

**0820/403**

NATIONAL  
QUALIFICATIONS  
2007

TUESDAY, 22 MAY  
1.00 PM – 2.45 PM

ECONOMICS  
STANDARD GRADE  
Credit Level

- 1 Read each question carefully.
- 2 Attempt **all** the questions.
- 3 All answers are to be written in the answer book provided.



1. Study the article below and answer the questions which follow.

**“Modernise or fail”, says the Prime Minister**

Last night, the Prime Minister warned Trade Union Leaders to modernise or face further decline. At a meeting with Trade Union Leaders, the Prime Minister spoke of his concerns over industrial action and its effect on unemployment and trade. He particularly stressed his concern over industrial action in the public sector and his fear that this might restrict growth in the private sector.

- (a) (i) Suggest and explain **2** examples of industrial action. **2**
- (ii) Suggest reasons why the Prime Minister might have “concerns over industrial action and its effect on unemployment and trade”. **4**
- (b) (i) Explain the terms “public sector” and “private sector”. **2**
- (ii) Suggest reasons why “industrial action in the public sector might restrict growth in the private sector”. **4**

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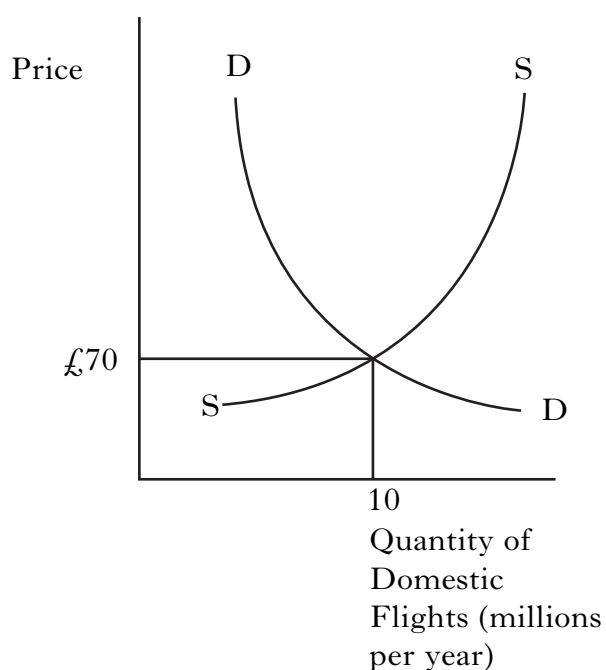
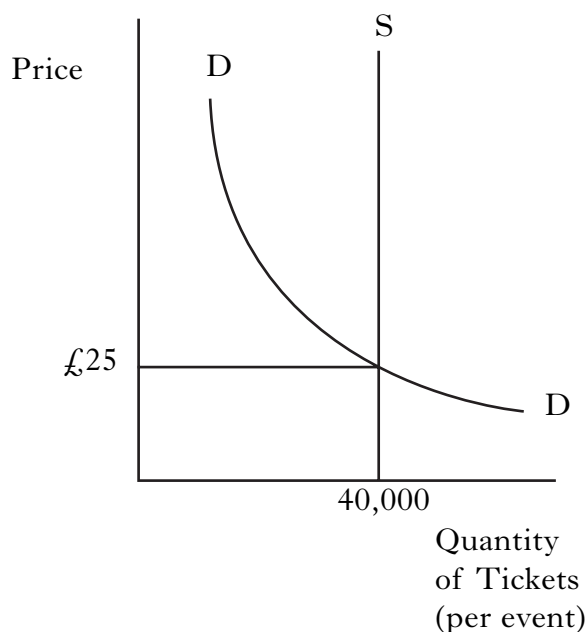
2. Study the following diagrams and answer the questions which follow.

**Diagram 1**

### Diagram 2

## Market for Stadium Tickets

## Market for Domestic Flights in the UK – 2006



**Use Diagram 1 for the following questions.**

- (a)
  - (i) Explain why the stadium ticket supply curve is vertical.
  - (ii) What problems might arise in the short term for a firm with a vertical supply curve?

**Use Diagram 2 for the following questions.**

- (b) Explain the possible effects of each of the following on the market for Domestic Flights in the UK:
- (i) increased taxation on fuel;
  - (ii) falling UK unemployment;
  - (iii) falling UK interest rates.

**[Turn over**

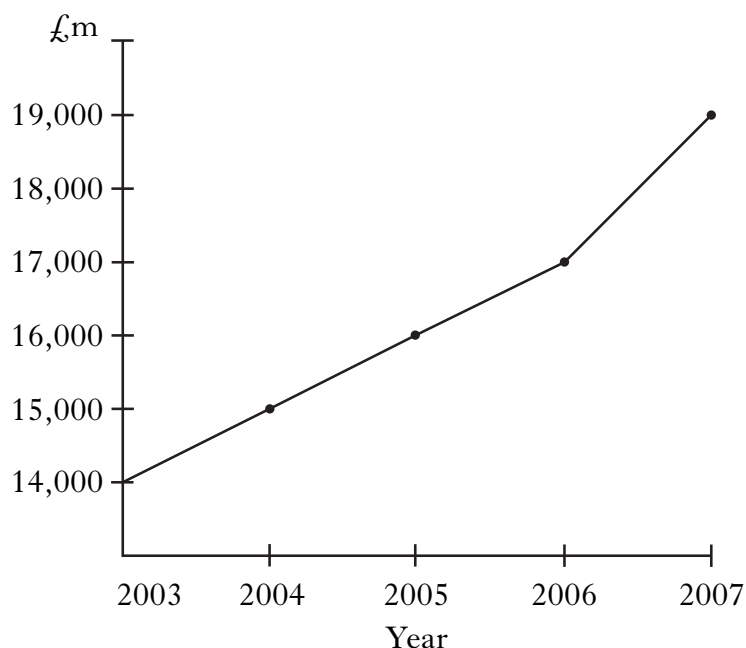
3. Study the information below and answer the questions which follow.

