

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Monday 8 June 2020 – Morning

A Level Economics

H460/03 Themes in economics

Time allowed: 2 hours

plus your additional time allowance

YOU MUST HAVE:

the Resource Booklet (with this document)

YOU CAN USE:

a scientific or graphical calculator

Please write clearly in black ink.

Centre number

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Candidate number

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First name(s) _____

Last name _____

READ INSTRUCTIONS OVERLEAF



INSTRUCTIONS

Use black ink. You can use an HB pencil, but only for graphs and diagrams.

Write your answer to each question in the space provided. If you need extra space use the lined pages at the end of this booklet. The question numbers must be clearly shown.

Answer ALL the questions.

INFORMATION

The total mark for this paper is 80.

The marks for each question are shown in brackets [].

Quality of extended response will be assessed in questions marked with an asterisk (*).

ADVICE

Read each question carefully before you start your answer.

SECTION A

Answer ALL the questions in this section.

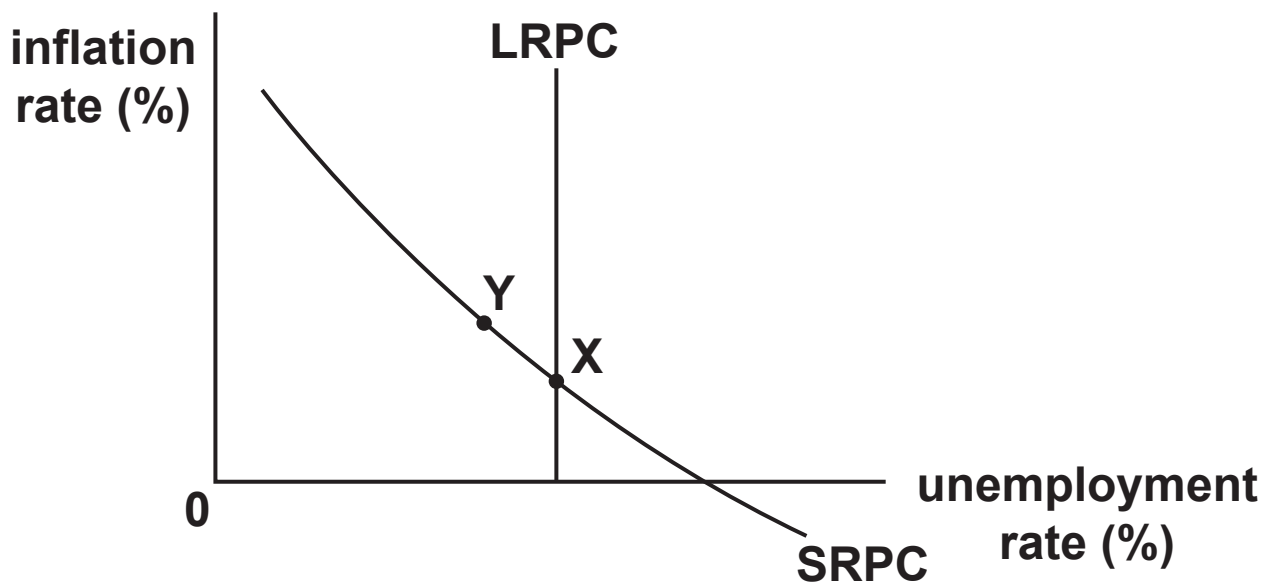
Write your answer for each question in the box provided.

1 What is the short run? [1]

- A A period of time in which all factors of production are fixed**
- B A period of time in which all factors of production are variable**
- C A period of time in which at least one factor of production is fixed**
- D A period of time in which at least one factor of production is variable**

Your answer

2 What is the most likely explanation of the movement from X to Y in the diagram below? [1]



- A A decrease in the natural rate of unemployment**
- B An adjustment in inflationary expectations**
- C Contractionary fiscal policy**
- D Money illusion**

Your answer

- 3 A change in the price of good X causes the demand for good Y to increase by 4.5%. The cross elasticity of demand between the two goods is 1.7. If the price of good X is now £2.50, what was its original price? [1]**

