

**OXFORD CAMBRIDGE AND RSA EXAMINATIONS**

**Advanced GCE**

**ECONOMICS**

**2884**

**ECONOMICS OF WORK AND LEISURE**

Thursday **26 JANUARY 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.

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**This question paper consists of 4 printed pages.**

Section A

Answer this question.

1

**An extract of text has been removed due to third party copyright restrictions**

Details: An extract of text about inequality in wealth and income in the UK, adapted from articles in The Observer on 9th September 2003, 5th November 2003, 3rd March 2004 and 24th June 2006

- (a) (i) What is the difference between income and wealth? [2]
- (ii) Using the data available, identify whether income or wealth in the UK is more unequally distributed. Explain your answer. [3]
- (b) Fig. 1 shows that income is more equally distributed in the UK than it is in the USA. Explain **one** likely reason for this difference. [3]
- (c) There are different ways in which inequality of income can be measured. Explain **one** way of showing that UK income distribution has become more unequal in recent years. [2]
- (d) Comment upon the impact of **one possible** fiscal policy aimed at reducing wealth inequality in the UK. [4]
- (e) Discuss the view (lines 2-3) that 'market forces should be allowed to operate freely in the labour market'. [6]

## Section B

Answer one question.

- 2 Traditional economic theory is of little relevance in explaining the behaviour of organisations in which profit maximisation is not the primary objective.
- (a) Explain the price and output decisions of a firm with substantial monopoly power, stating your assumptions. [10]
- (b) Discuss the effect on the behaviour of firms either in television broadcasting or in spectator sports when profit maximisation is not their primary objective. [15]
- 3 Some employees would probably be willing to work for a wage below what they actually receive.
- (a) Explain what determines the level of an employee's transfer earnings. [10]
- (b) In two contrasting occupations of your choice, discuss the extent to which workers are able to earn economic rent in the long run. [15]
- 4 The opening up of the UK to workers from the enlarged European Union (EU) since 2004 ought to reduce the extent of UK labour market failure.
- (a) Explain, with the help of examples, what is meant by labour market failure. [10]
- (b) Discuss the likely effects of the enlarged EU on the UK labour market. [15]