Higher oil and transport prices pushed the annual rate of inflation above the Bank of England's *target measure* to a record 2.4% last month. However, despite this, the underlying rate of inflation fell.

Retail price inflation, on which many wage settlements are based, fell to 2.8% last month as compared to 2.9% the previous month.

Extract from the Chancellor's Speech.

Fuel Tax Revenue – 2003–2007



- (a) (i) Explain the term, “annual rate of inflation”.  
(ii) Suggest reasons why many wage settlements are based on the level of retail price inflation.
- (b) (i) Suggest **one** group within an economy which might benefit and **one** group which might suffer from increasing levels of inflation.  
(ii) Explain your answers to (b)(i).
- (c) (i) Describe fully the trend in Fuel Tax Revenue between 2003 and 2007.  
(ii) Suggest **2** reasons for the trend described in (c)(i).
- (d) The Government wishes to raise revenue without raising indirect taxation. Describe and explain **2** actions the government might take to achieve this.

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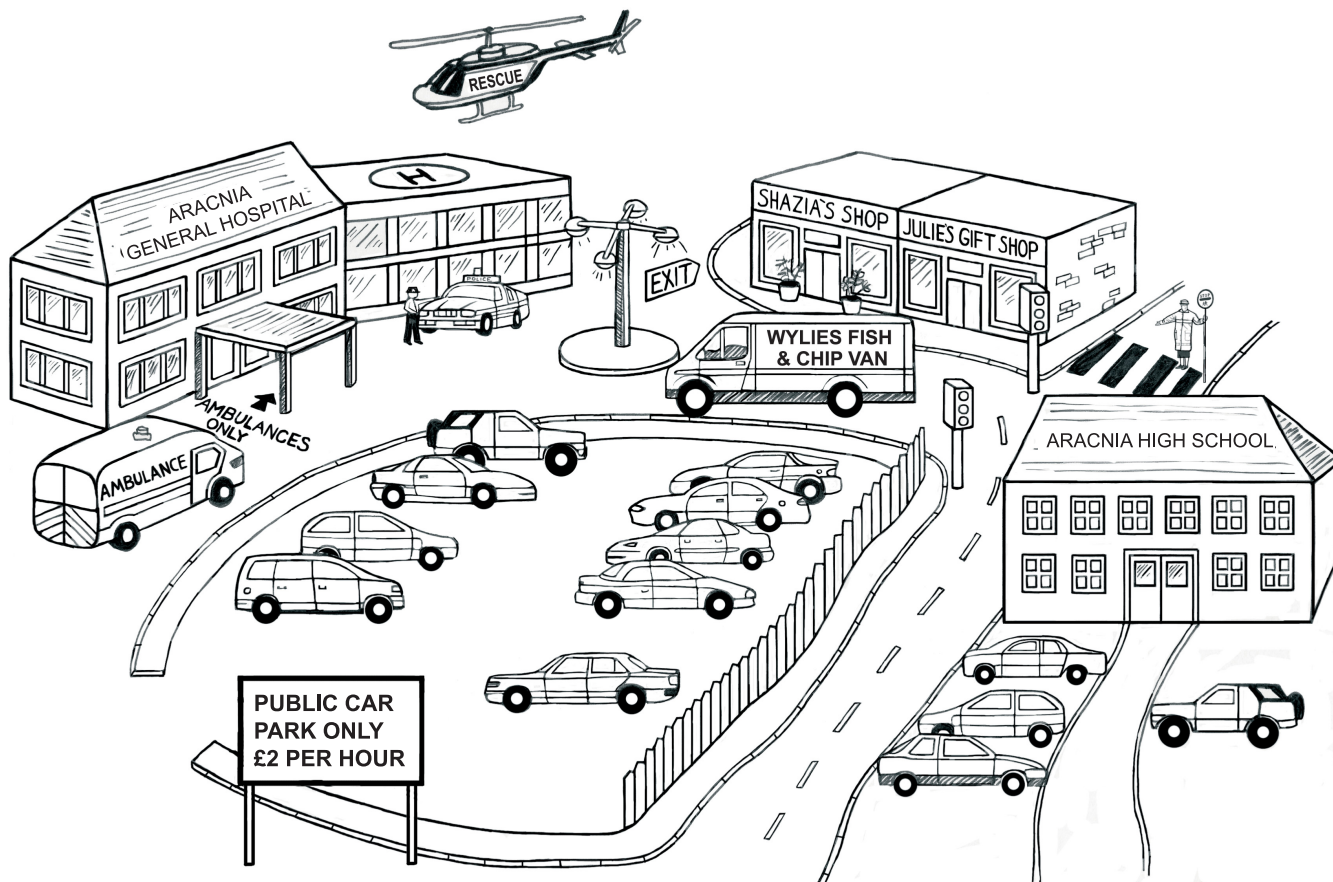
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4



5. Study the picture below and answer the questions which follow.



- (a) From the picture, identify:
- (i) a public good;
  - (ii) a merit good;
  - (iii) a private good.
- (b) Health care in the UK is provided by both the private and the public sectors. Describe an advantage to consumers when health care is provided by:
- (i) the private sector;
  - (ii) the public sector.
- (c) UK Governments continue to face a problem of rising levels of transfer payments.
- (i) Explain the term “transfer payments”.
  - (ii) Suggest and explain 2 actions the Government might take to overcome this problem other than by increasing taxation.

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