A £2.32

B £2.44

C £2.49

D £2.57

Your answer

- 4 What would cause the exchange rate to depreciate? [1]**

A An increase in domestic incomes

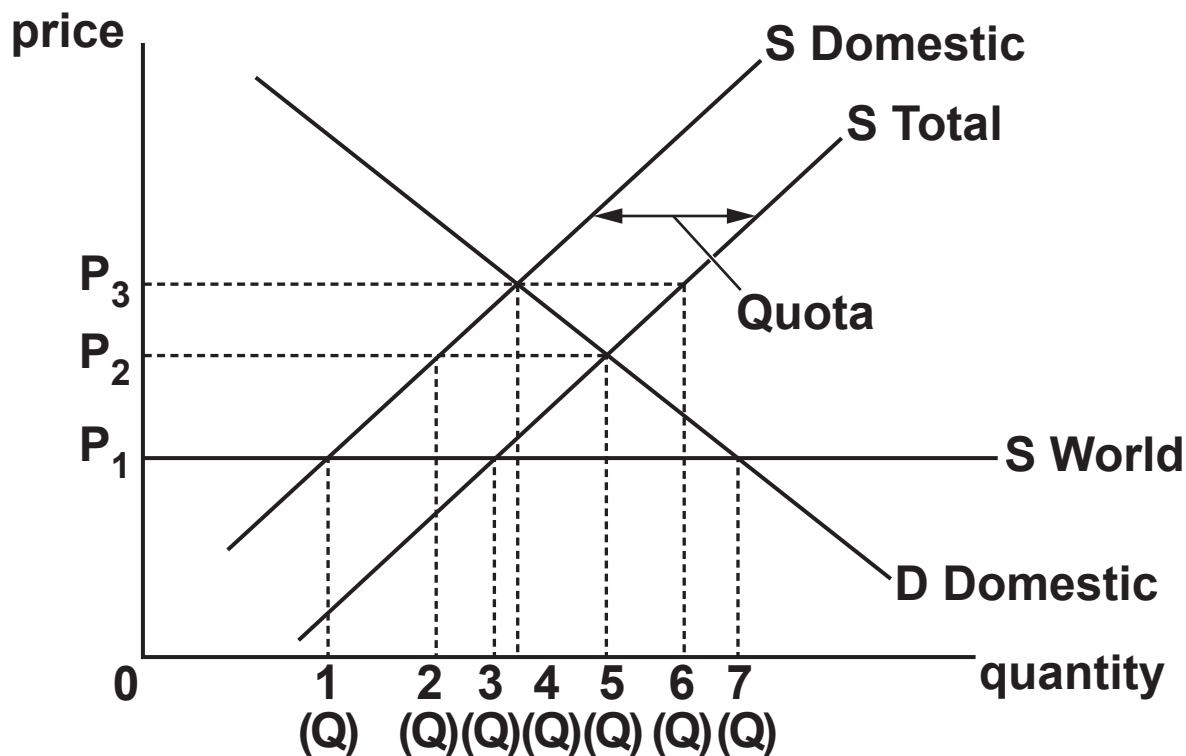
B An increase in incomes abroad

C Export subsidies

D Technological advancement of domestic goods

Your answer

- 5 The diagram below shows the market for textiles in the US. Suppose the market was initially operating at a price of P_1 , when no restrictions on trade were in place. What is the new market equilibrium as a result of the US imposing a quota on textiles imports? [1]



Option	Price	Domestic Production	Quantity Consumed
A	P_1	Q_1	Q_3
B	P_2	Q_2	Q_5
C	P_2	Q_5	Q_5
D	P_3	Q_4	Q_6

Your answer

6 What is the reward to labour as a factor of production? [1]

A Interest

B Profit

C Rent

D Wages

Your answer

7 A resident of London being protected by Trident, the UK's nuclear defence system, does not affect a resident of Sunderland's ability to be protected by Trident. Which feature of a public good is described here? [1]

