OCR
Oxford Cambridge and RSA

# Thursday 5 June 2025 – Morning

## A Level Economics

## H460/03 Themes in economics

**Time allowed: 2 hours**

**You can use:**
- a scientific or graphical calculator

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

| Centre number | | | | | | Candidate number | | | | |
|---|---|---|---|---|---|---|---|---|---|---|

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.

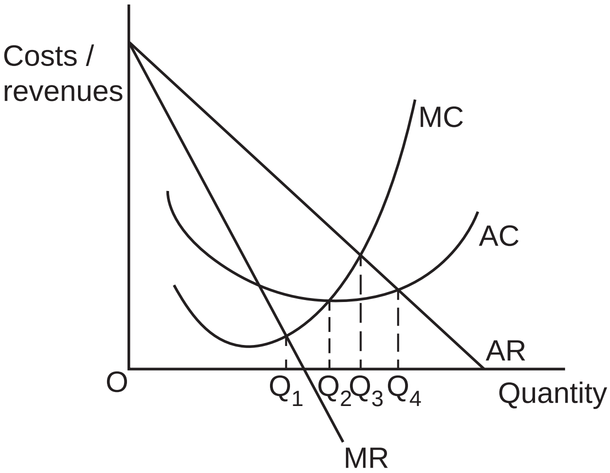
### INFORMATION
- The total mark for this paper is **80**.
- The marks for each question are shown in brackets **[ ]**.
- Quality of extended response will be assessed in questions marked with an asterisk (*).
- This document has **28** pages.

### ADVICE
- Read each question carefully before you start your answer.

## Section A

Write your answer to each question in the box provided.

**1** Which point on the diagram represents productive efficiency for the firm?




**A** $Q_1$

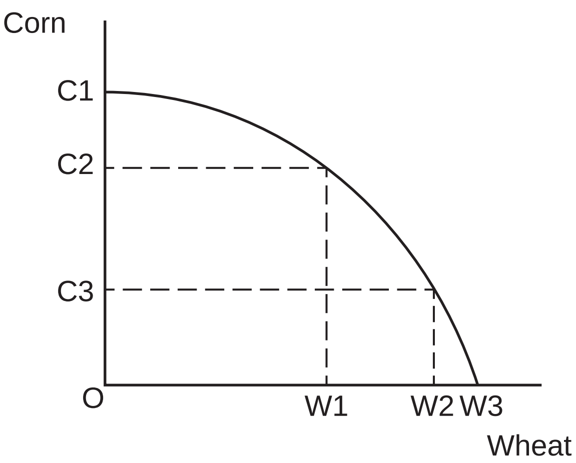
**B** $Q_2$

**C** $Q_3$

**D** $Q_4$

Your answer ☐ **[1]**

**2** In the diagram what represents the opportunity cost of increasing production of wheat from W1 to W2?




**A** C1 to C2

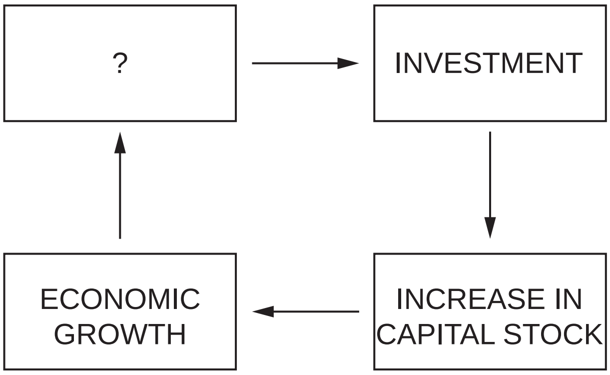
**B** C1 to C3

**C** C2 to C3

**D** W2 to W3

Your answer ☐ **[1]**

**3** What is missing from the Harrod-Domar model?




**A** Banks

**B** Exports

**C** Microfinance

**D** Saving

Your answer **[1]**

**4** The UK government imposes a tariff on imports of steel from Japan.
In retaliation the Japanese government imposes protectionist policies on UK firms.

