Modified Enlarged 24pt

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Monday 13 June 2022 – Afternoon

A Level Economics

H460/03 Themes in economics

Time allowed: 2 hours
plus your additional time allowance

YOU MUST HAVE:
Resource Booklet (with this document)

YOU CAN USE:
a scientific or graphical calculator

Please write clearly in black ink.

Centre number ☐☐☐☐☐

Candidate number ☐☐☐☐

First name(s) _____

Last name _____

READ INSTRUCTIONS OVERLEAF

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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.

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

Answer ALL the questions in this section.

Write your answer for each question in the box provided.

1 **What is the impact of a decrease in price? [1]**

    A   **An increase in quantity demanded**

    B   **An increase in quantity supplied**

    C   **A shift to the right of the demand curve**

    D   **A shift to the right of the supply curve**

Your answer

2 **If real GDP in 2019 was \$482bn and \$476bn in 2020, what was the rate of economic growth in 2020? [1]**
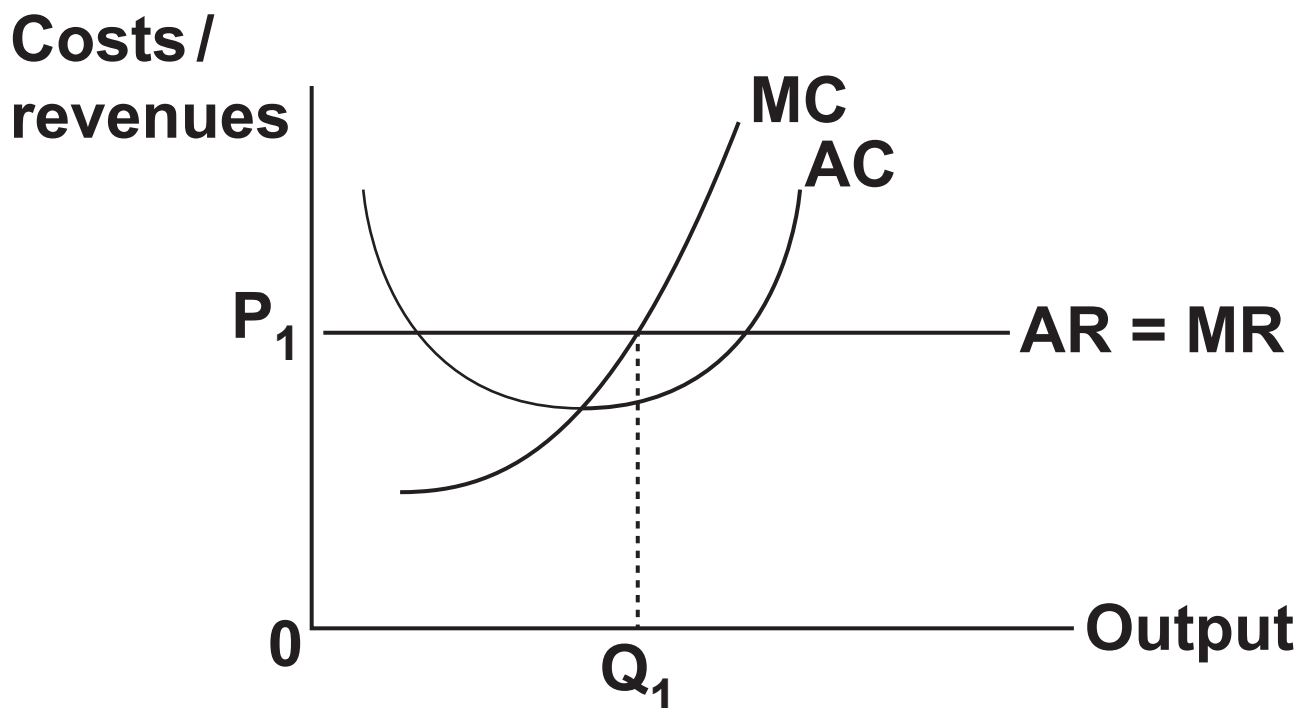
A –1.26%

B –1.24%

C 1.24%

D 1.26%

Your answer

3   The diagram below shows a firm producing Q_1 units of output at a price of P_1 at a particular point in time. What is likely to happen next? [1]

