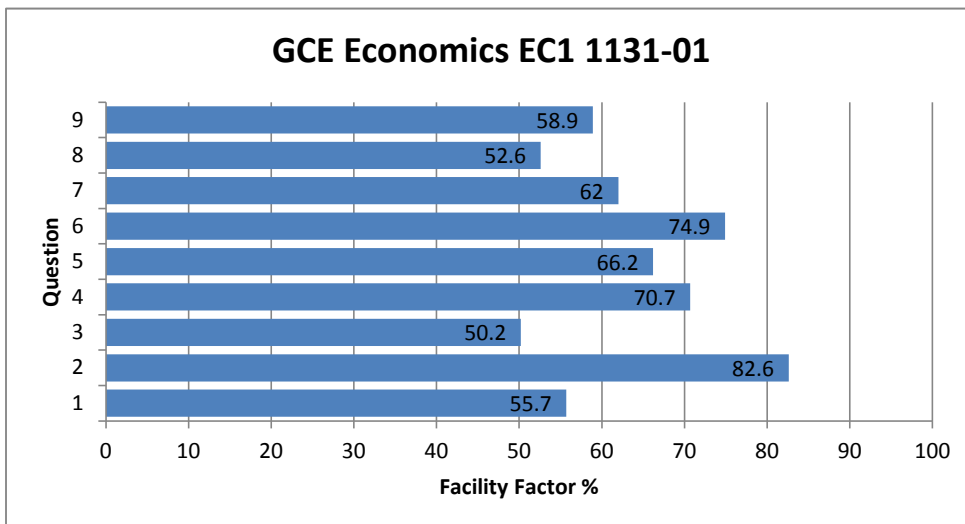


GCE Economics EC1 1131-01

All Candidates' performance across questions

Question Title	N	Mean	SD	Max Mark	FF	Attempt %
1	1670	2.8	1.6	5	55.7	99.8
2	1668	2.5	0.9	3	82.6	99.6
3	1667	2	1.4	4	50.2	99.6
4	1668	2.1	0.9	3	70.7	99.6
5	1671	6.6	2.5	10	66.2	99.8
6	1670	3	1.1	4	74.9	99.8
7	1667	5	1.8	8	62	99.6
8	1651	4.2	1.9	8	52.6	98.6
9	1652	2.9	1.4	5	58.9	98.7



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

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Investment in capital goods provide the economy with greater capacity. Capital goods, such as machines in factories, provide the Chinese economy with a chance to increase its productivity of other goods. These other goods can then be exported, or provide domestic demand. Either way, AD would increase increasing employment while the capital goods will increase LRAS, reducing the inflationary pressure that would have.

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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
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4. Sales representatives
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8. Teachers
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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]

Handwritten response:

↓ Supply side policies would be very effective in solving economic problems. The data above shows that in Hull there are more than 2000 vacancies that are not filled. This shows that there is demand for labour by firms. The problem is that individuals ~~are~~ have not got the desire to work, and instead ~~would~~ would prefer to claim jobseeker allowance. ~~One~~ supply side policy, supply side



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policies have the objective to increase the long run aggregate supply. One policy that would be effective is by cutting down on welfare payments, such as the job seekers allowance.

This would put pressure on people to take the jobs that are available, and thus reducing the amount of welfare payments and increasing employment, which is a macro-economic objective.

Another policy is training and education. If individuals are given this support, then they will be better qualified and have more confidence in taking jobs that they perhaps would have not taken. This would hopefully increase the number of people in work, and therefore shift LRAS to the right, as shown in the diagram below. This would lead to economic growth.