What is a likely outcome for the UK economy?

**A** An increase in exports to Japan

**B** An increase in imports from Japan

**C** An increase in the consumer surplus in the steel market

**D** An increase in unemployment in UK exporting industries

Your answer **[1]**



**Turn over**

**5** Country A is experiencing a long-term improvement in the terms of trade.
Country B is experiencing a long-term deterioration in the terms of trade.

What is the likely impact?

**A** An increase in inequality between country A and country B

**B** An increase in inequality within country A and within country B

**C** An increase in living standards in country B

**D** An increase in the number of exports country A needs to sell in order to buy the same quantity of imports

Your answer [ ] **[1]**

**6** Which of these are in joint supply?

**A** Beef and leather

**B** Carrots and potatoes

**C** iPhones and iPhone chargers

**D** Buildings and brick layers

Your answer [ ] **[1]**

**7** The price elasticity of supply (PES) of tomatoes is 0.2.
At a price of £2.40 per Kg the supply of tomatoes is 130 000 Kg.

What would be the new quantity of tomatoes supplied if the price of tomatoes increased to £3.00 per Kg?

**A** 132 600 Kg

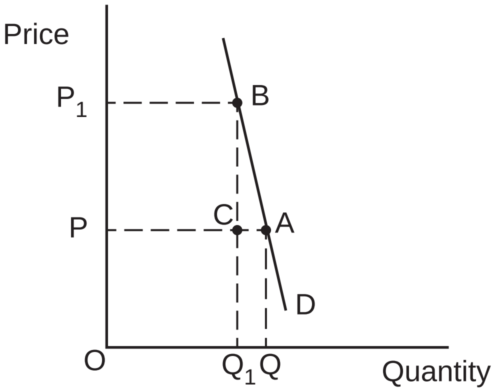
**B** 135 200 Kg

**C** 136 500 Kg

**D** 292 500 Kg

Your answer [ ] **[1]**

**8** The diagram shows the price of the good increase from P to $P_1$.




What is the change in the total revenue for the firm?

**A** C B A

**B** P A Q O – P C $Q_1$ O

**C** $P_1$ B C P – C A Q $Q_1$

**D** $P_1$ B $Q_1$ O

Your answer ☐ **[1]**

**9** At what quantity of labour do diminishing returns set in?

| **Units of Labour** | **Total Product** | **Marginal Product** |
|---|---|---|
| 1 | 5 | 5 |
| 2 | 12 | 7 |
| 3 | 20 | 8 |
| 4 | 26 | 6 |
| 5 | 28 | 2 |
| 6 | 27 | –1 |

**A** 3

**B** 4

**C** 5

**D** 6

Your answer ☐ **[1]**

**10** When is a firm most likely to be x-efficient?

**A** It operates under monopolistic competition in the short run

**B** It operates under monopoly

**C** It operates under oligopoly

**D** It operates under perfect competition in the long run

Your answer [1]

**11** Which components of aggregate demand (AD) could a change in interest rates affect?

**A** C

**B** C + I

**C** C + I + G + (X – M)

**D** C + I + (X – M)

Your answer [1]

**12** Which country has the highest terms of trade?

| | **Index of export prices** | **Index of import prices** |
|---|---|---|
| Australia | 110 | 108 |
| Nigeria | 84 | 92 |
| Sri Lanka | 106 | 97 |
| UK | 102 | 96 |

**A** Australia

**B** Nigeria

**C** Sri Lanka

**D** UK

Your answer [1]

**13** A firm increases the price of the good from £5 to £6.

| **Price** | **Quantity Demanded** |
|---|---|
| £3 | 10 |
| £4 | 9 |
| £5 | 8 |
| £6 | 7 |
| £7 | 6 |

What is the marginal revenue as a result of this price change?

**A** £1

**B** £2

**C** £4

**D** £42

Your answer ☐ **[1]**

**14** Workers spend 90% of an increase in their income.

What is most likely to explain this significant increase in their consumption?

