



Rewarding Learning

ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2019

Economics

Assessment Unit AS 2
assessing
Managing the National Economy



SEC21

[SEC21]

THURSDAY 16 MAY, MORNING

TIME

1 hour 30 minutes.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number on the Answer Booklet provided.
Answer **all** questions in Sections **A** and **B** and **one** question in Section **C**.
You are permitted to use a calculator in this paper.

INFORMATION FOR CANDIDATES

The total mark for this paper is 80.

- Section A: 25 Marks
- Section B: 35 Marks
- Section C: 20 Marks

Figures in brackets printed down the right-hand side of pages indicate the marks awarded to each question or part question.

ADVICE TO CANDIDATES

You are advised to take account of the marks for each part question in allocating the available examination time. In questions involving calculations, you are advised to show your workings. Quality of written communication will be assessed in Questions **6**, **7(b)**, **(c)** and **(d)**, **8** and **9**. Quantitative skills will be assessed where appropriate.

Section A

Answer all questions (25 marks)

- 1 The table below shows the Consumer Price Index (CPI) for an economy between January 2012 and January 2016.

Year (January)	CPI
2012	97.8
2013	100.0
2014	106.7
2015	112.5
2016	116.2

- (a) Identify the base year. [1]
- (b) Calculate the annual rate of inflation between January 2015 and January 2016. [2]
- 2 The table below shows the value of sterling against the US dollar and the euro on the 8th August 2017.

Currency	Value of £1
US dollar	\$1.30
Euro	€1.11

- Using the information in the table, calculate the value of the euro in US dollars. [2]
- 3 In 2017 the OECD calculated the Gini coefficient for the USA to be 40.8 and for Germany to be 28.3.
- Using the information above, sketch a fully labelled diagram to represent the Lorenz curves for the USA and Germany. [4]

- 4 The table below gives the components of a country's Gross Domestic Product (GDP) in 2017 as measured by the expenditure method. All figures are in billions of US \$.

Consumption expenditure	Government expenditure	Investment expenditure	Export expenditure	Import expenditure
10.36	2.97	1.76	1.73	2.23

- (a) Using the information in the table, calculate GDP at market prices for this economy in 2017. [2]
- (b) Explain how an economist would calculate GDP at factor cost (basic prices) from this figure for GDP at market prices. [2]
- (c) What does the information in the table suggest about the balance of trade in goods and services for this country? [2]
- 5 In quarter 4 of 2016, UK GDP stood at £471,584 mn while GNP (Gross National Product) was £482,897 mn.
The population of the UK in 2016 was 64.1 million.
- (a) Calculate the Net Primary Income (formerly known as Net Property Income from Abroad, NPIA) figure for the UK in the 4th quarter of 2016. [2]
- (b) Calculate GDP per capita for the UK in Q4 2016. [2]
- 6 Bank of England governor Mark Carney suggested in August 2017 that UK interest rates might have to increase. He argued that this would be necessary to combat inflation which had risen to 2.7%, well above the target set by the Chancellor.
- With the aid of an appropriate diagram, analyse the likely impact on the UK economy of a significant increase in the Bank of England base rate. [6]

Section B: Data Response

Answer all questions (35 marks)

The following passage was written in August 2017. Read it carefully and answer the questions which follow.

