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Centre number						Candidate number				
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**OXFORD CAMBRIDGE AND RSA EXAMINATIONS
GENERAL CERTIFICATE OF SECONDARY EDUCATION**

A592

ECONOMICS

How the Economy Works

MONDAY 6 JUNE 2011: Morning

DURATION: 1 hour

SUITABLE FOR VISUALLY IMPAIRED CANDIDATES

Candidates answer on the question paper.

OCR SUPPLIED MATERIALS:

None

OTHER MATERIALS REQUIRED:

Calculators may be used

**A calculator may
be used for this
paper**

READ INSTRUCTIONS OVERLEAF

INSTRUCTIONS TO CANDIDATES

- **Write your name, centre number and candidate number in the boxes on the first page. Please write clearly and in capital letters.**
- **Use black ink. Pencil may be used for graphs and diagrams only.**
- **Read each question carefully. Make sure you know what you have to do before starting your answer.**
- **Write your answer to each question in the space provided. If additional space is required, you should use the lined pages at the end of this booklet. The question number(s) must be clearly shown.**
- **Answer ALL the questions.**

INFORMATION FOR CANDIDATES

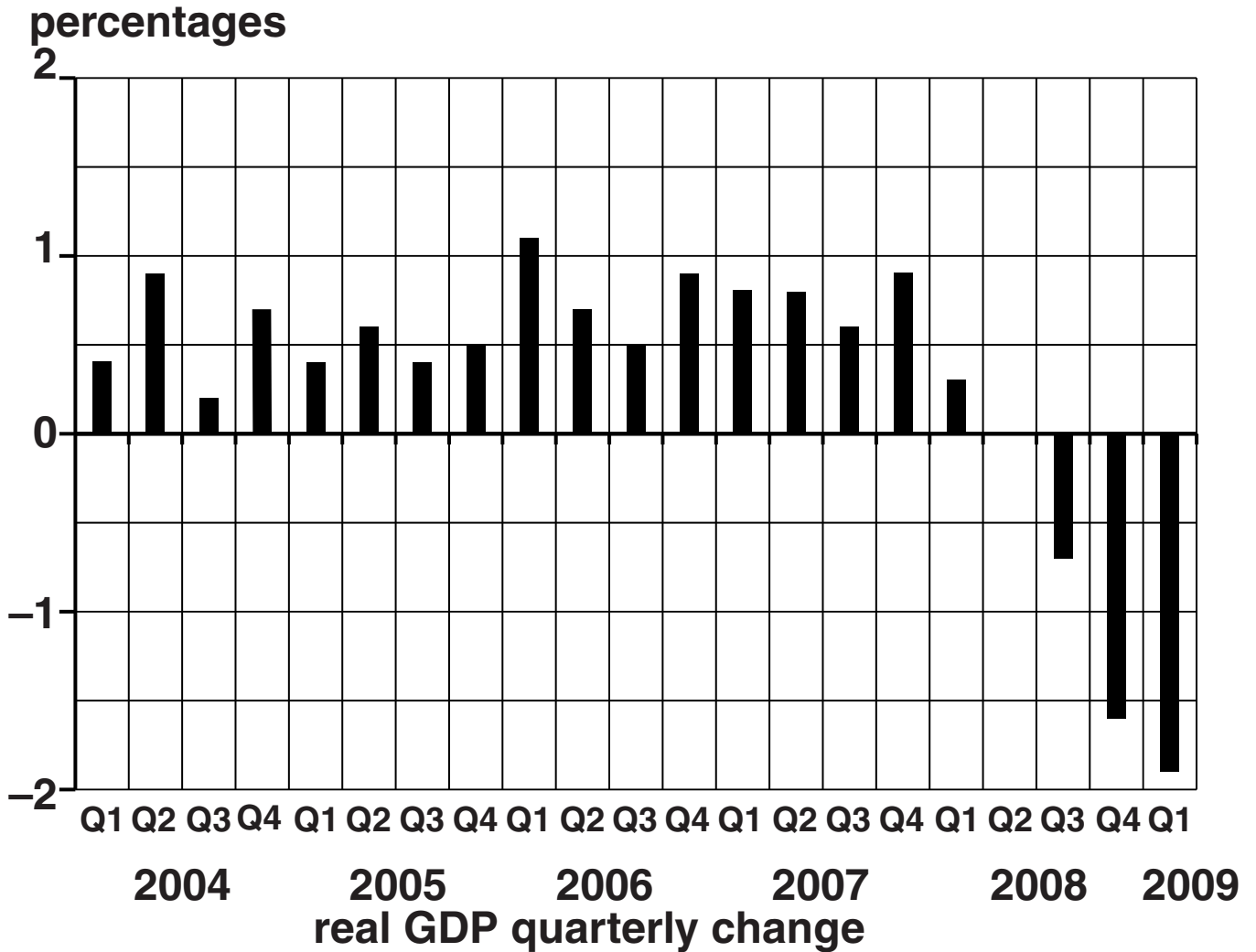
- **The number of marks is given in brackets [] at the end of each question or part question.**
- **The total number of marks for this paper is 60.**
- **You will be awarded marks for the quality of written communication on the question marked by an asterisk (*).**

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Answer ALL questions.