**A** Interest rates will remain high

**B** The change in their income is temporary

**C** Their jobs will remain secure

**D** There will be deflation

Your answer ☐ **[1]**

**15** What type of unemployment could be caused by the imposition of a minimum wage that is significantly higher than the equilibrium wage rate?

**A** Cyclical

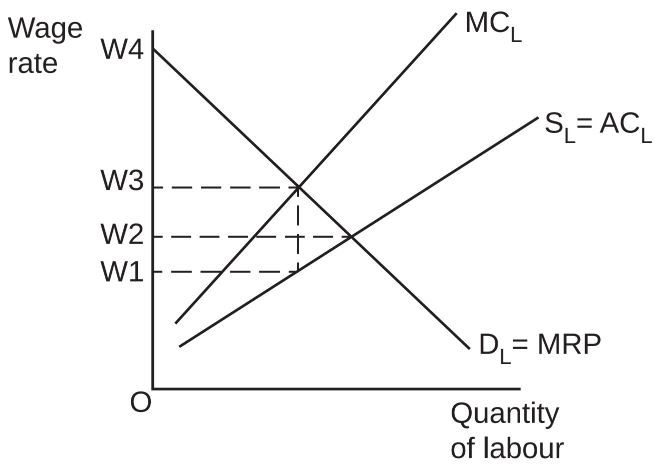
**B** Frictional

**C** Real wage

**D** Structural

Your answer ☐ **[1]**

**16** On the diagram what is the wage rate that a monopsony employer will pay?




**A** W1

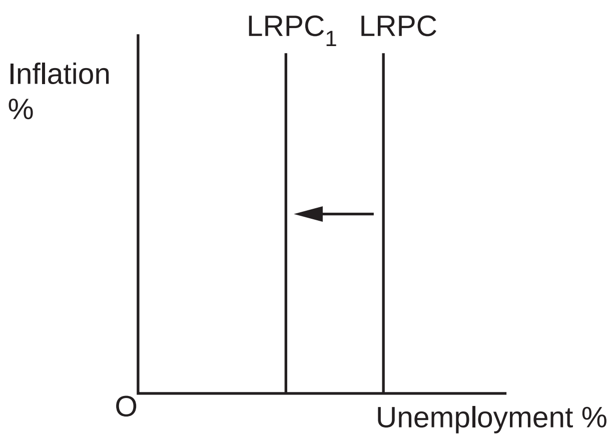
**B** W2

**C** W3

**D** W4

Your answer [1]

**17** What could have caused the shift in the long run Phillips curve in the diagram?




**A** A fall in energy prices

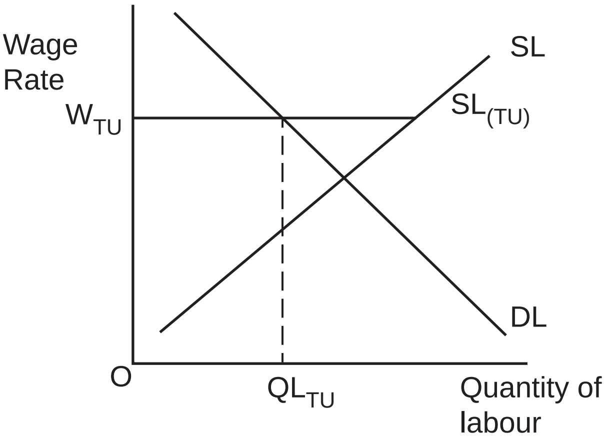
**B** An increase in corporation tax rates

**C** An increase in emigration

**D** An increase in spending on education and training

Your answer [1]

**18** The diagram shows the effect of trade union activity on a labour market.




What assumption does the diagram make about the trade union?