7 UK unemployment hits record lows

UK employment and unemployment rates 1st January 2008 to 30th June 2017

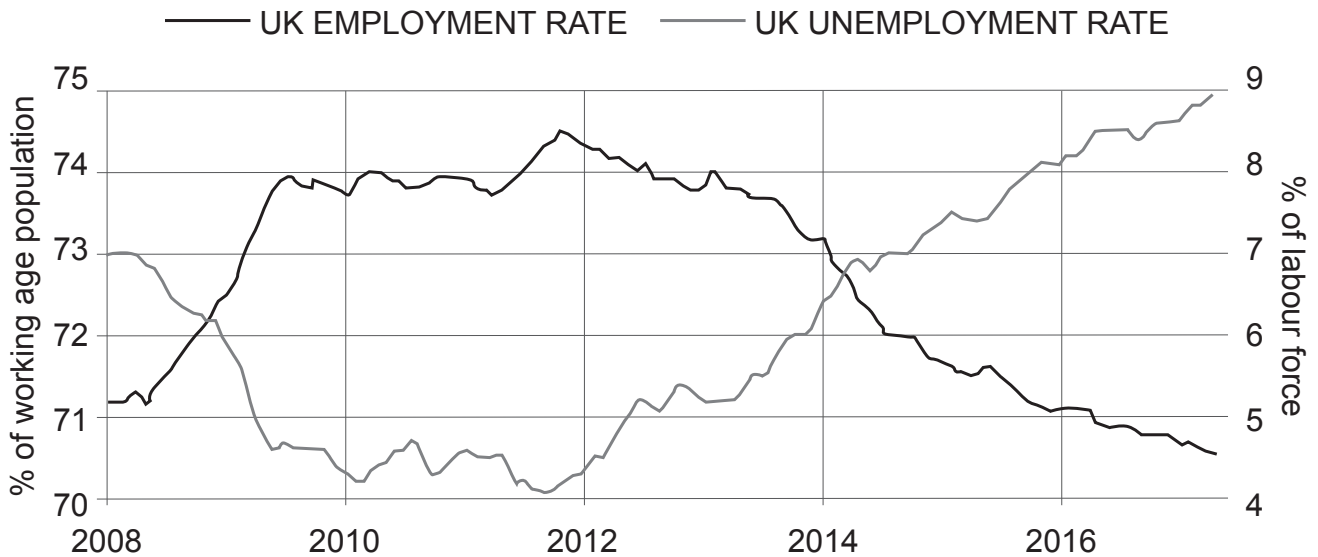


Fig. 1

Figures published by the Office for National Statistics (ONS) showed that UK unemployment fell by 64 000 to 1.49 million in the second quarter of 2017. This leaves the UK with an unemployment rate of 4.5%, the lowest it has been since 1975 and one of the lowest in the EU. At the same time the number of people employed rose to almost 32 million or 74.9% of the population aged 16–64, the highest rate since records began in 1971. Unsurprisingly, Conservative ministers have been keen to publicise the figures with Minister for Employment, Damian Hinds, saying the employment figures were “another reminder that our strong economy is giving record numbers of people the chance to find work and as a result is helping the government achieve two of its other core objectives, namely promoting equality of opportunity and reducing the budget deficit”.

1

Not everyone, however, is as upbeat as Minister Hinds about the state of the economy. David Strathern of Strathern Consultancy stated, "Something funny is going on in the UK job market – but it is not a joke! Both employment and unemployment are at record rates yet workers feel no better off. The low levels of unemployment reported by the ONS have not filtered through to wage growth, while inflation has risen as a result of the pound's weakness against the euro. The sum effect of these two factors is that real wages have fallen and are expected to continue to fall until the end of 2018 at the earliest."

2

Reece Bell, also of Strathern Consultancy, is even more downbeat in his assessment of the UK labour market. "The official employment and unemployment figures paint an over-optimistic picture of the UK jobs market," he said. "Many of those who are officially employed are on zero-hours contracts and hence are not employed in any real sense, while there are millions of others who are not in any sort of work but do not meet the criteria to be classified as unemployed. If these under-employed and economically inactive people were included in the figures, the true state of joblessness would be closer to 10 million or 21% of the labour force! It is high time the government stopped trying to fool the electorate with artificial figures of employment and unemployment and got down to the real business of trying to get these 10 million people who currently don't work at all, or don't work as much as they would like, into employment."

3

- (a) Using the information in **Fig.1**, compare the trends in employment and unemployment in the UK between January 2008 and June 2017. [5]
- (b) Explain how falling unemployment could help the government achieve its aim of reducing the budget deficit (paragraph 1). [6]
- (c) Analyse how a reduction in the value of the pound against the euro could cause a reduction in real wages in the UK (paragraph 2). [9]
- (d) Critically examine the view that reducing under-employment and economic inactivity should be the government's number one economic priority. [15]

Section C: Essays

Answer one question (20 marks)

- 8 A report from the International Monetary Fund has called upon member countries to make greater use of fiscal policy to encourage economic growth and avoid deflation. The report states that loose monetary policy alone is insufficient to stimulate the world economy and that focused spending on infrastructure projects would create a welcome boost to both AD and AS.

Critically examine the view that the time has come for the UK government to abandon the austerity project and increase government spending to boost the economy. [20]

- 9 Respected economist Joseph Stiglitz has urged governments to abandon GDP as a measure of economic welfare and develop a new measure which truly captures the economic well-being of a nation. In a speech to economy ministers and business leaders in Davos, he stated that “GDP is not a good measure of economic performance or well-being.”

Critically examine the view that governments should cease to measure GDP. [20]

THIS IS THE END OF THE QUESTION PAPER

Sources

Fig.1....."UK labour market: June 2017. © Office for National Statistics Contains public sector information licensed under the Open Government Licence v3.0.

Q7....."Adapted from Employment statistics tell skewed story about UK jobs market by Katie Allen, 06 August 2017 © The Guardian

Adapted from UK pay squeeze intensifies as real wages continue to fall, 12 July 2017 © The Guardian

Adapted from Wage growth still lagging behind inflation: ONS by John-Paul Ford Rojas, Business Reporter, 12 July 2017 © Sky News

Q9.....Adapted from GDP is not a good measure of wellbeing – it's too materialistic by Joseph Stiglitz, 03 December 2018. © The Guardian

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