

Centre Number						Candidate Number				
Surname										
Other Names										
Candidate Signature										

For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
3	
TOTAL	



General Certificate of Secondary Education
June 2015

Economics

413012

Unit 12 Investigating Economic Issues

Thursday 4 June 2015 1.30 pm to 2.45 pm

You will need no other materials.
You may use a calculator.

Time allowed

- 1 hour 15 minutes

Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 70.
- You are reminded of the need for good English and clear presentation in your answers. Quality of Written Communication will be assessed in questions 1(e), 2(c) and 3(c).

Advice

- You are reminded that Questions 2 and 3 are based on the economic issues you will have investigated before this examination.



J U N 1 5 4 1 3 0 1 2 0 1

IB/G/Jun15/E1

413012

Answer **all** questions in the spaces provided.

Total for this question: 24 marks

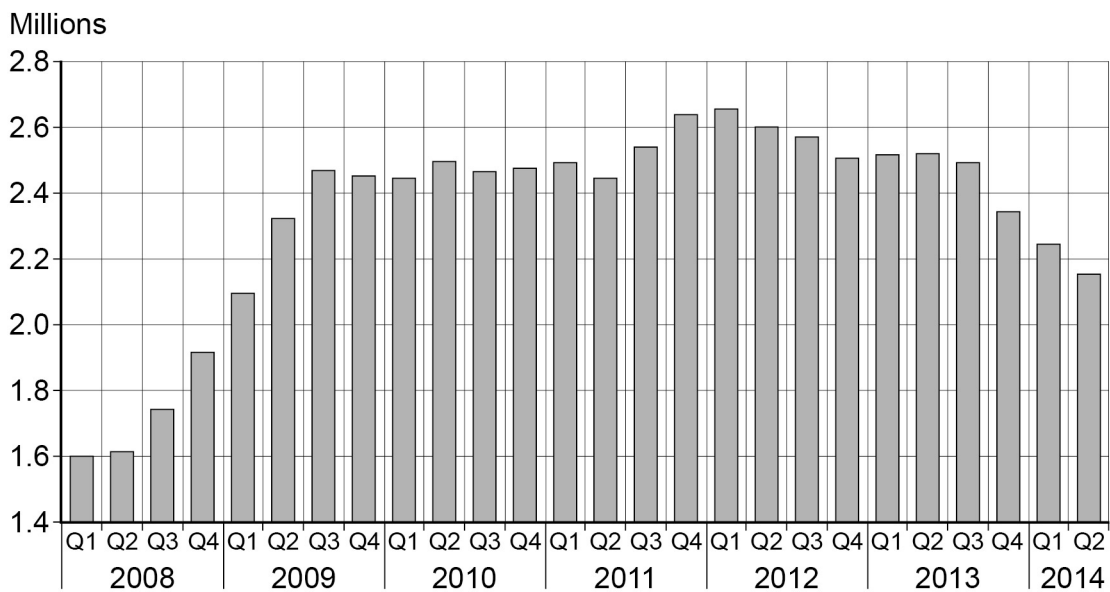
1 Read **Item A** and then answer the questions that follow.

Item A

UK Unemployment 2008 – 2014

One of the UK government's main economic objectives is to achieve low unemployment. Following the recession of 2008–2009, UK unemployment has stayed high but has gradually fallen in recent years, as shown in the following chart.

Figure 1 UK Unemployment: 2008 – 2014



Note: unemployment figures are produced every three months. This period is known as a quarter. For example, Q1 in 2008 refers to unemployment in the first three months of 2008.

One benefit of lower unemployment is that the government should receive more tax revenue as more people work. The additional tax revenue can be used to reduce the UK government's budget deficit or to reduce rates of income tax or both. Income tax reductions can increase economic growth because tax cuts can make working more attractive to individuals than staying unemployed.

Some economists have criticised the government for making spending cuts in 2010, while unemployment remained high. These cuts included reducing some welfare benefits which reduced the living standards of many people who were out of work or on low incomes. The government argued that these cuts were necessary to reduce the budget deficit and to improve the performance of the economy. The government also hoped that by keeping taxes down, the private sector would grow so that more small businesses would develop and more jobs would be created.



- 1 (a) Using **Figure 1**, what was the level of UK unemployment during Quarter 1 (Q1) of 2008?

Tick **one** of the boxes next to the figure you think is correct.

[1 mark]

	Tick one box only
1.5 million	
1.6 million	
1.7 million	
1.8 million	

- 1 (b) Using **Figure 1**, by how much did unemployment rise between Quarter 4 (Q4) of 2008 and Quarter 2 (Q2) of 2012?

