

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Monday 5 June 2023 – Morning

A Level Economics

H460/03 Themes in economics

**Time allowed: 2 hours
plus your additional time allowance**

YOU MUST HAVE:

Resource Book

YOU CAN USE:

a scientific or graphical calculator

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.

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.

SECTION A

Write your answer to each question in the box provided.

1 What would a shift in the long run aggregate supply curve to the right be most likely to cause? [1]

A A decrease in the level of income inequality

B A decrease in the rate of inflation

C An increase in the current account deficit

D An increase in unemployment

Your answer

2 A Central Bank is operating a fixed exchange rate.

What intervention can it take to prevent the value of the currency falling? [1]

A Decreasing the interest rate

B Imposing tariffs

C Quantitative easing

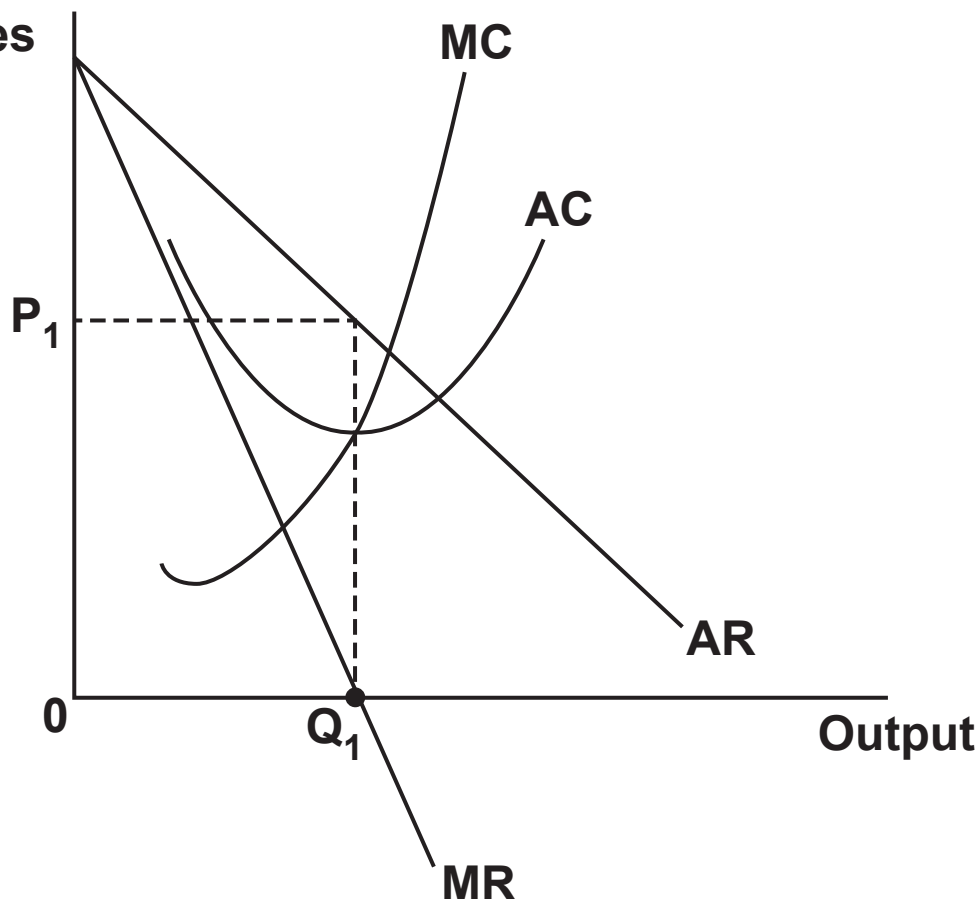
D Selling foreign currency reserves

Your answer

- 3 A firm is producing Q_1 units of output at a price of P_1 in the diagram below.

What objective is it likely to be pursuing? [1]

Costs and
revenues



- A Profit maximisation
- B Profit satisficing
- C Sales revenue maximisation
- D Sales volume maximisation

Your answer

4 650 units of a good are demanded by consumers. If the income elasticity of demand is 0.4, what will the new quantity demanded of the good be if income decreases by 3%? [1]

