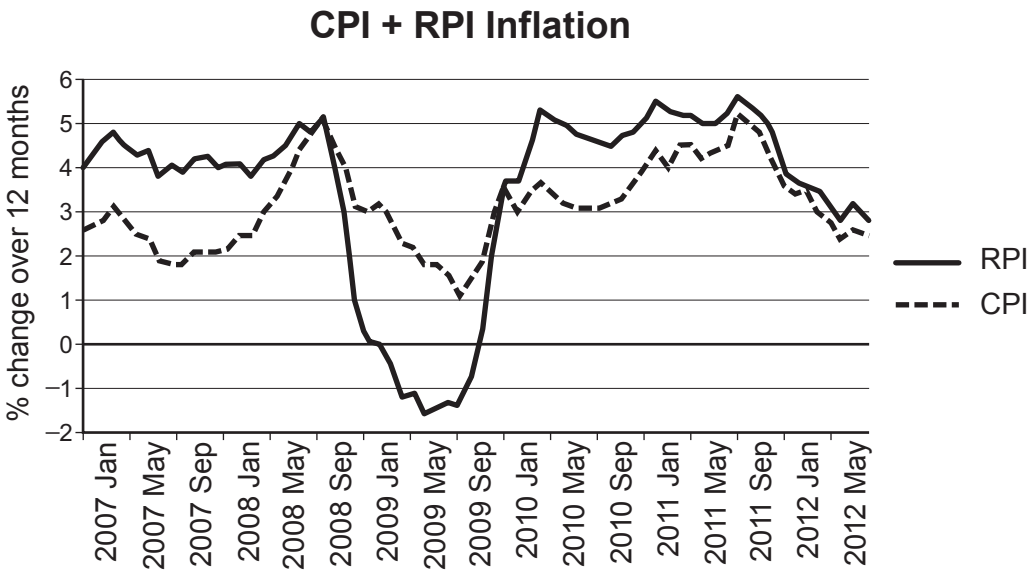
5.



Source: *Office of National Statistics*

(a) Explain **one** reason why there may be significant differences in the rate of inflation as measured by the Consumer Prices Index (CPI) and the Retail Prices Index (RPI). [2]

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(b) In 2010 the Government announced plans to make pensions rise in line with the CPI rather than the RPI as previously. Discuss the possible effects of this decision. [4]

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6. **Ford and BMW warn against UK exit from EU**

Two of Britain's biggest car makers, Ford and BMW, have warned that a UK exit from the European Union would be "devastating" for the UK economy.

"All countries should have their sovereignty, but don't discuss leaving a trading partner where 50 percent of your exports go," said Stephen Odell, chief executive of Ford in Europe. "That would be devastating for the UK economy."

While surveys show that about half of UK businesses favour renegotiating Britain's membership, the threat of a complete withdrawal has triggered alarm among some of the world's largest companies.

"The UK not only has to be part of Europe. It has to be a fundamentally active part of Europe," said Ian Robertson, global head of sales at BMW and a member of the board of the German company. "To think about the UK being outside of Europe doesn't make sense."

However, Lord Wolfson, the chief executive of Next, says that the EU has created too much bureaucracy and too many regulations. "At some point it will get to the stage where the costs of remaining in the EU become greater than the benefits of the single market. There's a big world outside the EU and, economically, it is getting bigger. Europe cannot continue to operate as if the resurgence of China, India, and other emerging nations is an irrelevant side show."

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Discuss the view that 'a UK exit from the European Union would be "devastating" for the UK economy'. [6]