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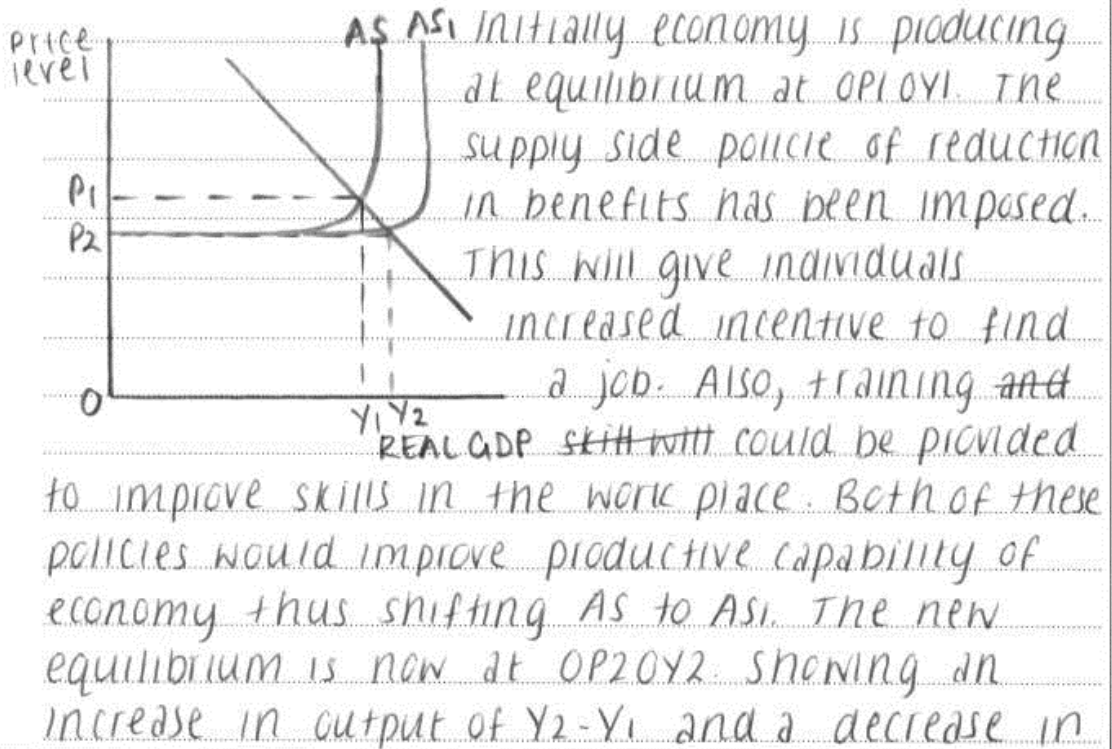
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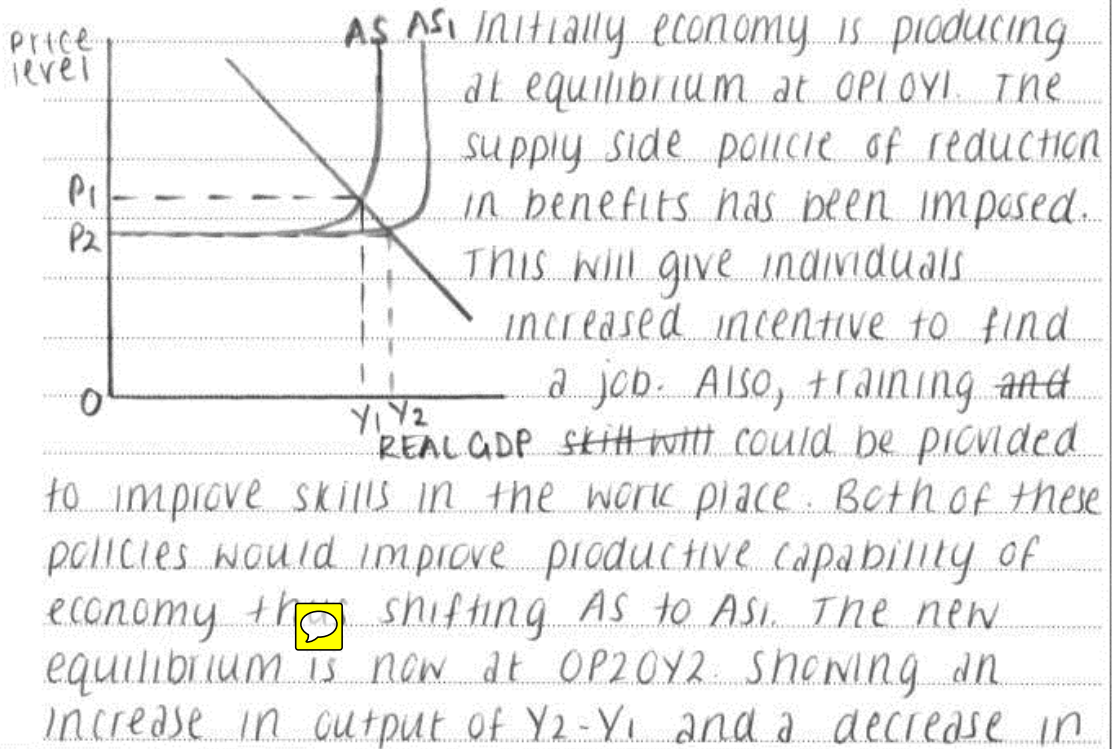
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Supply policies like reducing unemployment benefits such as the job seeker allowance would help to solve the problem in ~~unfilled~~ unfilled vacancies in Hull as the cut in unemployment benefits increases incentives to work. The benefits are no longer enough. Additionally, the ~~NATF~~ could be ~~abolished or decreased~~ to ~~However~~, this could



