

**GENERAL CERTIFICATE OF SECONDARY EDUCATION
ECONOMICS**

**1985/02/CS
1985/04/CS**

Papers 2 and 4

CASE STUDY

PRE-RELEASED MATERIAL FOR 2008 EXAMINATION

**This material may be given to candidates at any time
after 1 January 2008.**



INSTRUCTIONS TO CANDIDATES

- The case study may be given to candidates at any time after 1 January 2008.

INFORMATION FOR CANDIDATES

- You **should** make yourself familiar with the case study before you take the question paper.
- You **must not** take notes into the examination.
- A clean copy of the case study will be given to you with the question paper.

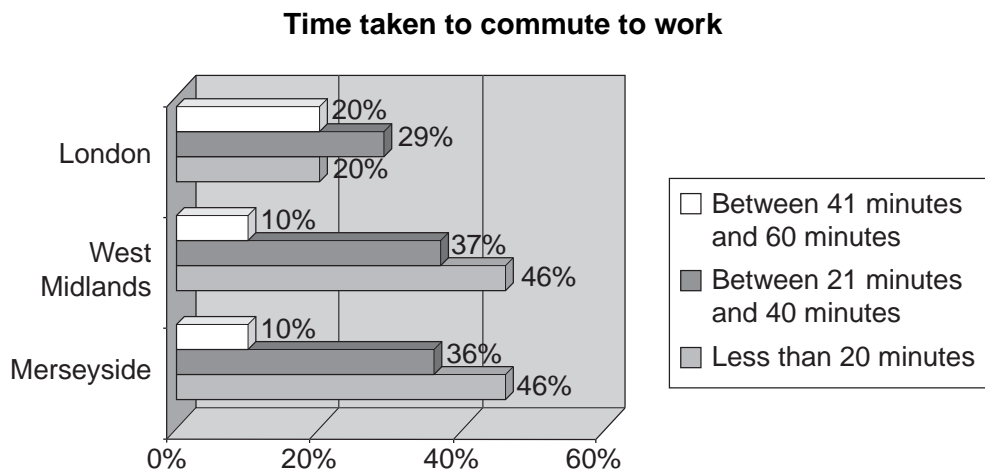
This document consists of **8** printed pages.

The UK Economy and the Jackson family

The Jackson family is a typical UK family living on Merseyside. Mr Mike Jackson works full time for the NHS and Mrs Jane Jackson owns a hairdressing salon. The Jacksons have a son, 16 year old Darren. The family lives near to the Jaguar car factory in Liverpool. Darren is completing a project at school about the UK economy and how it affects his family and the local area. In Autumn 2006, he compiled the following information to help him with his project:

Fig. 1 – Time taken to commute to work

Mike Jackson drives to work in Manchester, which takes approximately 45 minutes. Darren found the following information in the newspaper.



Source: Transport Statistics Great Britain, 2006 Edition

“Successful London congestion charge area extended”

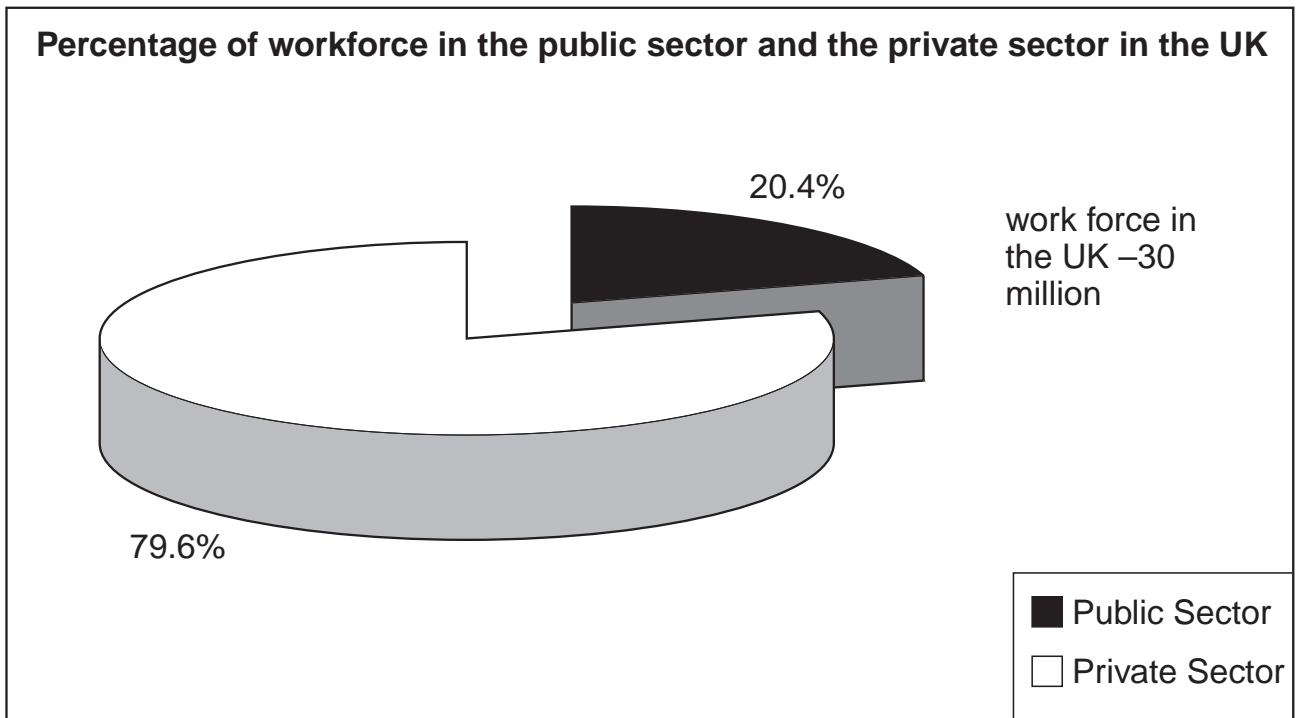
“Congestion charge proposed for the North West”