A 601 units

B 631 units

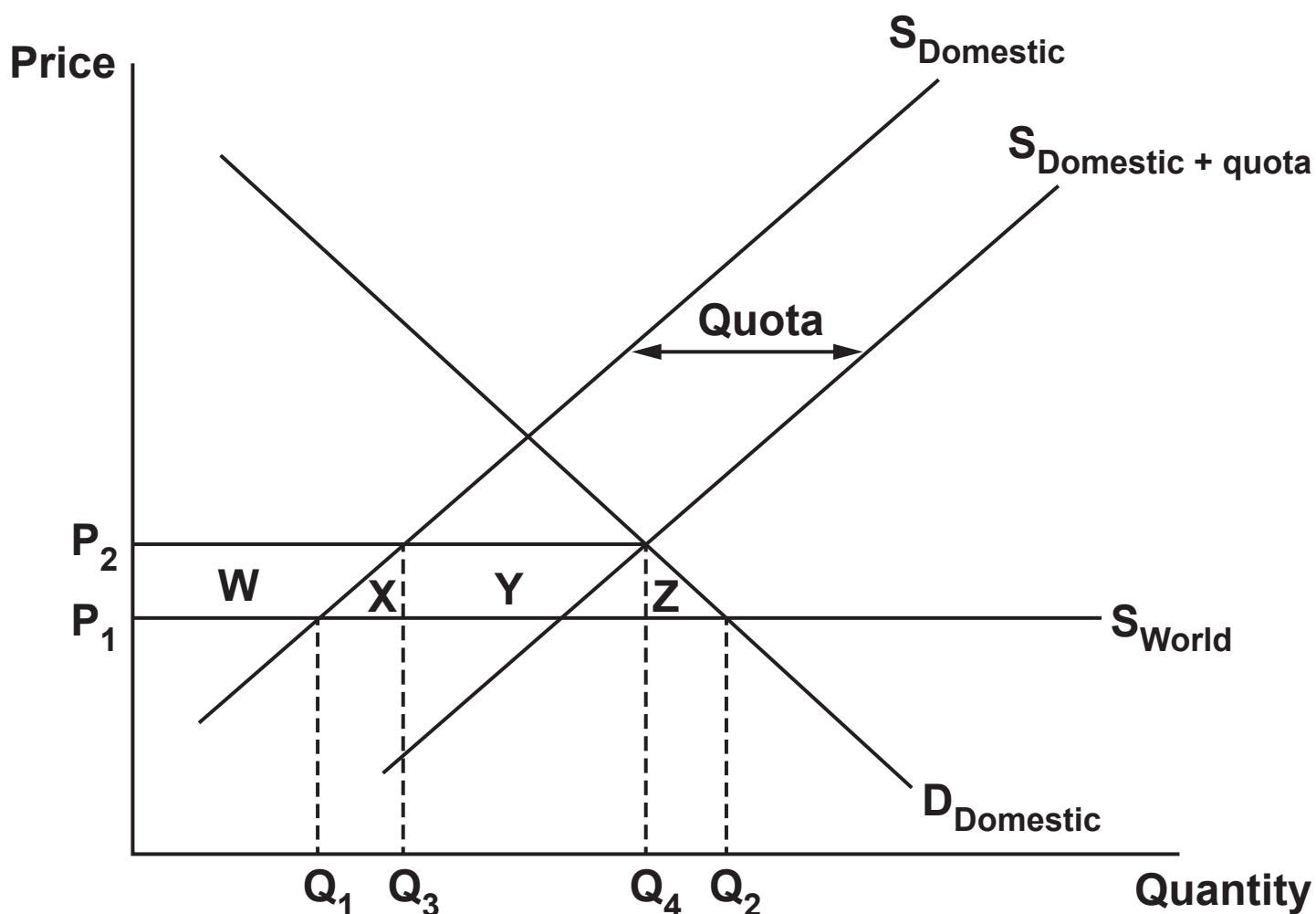
C 642 units

D 658 units

Your answer

- 5 The diagram shows the impact of imposing a quota on imports, which causes the price of a good to increase from P_1 to P_2 .

Which area(s) represents the net welfare loss to economic agents in the domestic economy from imposing this quota? [1]



- A W
- B $W + X + Y + Z$
- C $X + Y + Z$
- D $X + Z$

Your answer

6 What is relative poverty in the UK? [1]

- A Households are unable to afford the essentials needed for survival**
- B Household income is below 60% of median household income**
- C Individuals are not incentivised to work because of the high level of welfare benefits**
- D Individuals earn below the living wage**

Your answer

7 What is ONE of the roles of a firm? [1]

- A To produce goods and/or services**
- B To regulate markets**
- C To supply labour**
- D To tax households**

Your answer

8 What does a country's terms of trade show? [1]

- A The ability to produce a good at a lower opportunity cost than another country**
- B The ability to produce a good using fewer resources than another country**
- C The ratio of export prices to import prices**
- D The value of exports minus the value of imports**