be bad because it reduces equity and those in need are not receiving enough thus causing a lower standard of living and bad education due to conflict and poverty.

Supply side policy could also be useful to fulfill the skills gap in engineers, chefs and cooks if government increases expenditure on education and training by investing into human capital, it helps to fill the immobility of labour and increase productivity, therefore ~~more~~^{less} unemployment and more output. However, supply policies do produce time lags and can take very long to come into full effect, subsidies giving to firms to allocate training to workers sometimes can be inefficient and a waste which creates a huge opportunity cost.

Skills would be gained therefore the skills gap would be filled.

Investment into infrastructure is another supply policy which helps to reduce geographical immobility, by doing so more can travel to fulfil to supply labour.



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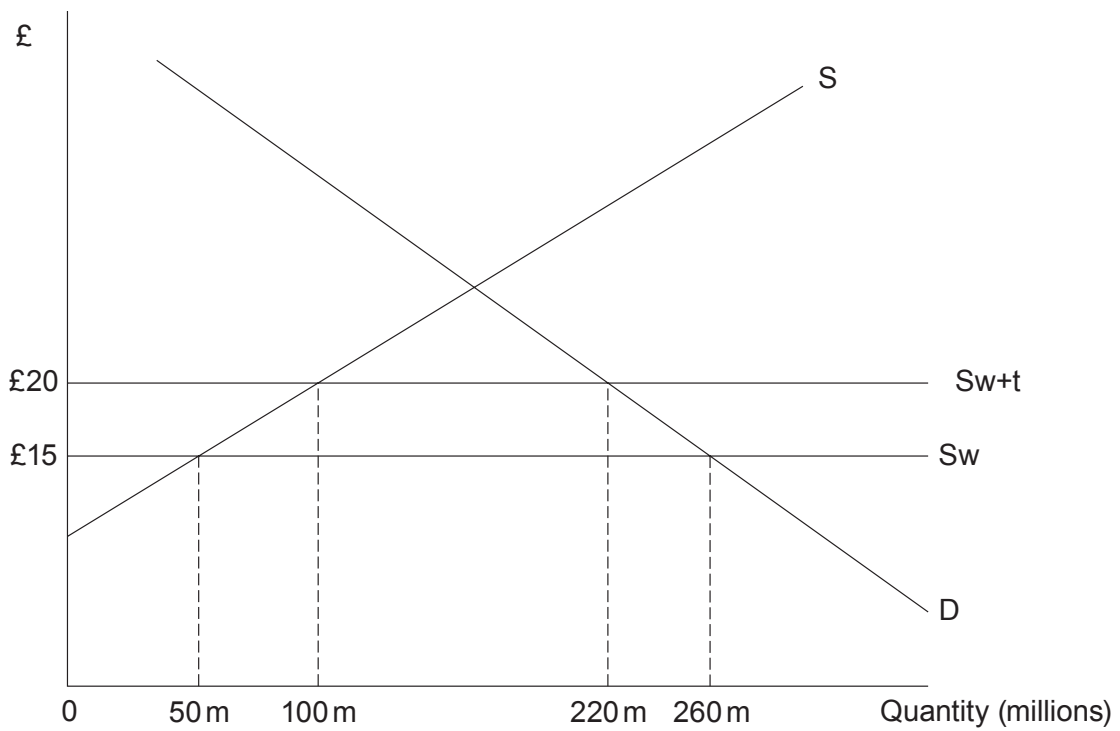
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9. The diagram below shows a £5 tariff being imposed on an imported product with a world price of £15.