The London congestion charge is a fee for some motorists entering the central London area. As of 2006 it is the largest city to have adopted a congestion charge model. The organisation responsible for the charge is Transport for London (TfL). The fee was introduced on 17 February 2003. Initially set at £5, then raised on 4 July 2005 to £8, the daily charge must be paid by the registered keeper of a vehicle which enters, leaves or moves around within the congestion charge zone between 7 a.m. and 6 p.m., Monday to Friday. Failure to pay the charge means a fine of at least £50. The introduction of such a charge within some areas of the North West is under consideration by local councils.

Source: http://en.wikipedia.org/wiki/London_congestion_charge

Fig. 2 – Public Sector and Private Sector

Mike Jackson works in the public sector and Jane Jackson owns her own business. Darren found the following statistics on public and private sector employment in the UK.



Source: Office for National Statistics, www.statistics.gov.uk

Darren has also read the following newspaper headlines:

“Patients put at risk by delays in cancer care”

“Nurses desert NHS for good life”

Growing crisis for our hospitals as 5,500 a year leave the NHS in search of better pay

“NHS waiting times falling after increase in government expenditure”

“Improved cleaning in hospitals reduces MRSA”

Fig. 3 – Table of Weekly Costs

Darren is aware that his Mum is concerned about her hairdressing business – *Cuts Both Ways*. He has prepared the following table of weekly costs.

Number of customers	Fixed Costs (£)	Variable Costs (£)	Total Costs (£)
10	1000	50	1050
20	1000	100	1100
30	1000	150	1150
40	1000	200	1200
50	1000	250	1250
60	1000	300	1300

Currently Jane has 40 customers per week paying on average £25 per visit to the salon.

Fig. 4 – House Prices

Mike and Jane own their home on which they have a mortgage. Darren thought this article he found on the BBC website was good news for his parents, who have been worrying about a possible crash in the housing market.

“House prices in October ‘gain 1.7%’”

UK house prices are still rising strongly, says the Halifax, the country’s biggest mortgage lender.

In its latest survey, the Halifax reported that house prices rose by 1.7% in October 2006, pushing up the annual rate of house price inflation to 8.6%.

According to the Halifax, the average UK house price is now £184,593.

However, the lender predicts that the market may slow down in the coming months due to increased interest rates and the impact of higher utility bills.