Costs / revenues

A   New firms enter the market, causing a shift in the average and marginal cost curves

B   New firms enter the market, causing a shift in the average and marginal revenue curve

C   Some firms leave the market, causing a shift in the average and marginal cost curves

D **Some firms leave the market, causing a shift in the average and marginal revenue curve**

Your answer

4 **What is the relationship between accounting and economic profit? [1]**

A **Accounting profit will be equal to economic profit**

B **Accounting profit will be larger than economic profit**

C **Economic profit will be larger than accounting profit**

D **There is no relationship between accounting profit and economic profit**

Your answer ☐

5   The table below shows the output of corn and golf clubs Country X and Country Y could produce if they used all of their resources to produce one of these goods. What can be concluded about Country X from the data? [1]

	Corn	Golf clubs
Country X	1000 units	450 units
Country Y	5000 units	900 units

A   It has an absolute advantage in the production of corn and golf clubs

B   It has an absolute advantage in the production of golf clubs

C   It has a comparative advantage in the production of corn

D   It has a comparative advantage in the production of golf clubs

Your answer ☐

6 **What could cause the natural rate of unemployment to decrease? [1]**

A   An increase in corporation tax

B   An increase in government spending on welfare benefits

C   An increase in government spending on education and training

D   An increase in the price level

Your answer

7 'There are insufficient resources to meet society's wants.'

What does this statement describe? [1]

A   Positive externalities of consumption

B   Positive externalities of production

C   The basic economic problem

D   The free rider problem

Your answer

8 The diagram below shows the value of a country's currency. What is most likely to have caused the change illustrated here? [1]

Exchange rate
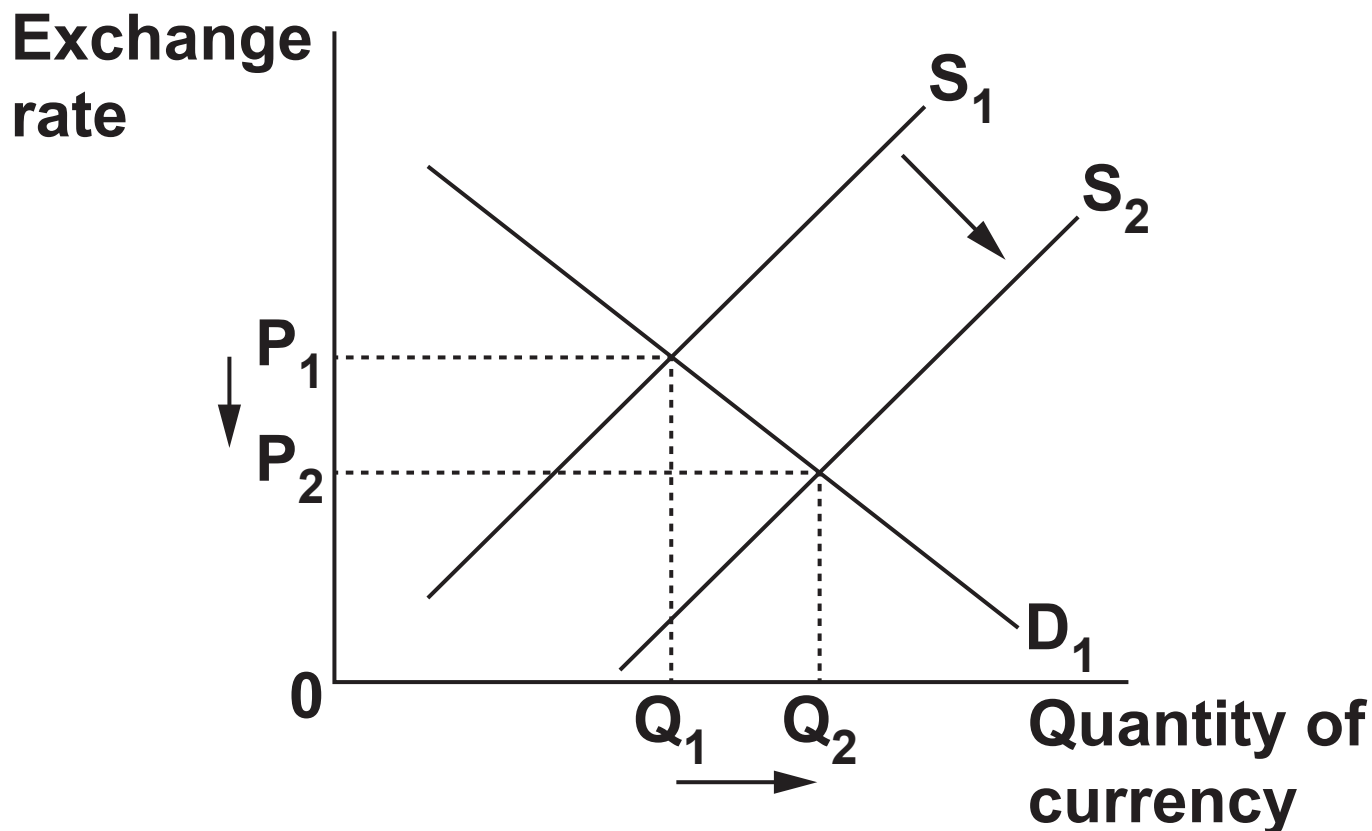
A   A decrease in the marginal propensity to import