Your answer

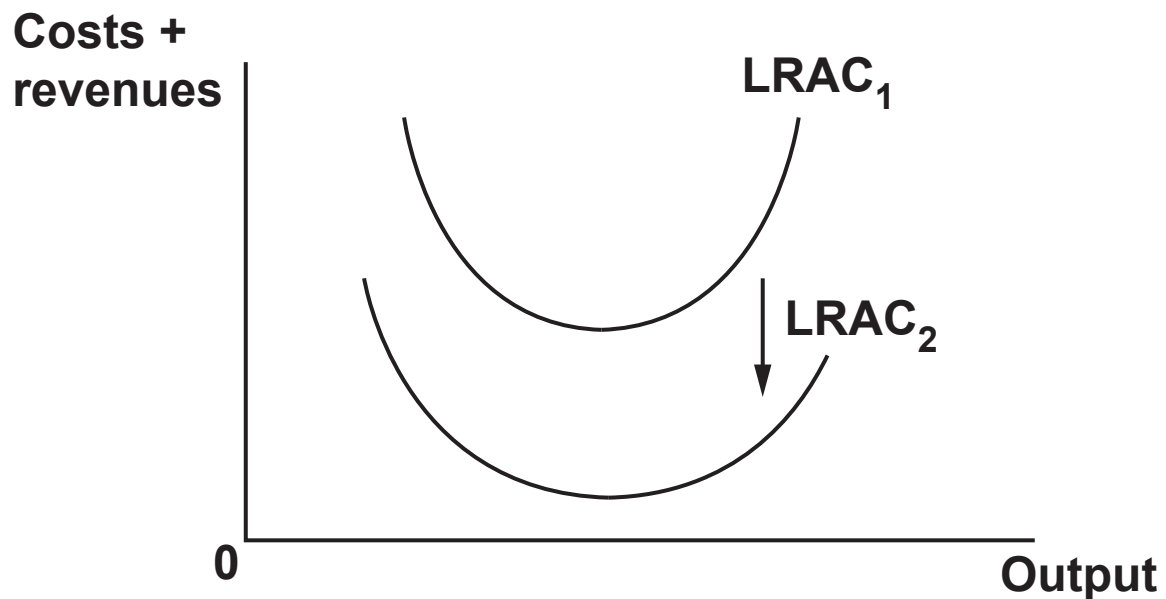
9 Which of these types of government spending is an example of current expenditure? [1]

- A Construction of a new railway line**
- B Flood defence schemes**
- C New hospital equipment**
- D Universal credit**

Your answer

- 10 A firm experiences a shift in its long run average cost curve from $LRAC_1$ to $LRAC_2$ in the diagram.

What is the most likely cause of this? [1]



- A An increase in input prices resulting from new firms entering the market
- B An increase in the availability of skilled labour as a result of growth in the industry
- C Coordination problems arising as a result of an increase in the scale of production
- D Greater division of labour occurring as a result of the growth of the firm

