

Please check the examination details below before ent	ering your candidate information
Candidate surname	Other names
AHMED	ABID
Centre Number Candidate Number	
132773160	
Pearson Edexcel Level 3 GCE	
Monday 5 June 2023	
Morning (Time: 2 hours) Paper reference	9EC0/03
Economics A	
Advanced PAPER 3: Microeconomics and M	acroeconomics

Instructions

- Use black ink or ball-point pen.
- Fill in the boxes at the top of this page with your name, centre number and candidate number.
- There are two sections in this question paper.
- In Section A, answer **all** questions 1(a) to 1(c) and **one** question from 1(d) or 1(e).
- In Section B, answer all questions 2(a) to 2(c) and one question from 2(d) or 2(e).
- Answer the questions in the spaces provided
 - there may be more space than you need.

Information

- The total mark for this paper is 100.
- 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.

Advice

- Read each question carefully before you start to answer it.
- Check your answers if you have time at the end.

Turn over ▶





SECTION A

Read Figures 1 and 2 and the following extracts (A and B) before answering Question 1.

Answer ALL Questions 1(a) to 1(c), and EITHER Question 1(d) OR 1(e).

Write your answers in the spaces provided.

You are advised to spend 1 hour on this section.

Question 1

The UK economy

Figure 1: UK gas prices in pence per therm, August 2002 to August 2022

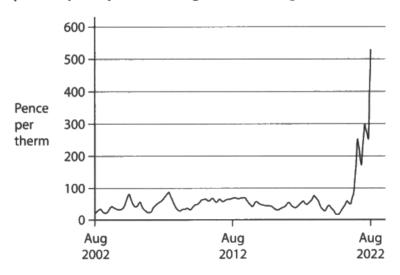
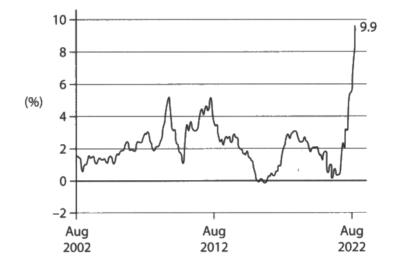


Figure 2: UK inflation, CPI, August 2002 to August 2022



Extract A

Fiscal policy changes in the UK, Autumn 2022

After many changes in policy, people earning above £150 000 will now no longer benefit from the tax cut in the September 2022 mini-budget, which proposed the removal of the 45% tax band. The proposed change in the main 20% standard rate of income tax moving to 19% has been postponed.

5

In April 2022, a 1.25% rise in national insurance contributions was implemented, labelled as a health and social care levy. It was cancelled in Autumn 2022. Britain's poorest households would have lost £7.56 a year from the national insurance rise. The richest 10% of households, earning an average of £108000, would have lost £1800.

Another measure in the Truss Government's £30 billion tax cut proposals that would have benefitted the rich, was the removal of the 2023 planned rise in corporation tax from 19% to 25%. The former chancellor wanted to cut the tax to 15% but this was the wrong time to do this. The former chancellor also removed the 2014 cap on bankers' bonuses, clearly an unfair decision at the time when public sector workers were told to accept pay caps to keep inflation under control.

10

15

The reflationary fiscal policy triggered warnings that the Monetary Policy Committee of the Bank of England would raise interest rates further – having already raised them from 0.1% in 2021 to 2.25% in September 2022. This meant an end to the fiscal rules set by the government in the recent past: debt to be falling as a share of national income by 2024 and no borrowing for day-to-day spending.

20

(Source: adapted from 'Tax cuts benefit high income earners the most' R Merrick
The Independent: 19 September 2022 and FT Source: adapted from
Sebastian Payne and Chris Giles in London 29 August 2022)

Extract B

Inequality to rise in the UK

The rising cost of living is expected to affect low-income families the most. Inflation in Autumn 2022 is expected to hit 14% for families in the poorest tenth of the income distribution, compared with 8% for families in the richest tenth, driven in large part by rising energy costs and food prices. Around half of the food consumed in the UK is imported, and the 20% fall in the value of the pound in 2022 has affected lower income groups more because food is a higher proportion of their spending. The government's decision to freeze benefits, rather than allowing them to rise in line with current inflation, means that the support provided is a real terms cut for families currently receiving high levels of benefits. A two-year freeze on energy price caps will now only last until April 2023, which would have kept the average energy bill at £2500 rather than £3500.

