OXFORD CAMBRIDGE AND RSA EXAMINATIONS

GCSE

A592/01

ECONOMICS

How the Economy Works

MONDAY 1 JUNE 2015: Afternoon

DURATION: 1 hour
plus your additional time allowance

MODIFIED ENLARGED 24pt

Candidate forename		Candidate surname	

Centre number						Candidate number				

Candidates answer on the Question Paper.

OCR SUPPLIED MATERIALS:
None

OTHER MATERIALS REQUIRED:
Calculators may be used

A CALCULATOR MAY BE USED FOR THIS PAPER

READ INSTRUCTIONS OVERLEAF

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INSTRUCTIONS TO CANDIDATES

Write your name, centre number and candidate number in the boxes on the first page. 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 at the end of this booklet. The question number(s) must be clearly shown.

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 (*).

Any blank pages are indicated.

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1 Fig. 1 opposite shows quarterly growth of GDP in the UK between 2008 and 2012.

(a) Which quarter shown in Fig. 1:

has the highest rate of GDP growth _____

has the greatest decrease in GDP _____

is the last in the longest period of positive economic growth? _____

[3]

(b) A recession is defined as a period of at least two consecutive quarters of negative economic growth.

What evidence is there of recession between 2008 and 2012? Explain your answer, using the information in Fig. 1.