A Non-excludability

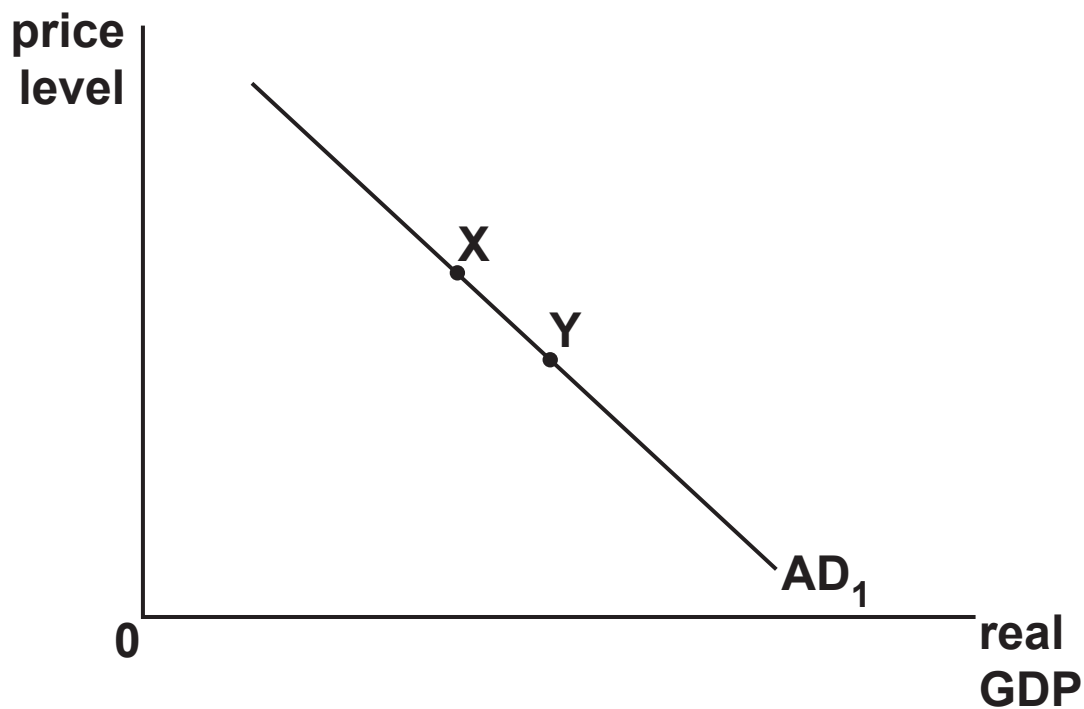
B Non-rejectability

C Non-rivalry

D Zero opportunity cost

Your answer

8 What explains a movement from X to Y in the diagram below? [1]



- A A decrease in corporation tax rates**
- B An exchange rate depreciation**
- C An increase in interest rates**
- D An increase in the real value of households' wealth**

Your answer

9 What is most likely to cause a decrease in wealth inequality? [1]

A A decrease in capital gains tax

B A decrease in income inequality

C An increase in house prices

D An increase in the tax-free inheritance allowance

Your answer

☐

10 What is most likely to lead to allocative efficiency being achieved in an industry that is a natural monopoly? [1]

A Collusion

B Competition policy

C Information provision

D Regulation

Your answer

☐

11 What is an example of a supply side policy measure? [1]

- A Imposing a tariff**
- B Increasing interest rates**
- C Privatisation**
- D Quantitative easing**

