



Commercial banks perform an important role in most economies. Money helps in the exchange of goods and services and, in the form of wages, is an influence on the choice of occupation for many individuals.

- (a) Explain the role of commercial banks. [4]
- (b) Describe the various functions that money performs in an economy. [4]
- (c) Describe the likely changes in income for individuals over their lifetime. [4]
- (d) Discuss whether wages are the most important factor influencing the choice of occupation for many individuals. [8]

It was reported in the Netherlands in 2010 that the proportion of income that was saved, rather than spent, had actually increased for the first time in many years. At the same time, borrowing fell.

- (a) Explain what could influence people to save more. [6]
- (b) Explain the disadvantages to an economy of people saving a high proportion of their income. [6]
- (c) Discuss how a government could encourage people to spend a higher proportion of their income. [8]

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