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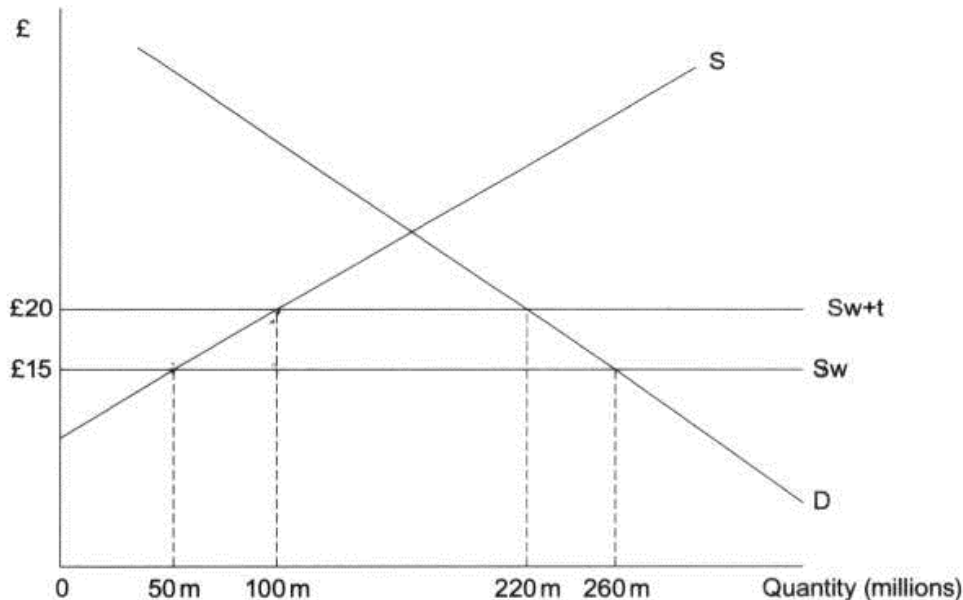
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(a) By how much will imports fall as a result of the tariff? [1]