Your answer

11 What is ONE of the causes of government failure? [1]

A Externalities of consumption or production

B Policy short-termism

C The free rider problem

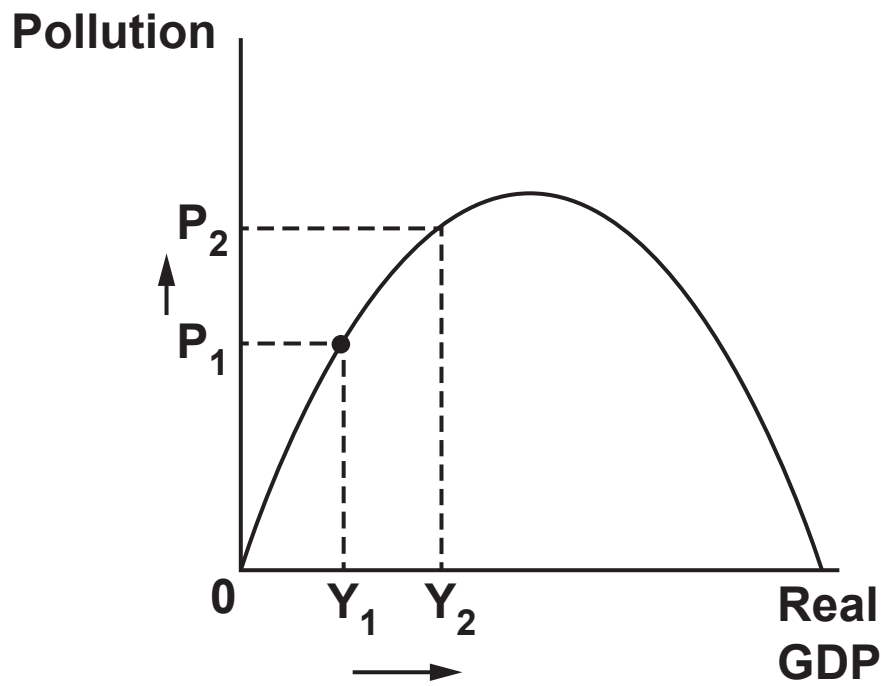
D The principal-agent problem

Your answer

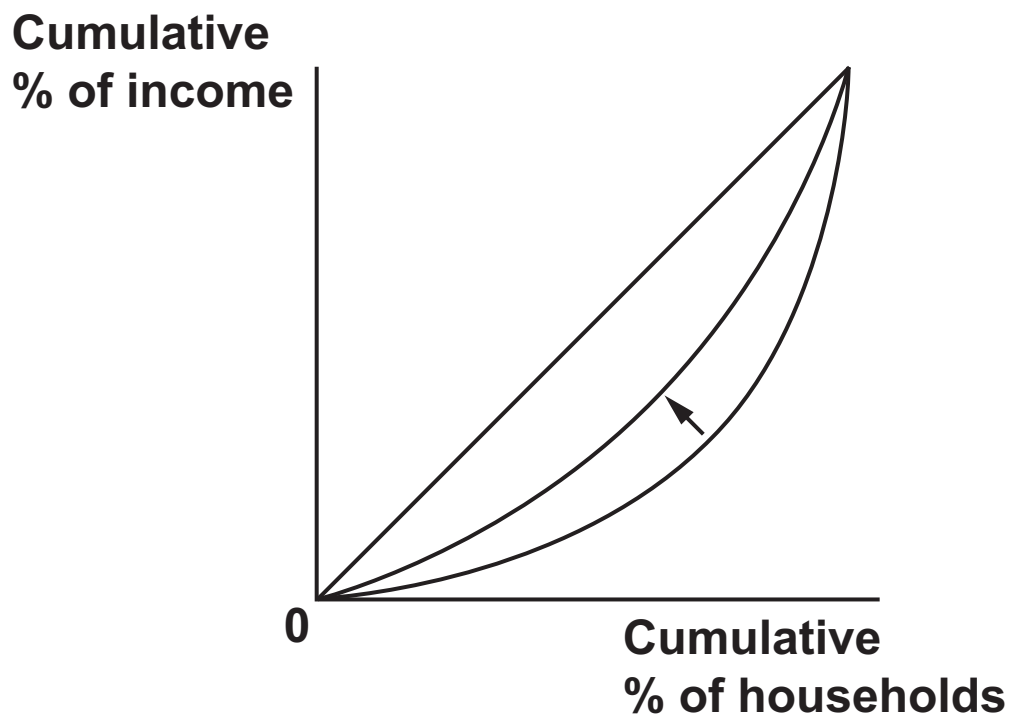
12 Which of the diagrams on pages 12 and 13 illustrates the impact of an increase in the Gini coefficient? [1]