B   Contractionary monetary policy

C   Expansionary monetary policy

D   Supply side policy designed to increase labour productivity

Your answer ☐

9 **What type of good is described as being excludable and rival? [1]**

A Free good

B Private good

C Public good

D Quasi-public good

Your answer

10 If the marginal rate of taxation is 0.34, the marginal propensity to import is 0.18 and the multiplier is 1.42, what is the marginal propensity to save? [1]
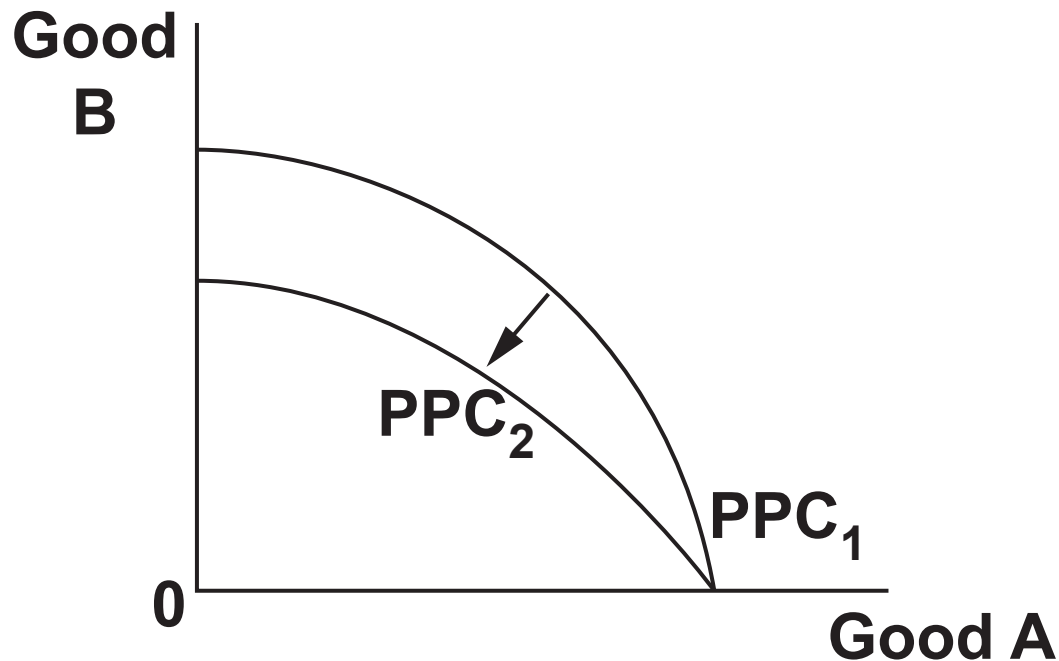
A   0.18