_____

_____

_____

_____

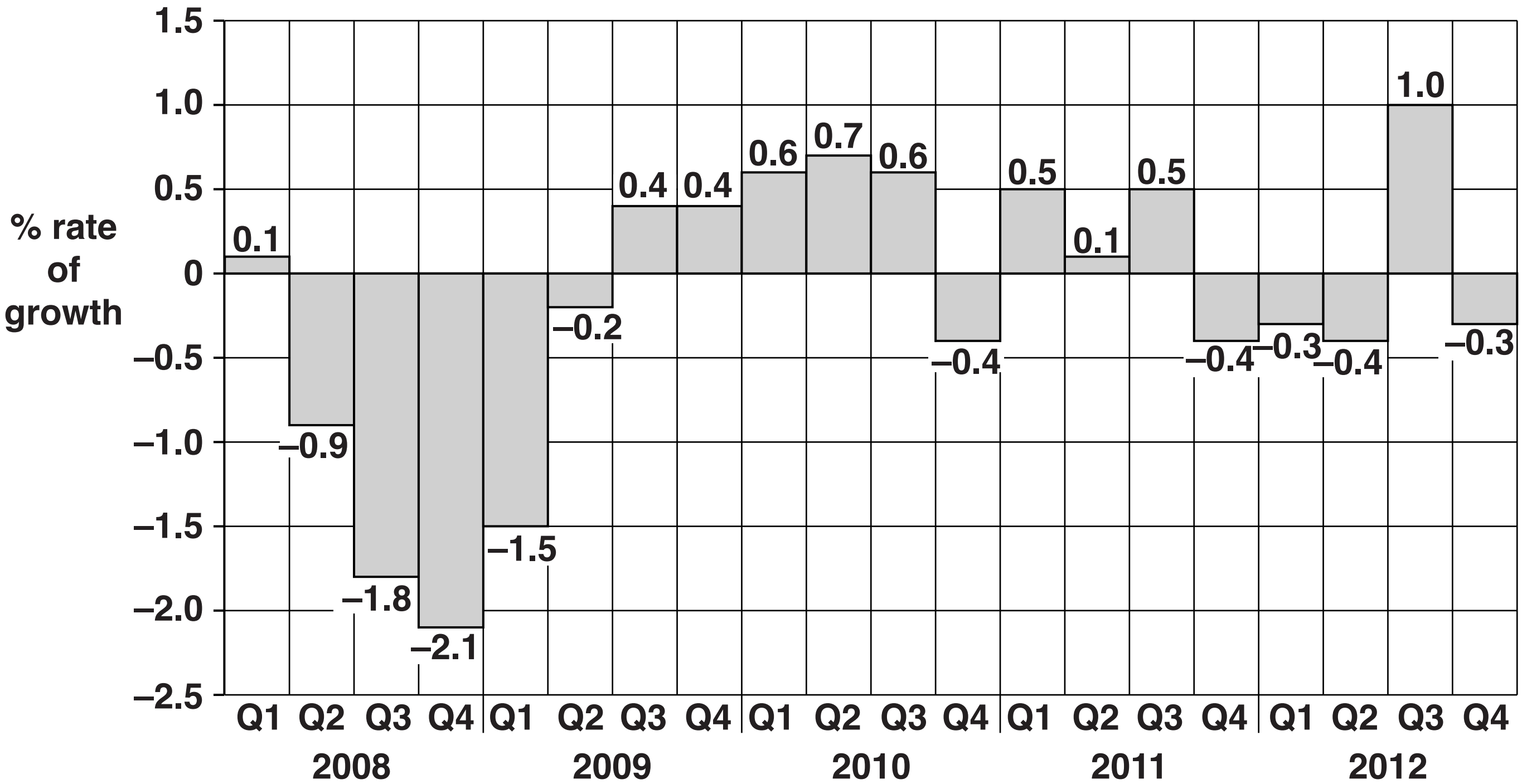
_____

_____

_____

_____ [3]

FIG. 1


% rate of growth
1.5
1.0
0.5
0
–0.5
–1.0
–1.5
–2.0
–2.5
0.1
–0.9
–1.8
–2.1
–1.5
–0.2
0.4
0.4
0.6
0.7
0.6
–0.4
0.5
0.1
0.5
–0.4
–0.3
–0.4
1.0
–0.3
Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4
2008
2009
2010
2011
2012

(c) **Identify and explain ONE cost and ONE benefit of economic growth.**

Cost _____

_____

_____

_____

_____

_____

_____

_____

_____

Benefit _____

_____

_____

_____

_____

_____

_____

_____

_____ **[6]**

(d)*Explain TWO supply side policies which the government could use to achieve economic growth. Discuss how effective you think each policy might be in achieving economic growth. [8]