Your answer

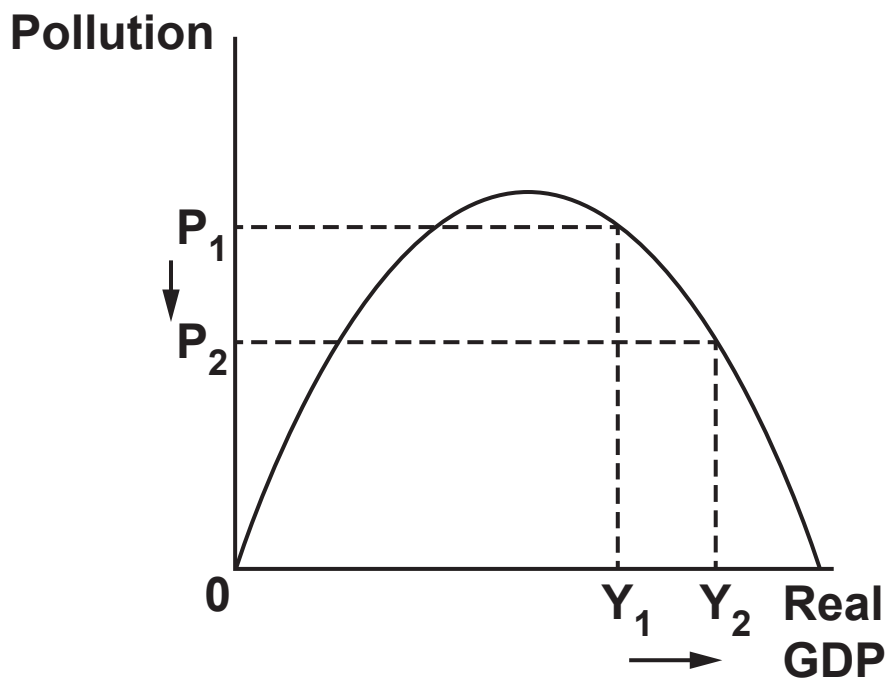
A



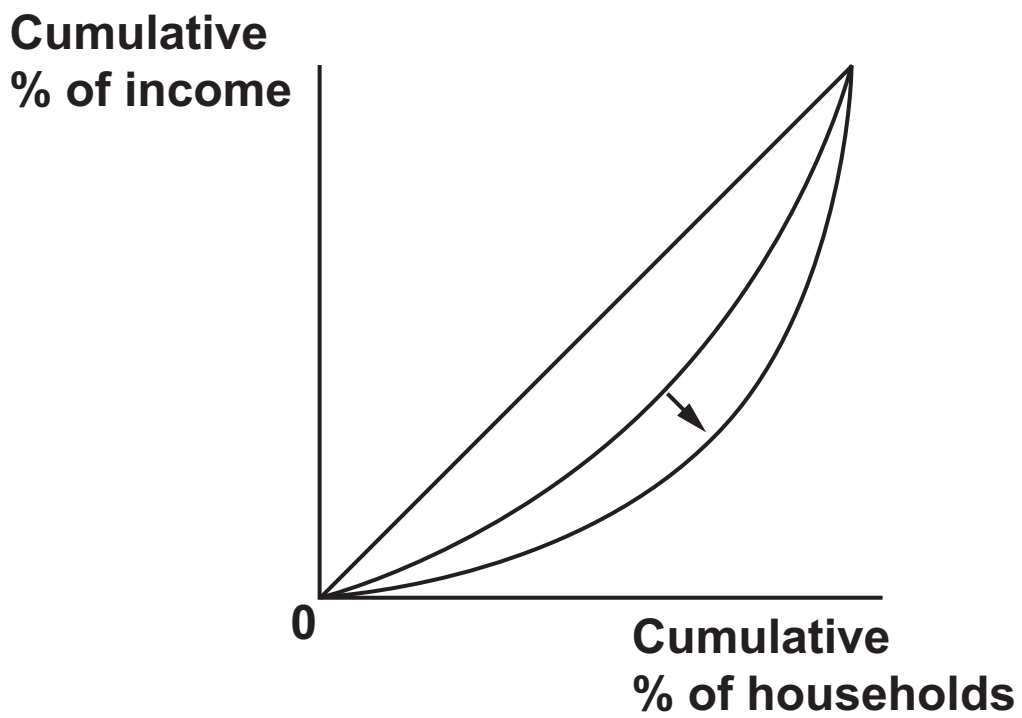
B



C



D



13 What is the likely impact on the wage rate and level of employment of an increase in the marginal physical product of labour in an industry? [1]

Option	Employment	Wage Rate
A	Decreases	Increases
B	Increases	Unchanged
C	Increases	Increases
D	Unchanged	Increases

Your answer

14 A smartphone manufacturer sees the demand for its phone rise in response to a decision to reduce its price below that of a competitor.

How can this rise in demand be shown on a diagram? [1]

- A A contraction along the demand curve**
- B An extension along the demand curve**
- C The demand curve shifting to the left**
- D The demand curve shifting to the right**

Your answer

15 Brazil has a progressive income tax system with the following income tax rates:

Income at or over (Brazilian real – BRL)	Up to (BRL)	Tax Rate (%)
0	22 849	0
22 850	33 920	7.5
33 921	45 012	15.0
45 013	55 976	22.5
55 977	and above	27.5

What is the marginal tax rate for an individual who gets a pay rise of 15 000 BRL having initially earned 51 000 BRL? [1]