- 1 Fig. 1 shows the quarterly change in UK real Gross Domestic Product (GDP) between the first quarter (Q1) of 2004 and the first quarter (Q1) of 2009.

Fig. 1 Quarterly Change in UK Gross Domestic Product



There was no change in UK GDP in the second quarter [Q2] of 2008.

(a) For the period shown, which quarter had

- greatest rise in real GDP?**

Quarter _____

Year _____

- greatest fall in real GDP?**

Quarter _____

Year _____

[2]

(b) (i) Explain what is meant by economic growth.

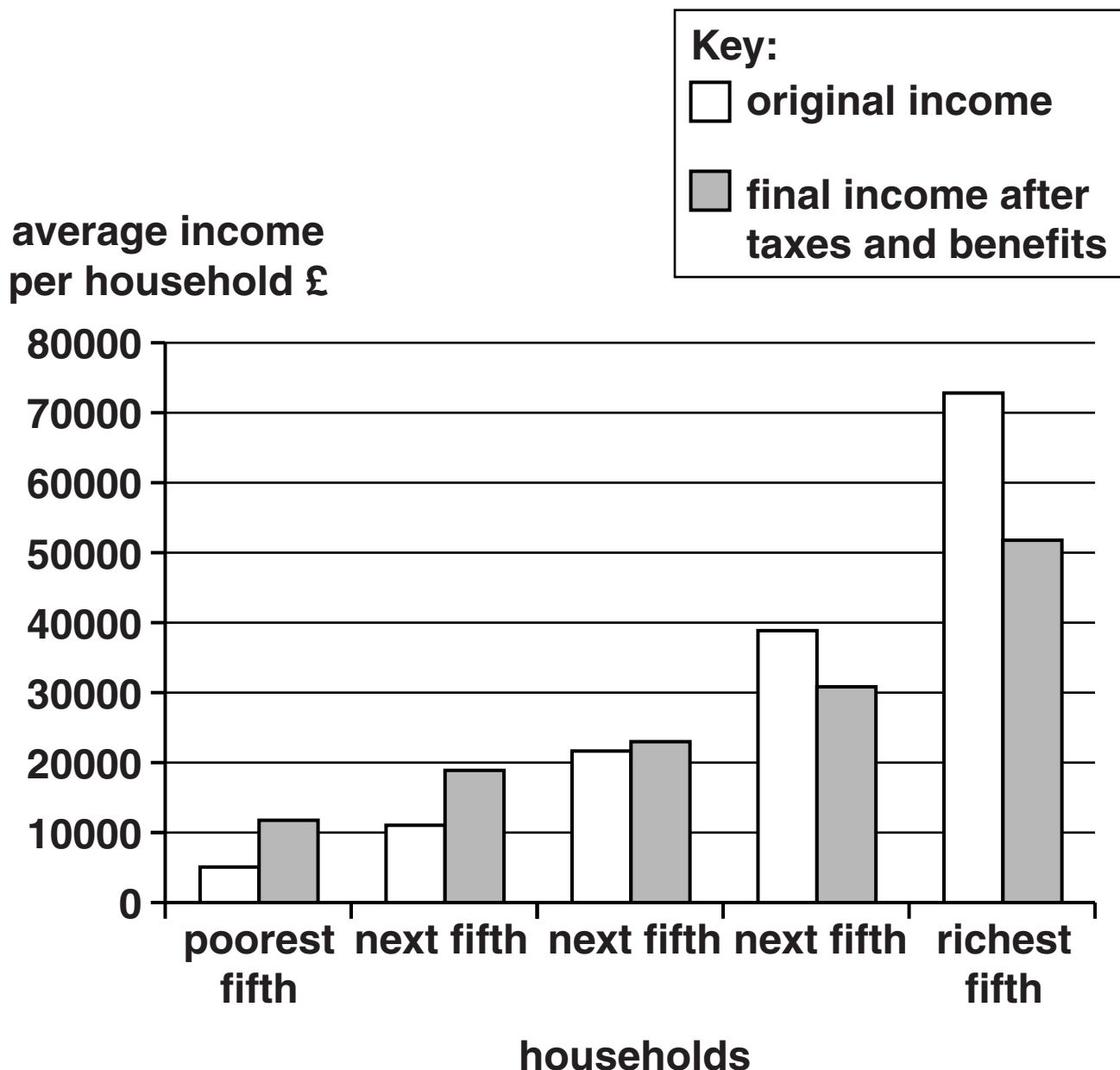
[2]

(ii) To what extent does Fig. 1 show evidence of economic growth in the UK economy?