**A** All workers and potential workers in the industry are members of the trade union

**B** The firm does not have an available capital substitute for the workers in the trade union

**C** The public are sympathetic to the cause of the trade union

**D** The trade union charges workers a fee to be a member

Your answer ☐ **[1]**

**19** Which of these is an example of a supply side policy?

**A** A programme of quantitative easing

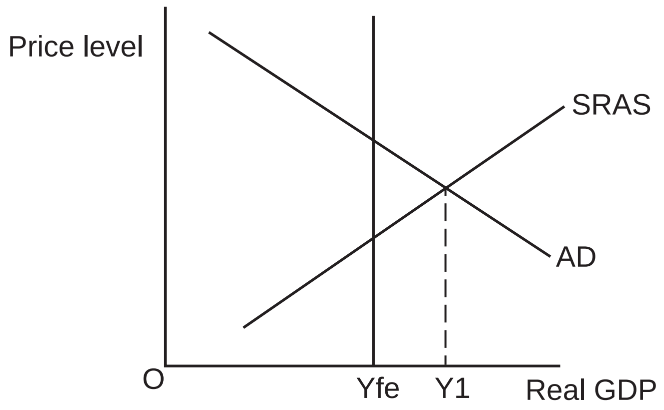
**B** Devaluing the currency

**C** Increasing income tax rates

**D** Investing in infrastructure

Your answer ☐ **[1]**

**20** What is a consequence of an economy operating with the output gap shown in the diagram?




**A** A fall in imports

**B** A fall in wage rates

**C** An easing in inflationary pressure

**D** A shortage of labour

Your answer **[1]**

**21** Which of these characteristics would be found in a perfectly contestable market in the long run?

| | | |
|---|---|---|
| **A** | High entry barriers | Normal profit |
| **B** | Many firms | Supernormal profit |
| **C** | No entry barriers | Normal profit |
| **D** | Supernormal profit | Low entry barriers |

Your answer **[1]**

**22** A teacher leaves their £40 000 per year job to start a business.
In the first year the business makes £80 000 in revenue and incurs costs of £50 000.
The teacher used a property that they owned as their business premises.
The property was previously rented out for £12 000 per year.

What was the economic profit for the first year of the business?

**A** – £22 000

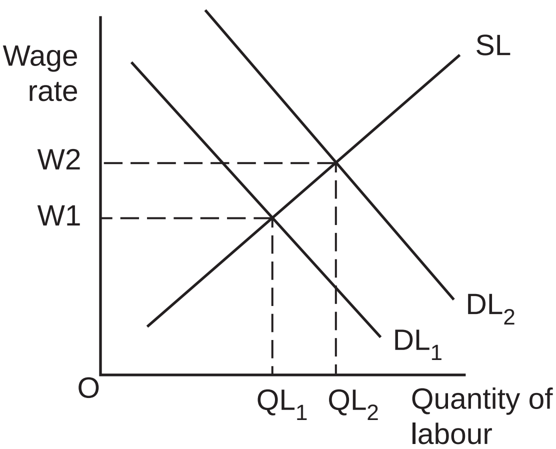
**B** £18 000

**C** £30 000

**D** £58 000

Your answer ☐ **[1]**

**23** What is the most likely cause of the change in the labour market shown on the diagram?




**A** A fall in demand for the good the labour produces

**B** An increase in the productivity of workers

**C** An increase in the wage rate in a related labour market

**D** A reduction in the entry barriers faced by workers to enter the market

Your answer ☐ **[1]**

**24** According to neo-classical economists, what is the most effective way to increase long run aggregate supply (LRAS)?

**A** Increasing government current expenditure

**B** Increasing spending on education and training

**C** Lowering indirect tax rates

**D** Lowering the rate of interest

Your answer ☐ **[1]**

**25** What stage of the economic cycle was the UK in between Q3 2008 and Q3 2009?

**A** Boom

**B** Recession

**C** Recovery

**D** Slowdown

Your answer ☐ **[1]**

**26** If a government operates a fixed exchange rate system it might encounter which of these problems?

**A** A conflict of objectives when setting monetary policy

**B** A loss of revenue from the removal of tariffs

**C** An increase in uncertainty leading to a fall in international trade

**D** An increase in uncertainty leading to a fall in investment

Your answer ☐ **[1]**

**27** Which characteristic of a firm operating under conditions of oligopoly is **not** also a characteristic of a pure monopolist?