Tick **one** of the boxes next to the figure you think is correct.

[1 mark]

	Tick one box only
0.8 million	
0.7 million	
0.6 million	
0.5 million	

Question 1 continues on the next page



1 (c) Explain **two** benefits to the UK government of falling unemployment. **[4 marks]**

1 _____

Extra space _____

2 _____

Extra space _____

1 (d) Explain **two** possible consequences for UK economic growth if the government were to lower the rates of income tax. **[6 marks]**

1 _____



Extra space _____

2 _____

Extra space _____

Question 1 continues on the next page



Turn over ►

1 (e)

Some economists think that the government spending cuts did not benefit the UK economy as a whole. Do you think that the government spending cuts were good for the UK economy? Give reasons for your answer.

[12 marks]



Extra space

Turn over for the next question

24



Total for this question: 22 marks

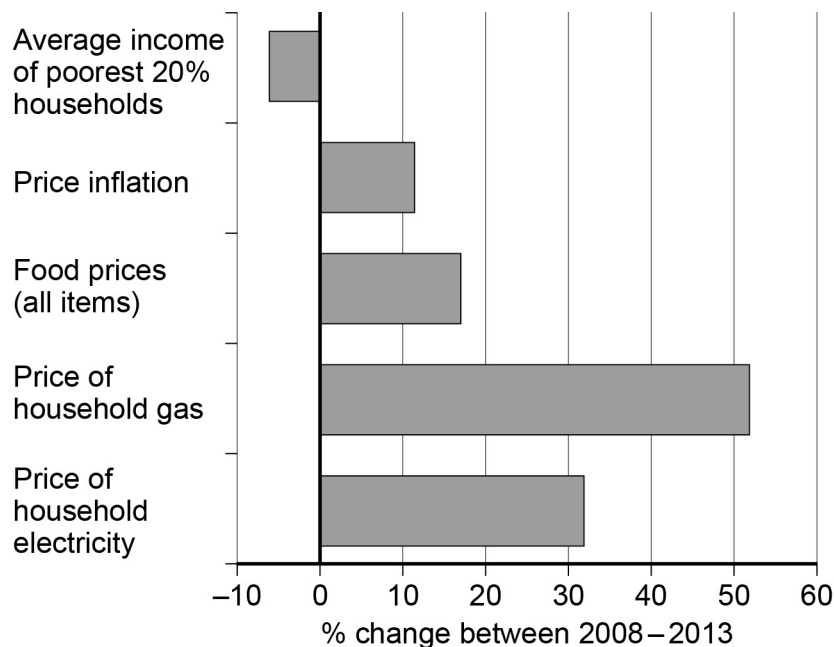
2 Read **Item B** and then answer the questions that follow.

Item B

Food and Fuel Poverty

Between 2008 and 2013, prices rose faster than incomes. This meant that some people could buy less with the same income and so experienced a reduced standard of living. This was a particular problem for those on low incomes, and led to what is known as 'food and fuel poverty'. (Fuel includes household gas and electricity). It resulted in some people having to make a decision about whether to buy food or to heat their homes or take out an expensive loan to pay for these essentials.

The following chart shows what happened to the prices of food and fuel and to the average incomes of the low paid between 2008 and 2013.



So what help is there for those facing food and fuel poverty?

Food banks have been set up in many towns across the country. They are run by charities and local communities and receive donations of food from the general public and supermarkets. Some food banks receive funding from local councils. Those in need can obtain supplies of free food from the food banks. Those on low incomes struggling to pay their gas and electricity bills can often receive payments from the government to help them to pay their winter fuel bills.

Some people think that this is not enough and that the government should do more to help those in poverty.



2 (a) State **two** ways of measuring the standard of living.

[2 marks]

1 _____

2 _____

Extra space _____

2 (b) Explain **two** ways in which higher prices might lead to poverty.

[6 marks]

1 _____

Extra space _____

2 _____



Extra space _____

2 (c)

Two possible ways to reduce the level of poverty in the UK include:

- increasing the provision of food banks
- increasing household fuel payments to those on lower incomes.

Which method do you think is the best way to reduce poverty in the UK? Use **Item B** and what you have learned from your investigation of this topic to give reasons for your answer.