B   0.30

C   0.48

D   0.90

Your answer

11 **What is one of the key roles of the financial sector? [1]**

A   Facilitate investment by firms

B   Increase interdependence between countries

C   Promote free trade

D   Reduce income inequality

Your answer

12 What does the shift of the PPC from PPC$_1$ to PPC$_2$ in the diagram below show? [1]

Good B

A   A fall in the production of good A

B   A fall in the production of goods A and B

C   An increase in the opportunity cost of producing good A

D   An increase in the opportunity cost of producing good B

Your answer

13 **What is one of the stages in the process of calculating the rate of inflation in the UK? [1]**

    A Goods and services are weighted according to the level of utility they bring society

    B Prices of goods and services are compared to prices in other countries

    C Survey data is used to establish the most commonly consumed goods and services

   **D The amount of quantitative easing introduced by the Bank of England is recorded**

Your answer

14 The diagrams opposite show how the markets for goods X and Y respond to a change in one of the determinants of demand. What might it be possible to conclude from this? [1]
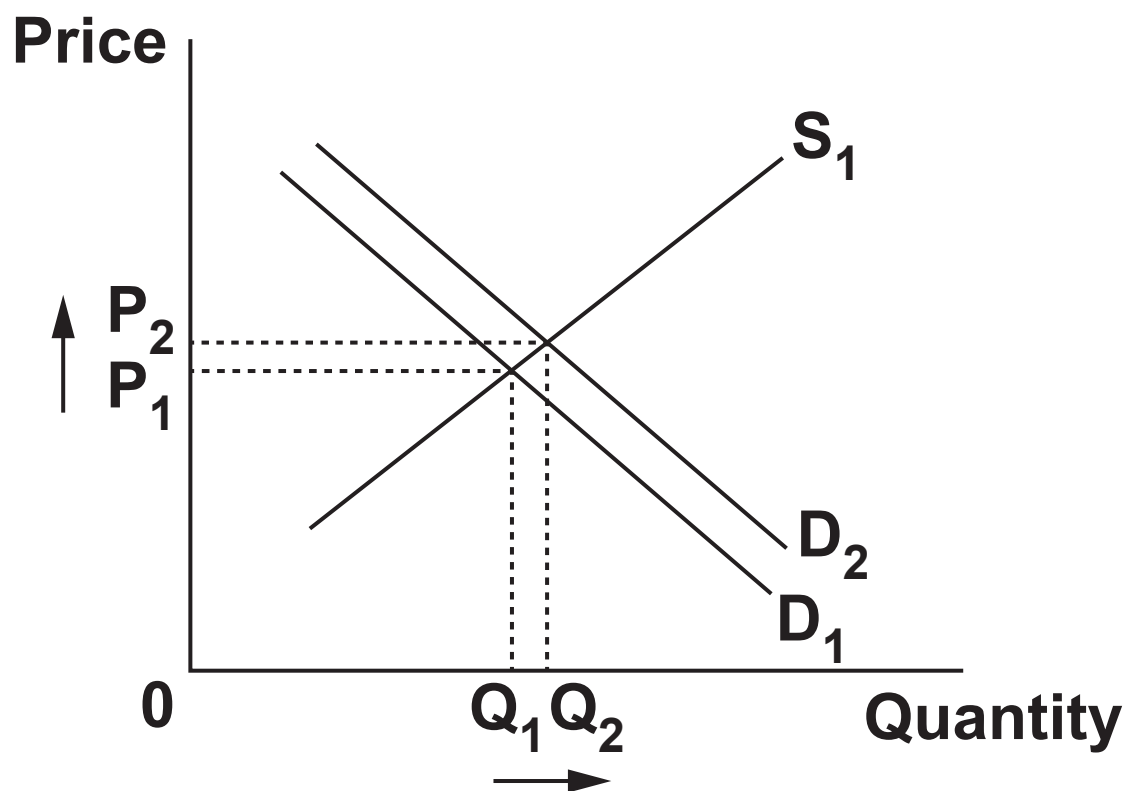
    A   Demand for good X is more cross elastic than the demand for good Y