**A** The firm is a price maker

**B** The firm is productively inefficient

**C** The firm may engage in non-price competition

**D** The firms may make a supernormal profit

Your answer ☐ **[1]**

**28** In 2021, the population of Argentina was 45 million and GDP was $485 billion.
In 2022, the population increased by 1% and GDP rose to $499.95 billion.

What was the increase in the GDP per capita from 2021 to 2022? Round to the nearest whole number.

**A** – $678

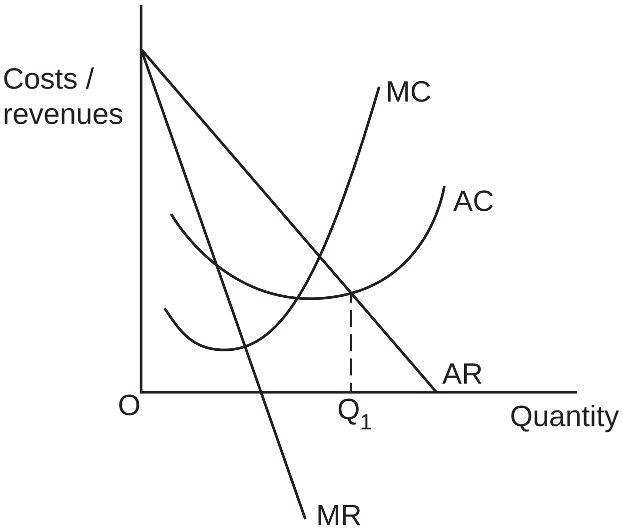
**B** $90

**C** $222

**D** $332

Your answer ☐ **[1]**

**29** If a firm is operating a quantity of $Q_1$ which objective is it most likely pursuing?




**A** Corporate social responsibility

**B** Profit maximisation

**C** Sales revenue maximisation

**D** Sales volume maximisation

Your answer ☐ **[1]**

**30** The financial regulator increases the reserve ratio imposed on banks.

How might this affect market interest rates?

**A** They might decrease as banks are likely to try to attract more borrowers

**B** They might decrease as households are likely to save less

**C** They might increase as households are likely to hoard cash to maintain their liquidity

**D** They might increase as the supply of loanable funds provided by banks are likely to fall

Your answer ☐ **[1]**

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Section B starts on the next page

## Section B

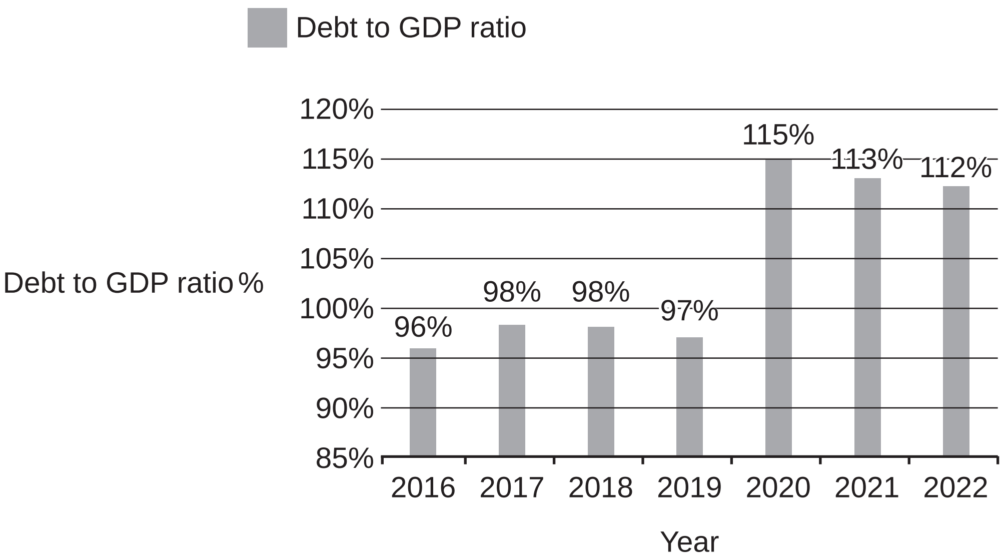
Read the extracts before answering the questions.