Supply side policy 1 _____

Supply side policy 2 _____

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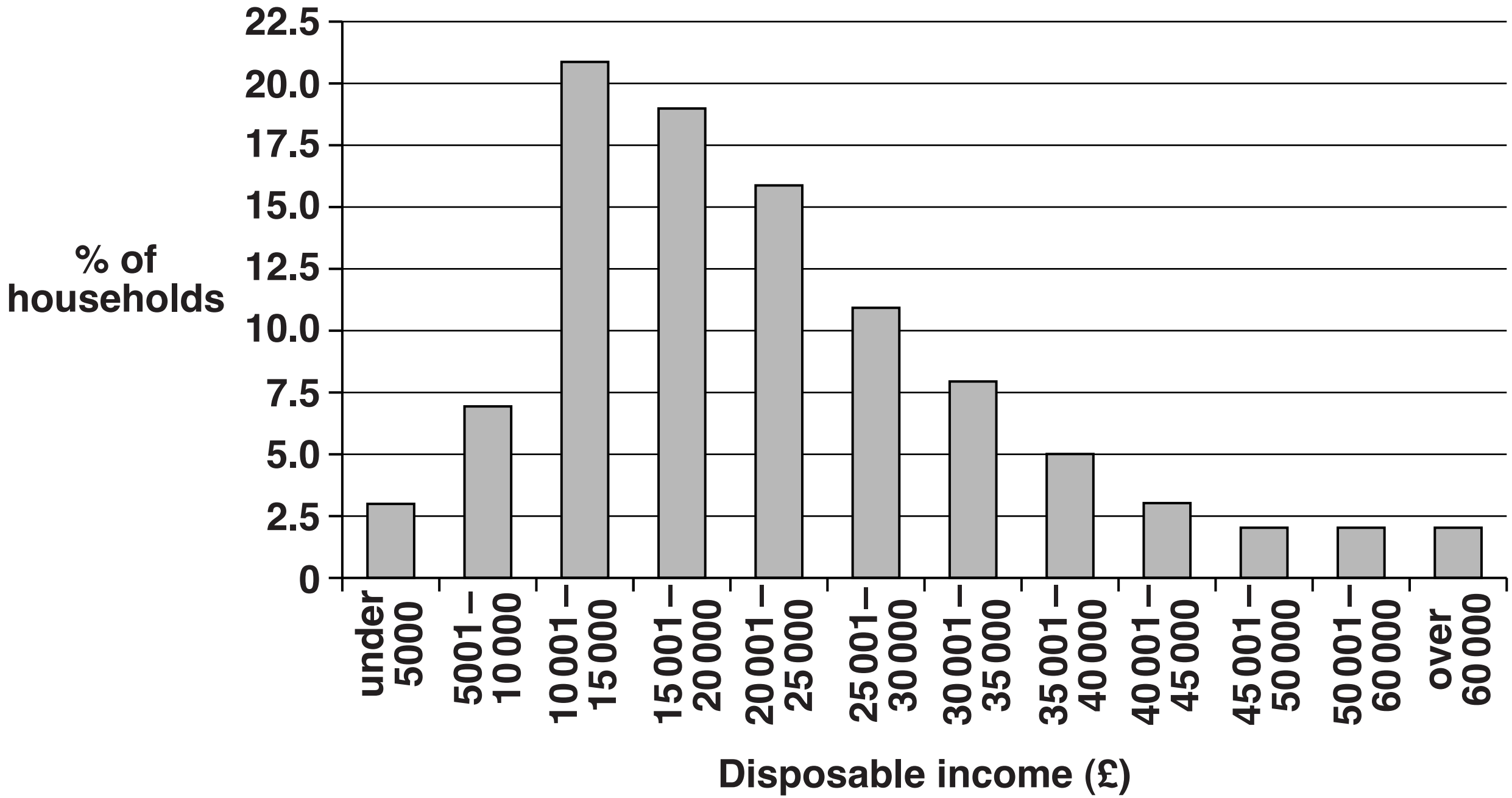
2 **Fig. 2 opposite shows how disposable income is distributed between households in the UK. Disposable income is income available for spending after direct taxes have been deducted and government benefits added.**

(a) **In the table below, place a tick (✓) against the TWO government benefits which households may receive.**

	Tick (✓)
Job seeker's allowance	
Interest on savings	
National insurance	
State pension	

[2]

FIG. 2 – Distribution of disposable income between UK Households



(b) **Does Fig. 2 show evidence of an uneven distribution of income between households in the UK? Explain your answer.**

