

Paper Reference 8EC0/02
Pearson Edexcel
Level 3 GCE

Total Marks

Economics A

Advanced Subsidiary
Paper 2: The UK Economy –
Performance and Policies

Monday 22 May 2017 – Morning

Time: 1 hour 30 minutes plus your
additional time allowance.

In the boxes below, write your name,
centre number and candidate number.

Surname					
Other names					
Centre Number					
Candidate Number					

Y49602A

You do not need any other materials.

YOU WILL BE GIVEN

Data Book

INSTRUCTIONS

**There are two sections in this
Question Paper.**

Answer ALL questions in Section A.

**In Section B, answer ALL of questions 6(a)
to 6(e) and ONE question from 6(f) or 6(g)**

**Answer the questions in the spaces
provided in this Question Paper or in the
Data Book – there may be more space
than you need.**

Turn over

INFORMATION

The total mark for this paper is 80

The marks for EACH question are shown in brackets – use this as a guide as to how much time to spend on each question.

Calculators may be used.

There may be spare copies of some data sheets.

ADVICE

Read each question carefully before you start to answer it.

Check your answers if you have time at the end.

SECTION A

Answer ALL questions. Write your answers in the spaces provided.

Some questions are multiple choice. Write the letter(s) of your chosen answer(s) in the box(es) provided.

You are advised to spend 25 minutes plus some of your additional time allowance on this section.

Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

Turn over

- 1. (a) Refer to the table for
Question 1(a) in the Data Book.
Calculate the percentage change
in the UK Consumer Prices
Index from September 2014
to September 2015. You are
advised to show your working.
(2 marks)**

(continued on the next page)

Turn over

1. continued.

(b) Define the term 'deflation'.

(1 mark)

(continued on the next page)

Turn over

1. continued.

(c) Which ONE of the following is most likely to be a cause of deflation? A fall in:

- A oil prices**
- B unemployment**
- C income tax rates**
- D interest rates**

Answer

(1 mark)

(Total for Question 1 = 4 marks)

Turn over

2. Between 2008 and 2014 the number of people in the UK looking to work longer hours and therefore receive more total pay increased from 76 482 to 142 788. Over the same period the unemployment rate fell to 5.7%

(Sources: <https://www.gov.uk/government/statistics/numbers-of-part-timers-seeking-full-time-employment> and <http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Unemployment+Rates#tab-data-tables>)

- (a) With reference to the statement above, explain the term 'under-employment'.

(3 marks)

Answer lines are on the next two pages.

Turn over

2. (a) continued.

Turn over

2. (a) continued.

(continued on the next page)

Turn over

2. continued.

(b) Which ONE of the following is the most likely reason for a fall in the unemployment rate?

- A Increasing unemployment benefit payments**
- B Decreasing real GDP**
- C Decreasing funding for apprenticeships**
- D Increasing consumer spending**

Answer

(1 mark)

(Total for Question 2 = 4 marks)

Turn over

3. (a) Refer to the diagram for Question 3(a) in the Data Book. Which ONE of the following can be inferred from the chart?
- A** The UK's real GDP is smaller in 2014 than it was in 2008
 - B** Between 2008 and 2014 France's real GDP growth rate was higher than Italy's
 - C** Between 2008 and 2014 inflation was lower in France than in the UK
 - D** France experienced a greater fall in real GDP than the UK in 2014

Answer

(1 mark)

(continued on the next page)

Turn over

3. continued.

(b) Define the term 'real GDP'.

(2 marks)

(continued on the next page)

Turn over

3. continued.

- (c) Refer to the diagram for
Question 3(c) in the Data Book.
Illustrate a negative output gap
on the diagram.
(1 mark)**

(Total for Question 3 = 4 marks)

4. The Chancellor announced in the **2015 Budget** that the personal allowance (the annual income that can be earned before starting to pay income tax) would increase from **£10 600 to £11 000** in April **2016**. This means most consumers will pay less income tax.

(Source: adapted from <http://www.telegraph.co.uk/finance/personalfinance/how-budget-affect-me/11721785/Budget-2015-what-to-expect-for-income-tax-and-the-personal-allowance.html>)

(continued on the next page)

4. continued.

- (a) Refer to the diagram for Question 4(a) in the Data Book. Annotate the aggregate demand and aggregate supply diagram to show the likely impact of the increase in the personal allowance on the UK's price level and real output.**
- (2 marks)**

(continued on the next page)

4. continued.

(b) Define the term 'direct tax'.

(1 mark)

(continued on the next page)

Turn over

4. continued.

(c) Which ONE of the following is an example of a direct tax?

A Value Added Tax

B Vehicle Excise Duty

C Corporation tax

D Alcohol duty

Answer

(1 mark)

(Total for Question 4 = 4 marks)

Turn over

- 5. Refer to the diagram for Question 5 in the Data Book.**

The chart shows the results from a survey of UK consumers' confidence in their financial situation.

A negative balance means that, on average, consumers reported their financial situation got worse, a positive balance means they reported it improved and a zero balance indicates no change. This is recorded on a scale from -100 to $+100$

(continued on the next page)

5. continued.