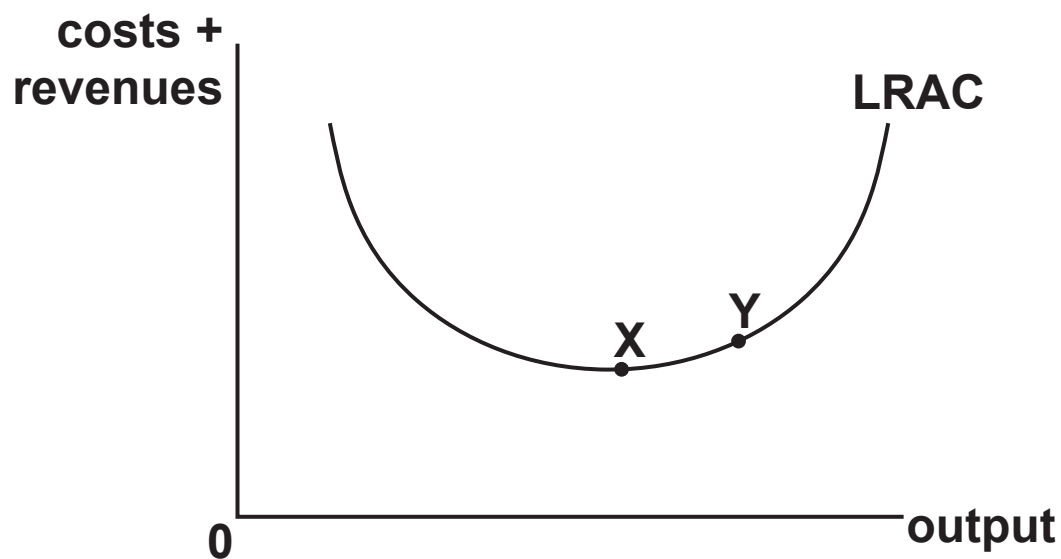
Your answer

12 What is the impact of the Marshall-Lerner condition holding? [1]

- A An exchange rate appreciation will only reduce a current account deficit in the long run**
- B An exchange rate appreciation will reduce a current account deficit**
- C An exchange rate depreciation will only reduce a current account deficit in the long run**
- D An exchange rate depreciation will reduce a current account deficit**

Your answer

13 What is the most likely cause of a movement from X to Y in the diagram below? [1]



- A A rival firm entering the market increases the cost of inputs into the production process**
- B Organisational slack increases as a result of a firm developing monopoly power**
- C The growth of the industry results in more individuals undertaking relevant education or training**
- D Workers become less motivated after the firm they work for takes control of another firm in the industry**

Your answer

14 In response to a global recession, Central Banks in ten closely linked economies reduce interest rates by an average of 1.5%. What is the likely impact on one of these economies where its Central Bank decided to reduce interest rates by 0.5%? [1]

- A Hot money will flow in, causing the exchange rate to appreciate**
- B Hot money will flow in, causing the exchange rate to depreciate**
- C Hot money will flow out, causing the exchange rate to appreciate**
- D Hot money will flow out, causing the exchange rate to depreciate**

Your answer

15 What efficiencies occur in the model of perfect competition in the long run? [1]

- A Allocative and dynamic efficiency**
- B Allocative, dynamic and productive efficiency**
- C Allocative, productive and X efficiency**
- D Allocative, dynamic, productive and X efficiency**

Your answer

16 What is classed as narrow money? [1]

- A Commercial banks' deposits at the Bank of England**
- B Government bonds with a maturity of less than five years**
- C Money held in savings accounts**
- D Retail deposits held current accounts**

Your answer

☐

17 What would cause unit labour costs to decrease? [1]

- A A decrease in corporation tax**
- B An increase in output**
- C An increase in the National Living Wage**
- D An increase in the quality of capital equipment**

Your answer

☐

18 Use the information below to calculate the size of the national income multiplier. [1]

Gini coefficient	0.71
Marginal Propensity to Import	0.11
Marginal Propensity to Save	0.23
Marginal Rate of Taxation	0.17
PED for exports and imports	0.42

A 0.51

B 1.64

C 1.96

D 2.94

Your answer

19 What is likely to be required in an economy where money does not exist? [1]

A A barter system

B A central bank

C Price controls

D Protectionism

Your answer

20 How does comparative advantage explain why the UK imports cars from Germany? [1]

- A German car manufacturers can export tariff free to the UK**
- B Germany can produce cars at a lower opportunity cost than the UK**
- C Germany can produce cars more efficiently at a lower cost of production than the UK**
- D Germany is located closer to the UK than US car manufacturers**

Your answer

21 When will supply side policy be ineffective? [1]

- A The marginal propensity to save is high**
- B The real interest rate is close to zero**
- C There is a large negative output gap**
- D There is significant demand-pull inflation**