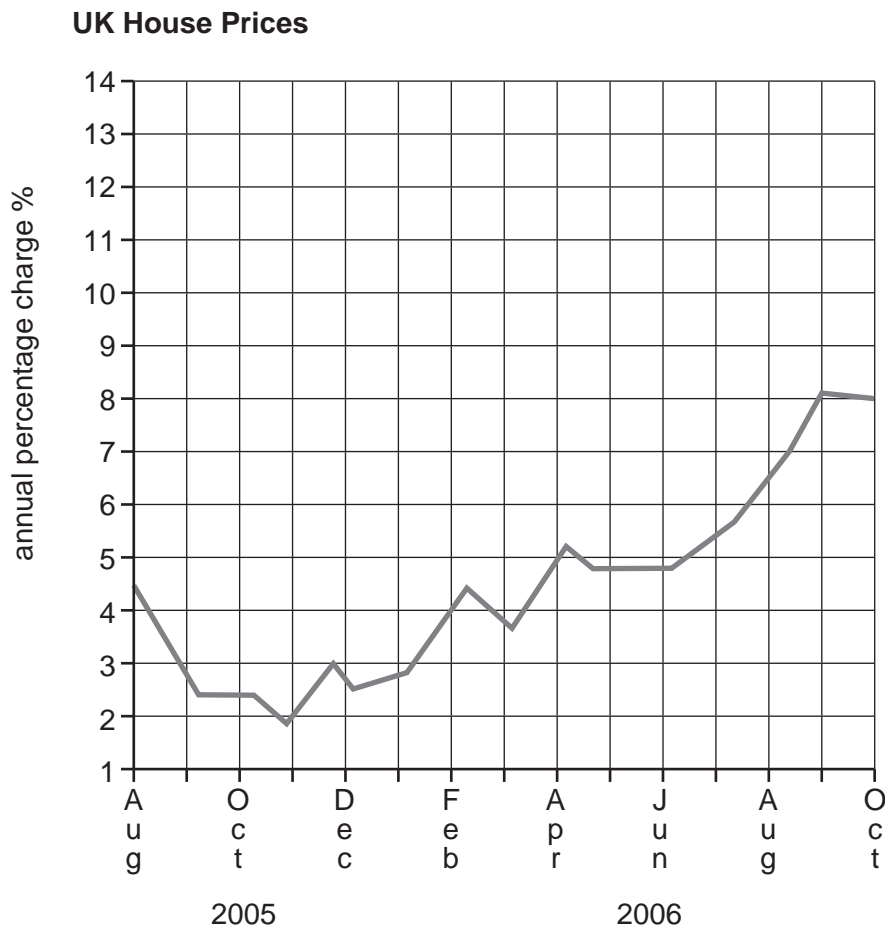
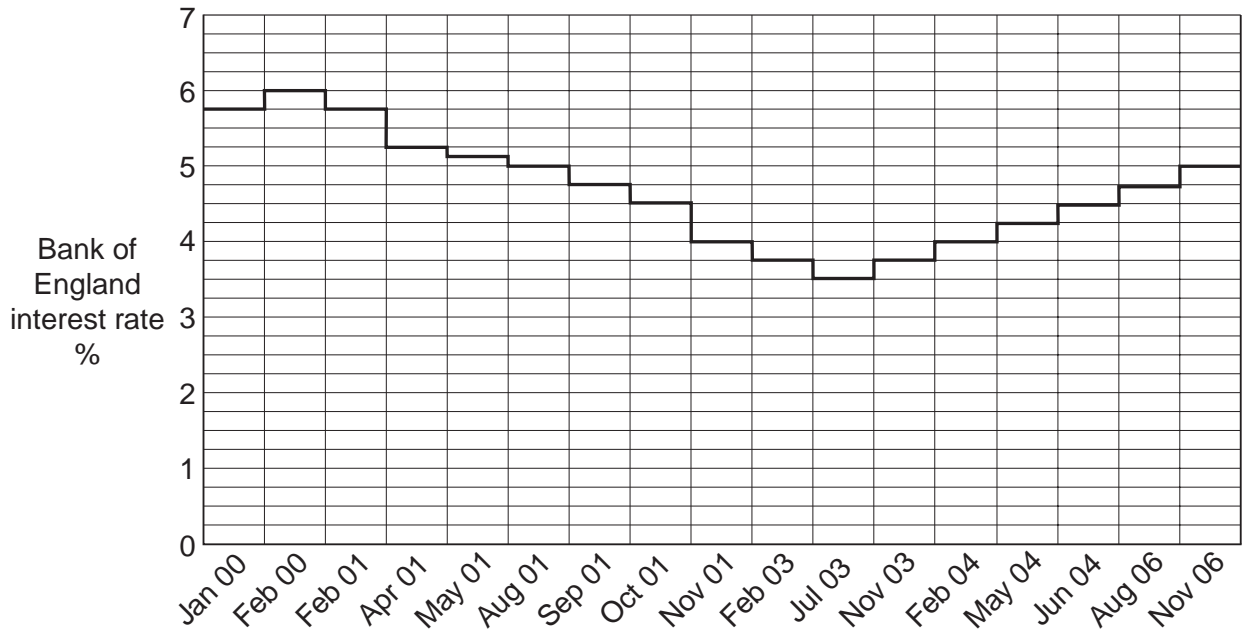


