

**OXFORD CAMBRIDGE AND RSA EXAMINATIONS**

**Thursday 18 May 2023 – Morning**

**A Level Economics**

**H460/01 Microeconomics**

**Time allowed: 2 hours  
plus your additional time allowance**

**YOU CAN USE:**  
**a scientific or graphical calculator**  
**Stimulus material**

**Please write clearly in black ink.**

**Centre number**

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**Candidate number**

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

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

**READ INSTRUCTIONS OVERLEAF**



## **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 Section A, ONE question in Section B and ONE question in Section C.**

## **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 (\*).**

## **ADVICE**

**Read each question carefully before you start your answer.**

**BLANK PAGE**

## SECTION A

Read the stimulus material in the separate booklet and answer ALL the parts of Question 1.

1 (a) Refer to FIG. 2.

(i) Describe the relationship between Chief Executive remuneration and stock market performance between 2010 and 2019.

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[2]

(ii) Explain why this relationship may exist.

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[2]

**(b) A marginal income tax rate is one example of the marginal principle used by economists.**

**Explain what is meant by the economic concept of 'the margin'.**

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**[2]**

- (c) Explain, using an appropriate diagram, the size of economic rent relative to transfer earnings for essential workers such as cleaners. LINES 40–45.**

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**[4]**

- (d) A number of policies have been suggested to affect Chief Executive remuneration including ‘Allowing greater use of ‘say on pay’ which allows a firm’s shareholders to vote on Chief Executive remuneration,’ LINES 28–30.**

**Evaluate, using evidence from the stimulus material, the extent to which greater use of ‘say on pay’ alone may help reduce the remuneration gap between Chief Executive and employee in the US.**

[8]

[illegible]

[illegible]



**(e)\* Evaluate, using evidence from the stimulus material, whether weaker trade unions is the main reason for increased wage differentials in the USA. [12]**

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[illegible]

[illegible]

## **SECTION B**

**Answer Question 2 OR Question 3.**

- 2\* In 2020, the Competition and Markets Authority (CMA) found that three pharmaceutical companies had taken part in an illegal agreement resulting in the price of a life-saving medicine supplied to the NHS increasing by up to 1800%. This was one of many examples investigated by the CMA where consumers were being disadvantaged by collusion and the actions of monopolies.**

**Evaluate, using an appropriate diagram(s), whether collusion and monopoly would always disadvantage consumers. [25]**

**OR**

- 3\* A report for the charity Action on Smoking and Health (ASH) in January 2022 estimated that smoking in England imposed costs on the NHS totalling £2.4 billion and costs on businesses, from lost productivity, of £17.2 billion.**

**Evaluate, using an appropriate diagram(s), the most effective method of government intervention to reduce the negative externalities from smoking in England. [25]**

**Question No. \_\_\_\_\_**

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[illegible]

[illegible]

[illegible]

[illegible]



[illegible]

## **SECTION C**

**Answer Question 4 OR Question 5.**

- 4\* Flood defences are considered by economists to be public goods. The £67.4 million Ipswich tidal flood barrier is just one of the many flood defence schemes which has been completed during the government's current capital investment programme. The scheme protects 1600 homes and 400 businesses from tidal flooding.**

**Evaluate the case for government provision of goods and services such as the Ipswich flood defence scheme. [25]**

**OR**

- 5\* Aldi, a discount supermarket, entered the UK market for the first time in 1990. Since then it has expanded its operation and, in 2022, its market share was 9.3% making it the fourth largest supermarket in the UK.**

**Evaluate the importance of economies of scale to a large retailer when deciding whether to increase the size of its firm. [25]**

**Question No. \_\_\_\_\_**

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[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

**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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