

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Monday 23 May 2022 – Afternoon

A Level Economics

H460/01 Microeconomics

Time allowed: 2 hours

plus your additional time allowance

YOU CAN USE:

a scientific or graphical calculator

YOU MUST HAVE:

Stimulus material insert (with this document)

Please write clearly in black ink.

Centre number

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Candidate number

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First name(s) _____

Last name _____

READ INSTRUCTIONS OVERLEAF



INSTRUCTIONS

Use black ink. You can use an HB pencil, but only for graphs and diagrams.

Write your answer to each question in the space provided. If you need extra space use the lined pages at the end of this booklet. The question numbers must be clearly shown.

Answer ALL the questions in Section A, ONE question in Section B and ONE question in Section C.

INFORMATION

The total mark for this paper is 80.

The marks for each question are shown in brackets [].

Quality of extended response will be assessed in questions marked with an asterisk (*).

ADVICE

Read each question carefully before you start your answer.

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SECTION A

Read the stimulus material in the insert and answer ALL parts of Question 1 which follow in this section.

1 (a) Explain what is meant by the term 'subsidy'.

[2]

- (b) “...more taxes may be imposed to change the marginal private cost of using petrol cars, so that the price paid is closer to the marginal social cost inflicted on society.” LINES 63–66

Explain, using an appropriate diagram, how this could be achieved.

[4]

(c) Refer to LINES 70–75.

Calculate the percentage change in price required to achieve a 6.5% fall in demand for petrol in the short run.

[2]

(d) (i) Using the data in FIG. 2, explain how there are economies of scale in the global production of car batteries.

[2]

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(ii) Evaluate, using evidence from the stimulus material, whether it is a disadvantage if the market for car battery production is a natural monopoly. [8]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

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SECTION B

Answer EITHER Question 2 OR Question 3.

EITHER

- 2* In 2018, the French bank, BNP Paribas, was found guilty of eliminating competition and fixing prices with rival firms between 2011 and 2013. It was the sixth major bank to face criminal charges as part of the same investigation in the USA and agreed to pay a fine of \$90m.**

Evaluate, using an appropriate diagram(s), whether such collusion is the most significant disadvantage of an oligopolistic market. [25]

OR

- 3* The education sector has the highest level of trade union membership in the UK, with over 50% of full-time teachers in a trade union. Approximately 90% of all teachers work in the state sector.**

Evaluate, using an appropriate diagram(s), the impact of a bilateral monopoly on equilibrium in the labour market. [25]

Question _____

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

SECTION C

Answer EITHER Question 4 OR Question 5.

EITHER

- 4* “A £1.4bn government bailout has been announced for Crossrail, as Europe’s biggest infrastructure project to build a new underground line across London is once again over budget and delayed. This is yet another example of a failed government-financed and managed project.”

Evaluate whether governments should finance large infrastructure projects such as Crossrail. [25]

OR

- 5* Supporters of a centrally planned economic system believe a central government can achieve social and national objectives more efficiently than a market economy. For example, they highlight the increase in income inequality in China since it has introduced market-based reforms.

Evaluate whether it is possible to allocate resources efficiently in a centrally planned economic system. [25]

Question _____

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

END OF QUESTION PAPER

ADDITIONAL ANSWER SPACE

If additional space is required, you should use the following lined page(s). The question number(s) must be clearly shown in the margin(s).



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