OCR

Friday 23 May 2014 – Afternoon

GCSE ECONOMICS

A592/01   How the Economy Works

Duration: 1 hour

Candidate forename		Candidate surname	

Centre number						Candidate number					

INSTRUCTIONS TO CANDIDATES

*   Write your name, centre number and candidate number in the boxes above. Please write clearly and in capital letters.
*   Use black ink. HB pencil may be used for graphs and diagrams only.
*   Answer **all** the questions.
*   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.
*   Do **not** write in the bar codes.

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**.
*   The quality of your written communication will be taken into account in the marking of your answers to the questions labelled with an asterisk (*****).
*   This document consists of **16** pages. Any blank pages are indicated.

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

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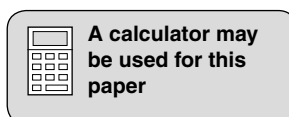
Answer **all** questions.

1 Fig. 1 shows the level of UK unemployment between 2008 and 2011.
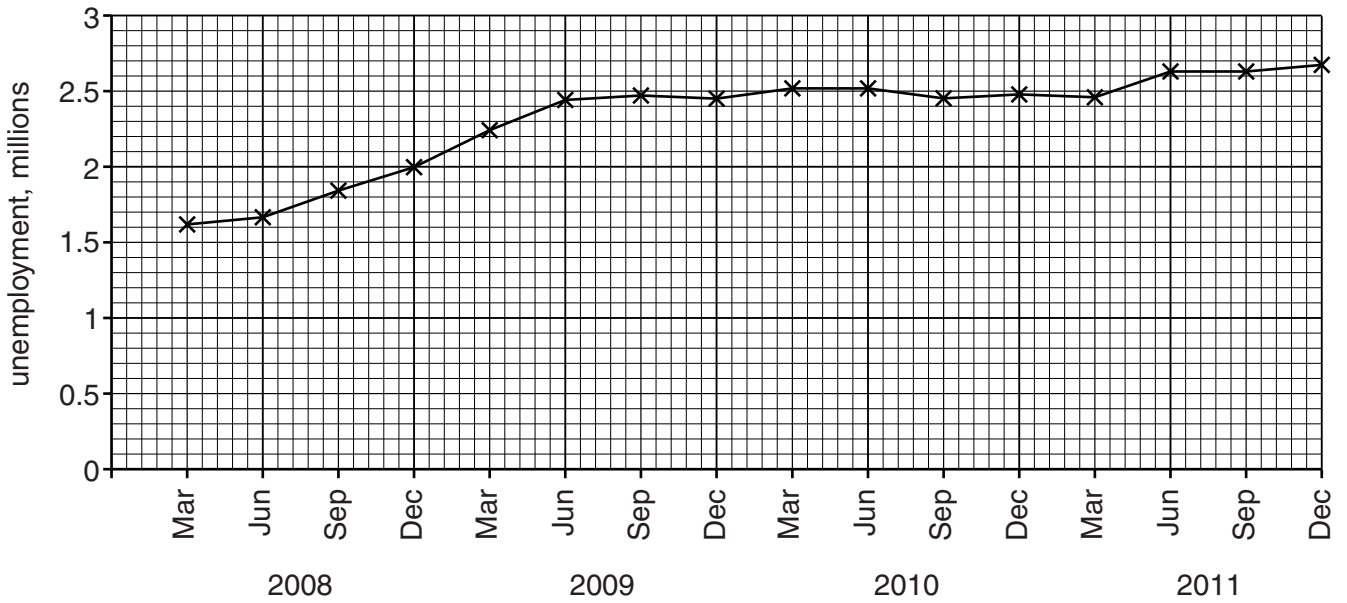
Fig. 1 – UK unemployment (millions), 2008–11

(a) Use the information in Fig. 1 to describe what happened to the level of unemployment between March 2008 and December 2011.

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(b) (i) Identify the **two** methods by which the UK government measures unemployment.

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2 .... **[2]**

(ii) Explain the cause of seasonal unemployment.

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(c) Explain **two** policies which the UK government could use to increase employment.

Policy 1 ....

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Policy 2 ....

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(d)* Discuss whether unemployment is always a problem for an economy.

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Question 2 begins on page 6

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2 Fig. 2 shows the UK Bank rate (also known as the base rate) as set by the Bank of England's Monetary Policy Committee. The Bank rate is shown for the period July 2007 to November 2012.

(a) Using the information in Fig. 2, calculate the difference in the UK Bank rate between May 2008 and November 2012. Show your working.

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(b) Other than the UK Bank rate, explain **two** factors which affect the rate of interest on loans.

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Factor 2 ....

