



Oxford Cambridge and RSA

**Monday 22 May 2023 – Morning**

**AS Level Economics**

**H060/02 Macroeconomics**

**Time allowed: 1 hour 30 minutes**



**You can use:**

- a scientific or graphical calculator



Please write clearly in black ink. **Do not write in the barcodes.**

Centre number

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Candidate number

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First name(s) \_\_\_\_\_

Last name \_\_\_\_\_

**INSTRUCTIONS**

- Use black ink. You can use an HB pencil, but only for graphs and diagrams.
- Write your answer to each question in the space provided. If you need extra space use the lined pages at the end of this booklet. The question numbers must be clearly shown.
- Answer **all** the questions in Sections A and B and **one** question in Section C.

**INFORMATION**

- The total mark for this paper is **60**.
- The marks for each question are shown in brackets [ ].
- Quality of extended response will be assessed in questions marked with an asterisk (\*).
- This document has **20** pages.

**ADVICE**

- Read each question carefully before you start your answer.

**2**  
**SECTION A**

Write your answer to each question in the box provided.

**1** Which of these is a tool of monetary policy?

- A** Income tax
- B** Interest rates
- C** Subsidies to firms
- D** Welfare payments

Your answer

[1]

**2** Frictional unemployment occurs when:

- A** cheap steel from abroad reduces demand for UK steelworkers
- B** farm workers do not have a job during the winter months
- C** the economy is in a period of recession
- D** workers are transferring between jobs

Your answer

[1]

**3** Which economic activity is found in the secondary sector?

- A** Banking
- B** Growing corn
- C** Producing cars
- D** Providing insurance

Your answer

[1]

**4** Competition policy is an example of:

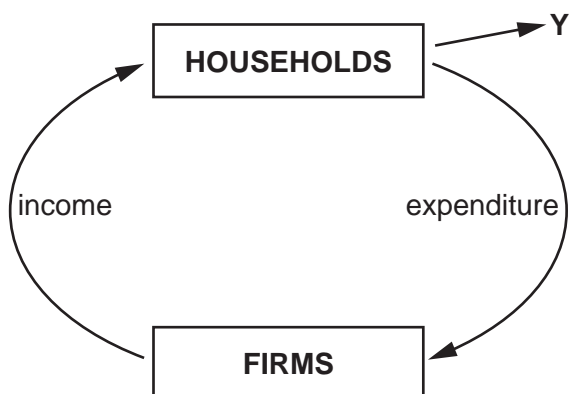
- A** exchange rate policy
- B** fiscal policy
- C** monetary policy
- D** supply side policy

Your answer

[1]

3

5 The diagram shows the circular flow of income.



Which of these could be shown by **Y** on the diagram?

- A Exports
- B Government expenditure
- C Investment
- D Savings

Your answer

[1]

6 What is **included** in the calculation of RPI inflation but **excluded** from the calculation of CPI inflation?

- A Children's clothes
- B Council tax
- C Medicines
- D Petrol

Your answer

[1]

7 What will lead to an upward movement along the aggregate demand curve?

- A An increase in consumption
- B An increase in government expenditure
- C An increase in investment
- D An increase in the price level

Your answer

[1]

4

8 The table shows components of the balance of payments for a country in 2020.

	£bn
Capital transfers	15
Exports of goods and services	75
Foreign direct investment	20
Imports of goods and services	60
Portfolio investment	30
Primary income	25
Secondary income	10

What was the current account balance in 2020?

- A £50 bn
- B £100 bn
- C £115 bn
- D £170 bn

Your answer

[1]

9 Which of these is a method to calculate a country's gross domestic product?

- A Expenditure
- B Financial account
- C Input
- D Labour force survey

Your answer

[1]

5

10 The table shows the tax paid by an individual at different levels of income.

Annual income	Tax paid
£20 000	£1000
£25 000	£2000
£30 000	£3000
£35 000	£3500
£40 000	£4500

What is the change in the average tax rate for an individual if their annual income increases from £25 000 to £30 000?