    B   Demand for good X is more income elastic than demand for good Y

    C   Demand for good X is more price elastic than the demand for good Y

    D   Supply of good X is more price elastic than supply of good Y

Your answer

Good X

Good Y

19
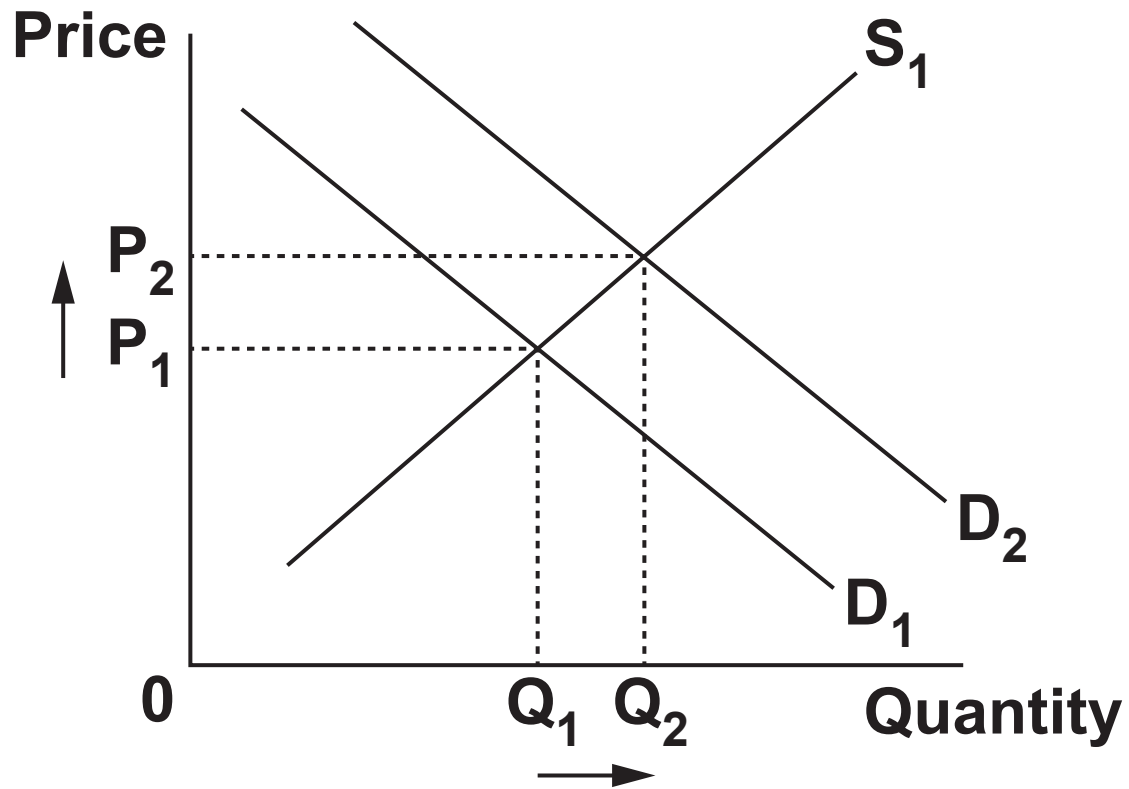
15 What would cause the demand for labour to increase? [1]

A   An increase in the minimum wage

B   An increase in the price of complementary factors of production

C   An increase in the price of the product the labour produces

D   An increase in unit labour costs

Your answer

16 An individual going on holiday to Spain exchanges £100 into euros when the exchange rate was 1.26 euros to 1 pound. They spend 82 euros and when they return from holiday exchange what they have left into pounds. By this point the exchange rate has changed to 1.14 euros to 1 pound. How many pounds are they left with? [1]

