

General Certificate of Education
January 2008
Advanced Level Examination



ECONOMICS

ECN6

Unit 6 Government Policy, the National and International Economy

Tuesday 29 January 2008 9.00 am to 10.30 am

For this paper you must have:

- an 8-page answer book.

You may use a calculator.

Time allowed: 1 hour 30 minutes

Instructions

- Use blue or black ink or ball-point pen. Pencil should only be used for drawing.
- Write the information required on the front of your answer book. The *Examining Body* for this paper is AQA. The *Paper Reference* is ECN6.
- In **Section A**, answer **all** parts of the question.
- In **Section B**, answer **one** question.

Information

- The maximum mark for this paper is 100.
- The marks for questions are shown in brackets.
- This paper is synoptic. It assesses your understanding of the relationship between the different aspects of Economics.
- You will be marked on your ability to use good English, to organise information clearly and to use specialist vocabulary where appropriate.

Advice

- You are advised to spend approximately 45 minutes on **Section A** and approximately 45 minutes on **Section B**.

SECTION A

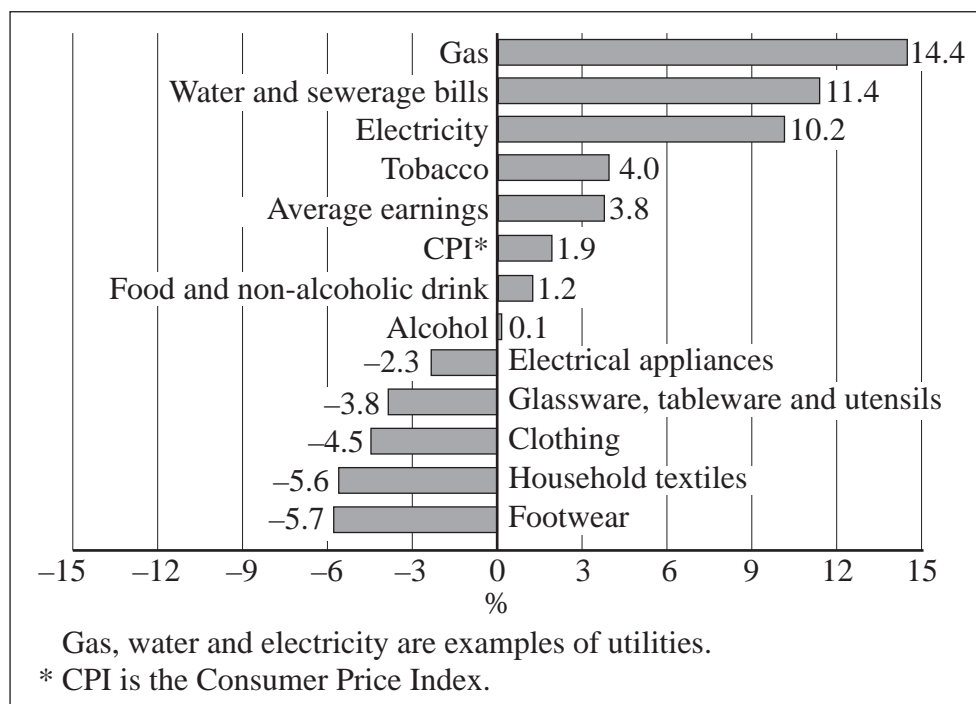
Answer **all** parts of this question.

Total for this question: 50 marks

1 INFLATION

Study **Extracts A, B, C and D**, and then answer **all** parts of Question 1 which follows.

Extract A: Earnings and selected price changes (%), January 2005 to January 2006



Source: *Daily Telegraph*, 25 February 2006

Extract B: From slippers to champagne

Changes in the CPI (Consumer Price Index) and the RPI (Retail Price Index) measure changes in the cost of a representative 'basket' of goods and services bought by consumers within the UK. The 'basket' changes over time. For example, MP3 players and champagne have recently replaced CD players and slippers.

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Households spend more on some categories of expenditure, such as fuel, than on others, such as postal services. We would therefore expect price increases for certain items to have a bigger effect on the overall change in the cost of the 'basket' than others. Each item in the index is weighted to reflect the proportion of household expenditure spent on it.

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Source: adapted from an article by DAVID BARAN, 'CPI and RPI: updating weights for 2006', www.statistics.gov.uk, accessed on 30 May 2006

SECTION B

Answer **one** question from this section.

Each question carries 50 marks.

- 2 (a) Explain the concept of economic growth **and** how it can affect the standard of living of a country. (20 marks)
- (b) Evaluate the extent to which government economic policy may have influenced the rate of growth of the UK economy in recent years. (30 marks)
- 3 (a) Explain how fiscal policy might be used to achieve government objectives, such as low unemployment, higher productivity and environmental protection. (20 marks)
- (b) In recent years, the 'Golden Rule' in UK fiscal policy has required a balanced budget to be achieved over the economic cycle. Evaluate the possible macroeconomic consequences for the UK economy of such a requirement. (30 marks)
- 4 (a) Explain the factors which may help to determine an economy's export performance. (20 marks)
- (b) Evaluate the economic consequences for members of a customs union, such as the EU, of the protectionist policies it adopts towards the rest of the world. (30 marks)

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Question 4(b): Quotation taken from an article by Maurice Chittenden and Nicola Smith in The Sunday Times, London