

Surname	Centre Number	Candidate Number
Other Names		2



GCE AS

B520U10-1



ECONOMICS – AS component 1
Introduction to Economic Principles

MONDAY, 13 MAY 2019 – MORNING

1 hour

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1.	8	
2.	4	
3.	6	
4.	14	
5.	12	
6.	4	
7.	8	
8.	4	
Total	60	

ADDITIONAL MATERIALS

A calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

Write your name, centre number and candidate number in the spaces at the top of this page.

Answer **all** the questions in the spaces provided.

If you run out of space use the continuation page(s) at the back of the booklet, taking care to number the question(s) correctly.

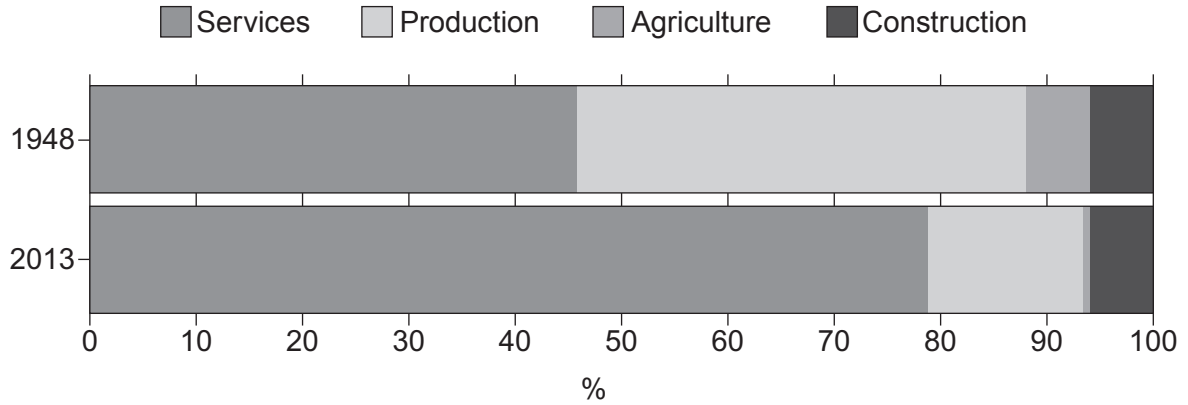
INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part-question.

Answer all the questions in the spaces provided.

1. Study the information below on the UK economy for the years 1948 and 2013 and answer the questions that follow.

Chart 1: Percentage of GDP coming from the services, production, agriculture and construction sectors, UK, 1948 and 2013



Source: <https://visual.ons.gov.uk>

Between 1948 and 2013, GDP in real terms (at 2006 prices) rose from around £280 billion to £1.3 trillion.

- (a) Using 1948 real GDP as the base, calculate the index number for real GDP in 2013. [2]

.....

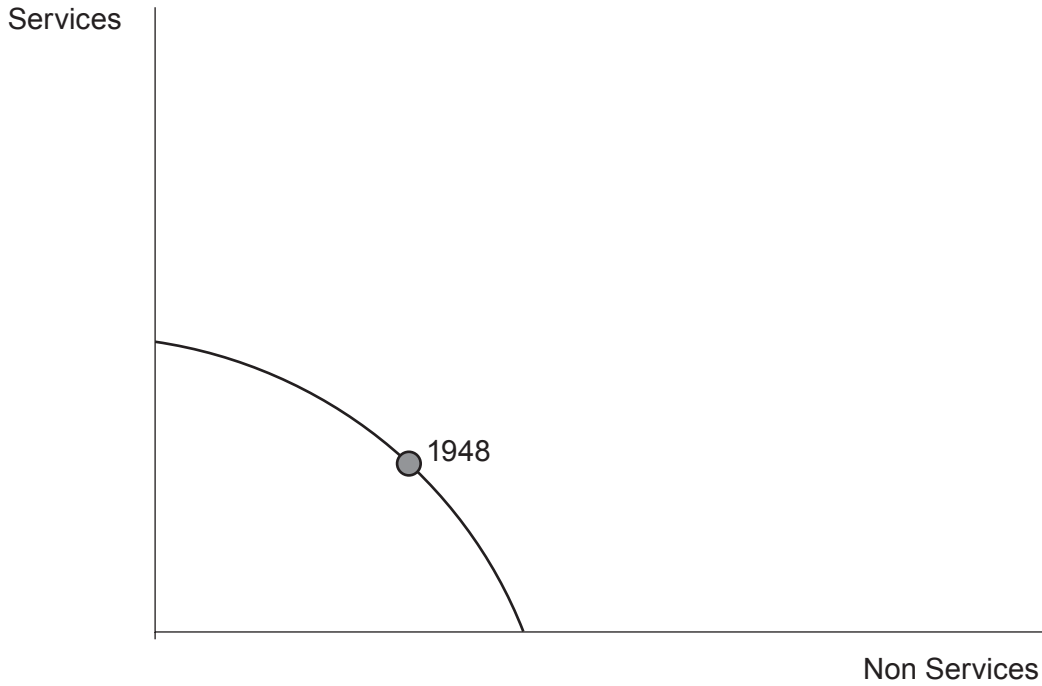
.....

