

Modified Enlarged 24pt
OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Thursday 14 October 2021 – Afternoon

A Level Economics

H460/03 Themes in economics

Time allowed: 2 hours
plus your additional time allowance

YOU MUST HAVE:

Stimulus Material Insert (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 a characteristic of positive economic statements? [1]**
- A They are subjective opinions**
 - B They can be proven true or false**
 - C They explain correctly what is happening in an economy**
 - D They explain the best outcome from a choice that can be made**

Your answer

2 Which of the industries below operates in the tertiary sector? [1]

A Construction

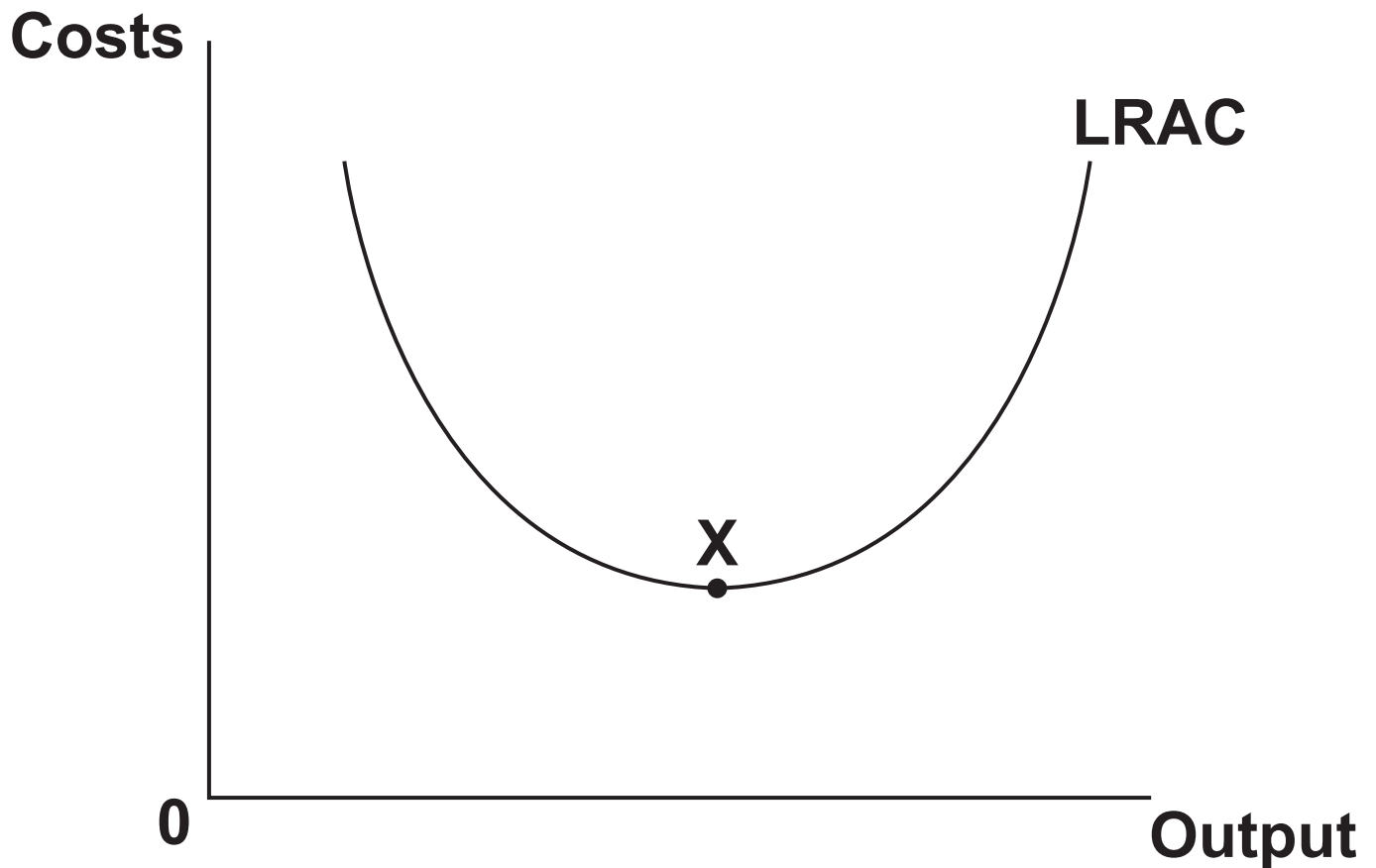
B Fishing

C Leisure

D Manufacturing

Your answer

3 What does point X on the diagram below represent? [1]



- A Constant returns to scale**
- B Diseconomies of scale**
- C Economies of scale**
- D Minimum efficient scale**

Your answer

4 In 2020 Sony announced the launch of the PlayStation 5 games console. It was estimated that at a price of £500 Sony would sell 87 million consoles. Analysts suggested these sales would increase to 122 million if the price was reduced to £400. What is the price elasticity of demand? [1]

A -2.01

B -1.61

C -0.50

D 0.71

Your answer

5 Many developing nations face the problem of a poorly developed financial sector. This is partly because individuals are unwilling to save their money in financial institutions. Some are worried that the financial institutions may go bankrupt, which will result in them losing their savings. How can a central bank help to overcome this problem? [1]

A Act as a lender of last resort

B Issue banknotes and coins

C Maintain price stability

D Manage the government's borrowing

Your answer

☐

6 What is likely to be the most effective policy solution to overcome the market failure caused by the existence of positive externalities of production? [1]

