



Oxford Cambridge and RSA

Monday 6 June 2016 – Afternoon

GCSE ECONOMICS

A592/01 How the Economy Works



Candidates answer on the Question Paper.

OCR supplied materials:

None

Duration: 1 hour

Other materials required:

- Calculators may be used



Candidate forename					Candidate surname				
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Centre number						Candidate number			
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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 **12** pages. Any blank pages are indicated.



A calculator may
be used for this
paper

Answer all questions.

- 1 Fig. 1 shows the annual rate of economic growth in the UK between 2003 and 2013.

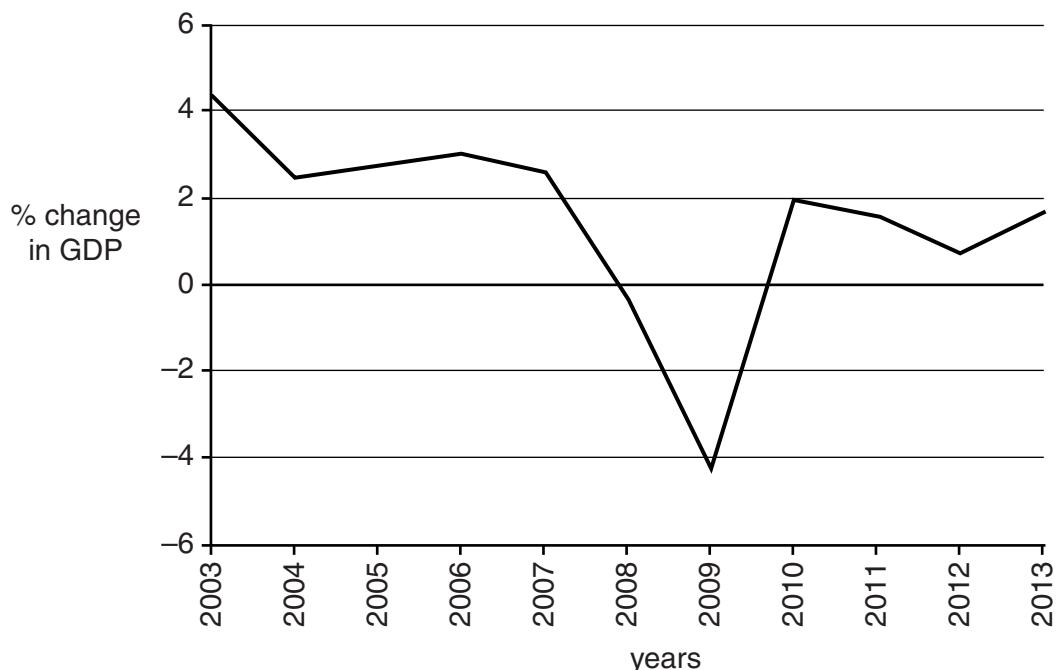


Fig. 1

- (a) (i) What is the full name of GDP?

G D P [1]

- (ii) In Fig. 1 which year had the lowest rate of economic growth?

Year [1]

- (b)** Explain how economic growth is measured.

- (c) Other than government policies, explain **two** possible causes of economic growth.

Cause 2

.....

.....

.....

.....

(d)* Discuss how effective a reduction in income tax would be in encouraging economic growth.

. [8]

[Total: 20]

- 2 Fig. 2 gives some information about cigarette consumption in the UK.

In 2012 it was estimated that the consumption of cigarettes in the UK was as follows:

- 40.5 billion cigarettes on which UK duty was paid
- 11.0 billion cigarettes on which UK duty was not paid.

(Duty is a form of taxation collected by the UK government on products such as cigarettes, which create negative externalities.)

Fig. 2

- (a) Using the information in Fig. 2, calculate the total estimated UK consumption of cigarettes in 2012.

.....
.....
.....
.....

[2]

- (b) (i) Explain the meaning of the term 'negative externalities'.

.....
.....
.....
.....

[2]

- (ii) Identify **two** possible negative externalities caused by cigarette consumption.

1
2

[2]

- (c) Would an increase in the tax on cigarettes be very effective in reducing their consumption? You should use the concept of price elasticity of demand to explain your answer.

. [6]

(d)* Other than taxation on cigarettes, discuss the effectiveness of **two** policies which may be used to reduce cigarette consumption.

Policy 1

[4]

[4]

Policy 2

[4]

[4]

[Total: 20]

- 3 Fig. 3 shows some data for the UK economy in 2003 and in 2014.