.....

.....

The production possibility frontier (PPF) diagram below represents the UK economy's position in 1948.

- (b) (i) Adapt the PPF diagram to show the UK economy's position in 2013. [2]



- (ii) Outline reasons for the changes that you have made to the diagram. [2]

.....

.....

.....

.....

- (c) With reference to the concept of income elasticity of demand, explain **one** possible reason for the change in the pattern of output shown in **Chart 1**. [2]

.....

.....

.....

.....

2. According to the Canadian National Occupational Classification, there were over 30 000 distinct job titles in use in Canada in 2016 and this number has steadily increased over time.

(a) With reference to economic theory, explain **one** possible reason why the labour market is becoming increasingly specialised. [2]

.....

.....

.....

.....

(b) Outline why an economy with a highly specialised workforce will require an efficient means of exchange. [2]

.....

.....

.....

.....

4

- 3. Read the information on the Royal National Lifeboat Institute (RNLI) and answer the question that follows.



The RNLI is the charity that saves lives at sea
We provide, on call, a 24-hour lifeboat search and rescue service around the UK and Ireland, and a seasonal lifeguard service.
With our lifeboats, lifeguards, safety advice and flood rescue, we are committed to saving lives.

The RNLI receives no money from the government and relies on volunteers for its operations. In 2016 it rescued over 30 000 people. It does not charge for its services. It is funded entirely by donations.

Source: RNLI website

Discuss the extent to which the RNLI can be described as a private good. [6]

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

4. According to a study by the University of York, the price elasticity of demand for home care services, such as help with washing and cooking, for the disabled elderly throughout France was -0.4 . The hourly price for such services was around €22.50. The median use of such services was 15.5 hours per month.

(a) (i) Outline what is meant by a price elasticity of demand figure of -0.4 . [2]

.....

.....

.....

.....

(ii) Calculate the impact on the expenditure on home care services of the median disabled elderly household in France as a result of an increase in hourly prices to €27 per hour. [4]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(b) Discuss how useful this elasticity data might be to a private sector firm providing home care services in France. [8]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

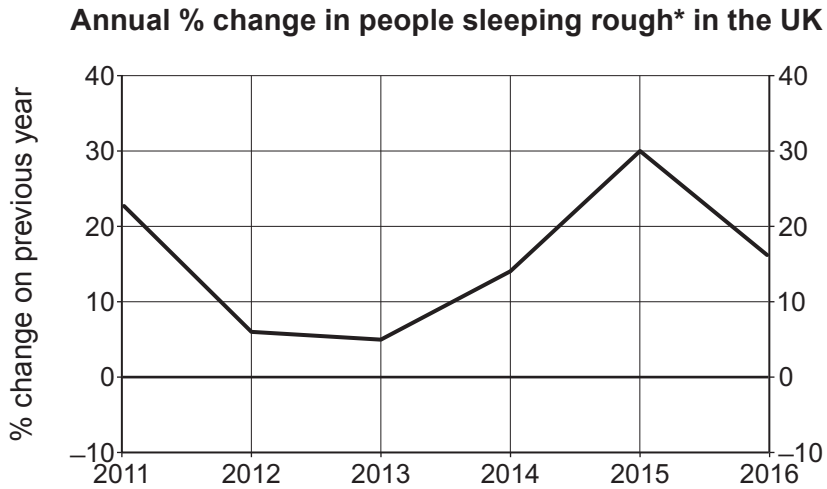
.....

.....

B520U101
07

14

5. Labour Party conference: Jeremy Corbyn promises rent control



*Rough sleepers are those who are both homeless and unable to find temporary accommodation and therefore end up sleeping outdoors.

Labour Party leader, Jeremy Corbyn, promised to impose rent controls (maximum rents) on the private sector today to deal with the growing problem of homelessness in the UK and also inequality between those who own their homes and those who don't. The average rent of a one-bedroom apartment is now over £750 per month in the UK. This represents 50% of the take-home pay for the average worker under the age of 30.

Critics of rent controls argue that imposing restrictions on owners' ability to increase rents inevitably cuts the supply of much-needed rental properties; the homeless charity Shelter also argued that rent controls might make the situation worse by forcing landlords to sell their properties, which would help middle-class home buyers, but could push low-income renters onto the streets.

Source: <https://www.bigissue.com>

- (a) Describe the trends in rough sleeping in the UK between 2011 and 2016 shown in the chart. [3]

.....

.....

.....

.....

.....

.....

(b) Using the data, discuss whether the rent controls proposed by Jeremy Corbyn are likely to solve the problems of homelessness in the UK. [9]

Examiner
only

[Dotted lines for writing]

12

6. UK inflation at highest since April 2012

The UK's key inflation rate hit its highest for more than five years in September 2017, driven up by increases in transport and food prices.