(a) Explain ONE likely reason for the change in consumer confidence between 2012 and 2015

(3 marks)

Answer lines continue on the next page.

Turn over

5. (a) continued.

(continued on the next page)

Turn over

5. continued.

(b) Which ONE of the following is most likely to result from an improvement in UK consumer confidence? A decrease in the marginal propensity to:

Select ONE answer from the options on the next page and write the letter in the box provided.

(continued on the next page)

Turn over

5. (b) continued.

A consume

B tax

C import

D save

Answer

(1 mark)

(Total for Question 5 = 4 marks)

TOTAL FOR SECTION A = 20 MARKS

Turn over

SECTION B

**Read Figure 1, Figure 2 and
Extract A for Question 6 in the
Data Book before answering
Question 6**

**Answer ALL Questions 6(a) to
6(e), and EITHER Question 6(f) OR
Question 6(g)**

**You are advised to spend 1 hour
and 5 minutes plus some of your
additional time allowance on this
section.**

Turn over

- 6. (a) With reference to Figure 1, explain the term ‘net trade’.**
(4 marks)
- (b) With reference to the information provided and your own knowledge, assess the likely causes of the UK’s trade deficit.**
(10 marks)
- (c) With reference to Extract A, paragraph 2, explain ONE likely influence on UK investment.**
(5 marks)

(continued on the next page)

Turn over

6. continued.

(d) With reference to Figure 2 and Extract A, explain TWO likely reasons why the growth of the UK's nominal GDP per capita at PPPs was slower than that of Germany after 2010
(6 marks)

(e) Evaluate policies the government could use to increase the UK's productivity.
(15 marks)

(continued on the next page)

Turn over

6. continued.

EITHER

- (f) Evaluate the benefits of economic growth to the UK given that ‘a number of concerns remain’ in the UK economy (Extract A, line 9). (20 marks)**

OR

- (g) Evaluate the view that another recession is ‘inevitable’ in the UK (Extract A, line 35). (20 marks)**

Turn over

6. (a) With reference to Figure 1,
explain the term 'net trade'.

(4 marks)

Answer lines continue on the
next two pages.

Turn over

6. (a) continued.

Turn over

6. (a) continued.

(continued on the next page)

Turn over

6. continued.

(b) With reference to the information provided and your own knowledge, assess the likely causes of the UK's trade deficit.

(10 marks)

Answer lines continue on the next seven pages.

Turn over

6. (b) continued.

Turn over

6. (b) continued.

Turn over

6. (b) continued.

Turn over

6. (b) continued.

Turn over

6. (b) continued.

Turn over

6. (b) continued.

Turn over

6. (b) continued.

(continued on the next page)

Turn over

6. continued.

**(c) With reference to Extract A,
paragraph 2, explain ONE likely
influence on UK investment.**

(5 marks)

**Answer lines continue on the
next three pages.**

Turn over

6. (c) continued.

Turn over

6. (c) continued.

Turn over

6. (c) continued.

(continued on the next page)

Turn over

6. continued.

(d) With reference to Figure 2 and Extract A, explain TWO likely reasons why the growth of the UK's nominal GDP per capita at PPPs was slower than that of Germany after 2010

(6 marks)

Answer lines continue on the next three pages.

Turn over

6. (d) continued.

Turn over

6. (d) continued.

Turn over

6. (d) continued.

(continued on the next page)

Turn over

6. continued.

(e) Evaluate policies the government could use to increase the UK's productivity.

(15 marks)

Answer lines continue on the next twelve pages.

Turn over

6. (e) continued.

Turn over

6. (e) continued.

Turn over

6. (e) continued.

Turn over

6. (e) continued.

Turn over

6. (e) continued.

Turn over

6. (e) continued.

Turn over

6. (e) continued.

Turn over

6. (e) continued.

Turn over

6. (e) continued.

Turn over

6. (e) continued.

Turn over

6. (e) continued.

Turn over

6. (e) continued.

(continued on the next page)

Turn over

6. continued.

EITHER

- (f) Evaluate the benefits of economic growth to the UK given that ‘a number of concerns remain’ in the UK economy (Extract A, line 9).
(20 marks)**

OR

- (g) Evaluate the view that another recession is ‘inevitable’ in the UK (Extract A, line 35).
(20 marks)**

(continued on the next page)

Turn over

6. continued.

Indicate which question you are answering by marking a cross in the box. If you change your mind, put a line through the box and then indicate your question with a cross.

Chosen Question Number:

Question 6(f)

☐

Question 6(g)

☐

Answer lines are on the next thirteen pages.

Turn over

Turn over

(Total for Question 6 = 60 marks)

TOTAL FOR SECTION B = 60 MARKS

TOTAL FOR PAPER = 80 MARKS

END OF PAPER

Turn over

Every effort has been made to contact copyright holders to obtain their permission for the use of copyright material. Pearson Education Ltd. will, if notified, be happy to rectify any errors or omissions and include any such rectifications in future editions.