A   £34.92

B   £38.60

C   £44.00

D   £50.16
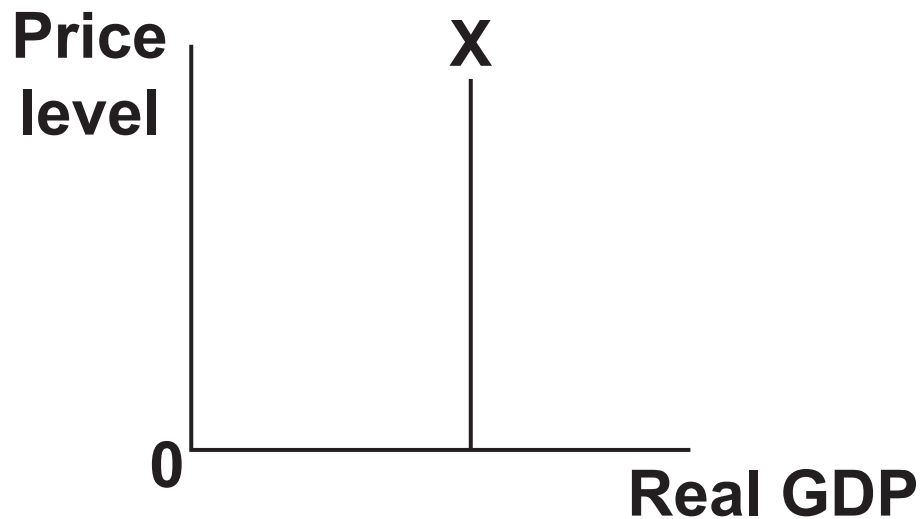
Your answer

17 Which elasticity is the availability of stock of the product likely to impact? [1]

A   Cross elasticity of demand

B   Income elasticity of demand

C   Price elasticity of demand

D   Price elasticity of supply

Your answer ☐

18 What does curve X represent? [1]

Price level X

0 Real GDP

A   Long run Aggregate Supply

B   Long run Phillips Curve

C   Short run Aggregate Supply

D   Short run Phillips Curve

Your answer ☐

19 The separation between ownership and control means managers are likely to be more incentivised to pursue sales revenue maximisation over profit maximisation. What type of firm is this most likely to describe? [1]

A   Public limited company

B   Public sector company

C   Small business

D   Voluntary organisation

Your answer

20 **Money fulfils a number of important functions, including acting as a medium of exchange. What characteristic would prevent money from fulfilling this function? [1]**

A   Durable to use

B   Portable to carry

C   Scarce in supply

D   Volatile in value

Your answer ☐

21 Who is most likely to be categorised as being unemployed? [1]

A   19 year old full time student.

B   38 year old father who chooses to stay at home to be a home-maker.

C   42 year old former bank worker who is economically active.

D   68 year old who worked in the steel industry and who is now claiming the state pension.

Your answer

22 **A firm is considering increasing its output from 239 to 240 units of a good. What is the marginal cost of doing this? [1]**

Quantity	Average Cost
238	£360
239	£356
240	£362
241	£371
242	£382

A   £1.51

B   £6

C   £1796

D   £86 880

Your answer ☐

23 **What is most likely to cause the international price competitiveness of a country's goods and services to decrease? [1]**

A **Exchange rate depreciates**

B **Minimum wage decreases**

C **Productivity increases**

D **Trade union power increases**

Your answer

24 Kai purchases a second-hand car for £12 000. However, they only derive £7000 utility from the car during the five years that they own it. What is likely to have occurred at the point of purchase to cause this? [1]