A 11.7%

B 22.5%

C 25.8%

D 27.5%

Your answer

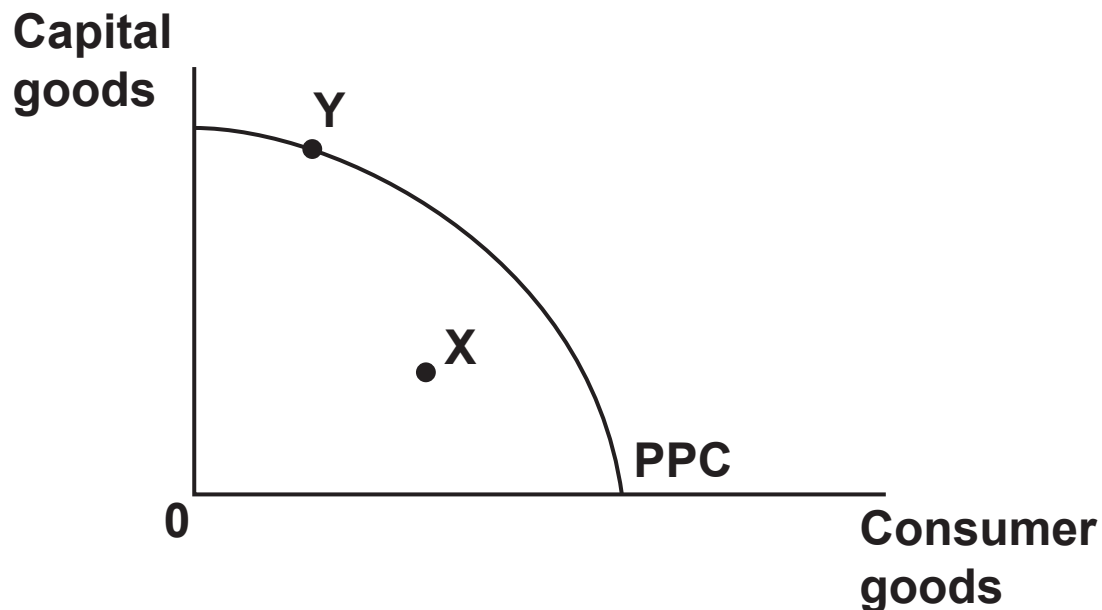
16 What type of efficiency is a profit maximising monopoly most likely to display? [1]

- A Allocative efficiency**
- B Dynamic efficiency**
- C Productive efficiency**
- D X-efficiency**

Your answer

- 17 Output in an economy moves from point X to point Y in the diagram.

What does this represent? [1]



- A An increase in allocative efficiency
- B An increase in productive efficiency
- C An increase in the demand for capital goods
- D An increase in the opportunity cost of producing consumer goods

Your answer

18 What is the key insight from the Fisher equation using the quantity theory of money? [1]

- A Inflation is caused by increases in the money supply**
- B Money avoids the need for a double co-incidence of wants**
- C Output will return to the full employment level of output in the long run**
- D There is a trade-off between unemployment and inflation**

Your answer

19 A firm is deciding whether or not to increase output by one unit.

What is this an example of? [1]

- A Economies of scale**
- B Opportunity cost**
- C Profit maximisation**
- D The marginal principle**