Fig. 5 – Bank of England Interest Rates 2000–2006

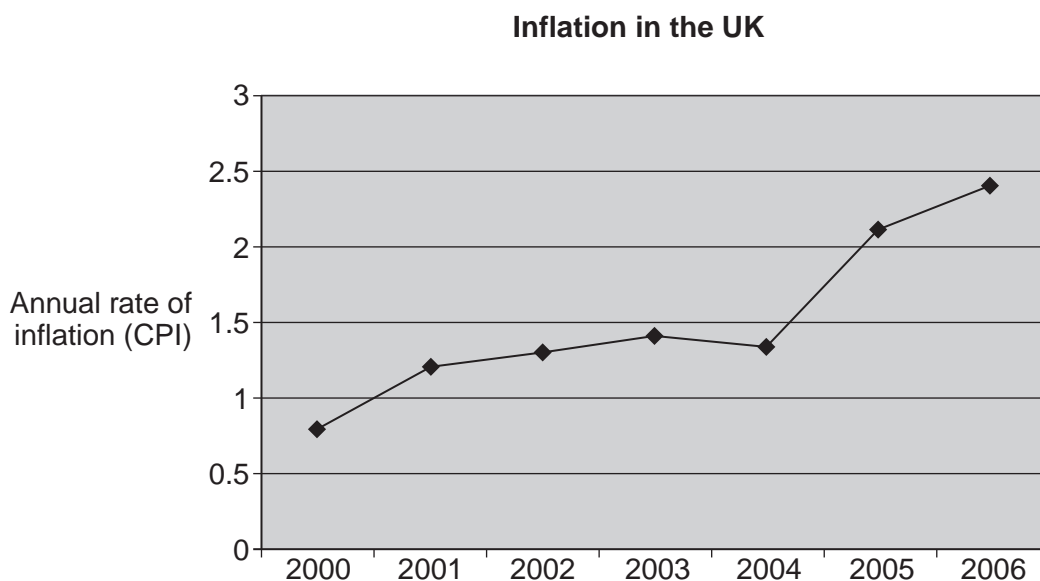
Mike and Jane have a mortgage of £100,000 and savings of £10,000. Darren realised that interest rates were very important to them. He found the following graph showing when the Bank of England interest rate had changed in the previous six years. The Monetary Policy Committee looks at a number of variables when setting the interest rate.



Source: Bank of England

Fig. 6 – Inflation in the UK

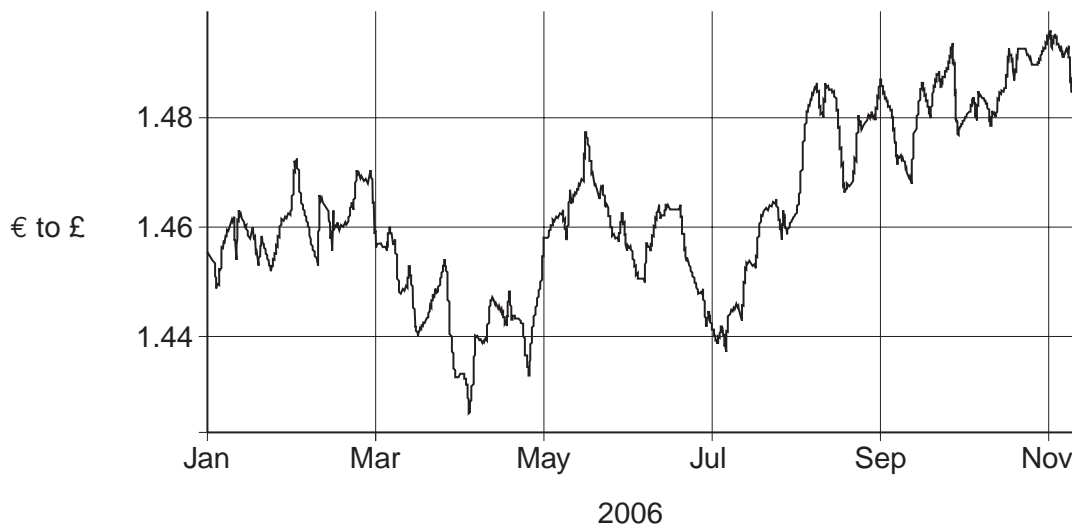
Darren's parents give him an allowance of £30 a month. He thinks that this time last year he could have bought more with his allowance than he can now. He thinks the following graph showing inflation is quite important to him.



Source: Bank of England

Fig. 7 – Euros to the pound exchange rate

The Jackson family takes a holiday in France every summer. The following graph shows the value of the euro to the pound during 2006.

**Fig. 8 – Additional information about the UK, its economy and living standards**

Darren has compiled a table with some additional information he has found out about the UK and the North West.

	North West	UK
Population (thousands)	6,846	60,210
GDP per head	£15,504	£17,677
Infant mortality rate (per thousand live births)	5.8	5.1
Percentage of pupils achieving 5 or more A* to C GCSE's	56.6%	59.0%
Unemployment rate (2006)	5.1%	5.5%
Fatal and serious road accidents (rates per 100,000 of the population)	49.7	51.1
Recorded crime (per 100,000 of population)	11,478	10,331
Average gross weekly income	£228	£252
Households with mobile phones	70%	68%
Percentage of households participating in the National lottery	57%	51%
Average house price	£153,112	£184,924

Source: Office for National Statistics, www.statistics.gov.uk

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Fig. 4 graph Source: Halifax, www.halifax.co.uk
Figs. 5 & 6 Source: Bank of England, www.bankofengland.co.uk
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