- A 2%
- B 8%
- C 10%
- D 20%

Your answer

[1]

6

11 The chart shows the Yen to Sterling (£) exchange rate between 2016 and 2019.



What was the change in the exchange rate between 2016 and 2019?

- A Sterling appreciated by 29%
- B Sterling depreciated by 22%
- C Yen appreciated by 29%
- D Yen depreciated by 22%

Your answer

[1]

12 What is the **most** likely impact of legislation to reduce the power of trade unions?

- A Aggregate demand shifts left
- B Aggregate demand shifts right
- C Aggregate supply shifts left
- D Aggregate supply shifts right

Your answer

[1]

7

13 The table shows the nominal GDP for a country.

Year	Nominal GDP (£m)
2020	200 000
2021	300 000

Between 2020 and 2021 the rate of inflation was 5%.

The population of the country was 10 million in 2020 and increased by 8% in 2021.

What is the country's real GDP per capita in 2021, at 2020 prices (to the nearest pound)?

- A £19 444
- B £26 455
- C £27 778
- D £28 571

Your answer

[1]

14 Which of these would be the **most** effective in reducing expenditure on imports?

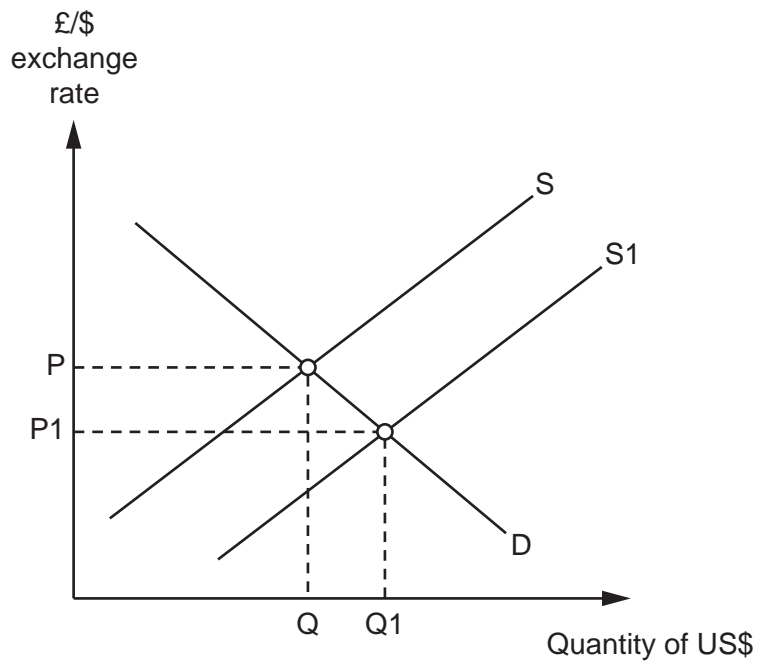
- A Increased government expenditure on welfare payments
- B Increased indirect taxation
- C Reduced interest rates
- D Reduced research and development subsidies for UK firms

Your answer

[1]

8

15 The diagram shows the exchange rate of Sterling (£) to US dollars (\$).



What may have caused the supply curve for US dollars to shift from S to S1?

- A A decrease in exports from the US
- B A decrease in imports to the US
- C An increase in exports from the US
- D An increase in imports to the US

Your answer

[1]



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## SECTION B

**UK government spending pushes debt to £2 trillion**

The UK national debt has risen above £2 trillion due to spending to support the economy during the coronavirus pandemic. This comes mainly from the introduction of public health measures and new government policies to support businesses and individuals.