Your answer

20 What is most likely to cause a decrease in the size of the national income multiplier? [1]

A A decrease in the top rate of income tax

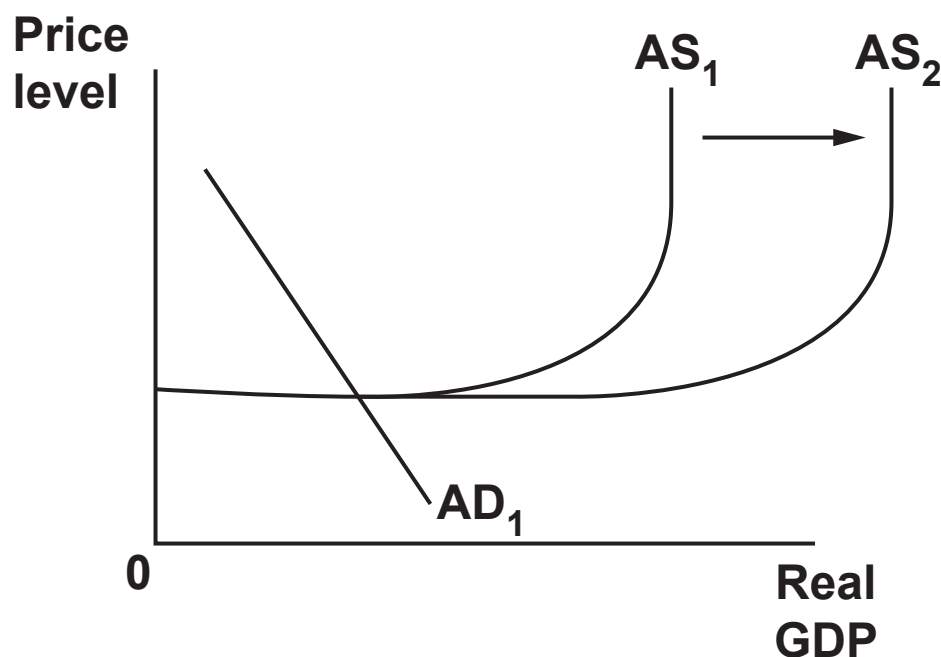
B A decrease in interest rates

C An increase in consumer and business confidence

D An increase in the value of the domestic currency

Your answer

21 What is the impact of a shift in the aggregate supply curve from AS_1 to AS_2 in the diagram? [1]



- A Long run economic growth
- B Neither short run or long run economic growth
- C Short run and long run economic growth
- D Short run economic growth

Your answer

22 An individual renting a car for a week's holiday can pay a premium of £85 to the car rental company. If they damage the car during the rental period they do not need to pay.

Evidence suggests individuals are more likely to damage their rental cars as a result of paying this premium.

What is this an example of? [1]

- A Asymmetric information**
- B Moral hazard**
- C Negative externalities of consumption**
- D Negative externalities of production**

Your answer

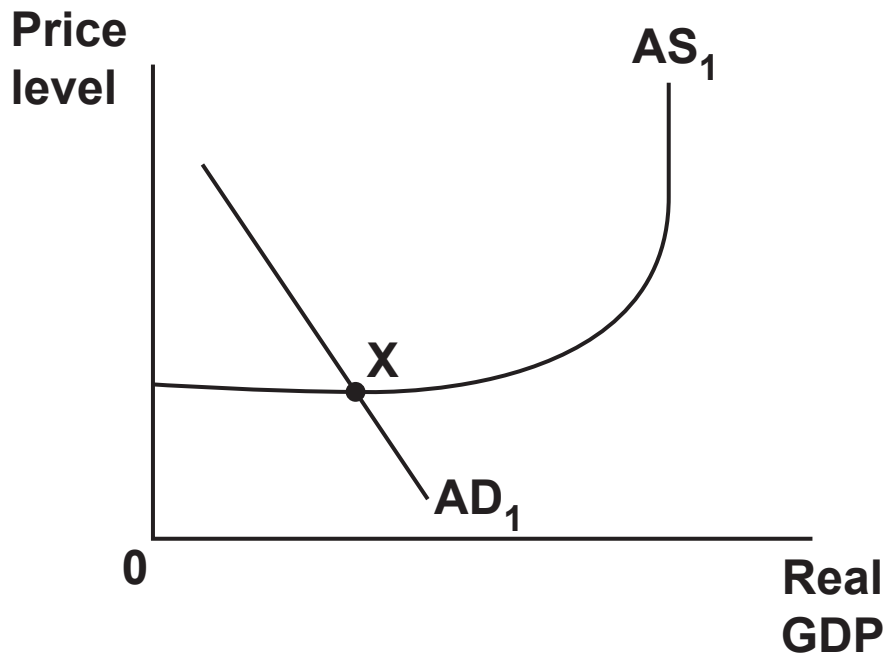
23 What is a barter system? [1]

- A Firms collude to agree on prices**
- B Goods and services are directly exchanged**
- C The government intervenes in a commodity market to stabilise the price**
- D Workers are assigned to particular stages of the production process**

Your answer

- 24 A government managing an economy currently operating at point X in the diagram is considering pursuing demand-side economic growth.

Which macroeconomic policy objective is this most likely to conflict with? [1]



- A Economic development
- B Full employment
- C More even distribution of income
- D Sustainable balance of payments position

Your answer

25 An individual recently lost their full-time job as an architect earning £60 000 a year.

They are seeking a similar job whilst temporarily on a zero hours contract at a distribution centre, where their hours have ranged from 4 to 18 hours a week.

Under which measure of unemployment would they be classed as being unemployed? [1]

A Claimant Count

B Claimant Count and Labour Force Survey

C Labour Force Survey

D Neither Claimant Count or Labour Force Survey

Your answer

26 A firm produces 85 units of output.

The fixed costs associated with running the business total £4000 with an average variable cost of £3.20.

If average variable cost is unchanged, what is the change in average total cost when the firm increases production to 86 units of output? [1]

A Decreases by £46.51

B Decreases by £0.55

C Remains the same

D Increases by £3.20

Your answer

27 The European Central Bank aims to keep the price level in the Eurozone rising at a rate of below but close to 2% a year.