A   Information failure

B   Moral hazard

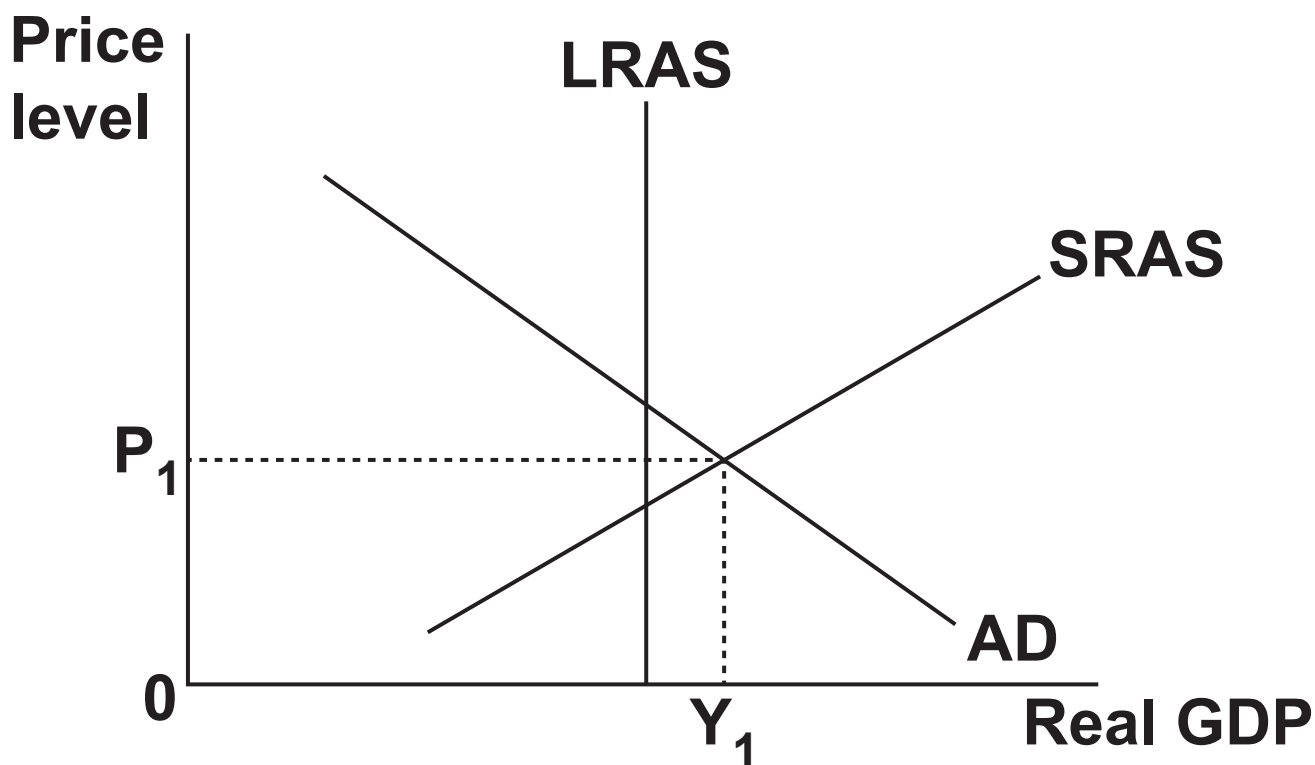C   Negative externalities of consumption

D   Opportunity cost

Your answer

25 An economy is producing at Y_1, P_1. What is happening at this point? [1]

Price level / Real GDP diagram showing LRAS, SRAS, AD curves intersecting at P_1, Y_1.

A   Deflation

B   Inflation

C   Negative output gap

D   Positive output gap

Your answer ☐

26 **A group of firms reaches an agreement on prices and output. What sort of collusion is this? [1]**

A   A cartel

B   Price leadership

C   Strategic alliances

D   Tacit collusion

Your answer

27 **What is an example of an automatic stabiliser in response to a period of negative economic growth? [1]**