[2]

2 Fig. 2 shows how incomes are distributed between households in the UK. The original income is what households receive before any taxes are taken from them and any benefits paid to them. The final income is the income households have after taxes and benefits.

Fig. 2 Income Distribution by Households in the UK



(a) Tick ONE box in EACH column to show the original incomes of the poorest and the richest households.

Income	Original income of poorest fifth of households	Original income of richest fifth of households
Below £10 000		
£10 000–£40 000		
£40 001–£70 000		
Above £70 000		

[2]

[8]

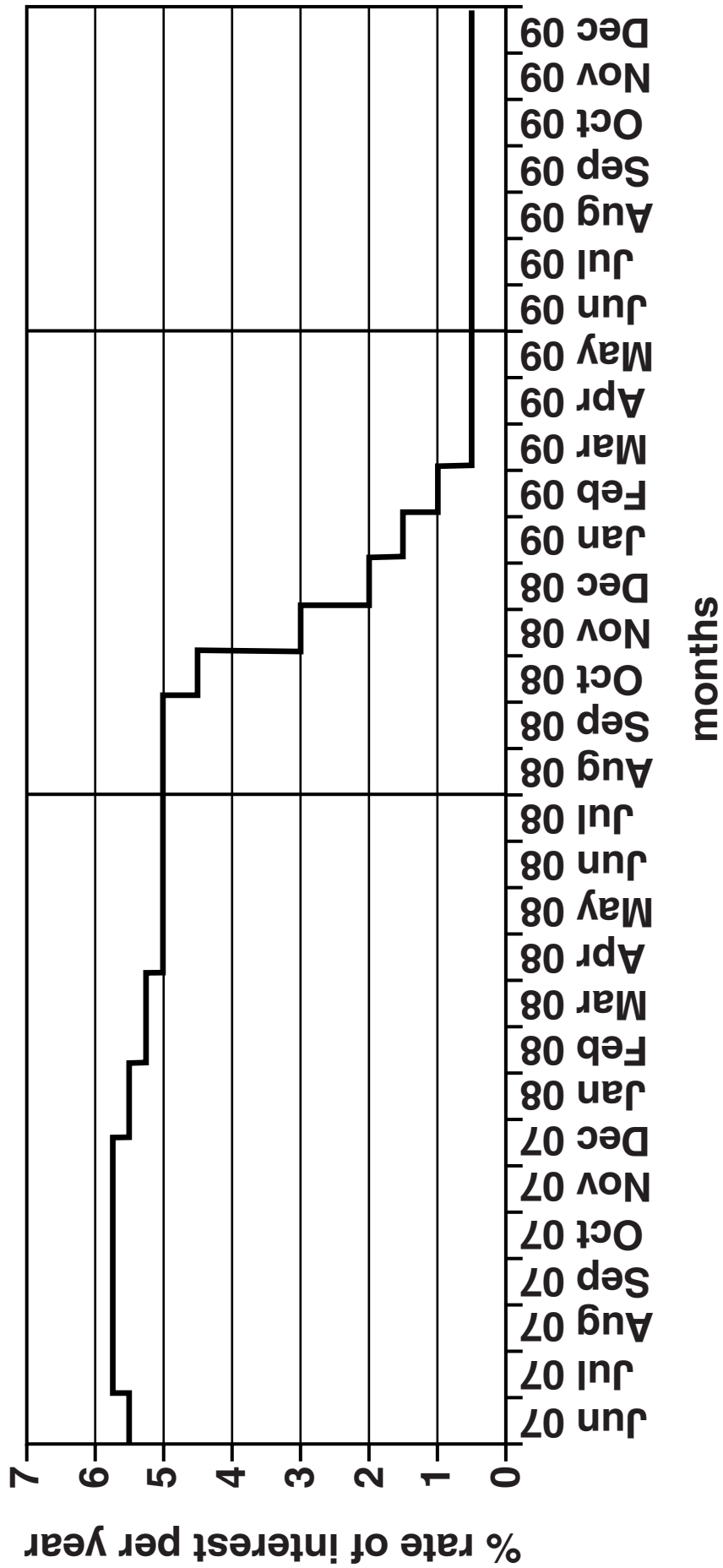
[Total: 20]

3 Fig. 3 opposite shows the Bank Rate between June 2007 and December 2009. The Bank Rate is the rate of interest set by the Bank of England.

(a) Calculate the change in the Bank Rate between August 2008 and May 2009. Show your working.

[2]

Fig. 3 UK Bank Rate



(b) Fig. 3 shows that the Bank Rate in February 2009 was 1% per year, but at this time there were many different rates of interest in the UK economy. For example, high street banks were paying 0.5% per year on some savings accounts, while some credit card companies were charging borrowers 18% per year.

Explain TWO reasons why there are different rates of interest at any one time.

Reason 1 _____

Reason 2 _____

[4]

[8]

[Total: 20]

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