A Competition policy

B Regulation

C Subsidy

D Taxation

Your answer

☐

7 Which form of economic integration describes a situation in which there is free trade between members who set common external tariffs but each have different currencies? [1]

A Customs union

B Economic union

C Free trade area

D Monetary union

Your answer

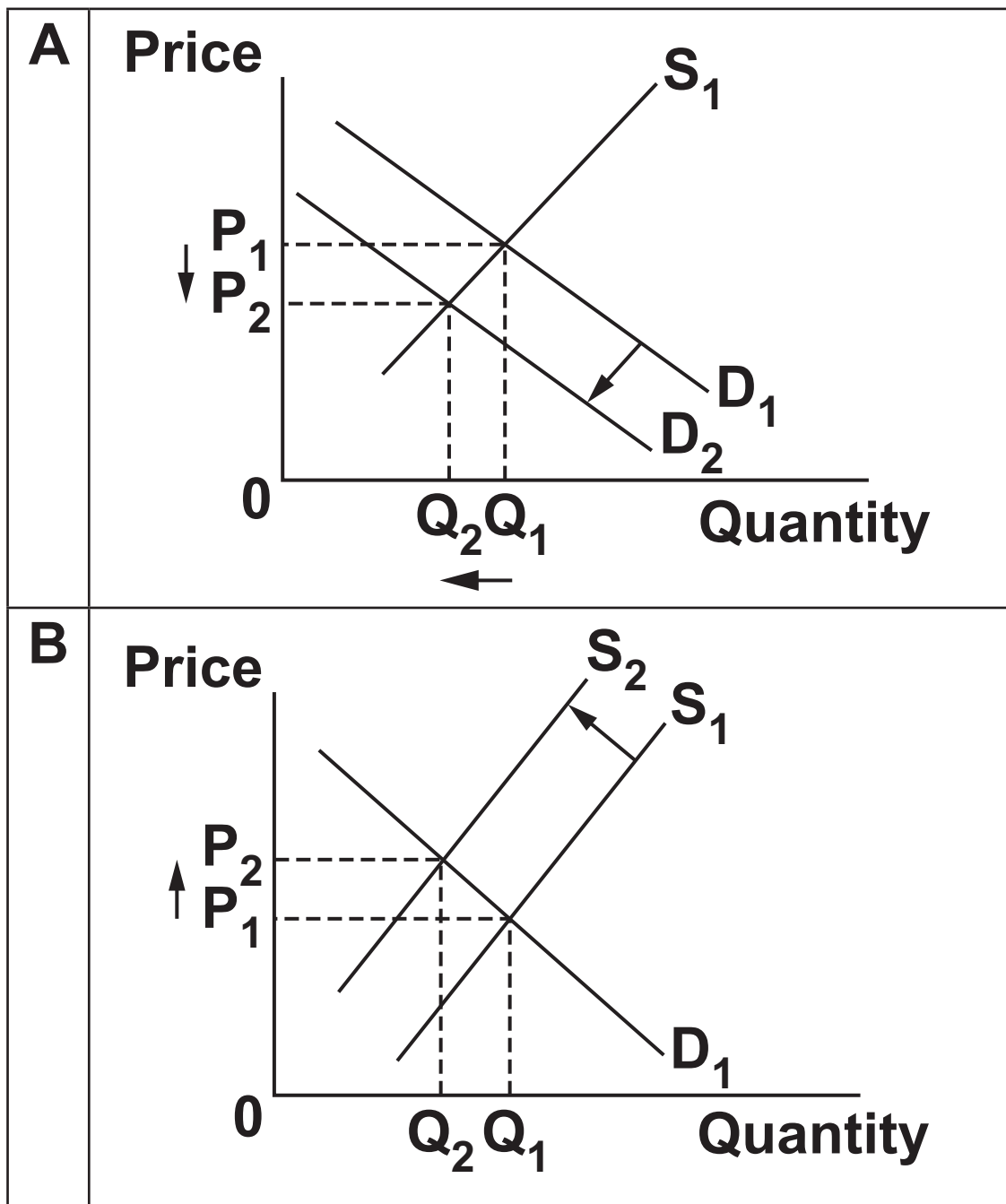
8 What does the accelerator effect show?
[1]