[14 marks]



Extra space _____



22



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ANSWER IN THE SPACES PROVIDED**



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Total for this question: 24 marks

3 Read **Item C** and then answer the questions that follow.

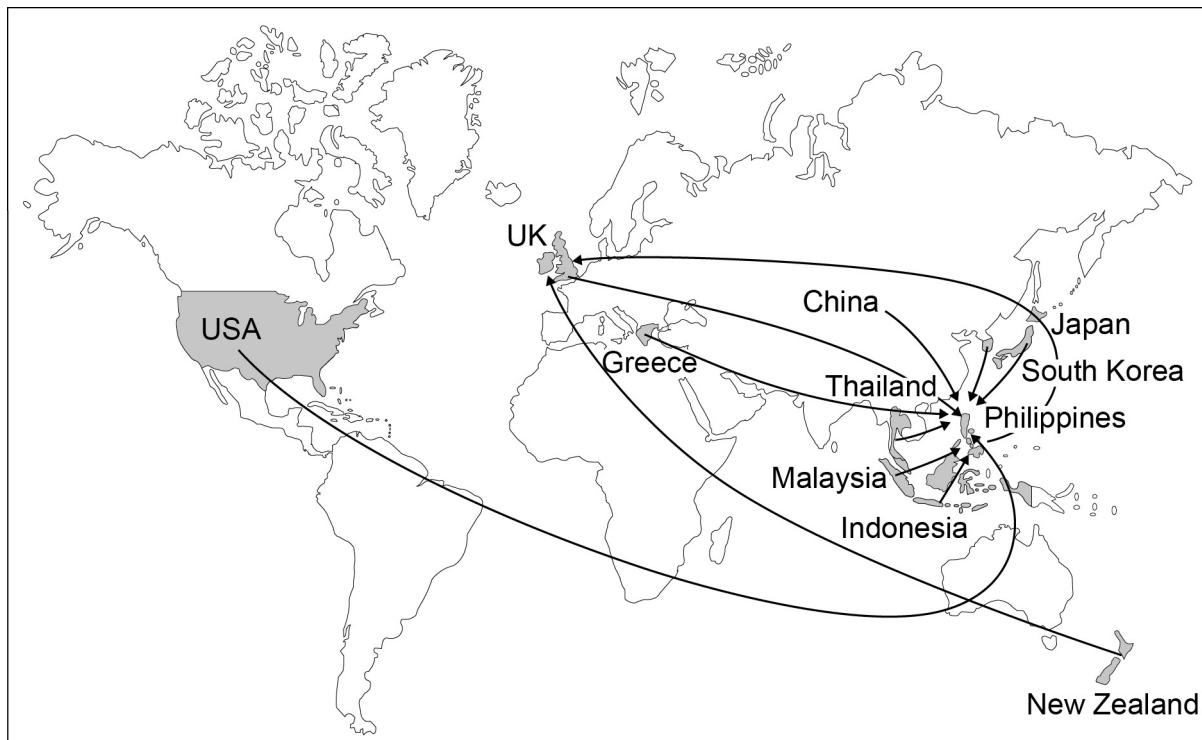
Item C

Globalisation

Developments in transport, trade, communications and technology have increased the speed of globalisation. This has meant that consumers in developed countries, such as the UK, benefit from a wider range of products. Producers in developed countries also benefit from cheaper sources of raw materials, and may locate production overseas in developing countries where labour is cheaper. Whilst this increases job opportunities in developing countries, it may lead to ethical issues.

As transport becomes more efficient, products can be easily shipped around the world. This makes it more profitable to manufacture a product in a place where labour and materials are cheap and to sell it where a high price can be charged. However, this can lead to products being transported long distances, leading to environmental impacts and to businesses exploiting the natural resources of developing countries.

The diagram below shows the long distances involved in the production of tennis balls used at the championships at Wimbledon. The tennis balls are manufactured in the Philippines, where labour costs are low but materials come from all over the world. For example, the fabric cover, which is woven in the UK, uses wool imported from New Zealand. The fabric cover is then exported to the Philippines. The total distance of all the stages in producing tennis balls, up to their delivery to Wimbledon, is 50 750 miles.



Source: Warwick Business School, 2012



3 (a) Explain **two** ways in which globalisation might benefit UK consumers.

[4 marks]

1 _____

Extra space _____

2 _____

Extra space _____

3 (b) Explain **two** ways in which globalisation might harm the environment.

[6 marks]

1 _____

Extra space _____



2 _____

Extra space _____

3 (c) Do you think that globalisation benefits developed countries more than developing countries? Use **Item C** and what you have learned from your investigation of this topic to give reasons for your answer.

[14 marks]



Extra space _____

24

END OF QUESTIONS



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