    A   A decrease in the corporation tax rate

    B   An increase in expenditure on education and training

    C   An increase in expenditure on unemployment benefits

    D   An increase in the income tax-free personal allowance

Your answer

28 **What is likely to be an irrational act? [1]**

A Consumption decreasing when the interest rate increases

B Consumers demanding more of an inferior good when their income falls

C Firms engaging in predatory pricing to increase their market share

D Firms increasing the price of a product with price elastic demand

Your answer ☐

29 The diagram shows the market for a good which is allocated in the free market without government intervention. What is represented by area XYZ? [1]
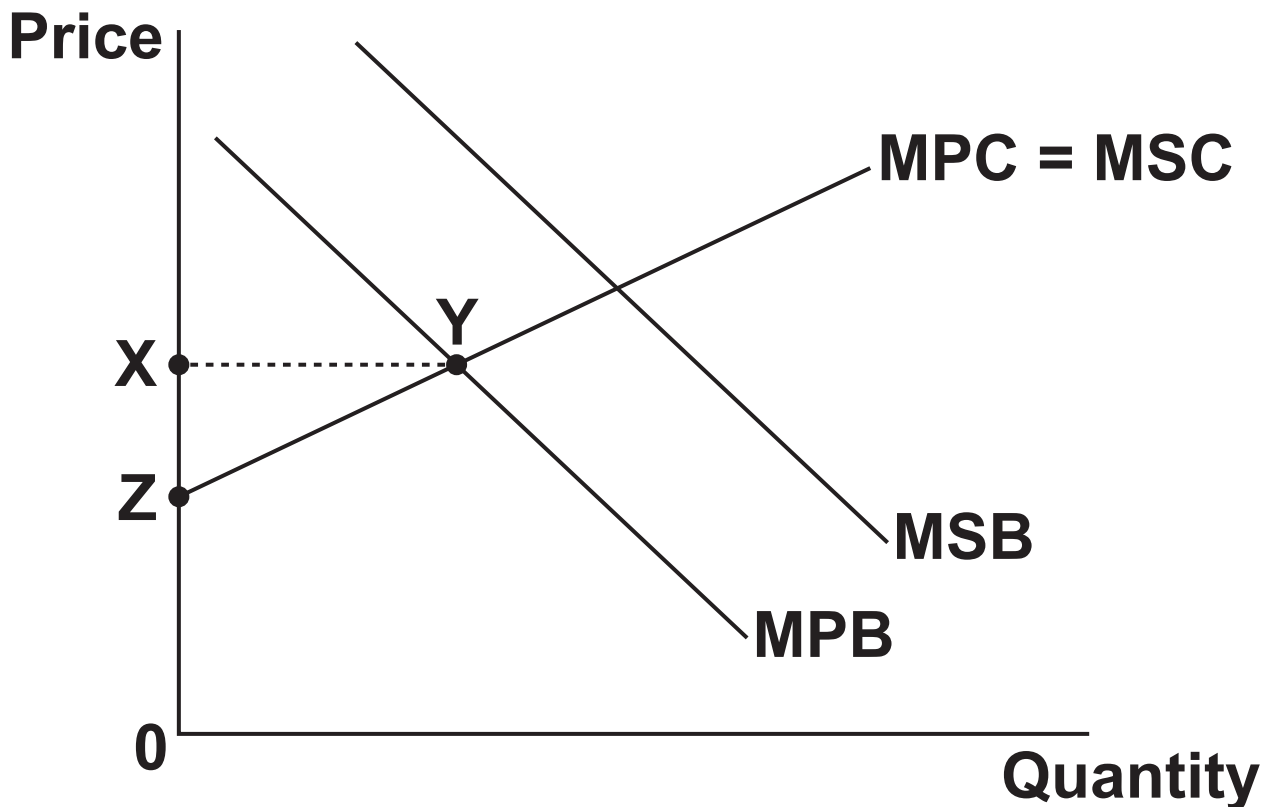
A   Allocative inefficiency

B   Consumer surplus

C   Deadweight loss

D   Producer surplus

Your answer ☐

30 **What is the most likely impact of a policy decision to reduce the amount of protectionism in a country? [1]**

    A   **Domestic firms face higher tariffs on their exports**

    B   **Sunset industries experience a decrease in the demand for their products**

    C   **The rate of inflation increases**

    D   **The volume of international trade decreases**

Your answer ⬜

SECTION B

Read the extracts in the resource booklet and answer ALL the questions which follow.

31 Using the data in Fig. 1.1, describe the regional wage differentials that exist in the UK.

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_____ **[2]**

32 **Using the data in Fig. 1.2, calculate how much faster house prices rose in London compared to the North East between 2005 and 2020.**

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_____ **[2]**

33* Evaluate, using an appropriate diagram(s) and the information in EXTRACT 1, whether low labour market flexibility is the main cause of wage differentials between the North and South. [15]

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34 **Explain, how the data in Fig. 2.1 can be used to measure the level of income inequality in the UK.**

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_____ **[2]**

35 **Explain, why infrastructure such as high speed rail is unlikely to be provided in a market economy without government intervention.**

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_____ **[3]**

36 **Evaluate, using the information in EXTRACT 2, whether subsidising research and development in 'left behind regions' would be the most effective macroeconomic policy option for the government to achieve its objective of a more even distribution of income. [8]**

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37 **Explain, whether Fig. 3.1 supports the view that "economic growth will NOT always lead to an improvement in welfare".**

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_____ **[3]**

38* Evaluate, using the information in EXTRACT 3, the impact of removing economic growth as one of the government's primary macroeconomic objectives. [15]

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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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54