Economic variable	2003	2014
GDP growth	2.7%	2.6%
Rate of inflation	1.3%	0.5%
Unemployment rate	4.9% (December 2003)	5.7% (December 2014)
Balance of payments current account deficit	£18.8 billion (year to December 2003)	£97.9 billion (year to December 2014)

Fig. 3

- (a)** Use one of the words below to complete each of the following sentences.

imports

interest

price

tax

- The rate of inflation measures the speed at which the general level rises over time.
 - The current account deficit shows the difference between the value of exports and of goods and services. [2]

- (b)** In 2014 the UK rate of inflation was 0.5%. Explain how the rate of inflation is measured.

- (c) Using Fig. 3, assess the health of the UK economy at the end of 2014 compared with the end of 2003.

. [6]

10

(d)* Discuss whether policies to achieve one macroeconomic objective might conflict with other macroeconomic objectives.

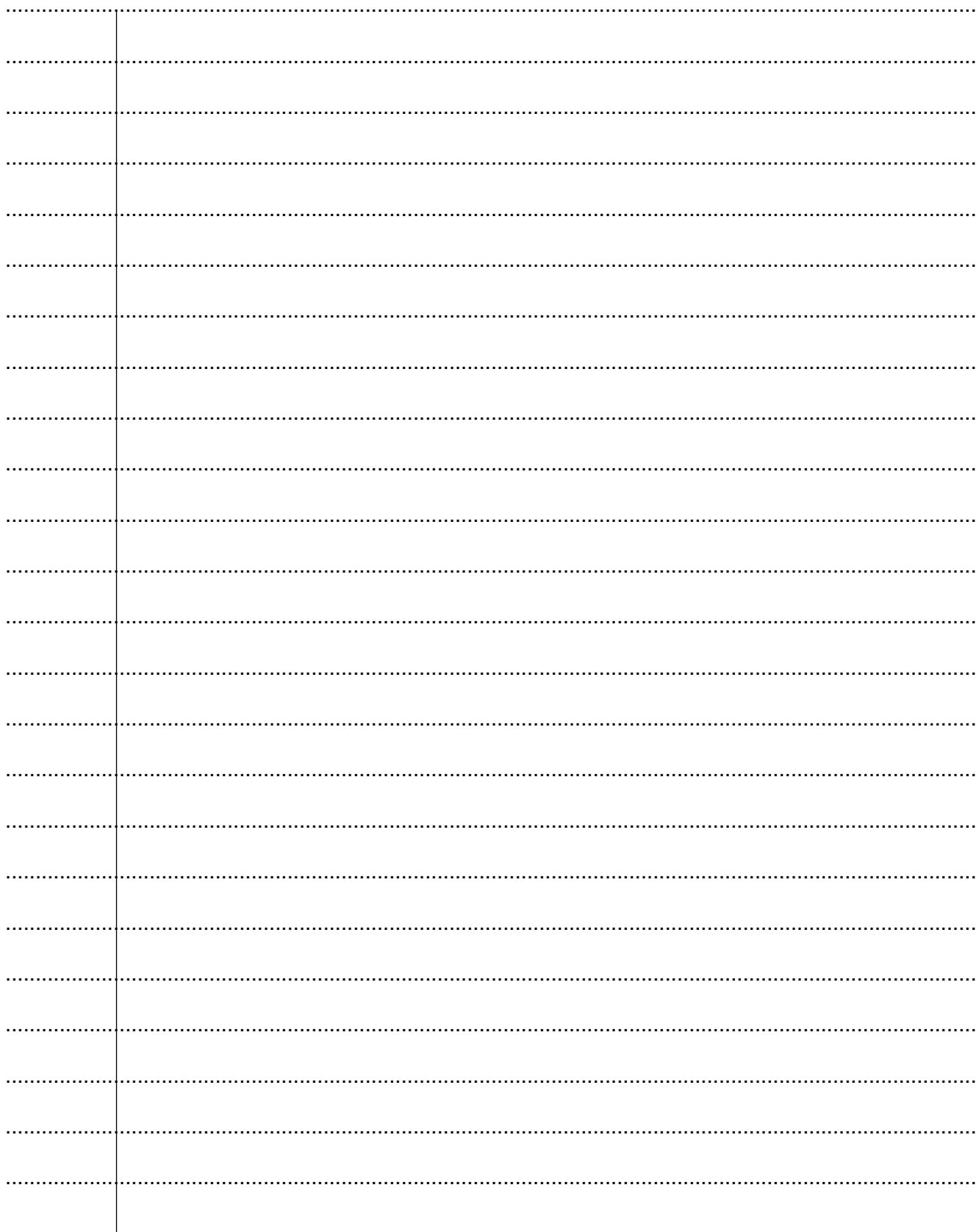
. [8]

[Total: 20]

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).





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