**Extract 1**
**Pension age in France**

In April 2023 French President, Emmanuel Macron, raised the age at which French citizens could claim their state pension from 62 to 64. This came after months of protests across France since Macron first announced the policy change which would see workers needing to work an additional 2 years before receiving their pension.

Macron pointed to the cost of pensions being unsustainable with the tax burden on those of working age being too great. The number of working age people per pensioner has decreased from 2.1 to 1.7 in the last 20 years due to increasing life expectancy. Macron has expressed concern about France's national debt which can be seen in Fig. 1.1.

**Fig. 1.1 France government debt to GDP ratio 2016 to 2022**




France's GDP has increased post-pandemic and was $3125 billion in 2022 but the debt to GDP ratio has not fallen significantly.

Supporters of the policy have also pointed to potential improvements it could make to the labour market. These include a larger labour force and possible improvements in labour market flexibility.

However, the policy met fierce criticism from many French people. Trade unions took strike action and demonstrators took to the streets. Many were concerned about the impact on older people who may find it more difficult to find or retain jobs past the age of 62. Others mentioned the negative effects on labour markets with older workers staying in jobs longer meaning it would be more difficult for young people to find employment. Firms could be adversely affected if older workers had lower productivity than younger workers.

The impact on inequality was also a concern. The policy could have a greater impact on those on low incomes who do not have a private pension or asset wealth to fall back on. Also, those in manual jobs would find it harder to work past 62 than those in office-based jobs.

**31** Using the data in **Fig. 1.1** and information in **Extract 1**, calculate France's national debt in 2022 in US Dollars ($).

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**32** Explain, using an appropriate diagram, the impact on the French labour market of an increase in the pensionable age.

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**33*** Evaluate, using the information in **Extract 1**, whether raising the pensionable age in France will benefit the macroeconomy. **[15]**

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**Extract 2**
**Taxing Tourism**

France has, for over 100 years, been imposing a specific tax on tourist stays, the *taxe de sejour*. In April 2023 Manchester became the first UK city to impose such a tax. Tourists to Manchester now need to pay £1 per room per night if staying within the city. Estimates suggest this tax could raise as much as £30 million and that if the tax was applied across the UK it would raise over £400 million. Many countries across Europe already impose tourist taxes and other UK cities including Edinburgh, Bath and Oxford have considered introducing one.

Although cities, such as Manchester, are keen to attract tourists there may be some disadvantages for local residents. Tourists may cause congestion on roads and public transport as well as generating waste that needs to be cleaned up. Some cities complain that properties being used for tourist accommodation reduces the supply of affordable housing for local residents.

There have been some critics of tourist taxes. Plans to introduce further tourist taxes in Venice were met with protests from locals who were worried that it would reduce the number of visitors. Other people have questioned whether UK residents should have to pay the tax in Manchester if they are visiting the city.

Annie Brown, the Chair of the organisation set up in Manchester to administer the new tax, is positive about its impacts. She said the tax revenue could be used to ‘improve the visitor experience’ including being able to fund future events and festivals in Manchester. She said the £1 per night tax was not off-putting for visitors and is a small amount compared to that charged by other European cities.

Tourist spending in the UK is counted as an export on the current account of the balance of payments. In recent years there has been concern about falling numbers of tourists visiting the UK. Research by Visit Britain has found that, post-Brexit, French and German tourists have been avoiding the UK due to increased restrictions on travel. Fig. 2.1 shows the export revenue from tourist spending in the UK alongside the total value of all exports.

**Fig. 2.1 Tourist revenues and total export revenues for UK (2015 to 2018)**

| Year | Value of tourist spending (£m) | Value of total exports (£m) |
|---|---|---|
| 2015 | £23 898 | £123 200 |
| 2016 | £25 343 | £142 700 |
| 2017 | £28 176 | £162 100 |
| 2018 | £26 691 | £185 300 |

**34*** Evaluate, using an appropriate diagram(s) and the information in **Extract 2**, the impact on the tourism market in Manchester of the introduction of a specific tax on providers of tourist accommodation. **[15]**

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**35** Using the data in **Fig. 2.1**, explain what has happened to tourist revenues as a share of total exports in the UK from 2015 to 2018.