_____

_____

_____

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_____

_____

_____

_____ **[4]**

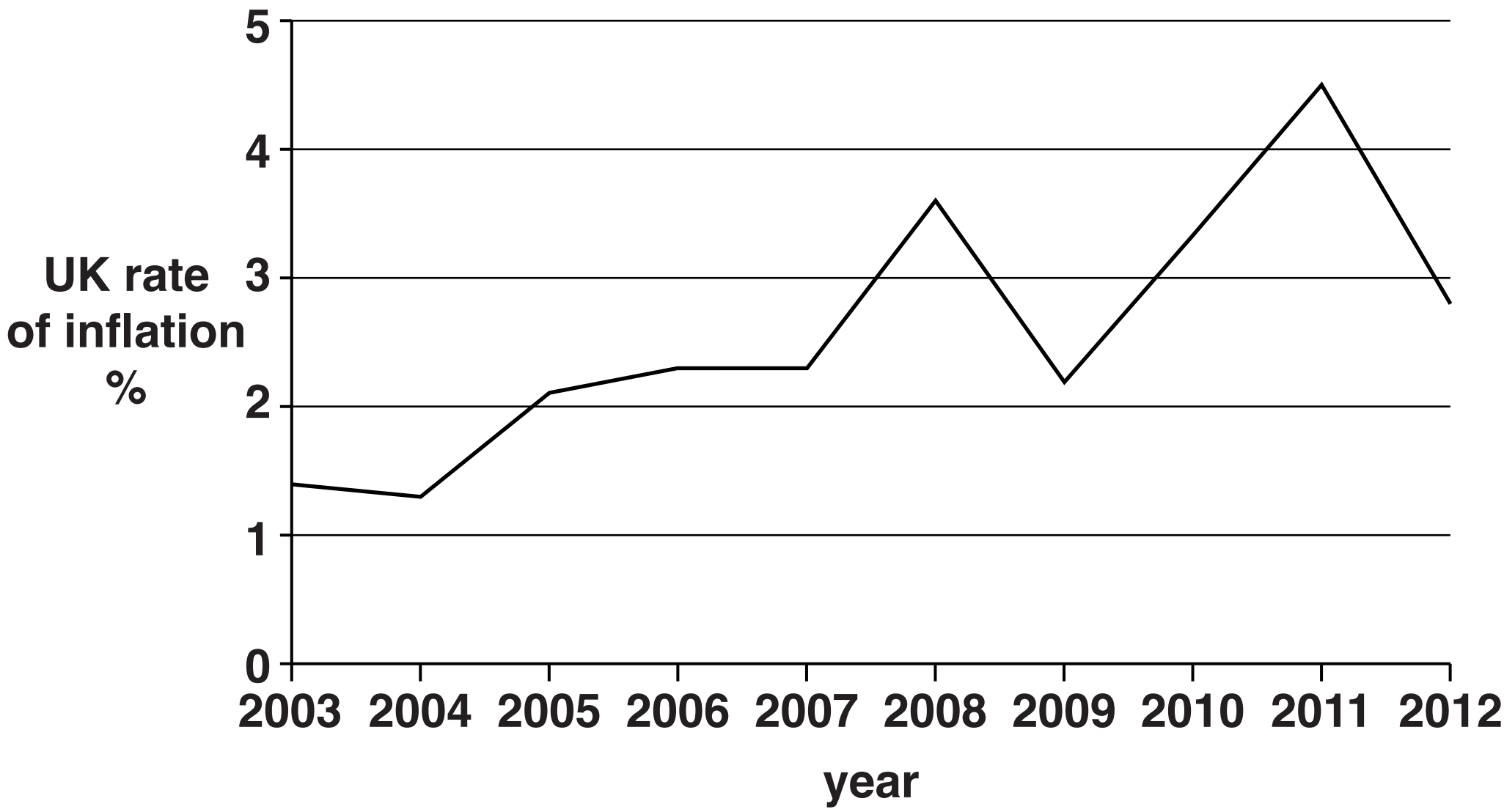
(c) Explain why households in the UK have different incomes.

[6]

(d)*Should the UK government increase direct taxes, such as income tax, to redistribute incomes more evenly? Give reasons for your answer. [8]

3 Fig. 3 shows the annual UK rate of inflation (CPI) between 2003 and 2012.

FIG. 3



(a) Explain what is meant by inflation.

_____

_____

_____

_____ [2]

(b) The rate of inflation is measured by the CPI.

(i) What is the full name of the CPI?

C _____

P _____

I _____ [1]

(ii) According to Fig. 3, in which year was the rate of inflation at its highest?

Year _____ [1]

(iii) The Bank of England has a 2% per year inflation target. How successful was it in achieving this target during the period shown in Fig. 3? Explain your answer.

_____

_____

_____

_____ [2]

(c) Explain why inflation could lead to:

- **menu costs**

- **hyperinflation.**

[6]

(d)* Explain TWO government policies which could be used to reduce the rate of inflation. Discuss how effective you think each policy might be in reducing the rate of inflation. [8]

Policy 1 _____

_____

_____

_____

_____

_____

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_____

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_____

_____

_____

_____

_____

Policy 2 _____

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_____

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END OF QUESTION PAPER

ADDITIONAL ANSWER SPACE

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

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