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# GCSE ECONOMICS

## Unit 12 Investigating Economic Issues

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Thursday 9 June 2016

Afternoon

Time allowed: 1 hour 15 minutes

### Materials

For this paper you may use:

- a calculator.

### Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- Do all rough work in this book. Cross through any work you do not want to be marked.

### Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 70.
- You are reminded of the need for good English and clear presentation in your answers. Quality of Written Communication will be assessed in questions 1(e), 2(c) and 3(c).

### Advice

- You are reminded that Questions 2 and 3 are based on the economic issues you will have investigated before this examination.



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**413012**

Answer **all** questions in the spaces provided.

**Total for this question: 24 marks**

**1** Read **Item A** and then answer the questions that follow.

**Item A**

**Inequality in the UK**

Many economists are concerned about the growth of inequality in the UK. A recent report shows that the number of jobs in London grew by 17% between 2004 and 2013. However, regions in the north of England saw the number of jobs fall by 10% during this period. Some economic differences between selected regions of the UK in 2014 are shown in the following table.

**Figure 1 Economic data for selected regions and the UK, 2014**

Region	Unemployment (%)	Average house price (£)	Average yearly disposable income (£)
North West	6.5	110 500	15 000
North East	8.5	99 100	14 400
London	6.5	464 900	21 400
UK average	5.8	177 800	16 800

As London and the South East have become richer, other regions, including the North West and North East, have not grown as quickly and so have become relatively poorer. It is thought that social costs such as civil unrest and crime may rise due to the increasing economic differences between the relatively rich and poor regions of the UK.

There are many reasons for the economic differences between regions, which creates a challenge for the government when choosing the best policy to reduce inequality. The government could choose various supply-side policies to encourage businesses to locate in regions with high unemployment. One possible supply-side policy is the high speed rail link (HS2) which could greatly benefit cities in the North. HS2 is intended to make journey times from northern cities such as Manchester to southern cities such as London much faster.

Another policy might be to set a separate minimum wage rate for each region based on the living costs there. The National Minimum Wage in the UK for over-21s was £6.70 per hour in October 2015, but this was not felt to be enough to give a reasonable standard of living in all regions. Indeed, some economists point to the idea of a 'living wage' which takes account of regional differences in living costs. This is currently £9.15 per hour in London.



- 1 (a) Using **Figure 1**, identify the region with the highest rate of unemployment in 2014. **[1 mark]**

Tick **one** of the boxes next to the region you think is correct.

	Tick <b>one</b> box only
North West	
London	
UK average	
North East	

- 1 (b) Using **Figure 1**, what was the difference in average yearly disposable income between the North West and London in 2014? **[1 mark]**

Tick **one** of the boxes next to the figure you think is correct.

	Tick <b>one</b> box only
£7000	
£6400	
£4600	
£6100	

**Question 1 continues on the next page**

**Turn over ►**



1 (c)

Using **Item A**, describe **two** ways in which the data show economic differences between regions of the UK.

[4 marks]

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1 (d) Explain **two** possible consequences for the UK economy of increasing inequality between regions.

[6 marks]

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**1 (e)**

In order to reduce inequality between different regions of the UK, the government could consider the following options.

- Encourage businesses to locate in areas of high unemployment, such as using HS2 and offering training grants.
- Set a separate minimum wage for each region based on the living costs there.

Which option do you think would be most effective in reducing inequality between the regions of the UK? Give reasons for your answer.

**[12 marks]**

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**Total for this question: 22 marks****2** Read **Item B** and then answer the questions that follow.**Item B****Globalisation and Multinational Companies**

In recent years large multinational companies have been criticised for unethical behaviour. They are accused of exploiting the resources of developing countries as well as not paying a fair amount of tax in the developed countries in which they operate, including the UK.

**Exploiting developing countries**

One feature of globalisation is the increased ability of large companies to operate in a range of countries, producing where costs are lowest and selling in countries where the highest revenues can be made. This may mean locating in a country where the firm can get away with offering lower wages and poor working conditions. However, multinational companies argue that they can benefit the living standards of developing countries in several ways. They can provide employment, training and skills, create new infrastructure such as road and rail links, and raise overall living standards.

**Avoiding tax in developed countries**

According to a recent report, Starbucks had sales of £400m in the UK in 2012, but paid no tax on profits. Amazon, which had UK sales of £3.35bn in 2011, paid tax of only £1.8m. Google's UK business paid only £6m in tax on sales of £395m. However, all of these firms are operating legally, using so-called tax 'loopholes' to avoid paying tax.

Critics of tax avoidance point out that firms such as Starbucks, Amazon and Google are reducing the UK government's tax revenue, which means there is less to spend on public services such as healthcare and education. At the same time, senior employees of these firms are enjoying high salaries. Governments of developed countries have been called upon to toughen up tax rules to prevent tax avoidance.

**2 (a)** Define the term 'globalisation' and give an example.**[2 marks]**


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2 (b)

Explain **two** ways in which multinational companies may benefit the economies of developing countries.

[6 marks]

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Total for this question: 24 marks

3 Read **Item C** and then answer the questions that follow.**Item C****Chewing Gum on the Streets**

Chewing gum dropped on UK streets causes a mess and is difficult to remove, both from pavements and people's clothing. According to one report, chewing gum costs around 3p per piece to buy, but costs around 10p per piece to remove from the pavement. The head of Westminster Council in London estimates that around 300 000 pieces are dropped each year on Oxford Street alone.

Local councils are asking what can be done to reduce the problem. Solutions include the use of taxes or direct methods of encouraging people to change their behaviour. Other solutions include providing more bins for disposing of chewing gum which are made out of recycled chewing gum. Westminster Council is considering asking chewing gum producers to pay towards the clean-up operation, arguing that they are at least partly responsible for this local environmental problem. The Chewing Gum Action Group, made up of 20 local councils has asked that 1p from the price of each pack of chewing gum be passed to local councils to help pay for the clean-up. Chewing gum producers say that they have invested significant sums of money into developing a type of chewing gum that naturally breaks down and doesn't need to be removed from pavements. However, they have yet to bring such a product to market.

3 (a) Explain **two** social costs that might arise from used chewing gum being dropped onto the street.

**[4 marks]**

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**3 (b)**

Explain **two** ways Westminster Council could reduce the problem of chewing gum on the streets.

**[6 marks]**

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**3 (c)**

In order to reduce the problem of chewing gum litter, Westminster Council is considering asking producers to contribute to the clean-up operation. Do you think that this is fair? Use **Item C** and what you have learnt from your investigation of this topic to give reasons for your answer.

**[14 marks]**

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<b>24</b>

**END OF QUESTIONS**



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