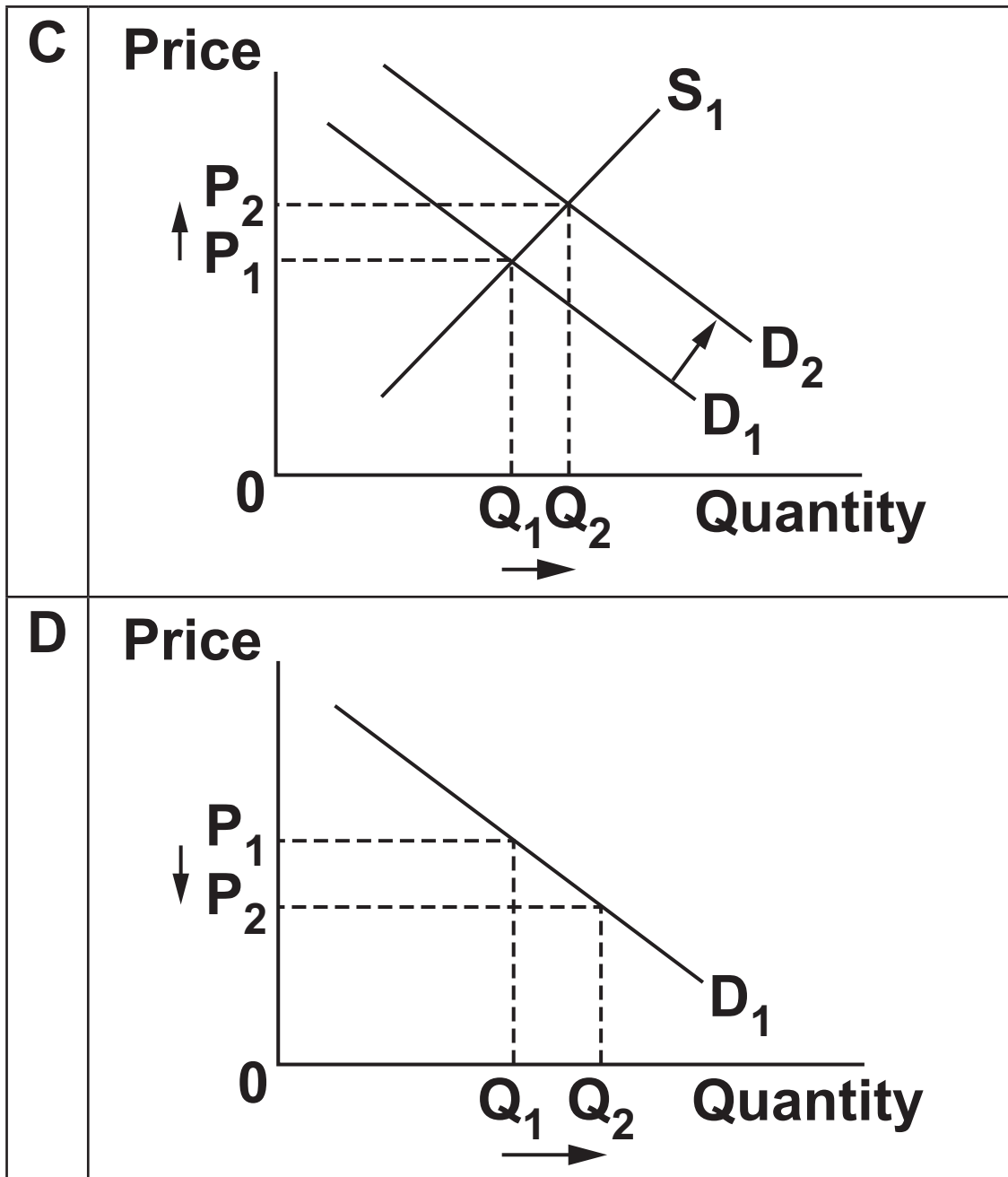
- A An increase in a component of aggregate demand causes a greater final change in real GDP**
- B Economic growth will increase the rate of environmental degradation**
- C Firms undertake investment to replace depreciating capital and expand their capacity**
- D When the economy is approaching full capacity increases in aggregate demand cause inflation**

Your answer

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- 9 Which of the diagrams below is most likely to explain the impact on the market for domestic campsites of the government imposing a tax on individuals who choose to fly abroad? [1]





Your answer

10 What indicates a structural budget deficit? [1]

- A Government expenditure exceeds tax revenue in the downturn of a business cycle**
- B Government expenditure exceeds tax revenue when the economy is at full employment**
- C Tax revenue exceeds government expenditure in the downturn of a business cycle**
- D Tax revenue exceeds government expenditure when the economy is at full employment**

Your answer

11 In 2019 the price level in Nigeria increased by 11.4%, compared to a 12.1% increase in prices in 2018. What does this represent? [1]

- A Deflation and disinflation**
- B Disinflation and hyperinflation**
- C Hyperinflation and inflation**
- D Inflation and disinflation**

Your answer

12 What is marginal external cost equal to? [1]

- A Marginal private cost – marginal social cost**
- B Marginal social cost**
- C Marginal social cost + marginal private cost**
- D Marginal social cost – marginal private cost**