Use an AD/AS diagram to outline and illustrate why UK inflation increased over the year to its September 2017 level. [4]

.....

.....

.....

.....

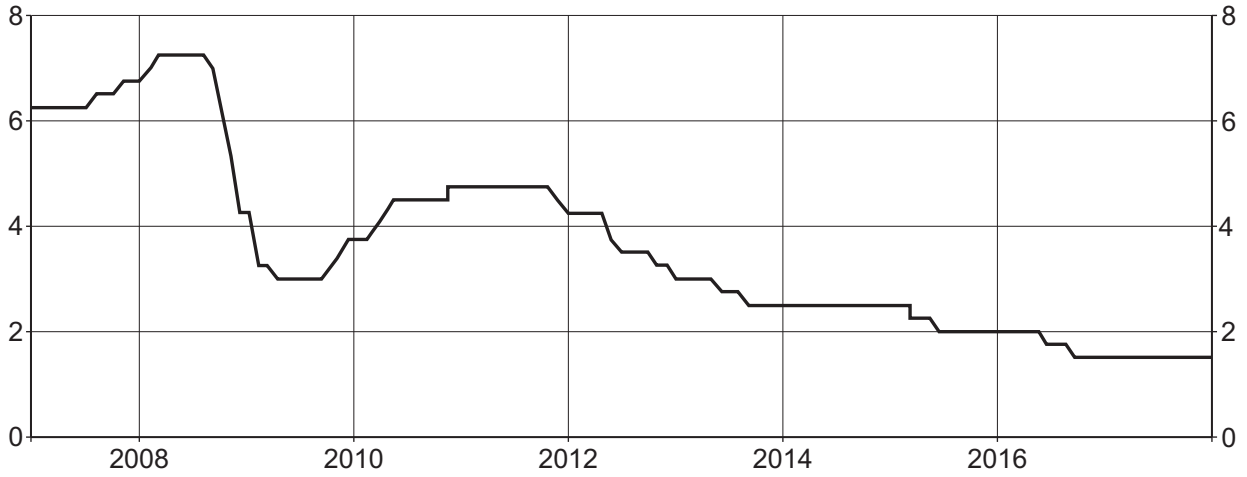
4

BLANK PAGE

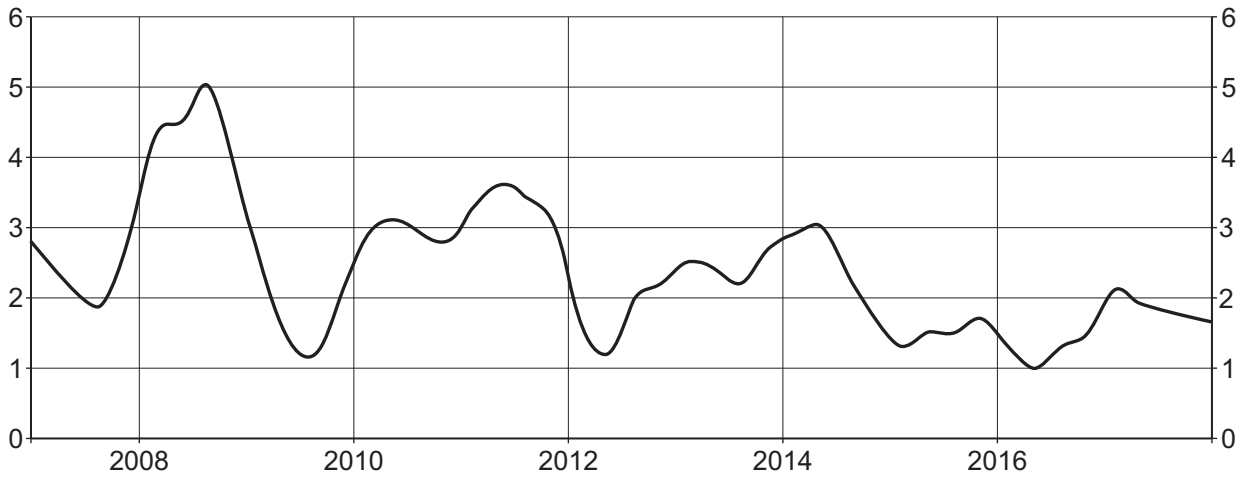
7. Using the data below and appropriate economic analysis, consider the extent to which interest rates appear to have been an effective tool for controlling inflation in Australia over the period shown.

[8]

Australia Interest Rate (%)



Australia Annual Inflation Rate (%)



.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Examiner
only

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

8

8. Mexican peso appreciates

Mexico's currency, the peso, rose in July 2017 as confidence grew that U.S. President Donald Trump would not pull out of NAFTA, the free trade agreement between the USA, Mexico and Canada.

With the use of a diagram, outline why the peso appreciated in July 2017. [4]

.....

.....

.....

.....

END OF PAPER

4

For continuation only.

A series of horizontal dotted lines for writing.