



Oxford Cambridge and RSA

**Monday 4 June 2018 – Afternoon**

**GCSE ECONOMICS**

**A592/01 How the Economy Works**



Candidates answer on the Question Paper.

**OCR supplied materials:**

None

**Other materials required:**

- Calculators may be used

**Duration: 1 hour**



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 page(s) at the end of this booklet. The question number(s) must be clearly shown.
- Do **not** write in the barcodes.

**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

2

Answer **all** questions.

1 Fig. 1 shows the UK unemployment rate for a ten year period between 2007 and 2016.

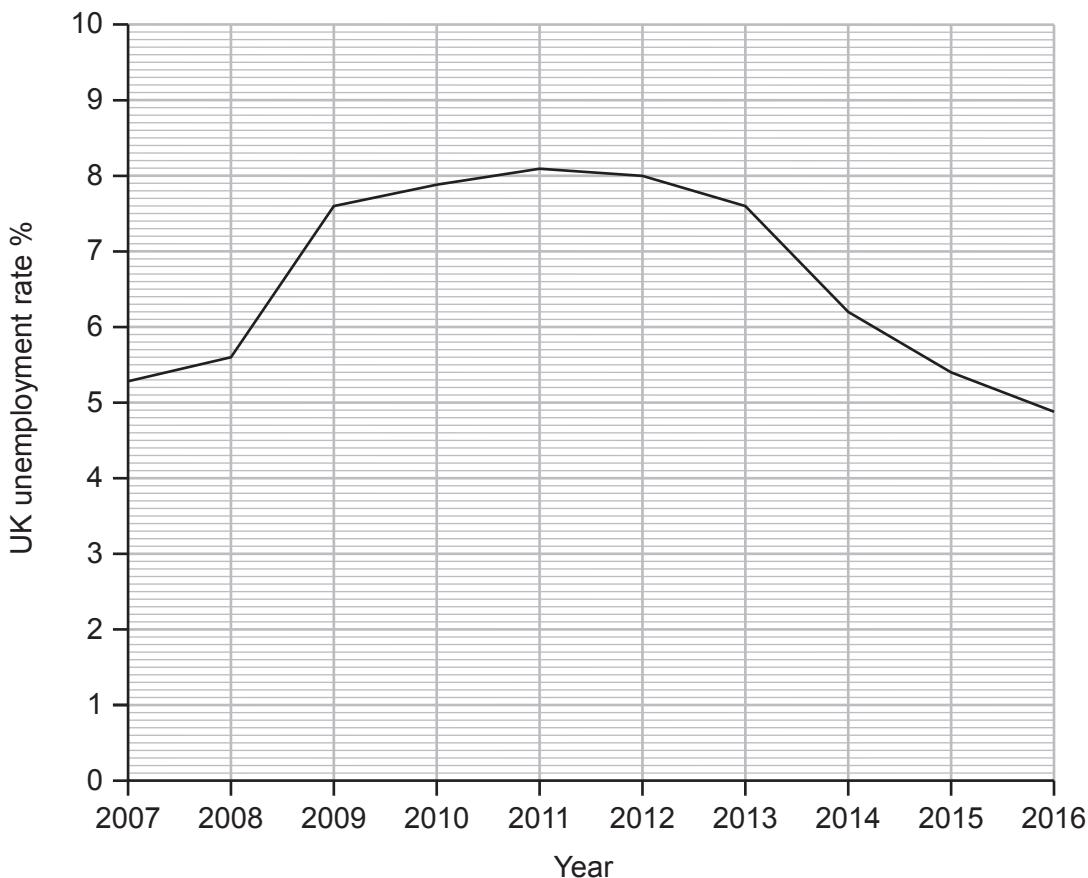


Fig. 1

(a) With reference to Fig. 1, in which year was UK unemployment at its

highest rate, \_\_\_\_\_

lowest rate? \_\_\_\_\_

[2]

**(b)** Explain **one** consequence of high unemployment to the UK economy.

(c) Explain the causes of

### (i) technological unemployment

[3]

(ii) frictional unemployment.

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[3]

[3]

(d)\* Discuss how effective fiscal policy may be in reducing unemployment in the UK.

... [8]

[Total: 20]

2 Fig. 2 shows a news article about inflation in the UK.

### Negative Inflation for UK

In February and March 2015 inflation was zero. In April 2015 the UK annual rate of inflation was – 0.1%. This was the first time that inflation had been negative in the UK since 1960.

Although inflation was negative, in the year to April 2015, earnings increased by 1.9%, while the prices of services also rose.

**Fig. 2**

**(a) (i)** Circle **one** of the following terms which best describes negative inflation.

Deflation

Hyperinflation

Recession

[1]

**(ii)** What happened to real earnings in the year to April 2015? Use information in Fig. 2 to circle **one** of the following.

Rose by less than 1.9%

Rose by 1.9%

Rose by more than 1.9%

[1]

**(b)** In the year to April 2015, inflation was negative while the prices of services rose. Explain how this was possible.

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[4]

(c) Rent is often a cost of production for firms.

(i) Name **two** other costs of production.

1. \_\_\_\_\_

2. \_\_\_\_\_

[2]

(ii) Explain how rises in costs of production could lead to inflation.

- [4]

**(d)\*** Discuss whether some inflation is better than no inflation for the UK economy.

. [8]

[Total: 20]

3 Fig. 3 shows the base interest rate and the GDP growth rate for the UK for a five year period between 2012 and 2016.

Year	2012	2013	2014	2015	2016
Base interest rate (at end of year)	0.5%	0.5%	0.5%	0.5%	0.25%
GDP growth rate	0.7%	1.7%	2.8%	2.2%	2.0%

Fig. 3

(a) Use Fig. 3 to compare the base interest rate with the GDP growth rate between 2012 and 2016.

[4]

(b) Explain what is meant by

(i) GDP

[1]

[1]

**(ii) GDP per capita.**

[1]

[1]

(c) During the period 2012 to 2016, savers were faced with a wide choice of savings accounts offering different interest rates. Explain **two** factors, other than the base interest rate, which may affect the rate of interest on savings.

Factor 1 .....

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Factor 2 .....

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[6]

10

**(d)\*** Recommend and explain a combination of **two** government policies which may be used to encourage economic growth. Justify your recommendation.

. [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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