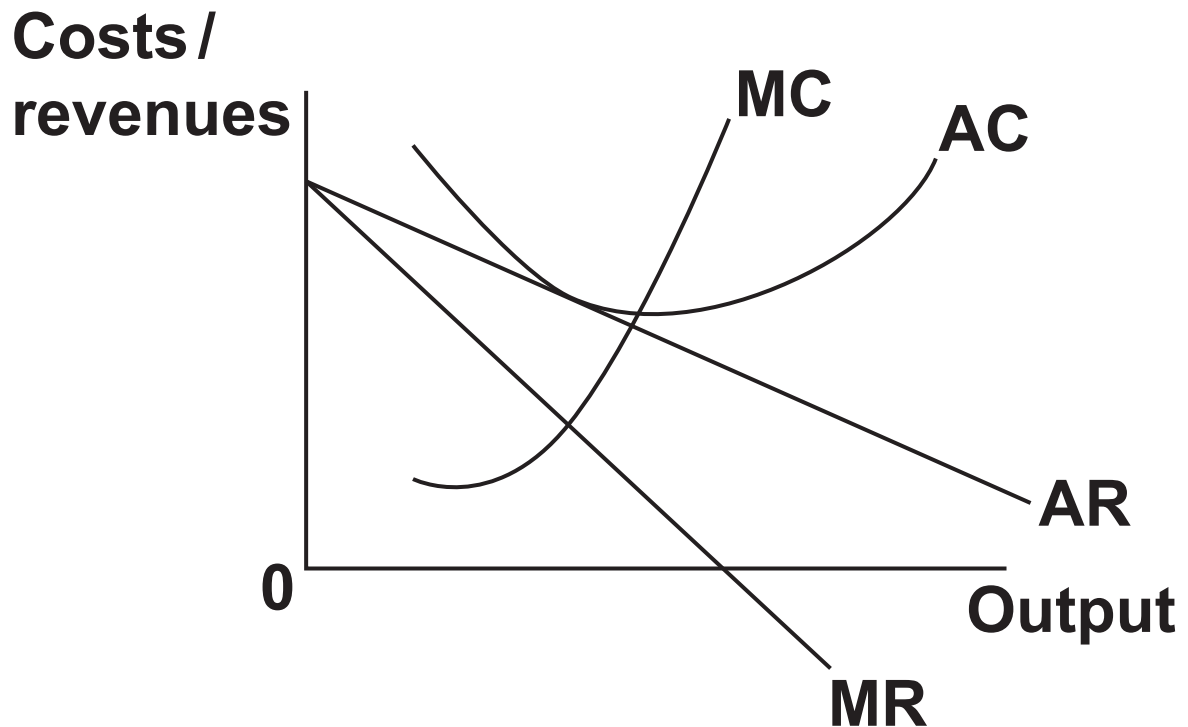
Your answer

13 What does the neo-classical approach to aggregate supply suggest will be the impact of expansionary demand side policy in the long run? [1]

- A It will be purely inflationary**
- B It will cause economic growth and reduce the rate of inflation**
- C It will cause economic growth at the cost of higher inflation**
- D It will result in non-inflationary growth**

Your answer

14 What is the diagram below most likely to illustrate? [1]



- A Monopolistic competition in the long run**
- B Monopolistic competition in the short run**
- C Monopoly in the long run**
- D Monopoly in the short run**

Your answer

15 Output is one way of measuring the level of economic activity in an economy. What is another way? [1]

A Employment

B Expenditure

C Human Development Index

D Inflation

Your answer

16 The table below outlines how import and export prices in a country have changed over time. How much has the country's terms of trade increased by between 2000 and 2020? [1]

Year	Price index of exports	Price index of imports
2000	103	117
2020	109	119

A 3.6%

B 4.1%

C 10.8%

D 13.0%

Your answer

17 A local restaurant employs five staff – a manager, a chef, a barman and two waiters. What economic theory is this an example of? [1]

A Bilateral monopoly

B Comparative advantage

C Derived demand for labour

D Division of labour

Your answer

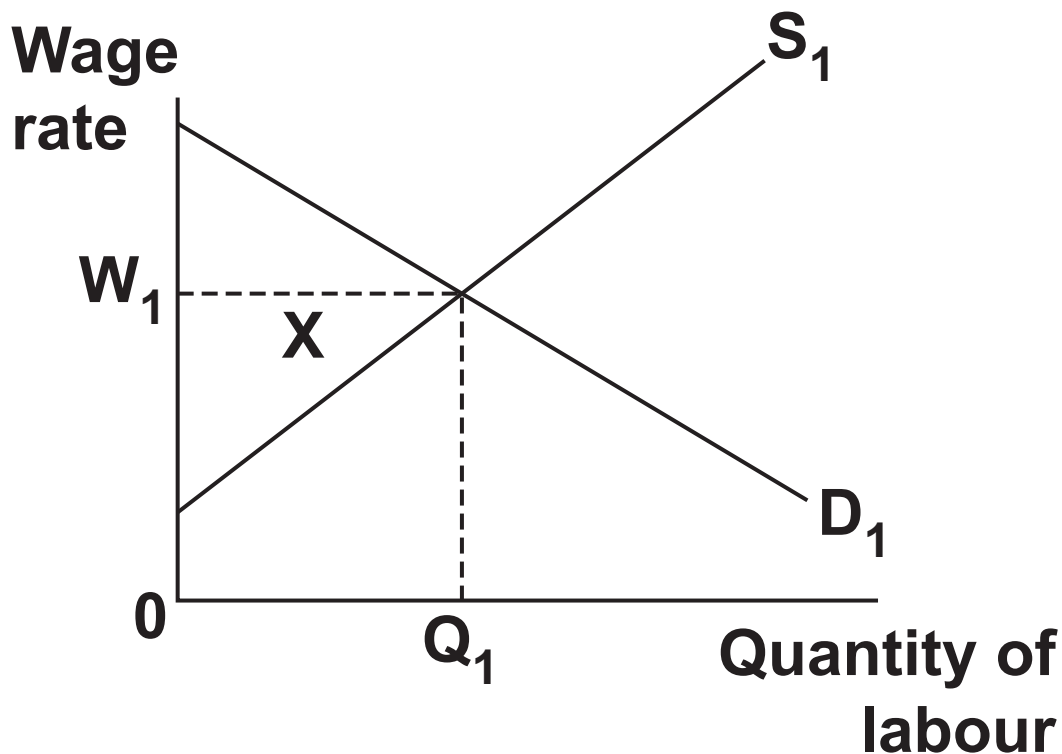
18 Which of the following is the most likely recipient of microfinance? [1]

- A Individuals in developed nations**
- B Individuals in developing nations**
- C Public limited companies in developed nations**
- D Public limited companies in developing nations**

Your answer

☐

19 What does area X in the diagram below represent? [1]



- A Consumer surplus**
- B Economic rent**
- C Producer surplus**
- D Transfer earnings**

Your answer

20 A zoo charges £29.17 + VAT (payable at 20%) for admission, giving a total price of £35. The monthly running costs of the zoo are £675 000, with 30 000 visitors each month. In July 2020 the government announced a temporary reduction in the rate of VAT charged to zoos from 20% to 5%. If the zoo continued to price entrance at £35 and visitor numbers remained constant, what would the impact on its profit be?