In July 2020, the Chancellor announced a package worth up to £30 bn, which includes plans to protect jobs, help younger workers and encourage spending. This includes the 'Job Retention Scheme', where struggling employers can put their workers on furlough. This means they temporarily stop working and the government pays them 80% of their wages, up to a maximum of £2500 per month. In most cases, the alternative would have been for the employers to make some or all of their workers redundant. Increases were also announced to some welfare payments for the unemployed. 5 10

A number of training initiatives have also been introduced to provide support for young workers. These include:

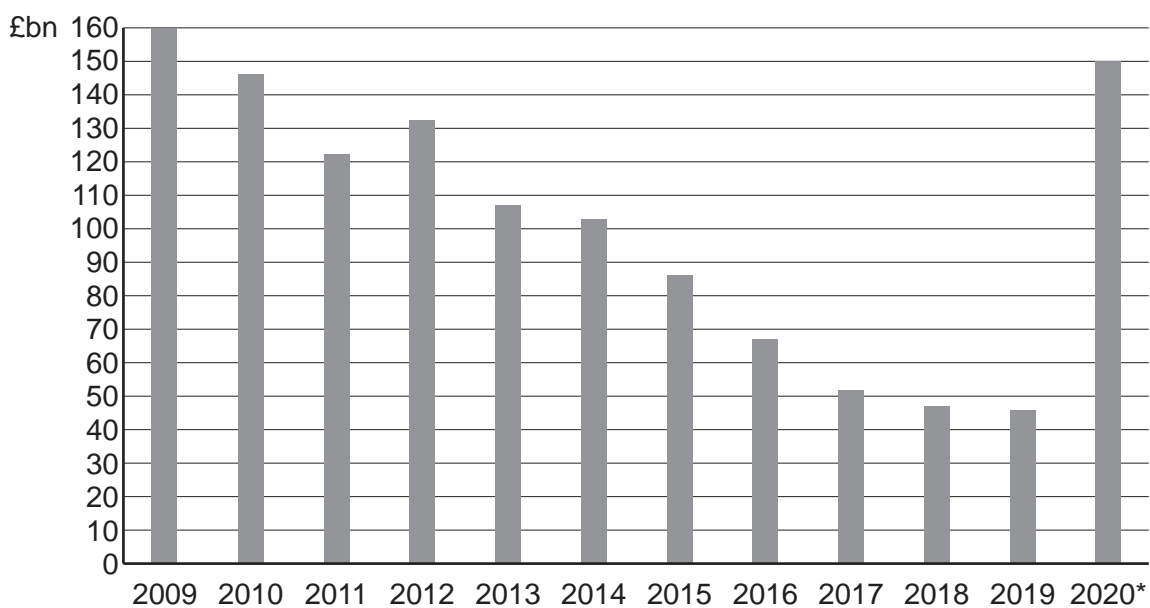
- the 'Kickstart scheme' which is a £2 bn fund to pay for six-month work placements for 16 to 24-year-olds who are on universal credit
- a £1000 grant for employers who take on a new trainee aged 16–24 with the aim to triple trainee numbers 15
- doubling the number of work coaches at Jobcentre Plus centres with extra help for young jobseekers
- £150 m for the 'Flexible Support Fund' which provides help for jobseekers.

Measures have also been announced to improve energy efficiency and infrastructure. These include £1 bn of grants to public sector organisations to improve energy efficiency and £50 m to improve the energy efficiency of socially rented homes. A £5.6 bn package of infrastructure measures was also announced, including hospitals, school buildings, transport and housing. 20

The sales tax (VAT) included in the price of food, accommodation and leisure attractions will also be cut from 20% to 5% until at least March 2021. Tax revenue has been hit hard by the pandemic as people and businesses earn and spend less. 25

