

General Certificate of Education
June 2006
Advanced Level Examination



ECONOMICS **ECN6**
Unit 6 Government Policy, the National and International Economy

Monday 26 June 2006 1.30 pm to 3.00 pm

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 are reminded of the need for good English and clear presentation in your answers. All questions should be answered in continuous prose. Quality of Written Communication will be assessed in all answers.

Advice

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

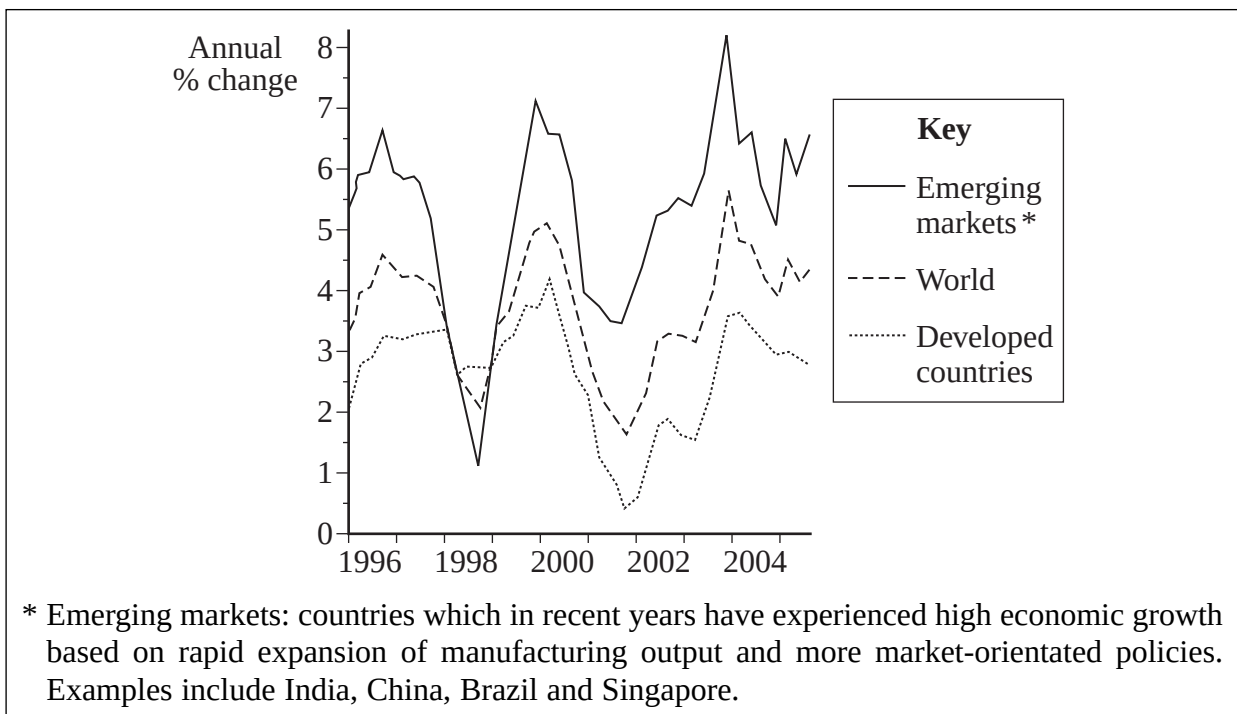
SECTION A

Answer **all** parts of this question.

Total for this question: 50 marks

1 GLOBALISATION

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

Extract A: Real GDP growth, 1996–2005

Source: adapted from *World Economic Outlook*, September 2004

Extract B: Globalisation: desirable or undesirable?

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Extract C: Globalisation: contrasting experiences

Extract C was text adapted from a journal article.
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Extract D: The debate develops

- 1 Two important aspects of the globalisation process are freer trade and increased international investment. It is argued by environmental groups that these encourage economic growth as competitiveness is given a higher profile, production is stimulated and both generate a strong multiplier effect in those economies affected. The
- 5 globalisation-environment debate has evolved in two ways. First, more intense competition arising from freer trade might encourage governments and firms to set lower environmental standards. Second, greater mobility of capital will encourage firms to locate in countries with less strict environmental standards, the so-called pollution havens.

Source: adapted from SURJINDER JOHAL, 'Globalisation, the environment and the World Trade Organisation', *Economic Review*, vol 21 (4), Philip Allan Updates, 2004

Question 1

- (a) Using **Extract A**, compare real GDP growth for the world economy with that shown for the emerging markets and developed countries for the period 1996 to 2005. (4 marks)
- (b) **Extract B** (lines 1 and 2) describes globalisation as a 'force sweeping away frontiers and encouraging economic integration'. Explain the term 'globalisation' with the help of this description. (6 marks)
- (c) Analyse the way in which **either** freer trade **or** increased international investment might help achieve economic growth (**Extract D**, lines 1 and 2). (10 marks)
- (d) 'Globalisation is, on balance ... highly desirable' (**Extract B**, line 6). Using the data and your economic knowledge, evaluate the economic consequences of globalisation for **either** developed **or** developing countries. (30 marks)

SECTION B

Answer **one** question from this section.

Each question carries 50 marks.

- 2 (a) Explain the term 'underlying trend rate of economic growth' and the factors determining this trend rate. *(20 marks)*
- (b) Evaluate the potential impact on the economic growth of the UK economy if it were to adopt the single European currency. *(30 marks)*
- 3 (a) Explain how a fall in the rate of inflation might be achieved by both demand-side **and** supply-side factors. *(20 marks)*
- (b) Evaluate the possible consequences of a falling rate of inflation for the performance of the UK economy. *(30 marks)*
- 4 (a) Explain how exchange rates are determined in a floating exchange rate system. *(20 marks)*
- (b) Evaluate the possible impact on UK macroeconomic performance of a sustained rise in the value of the pound sterling against the euro and the US dollar. *(30 marks)*

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Extract A: International Monetary Fund