

General Certificate of Education  
June 2006  
Advanced Subsidiary Examination



**ECONOMICS**  
**Unit 3 Markets at Work**

**ECN3**

Friday 9 June 2006 1.30 pm to 2.30 pm

**For this paper you must have:**

- an 8-page answer book

You may use a calculator.

Time allowed: 1 hour

**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 ECN3.
- Choose **one** of the Options and answer **all** parts of the question on that Option.

**Information**

- The maximum mark for this paper is 40.
- The marks for questions are shown in brackets.
- 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.

Choose **one** of the Options and answer **all** parts of the question on that Option.

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**OPTION 1: THE HOUSING MARKET**

**Total for this question: 40 marks**

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

**Extract A: First-time buyers can't afford homes in even the cheapest boroughs**

**Extract A** was text adapted from a newspaper article.  
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**Extract B: How different areas compare (selected London boroughs)**

**Extract B** was a table of figures adapted from a newspaper article.  
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*Question 1*

- (a) Define the term ‘public sector’ (**Extract A**, line 3). *(3 marks)*
- (b) ‘... the number of single-person households will rise by a third in the next 20 years ...’  
(**Extract A**, lines 23–24).  
Explain whether this is a positive or normative statement. *(4 marks)*
- (c) Using the data and the concept of income elasticity of demand, explain how changes in income levels can affect the London housing market. *(8 marks)*
- (d) Using a supply and demand diagram to help you, analyse the possible effects on the level of household rents in London of the higher house prices shown in the data. *(10 marks)*
- (e) Discuss why the government is likely to be concerned about the difficulties for some house-buyers mentioned in the data, and evaluate policies that could be adopted to deal with these difficulties. *(15 marks)*

Turn over ►

**OPTION 2: THE ENVIRONMENT****Total for this question: 40 marks**

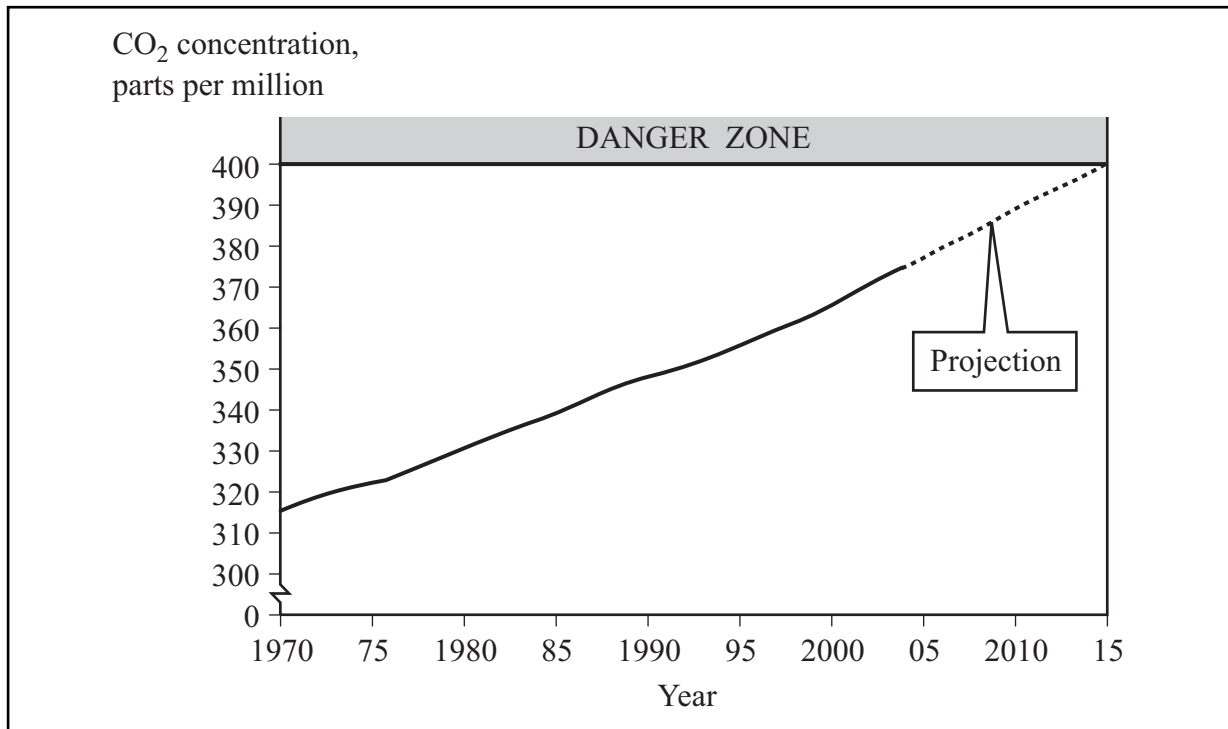
**2** Study **Extracts C, D and E**, and then answer **all** parts of Question 2 which follows.

**Extract C: Greenhouse effect ‘may be beneficial’**

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**Extract D: Countdown to global catastrophe**

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**Extract E: Atmospheric carbon dioxide (CO<sub>2</sub>)**

Source: adapted from the Climate Monitoring and Diagnostics Laboratory, NOAA, quoted in an article by MICHAEL MCCARTHY, *The Independent*, 24 January 2005

*Question 2*

- (a) Define the term ‘sustainable sources’ (**Extract D**, line 20). (3 marks)
- (b) ‘... global average temperature has already risen by 0.8 degrees since 1750 ...’ (**Extract D**, lines 16–17).  
Explain whether this is a positive or normative statement. (4 marks)
- (c) Using the data and the concept of income elasticity of demand, explain how changes in income levels might affect global warming. (8 marks)
- (d) Using a supply and demand diagram to help you, analyse the possible effects of global warming on the price of food. (10 marks)
- (e) Discuss which would have the more harmful effects on the UK economy: global warming itself, or government policies aimed at reducing global warming. (15 marks)

Turn over ►

**OPTION 3: THE ECONOMICS OF SPORT AND LEISURE****Total for this question: 40 marks**

**3** Study **Extracts F and G**, and then answer **all** parts of Question 3 which follows.

**Extract F: Super seats set new world record for watching football**

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**Extract G: Season ticket prices for adults in football's Premiership, 2004–2005**

**Extract G** was a table of figures adapted from a newspaper article.  
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*Question 3*

- (a) Define the term 'disposable income' (**Extract F**, line 19). *(3 marks)*
- (b) 'The people who buy these expensive seats are just as likely to go to the opera' (**Extract F**, line 12).  
Explain whether this is a positive or normative statement. *(4 marks)*
- (c) Using the data and the concept of income elasticity of demand, explain how income levels might affect the market for football season tickets. *(8 marks)*
- (d) Using a supply and demand diagram to help you, analyse the possible effects of higher football season ticket prices on the price of season tickets for watching rugby union. *(10 marks)*
- (e) Discuss whether the prices for tickets for major sporting events should be purely a matter for market forces, or whether governments should intervene in the market. *(15 marks)*

**END OF QUESTIONS**

**There are no questions printed on this page**

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