Your answer

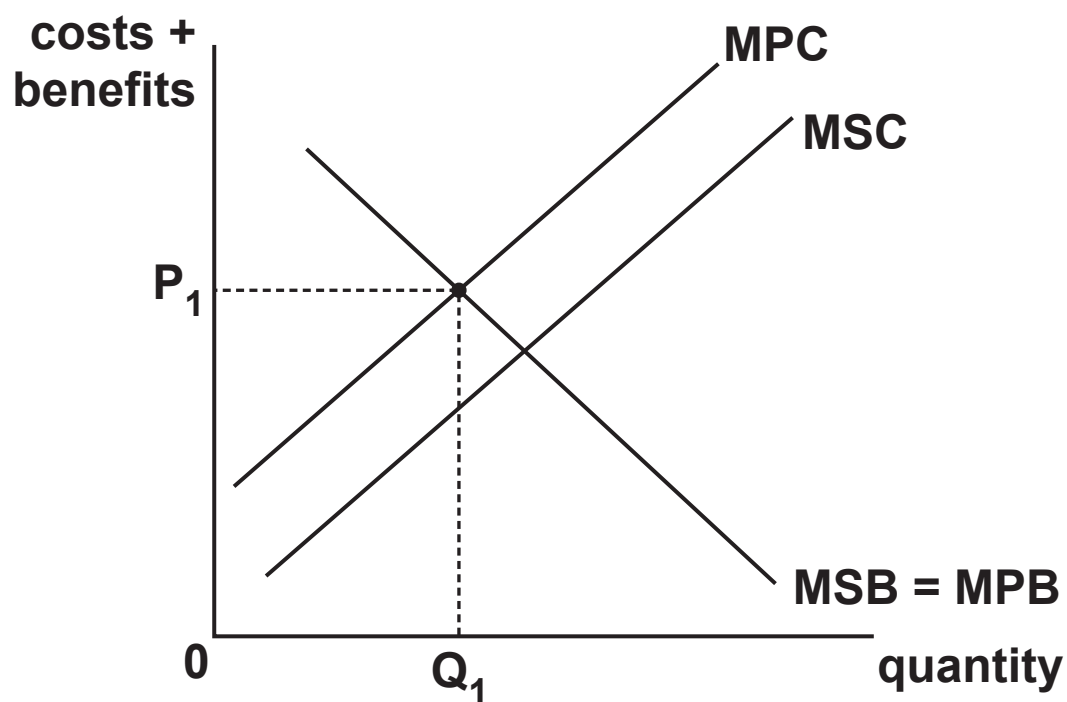
22 Using the table below, what has happened to the three firm market concentration ratio in the global mobile telephone market between 2010 and 2019? [1]

Firm	2010 Market Share (%)	2019 Market Share (%)
Apple	33.2	24.8
Huawei	0	10.6
Nokia	37.6	0.4
Others	18.8	32.9
Samsung	2.4	31.3

- A Decreased by 0.6%**
- B Decreased by 6.1%**
- C Decreased by 6.5%**
- D Decreased by 16.7%**

Your answer

23 What type of inefficiency is illustrated at (Q_1, P_1) in the diagram below? [1]



- A Allocative
- B Dynamic
- C Productive
- D X

Your answer

24 What is a component of the Human Development Index? [1]

- A Air quality**
- B GDP per capita**
- C Life expectancy**
- D Proportion of population with tertiary education**

Your answer

25 What could cause wages in an occupation to be lower than in other occupations? [1]

- A A long training period is required before starting the job**
- B A high proportion of workers in the occupation are members of a trade union**
- C Wages take up a high proportion of total costs**
- D Workers have a high marginal revenue product of labour**

Your answer

26 In 2014, researchers found that up to a third of women were not taking folic acid supplements in the first 12 weeks of their pregnancy. In response the government increased its efforts to provide information to women about the need for folic acid to aid the healthy development of their baby's spine. On the basis of this information, what type of good is folic acid? [1]