[1]

- A Increases by £124 900**
- B Increases by £200 100**
- C Increases by £325 000**
- D Remains unchanged**

Your answer

21 What is the most likely impact of an exchange rate appreciation? [1]

- A Aggregate demand shifts to the right**
- B Contraction along the aggregate demand curve**
- C Long run aggregate supply shifts to the left**
- D Short run aggregate supply shifts to the right**

Your answer

22 In March 2020, India announced it was increasing its fuel excise duty. What type of tax is this? [1]

A Direct

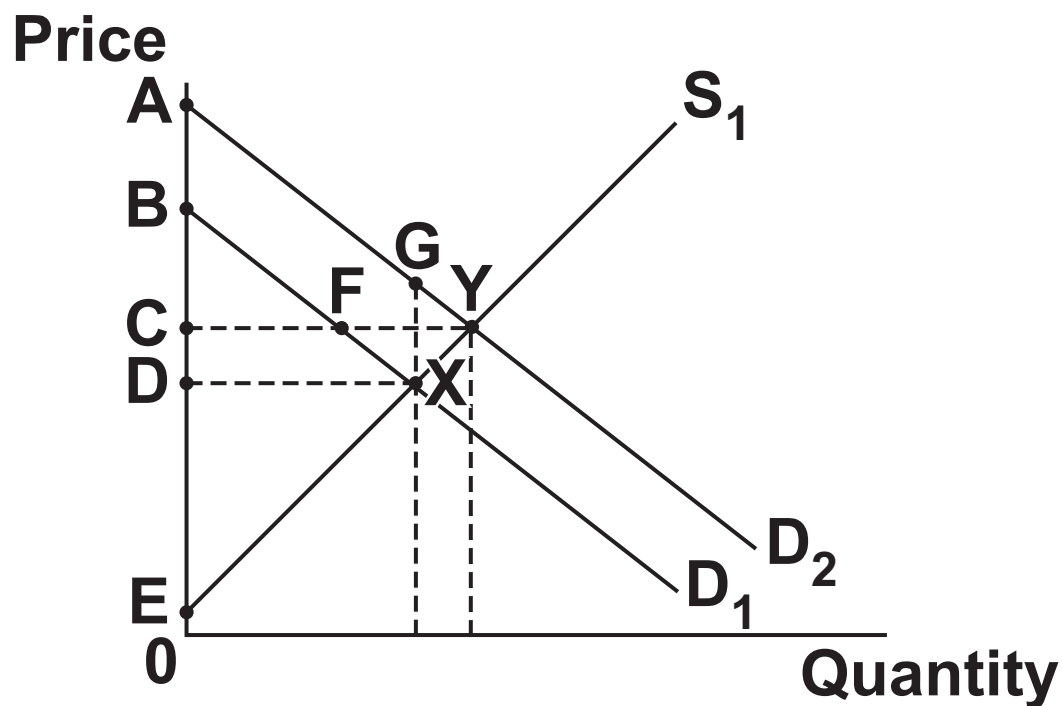
B Indirect

C Progressive

D Proportional

Your answer

- 23 Equilibrium in a market changes from X to Y in the diagram below. What area represents the new consumer surplus? [1]



- A AYC
- B BXD
- C CYE
- D CFXD

Your answer

24 A firm manufactures and sells a limited edition watch at a price of £1000. Within minutes of launching the product online it has sold all its watches, with hundreds of potential customers left disappointed. What has occurred here?

[1]

- A Ceteris paribus**
- B Disequilibrium**
- C Free rider problem**
- D Negative externalities of consumption**

Your answer

25 The table below shows the income tax brackets in France in 2020:

Taxable Income	Tax Rate
€0 – €10 064	0%
€10 065 – €27 794	14%
€27 795 – €74 517	30%
€74 518 – €157 806	41%
Over €157 807	45%

What is the average tax rate for an individual who earns €110 000? [1]

A 28.2%

B 30.0%

C 32.1%

D 40.0%

Your answer

26 What is the problem caused by scarcity? [1]

- A Allocative inefficiency will occur**
- B Individuals have to make choices**
- C Productivity falls as a result of boredom from repetition**
- D There will be a missing market as no one is willing to pay for the good**

Your answer

27 What does the kinked demand curve in the oligopoly model show? [1]

- A A firm's revenue will decrease if it increases or decreases its price**
- B A firm's revenue will increase if it decreases its price**
- C A firm's revenue will increase if it increases its price**
- D A firm's revenue will remain constant if it increases its price**

Your answer

☐

28 What does the data in the table indicate has happened in the economy from 2016 to 2020? [1]

Year	Gini-coefficient
2016	0.52
2017	0.49
2018	0.53
2019	0.58
2020	0.59

- A Environmental degradation has decreased**
- B Environmental degradation has increased**
- C The distribution of income has become more equal**
- D The distribution of income has become more unequal**