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**Turn over for the next question**

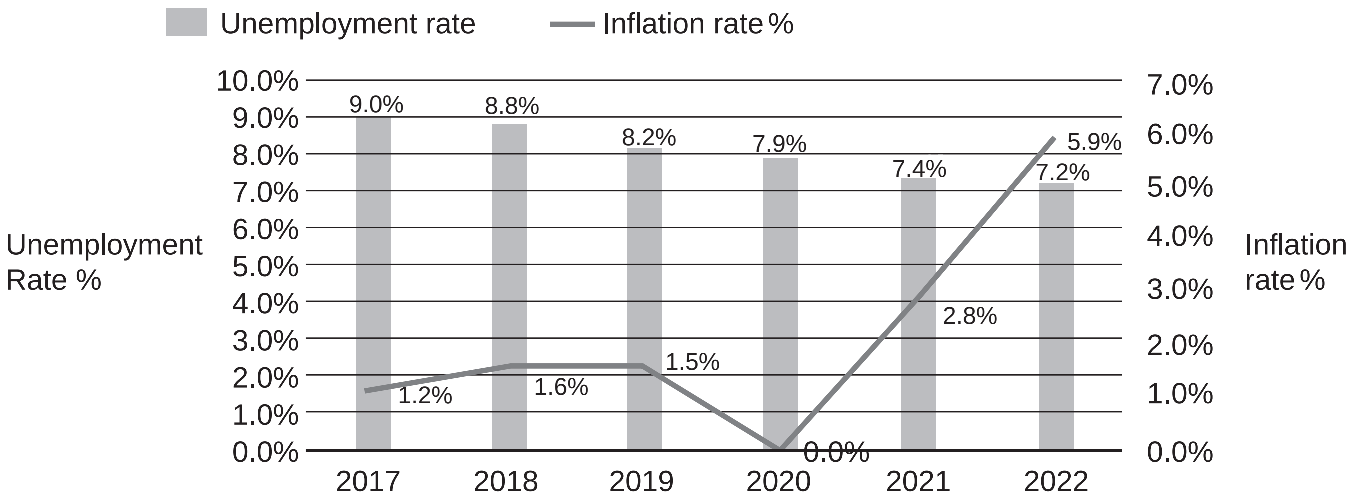
**Extract 3**
**Restaurants in Paris**

Despite weeks of protests on the streets of Paris, over the raising of the pensionable age, locals and tourists continued to enjoy the cafes and restaurants across the city. In one photo diners could be seen enjoying their dinner outside a restaurant while a fire, set by protesters, burned in the middle of the road behind them. France has one of the most innovative and creative restaurant markets in the world, valued at €57 billion, it is the largest restaurant market in the European Union.

There are over 44,000 restaurants in Paris serving customers not just traditional French cuisine but different food from all over the world. Restaurants range from the award winning and experimental to accessible street food. New restaurants open all the time and entry barriers are relatively low compared to other markets. The market is a tough one for entrepreneurs though, some research suggests up to 60% of new restaurants fail in their first year.

Restaurants, like all businesses in France, have been operating against a back drop of mixed macroeconomic performance in recent years. Macron and his government have had success in achieving some, but not all, of their macroeconomic objectives. Fig. 3.1 shows the recent changes in two of the main measures of macroeconomic performance in France.

**Fig. 3.1 Unemployment rate and inflation rate in France from 2017 to 2022**



**36** Explain, using the data in **Fig. 3.1**, whether the short run Philips Curve holds in France between 2017 and 2022.

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**Turn over for the next question**

37 Evaluate, using an appropriate diagram(s) and the information in **Extract 3**, whether monopolistic competition such as that which exists in the restaurant market in Paris can be efficient in the long run.

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**END OF QUESTION PAPER**

## EXTRA ANSWER SPACE

If you need extra space use these lined pages. You must write the question numbers clearly in the margin.