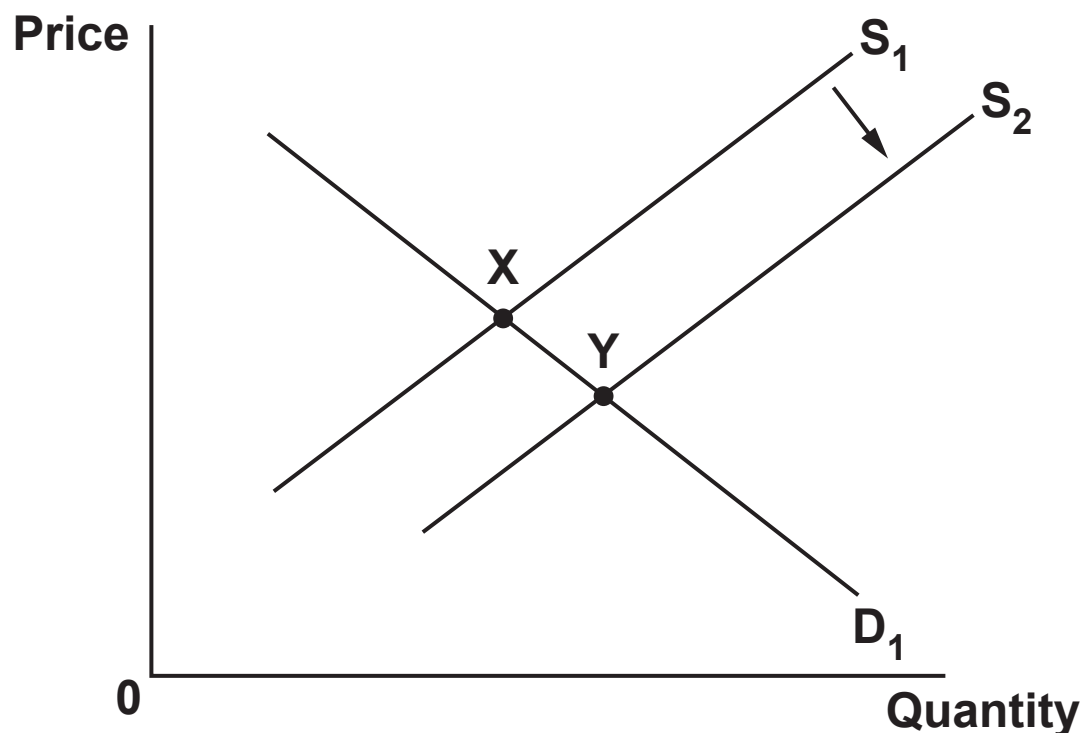
What is this an example of? [1]

- A A conflict between macroeconomic policy objectives**
- B A satisfactory balance of payments position**
- C A symmetric inflation target**
- D An asymmetric inflation target**

Your answer

28 The diagram shows the market for fried chicken.

What is the most likely cause of the market equilibrium moving from point X to point Y? [1]



- A A change in tastes and preferences**
- B An increase in labour productivity**
- C An increase in regulation**
- D A reduction in income tax**

Your answer

29 Which of these is only seen in a planned economy? [1]

- A Government ownership and allocation of all resources**
- B Inequality in the distribution of income and wealth**
- C Profit maximising behaviour results in monopoly firms exploiting consumers**
- D The price mechanism fails to achieve allocative efficiency**

Your answer

30 What is the main role of the World Bank? [1]

- A To act as the banker to governments**
- B To promote free trade**
- C To provide finance for long-term development projects**
- D To provide short-term financing for countries experiencing balance of payments problems**

Your answer

SECTION B

Read the extracts in the Resource Book before answering the questions.

31 Explain, using the information in EXTRACT 1, why private car journeys may be overconsumed in the free market.

[2]

32 Explain, using the information in FIG. 1.2, what has happened to the price of train tickets between 2004 and 2020.

[2]

33* Evaluate, using an appropriate diagram(s) and the information in EXTRACT 1, the extent to which Trade Unions are responsible for labour market failure. [15]

[illegible]

34 Explain, using the data in FIG. 2.1, the most likely market structure of the car manufacturing industry in the UK.

[2]

35 Explain, using the information in EXTRACT 2 and a relevant diagram, the impact on the market for new cars of the 2020 recession. [4]

[illegible]

37 Using the data in FIG. 3.1 and the information in EXTRACT 3, calculate the value of UK financial services exports in 2018.

[2]

[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).

[illegible]



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