50 million

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

$5 \times 120 \text{ m} = \text{£}600 \text{ m}$

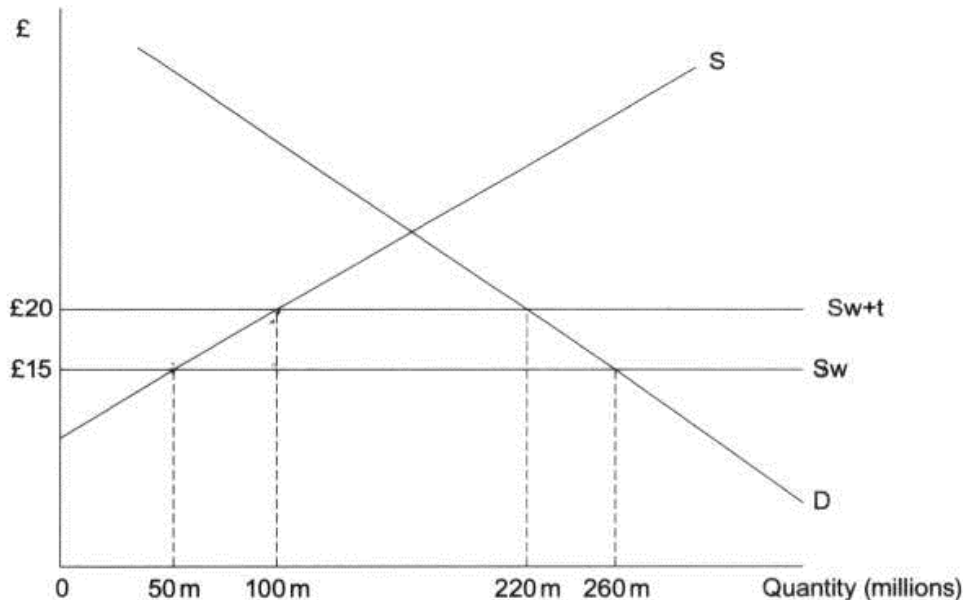
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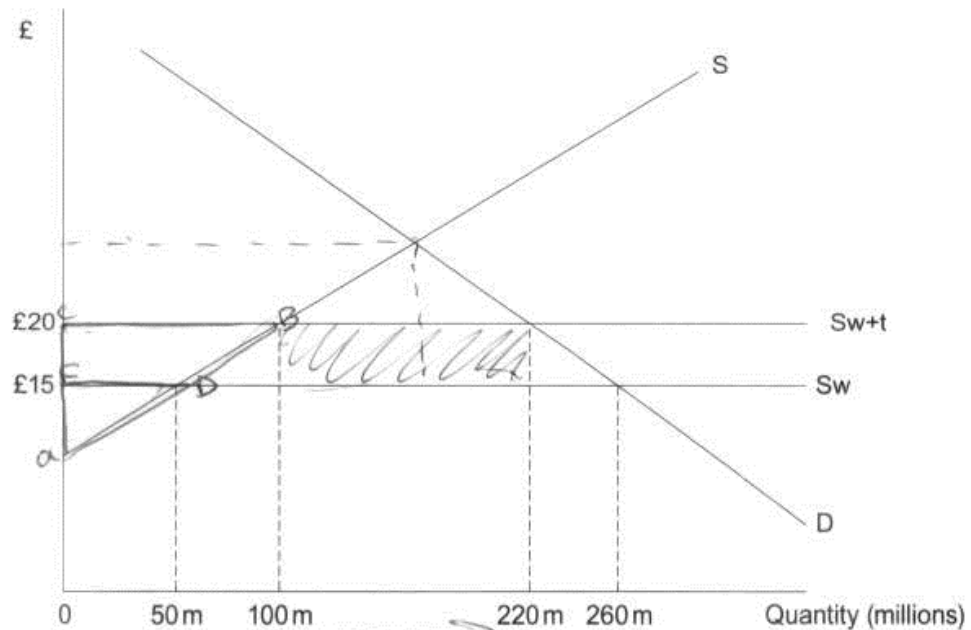
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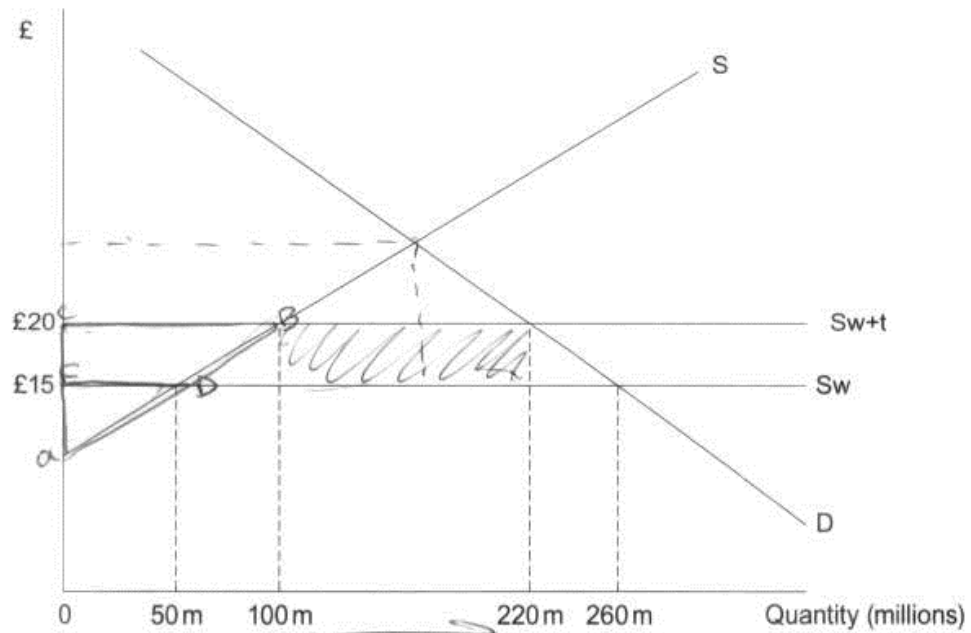
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Domestic producers might benefit as the producer surplus increased from aED to acB . This means producers earn a higher market price, so they get more revenue. This leads to an increase in profits and supply to the market.