Your answer

29 What type of firm is most likely to engage in profit satisficing? [1]

A Charity

B Public limited company

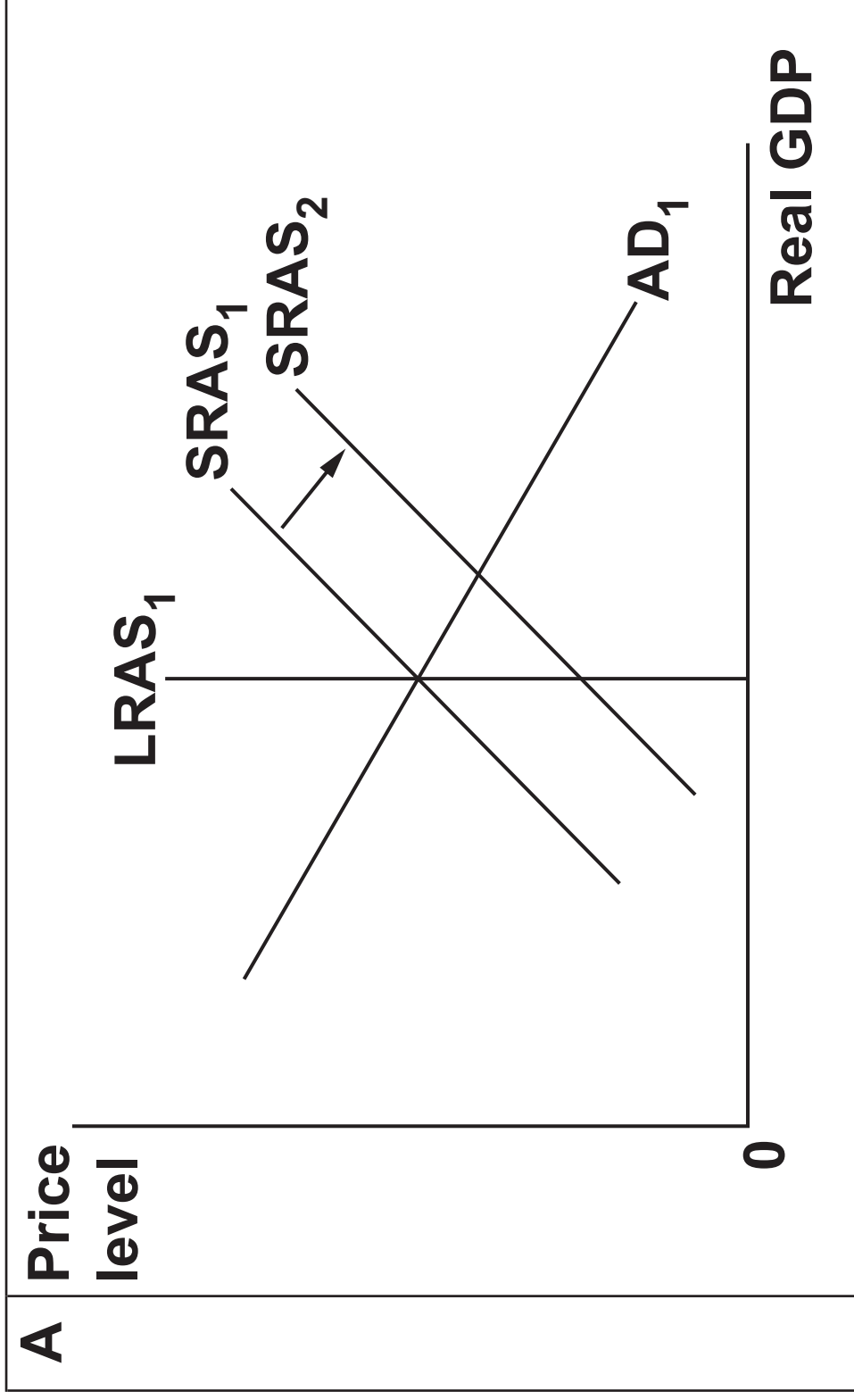
C Public sector

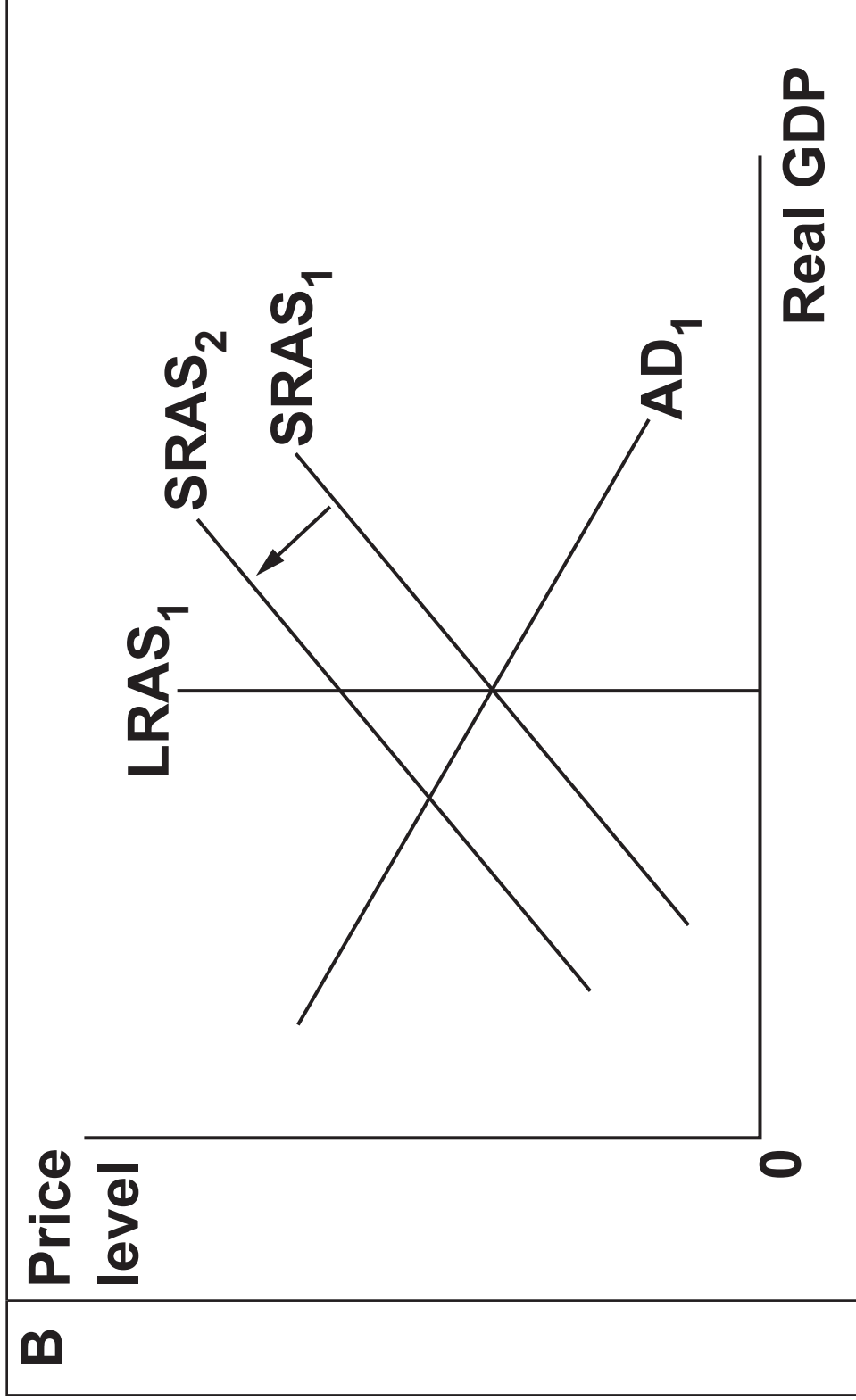
D Sole trader

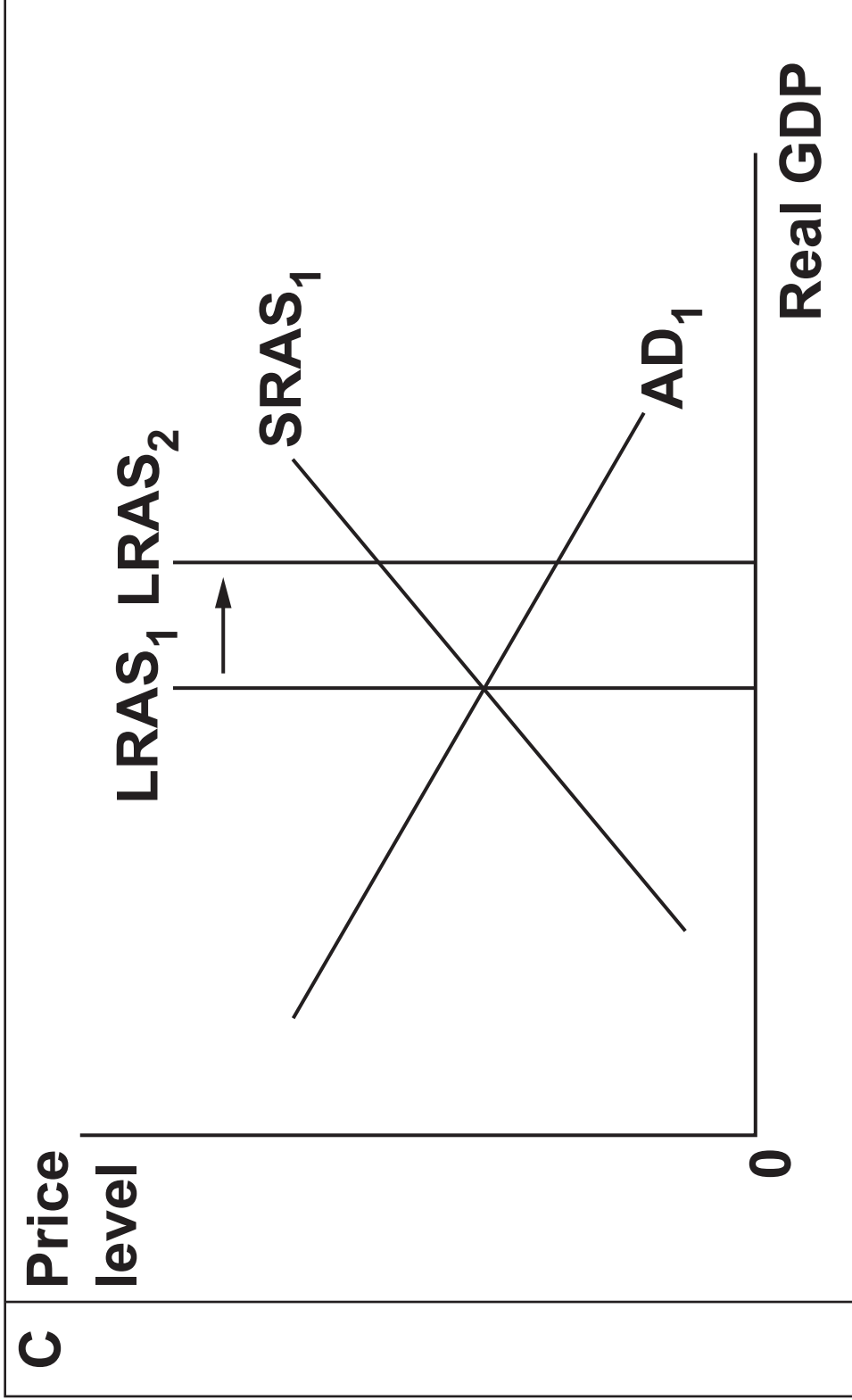
Your answer

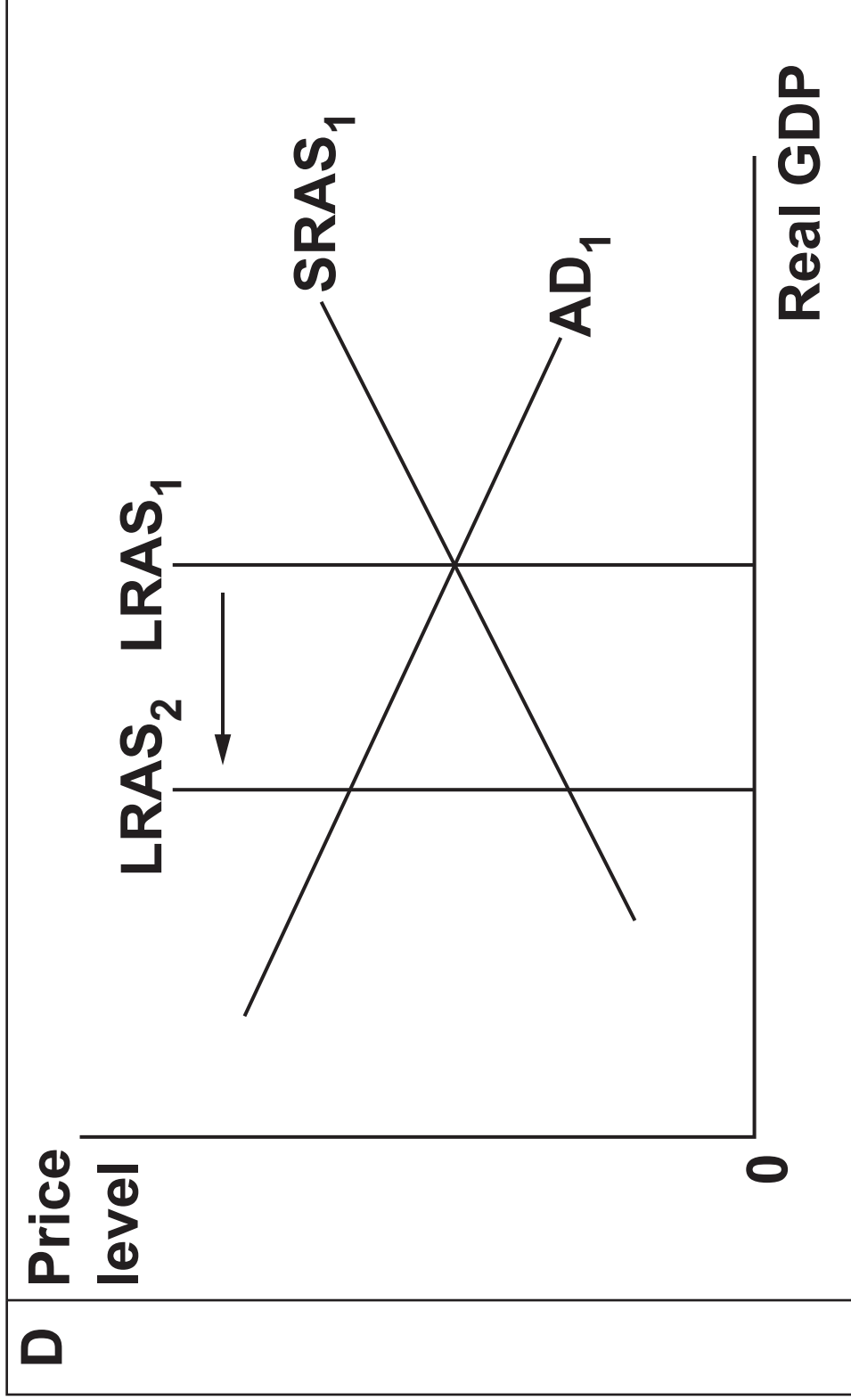
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30 Which of the diagrams below illustrates the most likely impact of the end of free movement of labour in the EU on a member state that has net emigration to the EU? [1]









Your answer

SECTION B

Read the extracts in the insert and answer ALL questions which follow.

31 Using the data in FIG. 1.1, explain what happened to public sector wages after 2010.

[2]

32 Explain, using information in EXTRACT 1, TWO reasons why the wage elasticity of supply of labour for public sector workers is likely to be inelastic.

1

2

33 Evaluate, using an appropriate diagram(s), whether unhealthy food is a demerit good.
[8]

34* Evaluate, using the information in EXTRACT 2, whether economic agents benefit from the food industry becoming more contestable. [15]

[illegible]

[illegible]

35 Using the data in FIG. 3.1, calculate the growth rate in GDP per capita in Brazil between 2000 and 2019.

[3]

36 Explain, using the data in FIG. 3.1 and FIG. 3.2, in which country exports accounted for the greatest proportion of output in 2019.

[3]

37* Evaluate, using the information in EXTRACT 3, the extent to which emerging economies gain more from international trade than developed economies. [15]

[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).

[illegible]

[illegible]

[illegible]

[illegible]



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