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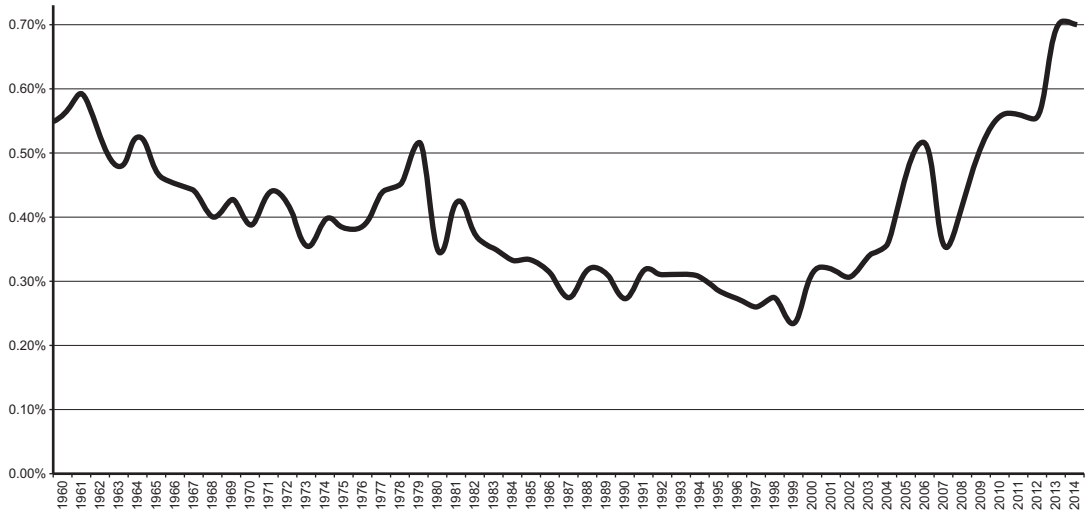
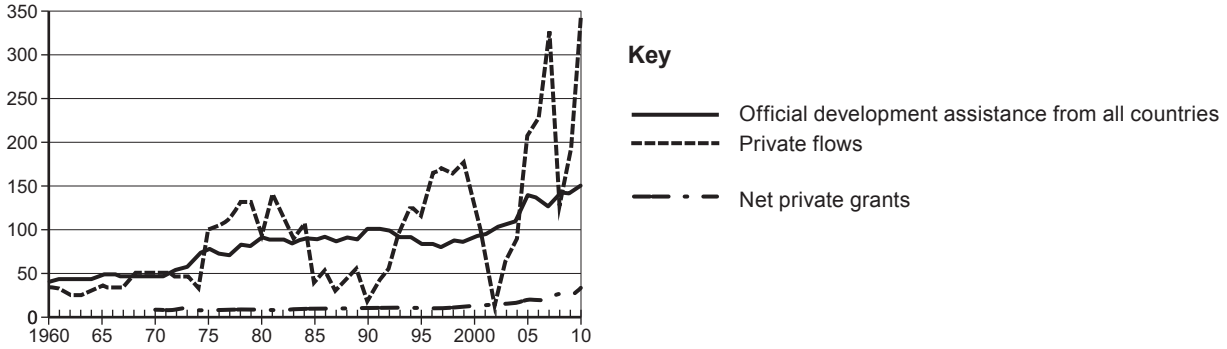
7.

UK Development aid as a percentage of national income



Going up
Total aid, investment, and grants to developing countries has risen over the past 50 years.

(billion dollars)



Source: *Department for International Development, Organisation for Economic Co-operation and Development*

The UK Government yesterday announced its spending plans for 2011-15. This will reduce planned spending by £81 billion a year, and result in the loss of about half a million public sector jobs.

However the Chancellor of the Exchequer, George Osborne, said “this will be the first UK Government to honour the United Nations commitment on international aid, and the only major economy to do so”. Overseas development spending will reach 0.7% of national income in 2013.

The UK Department for International Development (DFID) budget will increase by 37% after taking account of inflation. The National Health Service budget will increase by just 1.3% in real terms over the same four years and many Government departments face reductions of 20% to 30%.

Source: *http://www.owen.org/*

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Discuss whether the UK Government was right to increase its spending on development aid whilst cutting its overall spending. [8]

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SECTION B

Answer **one** *question from this section.*

8. "The Government should use taxes and subsidies to encourage people to use buses and trains rather than private cars." Discuss. [20]

9. Discuss the view that highly concentrated markets are bad for the UK economy. [20]

10. Discuss the view that Government intervention in the market for merit and demerit goods does more harm than good. [20]

Answer the question from Section B using the following pages.

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