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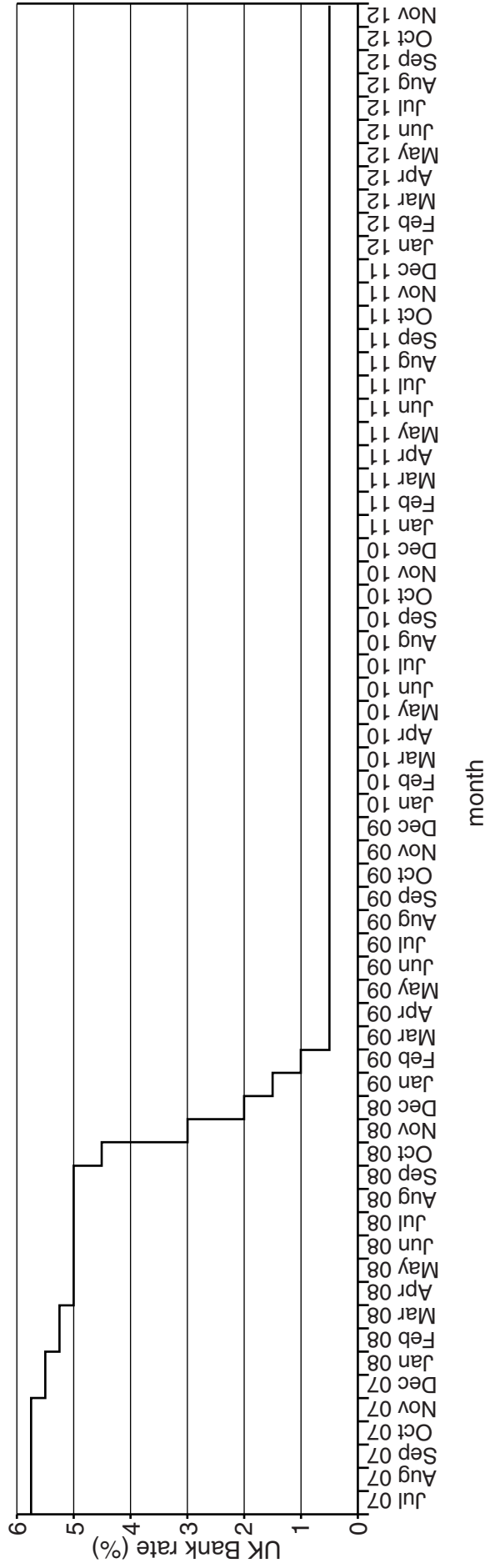
[4]

Fig. 2 – UK Bank rate, 2007–12

(c) (i) Would savers benefit from the trend shown in Fig. 2? Explain your answer.

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(ii) Explain why the trend shown in Fig. 2 could encourage spending in the economy.

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(d)* Does the UK economy benefit from a period of low interest rates? Give reasons for your answer.

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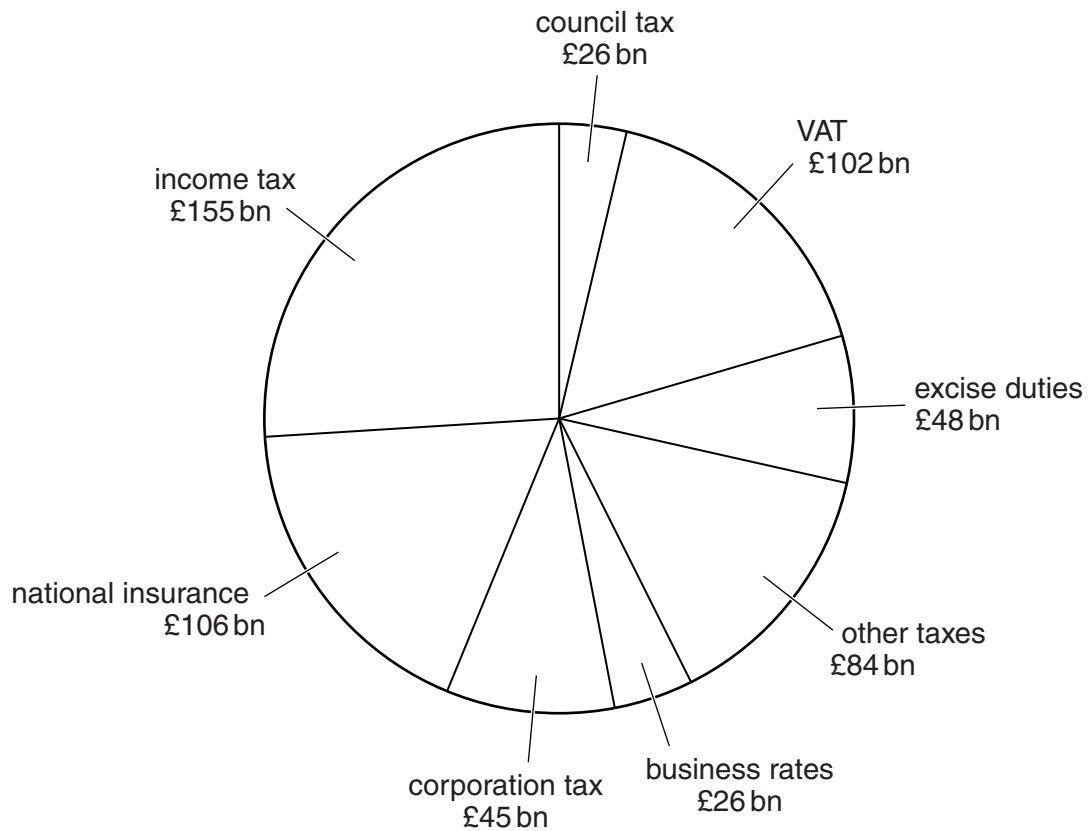**3** Fig. 3 shows estimated UK government tax revenue for the year 2012–13.

Fig. 3 – Estimated UK government tax revenue, 2012–13 (total = £592 bn)

(a) Using Fig. 3, identify:

- a direct tax

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- an indirect tax.

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(b) (i) Definitions of two taxes are given below. Identify the tax in Fig. 3 which matches each definition.

- Tax on company profits

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- Tax on the purchase of goods and services

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(ii) Estimated government spending in 2012–13 was £683 bn.

Using Fig. 3, calculate the estimated budget deficit for 2012–13. Show your working.

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(c) Explain how the government could use progressive taxes and transfer payments to reduce income inequalities in the UK.

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(d)* Discuss whether increases in taxes on tobacco products benefit the economy.

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END OF QUESTION PAPER

ADDITIONAL ANSWER SPACE

If additional answer space is required, you should use the following lined page(s). The question number(s) must be clearly shown in the margins.

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