

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Advanced GCE

ECONOMICS

2884

ECONOMICS OF WORK AND LEISURE

Monday

26 JUNE 2006

Afternoon

1 hour 30 minutes

Additional materials:

8 page Answer Booklet

TIME 1 hour 30 minutes

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces provided on the answer booklet.

Answer Question 1 and **one** question from Section B.

Write all your answers on the separate answer booklet provided.

If you need to use additional answer sheets, fasten these sheets securely to the answer booklet.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets [] at the end of each question or part question.

The quality of your written communication will be taken into account in the marking of your answer to Section B.

This question paper consists of 4 printed pages.

Section A

Answer this question.

1

Immigration and Economics

Extract 1

An extract has been removed due to third party copyright restrictions

Details:

A quote by Digby Jones about business in Great Britain

Digby Jones, Director-General of the Confederation of British Industry, April 2004.

Extract 2

An extract has been removed due to third party copyright restrictions

Details:

A quote by Ruth Lea about the benefits and drawbacks of immigration

Ruth Lea, Director of the Centre for Policy Studies, April 2004.

Net migration into UK
(thousands)

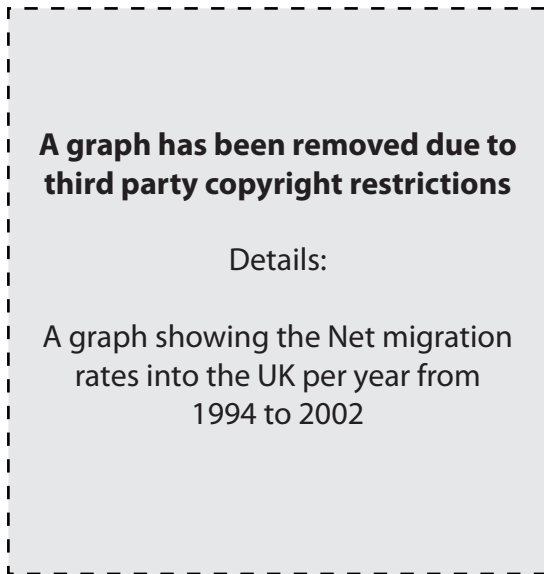


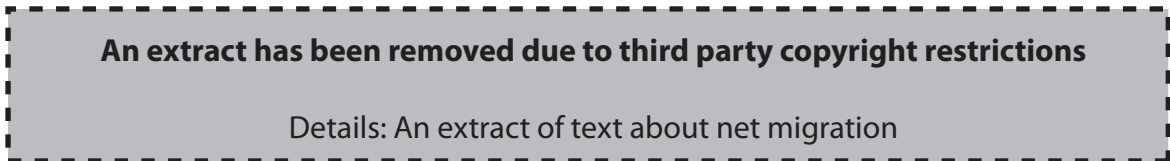
Fig. 1

Foreign and foreign- born workers, 2002
(percentage of workforce)



Fig. 2

Note



[Sources: The Observer, 11/4/04 and The Daily Telegraph 19/4/04]

- (a) Identify one conclusion about the UK from each of Figs. 1 and 2. [2]
- (b) Using the extracts, explain two benefits to the UK economy which are argued to result from immigration. [4]
- (c) Comment on the view on immigration that “meanwhile, it is the employers who benefit” (lines 22-23). [4]
- (d) “...we should allow markets to work by paying more to those whose skills are in short supply” (lines 16-17). [4]
- Use supply and demand analysis to explain this statement. [4]
- (e) “I would question the ethics of encouraging people to migrate from poor to rich countries” (lines 14-15). [6]
- Discuss the view expressed here. [6]

Section B

Answer one question.

- 2 (a) Explain how a profit-maximising employer will choose the quantity of labour employed. [10]
- (b) For an occupation of your choice, discuss the extent to which its average rate of pay is determined by demand from employers. [15]
- 3 (a) Explain why firms operating under conditions of monopolistic competition are less efficient than those in perfect competition. [10]
- (b) Discuss the view that the emergence of low-cost airlines in the UK in recent years has made the market for air travel more efficient. [15]
- 4 Inequality of wealth is a major cause of inequality of income. It follows that the UK government, if it wishes to achieve a significant reduction in income inequality, should introduce a wealth tax.
- (a) Explain how inequality of income and inequality of wealth are inter-related. [10]
- (b) Discuss the view that taxation aimed at reducing inequality of wealth is the best way for a UK government to reduce inequality of income. [15]