A A demerit good

B A good with negative externalities of consumption

C A good with positive externalities of consumption

D A merit good

Your answer

27 Using the table below, what was the inflation rate in 2017? [1]

Year	Consumer Price Index
2014	98.2
2015	100.0
2016	103.4
2017	101.9
2018	103.6

A −1.50%

B −1.45%

C 1.47%

D 1.90%

Your answer

28 Wood is used to make paper and furniture, amongst other things. What type of demand is this? [1]

A Competitive demand

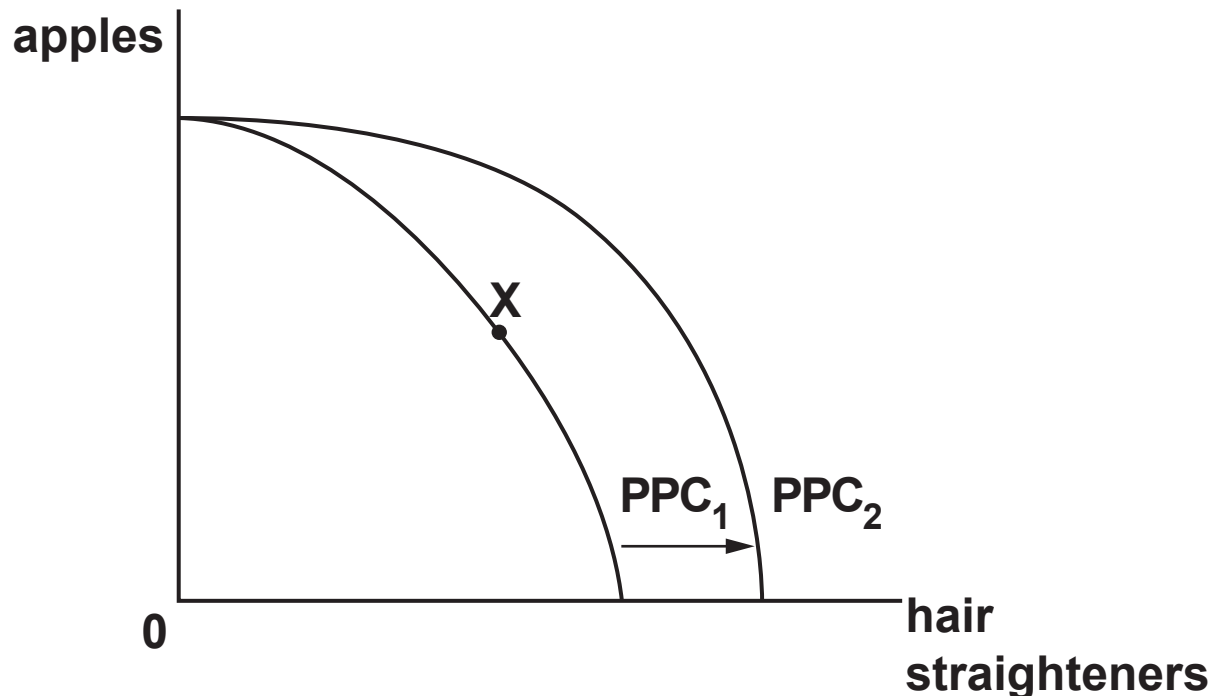
B Composite demand

C Joint demand

D Market demand

Your answer

- 29 An economy in which apples and hair straighteners are produced is initially operating at point X. If the production possibility curve shifts from PPC_1 to PPC_2 , which of the statements identifies the change in the production possibilities? [1]



- A It is not possible to increase the production of either apples or hair straighteners
- B It is only possible to increase the production of apples
- C It is only possible to increase the production of hair straighteners
- D It is possible to increase the production of both apples and hair straighteners

Your answer

30 In 2008, Northern Rock was taken into state ownership, following a crisis in which customers queued outside branches in large numbers to withdraw their savings concerned they may not get their money back. What type of financial regulation would have reduced the risk of this? [1]

A Competition policy

B Quantitative easing

C Requiring banks to hold a higher proportion of deposits as liquid assets

D Reducing the central bank rate of interest

Your answer

SECTION B

Read the extracts in the resource booklet and answer ALL questions which follow.

- 31 Using Fig. 1.1, explain the relationship between the budget deficit and national debt between 2010 and 2019.

[2]

- 32 Explain, using an example from Extract 1, what is meant by capital expenditure.

[2]

[illegible]

[illegible]

[illegible]

34 Using Fig. 2.1, explain what happened to the price of water and electricity between 1990 and 2018.

35 Explain the likely objective of a water or electricity firm if it operated in the public sector.

[3]

36 Evaluate, using the information in Extract 2, whether the likely objective of a private sector water or electricity firm justifies taking them into public ownership. [8]

37 Using Fig. 3.2, explain the relationship between air travel and carbon dioxide emissions.

[2]

[illegible]

[illegible]

[illegible]

END OF QUESTION PAPER

ADDITIONAL ANSWER SPACE

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