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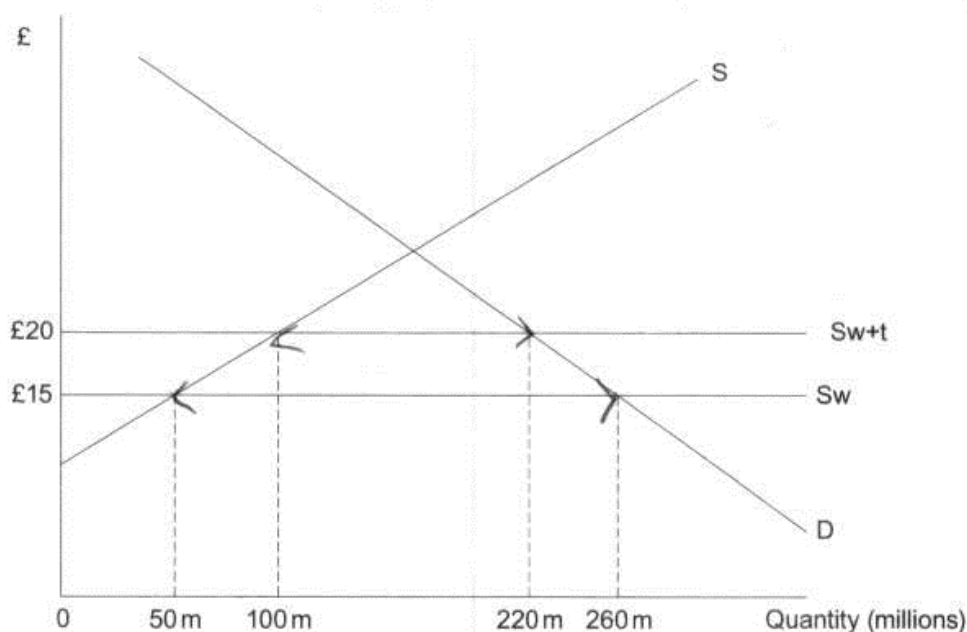
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$$120 \text{ imports} \times \text{£}5 = \text{£}600 \text{ million}$$

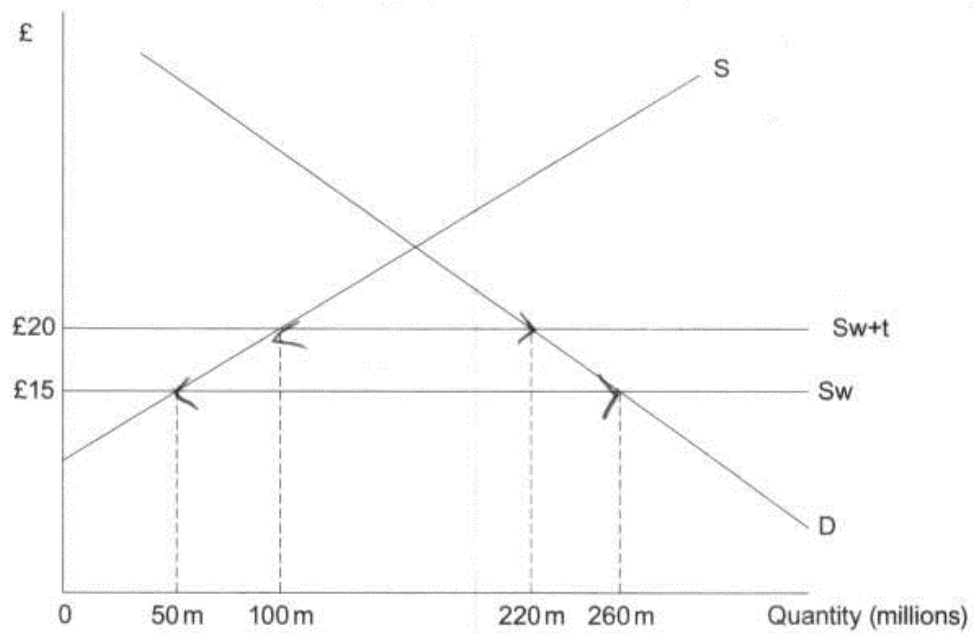
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