Source: Adapted from [bbc.co.uk/news](http://bbc.co.uk/news), Summer 2020

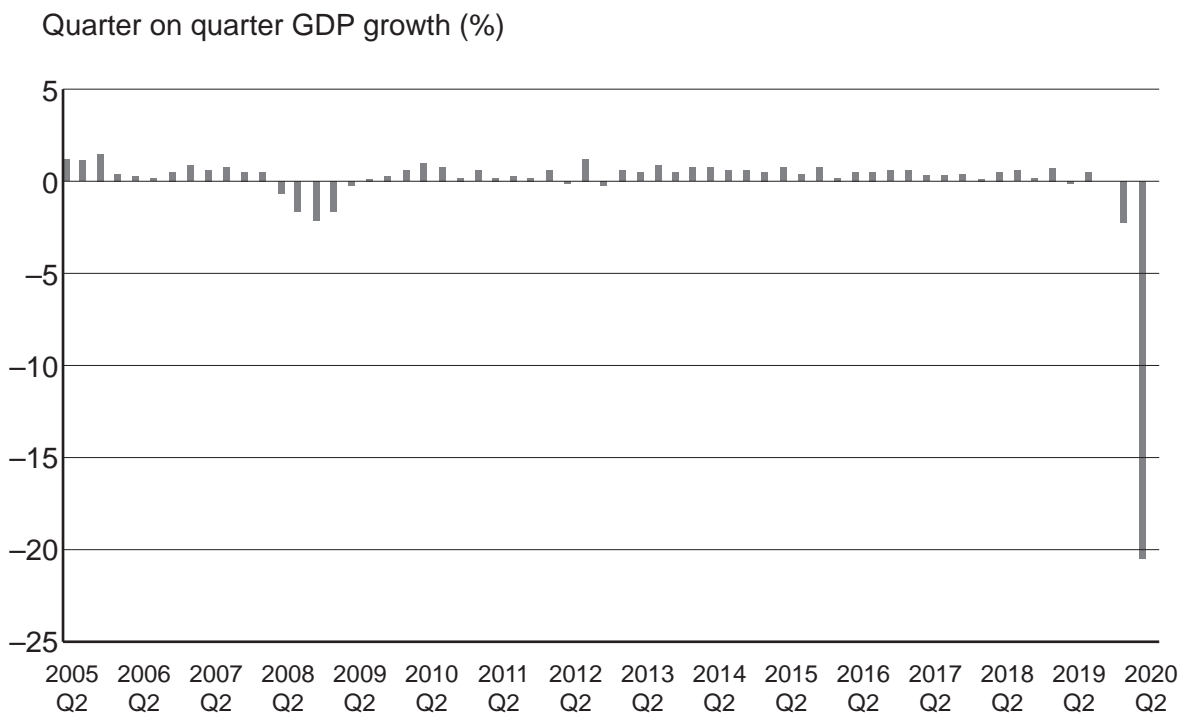
**Fig. 1**  
**UK Government Budget Deficit 2009–2020**



\*2020 data is up to July only

Source: ONS

**Fig. 2**  
**UK GDP Growth (Q2 2005 to Q2 2020)**



Source: ONS

16 (a) Using Fig. 1, explain the difference between the government budget deficit and the national debt.

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(b) (i) Using Fig. 2, explain at what stage of the economic cycle the UK economy was in Q2 2020.

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(ii) Lines 9–10 refer to increases in welfare payments for the unemployed.

Explain **one** impact this may have on the supply of labour.

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..... [2]

(c) **Lines 13–19** refer to a number of training initiatives announced by the UK government.

Using a diagram, explain what impact this is likely to have on long run economic growth in the UK.

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(d) Using information from the case study, explain the difference between government current expenditure and government capital expenditure.

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(e)\* Evaluate how the change in income for employees placed on furlough may have affected UK consumption. [10]

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**SECTION C**

Answer Question 17 **or** Question 18.

**17\*** The Central Bank of Australia’s inflation rate target is between 2% and 3%.  
In 2019, Australia’s inflation rate increased from 1.3% to 1.8%.  
During 2019, the interest rate in Australia was gradually reduced from 1.5% to 0.75%.

Evaluate, using an appropriate diagram(s), the effects of a change in interest rates on the Australian government’s ability to achieve macroeconomic objectives.

**[20]**

**OR**

**18\*** Governments have a number of economic objectives that they would like to achieve in the long run.  
In developing countries, such as Botswana, governments may need to focus on different objectives compared to developed countries.  
In 2019, the unemployment rate in the UK was 4% whilst it was 18% in Botswana.

Evaluate, using an appropriate diagram(s), the effects of an increase in aggregate demand on macroeconomic indicators.

**[20]**

Question No. ....

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**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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