5

10

(Source: adapted from IFS Report: Living standards, poverty and inequality in the UK: July 2022 and https://www.ft.com/content/6de5b52e-64c8-4997-8939-e1c59172daa7?shareType=nongift)



1 (a) Explain the difference between a positive and a normative statement, using an example of each from Extract A.

(5)

(b) Examine **two** reasons for the rise in inflation in the UK. Refer to the information provided in your answer.

(8)

(c) Discuss the likely impact of a rise in gas prices on a firm that uses a large amount of gas in its production process. Use a cost and revenue diagram to support your answer.

(12)

EITHER

(d) Evaluate microeconomic and macroeconomic policies that could be used to reduce inequality in the UK.

(25)

OR

(e) Evaluate the likely microeconomic and macroeconomic effects of tax cuts in the UK.

(25)



A positive statement is a value-free jurdgement that can be tested. An example of his form Extract A is "Britain's possible homeoffelds would have lost \$7.56 a year from the NT rise" This statement can be tooked true or fully. A In contrast, a normaline statement is a valued jurdgement and cannot be fested - mis is the direct grossite to passithe statements. An example form the extract is, "among the 2014 cap on bankers' tomases clearly an unjury decision". Unjurit is normaline as it has a color jurgament impair and so connect be lessed.	(a) Explain the difference between a positive and a normative statement, using an example of each from Extract A.	
of his for Extract A is "B-irain's pared households could have bet \$7.56 in four promise IT rise" This statement can be tooked true or fully. At In contrast, a normalise statement is a valled judgement and cannot be feeted - his is the direct growth to passitude statement. An example for the Charles is many the 2014 cap on bonkers' tompses, clearly an unjoir decision. Unjoint is normalise as it has a shall indigenent myent out to come to be a feeted.	example of each from Extract A.	(5)
honselholds could have lost #7.56 year from the UT rice" This shalament can be tooked the or fulse. A In contrast a normaline stakement is a valued judgement and cannot be feeled - his is the direct grassite to passithe stakement. An example from the extract is among the 2014 cap on bookers' bonnies clearly an unjoir decision. On this is normaline as it has a which indigent in the grassite of the contrast of	A positive statement is a value.	free
honselholds sould have lost \$7.56 in your promise. IT NSE This statement can be tooked the or fulse. A In contrast, a normalise statement is a valued judgement and cannot be tested - mis is he direct growing to possible to possible datements. An example souther cap on the Chart is among the 2014 cap on bankers' bombers clearly an amount decision. Unposition is normalise as it has a and judgement impair and so remot be	judgement that can be tested . A.	resample
A In contrast a normaline statement is a valued judgement and cannot be feeted - his is the direct gesite to passithe statement. An example four the extract is many the 2014 cap on bankers' townses clearly an conjuir decision. Onthis is normaline as it has a could judgement unjuir surface.	of his for Expant A is "Britain's	poorest-
A In contrast a normaline stakement is a valued judgement and cannot be feeted - his is the direct greate to passite to passithe stakement. An example four the extract is many the 2014 cap on bankers' townses clearly an conjuir decision. Onthis is normaline as it has a could judgement unjust and so connect be	honseholds would have lost +7.56 a year	rom he
be tested - mis is he direct gesite to presitive statements. An example from the extract is many he 2014 cap or bankers' tomses, clearly an unjust decision. Unjust is normaline as it has a could indjurned impart out to		
be tested - mis is he direct gesite to presitive statements. An example from the extract is many he 2014 cap or bankers' tomses, clearly an unjust decision. Unjust is normaline as it has a could indjurned impart out to		
be tested - mis is he direct gesite to presitive statements. An example from the extract is many he 2014 cap or bankers' tomses, clearly an unjust decision. Unjust is normaline as it has a could indjurned impart out to	A In contrast, a normbre state	ent is
be feeled - his is he direct opposite to passithe statements. An example for the Charlist is among the 2014 cap on bankers' bomses clearly an unjoir decision'. Unfuit is normaline as it has a and indjurned impair and so omet be		
pasithe statement. An example four the chart is among the 2014 cap on bankers' tomses clearly an unjoir decision." Unjuit is normaline as it has a which indigently impair and so could be subjected to the solution.		
exhaut is many he 2014 cap on bankers' bankers clearly an unjair decision. Unjair is normaline as it has a actual indjurnant impair and so commot be	pasithe statements. An exemple ton	Mare
bonkers bonses, clearly an unjair decision. Unjuit is normaline as it has a which judgment impair and so connot be	exhat is " among he 2014 cap	٥^
indjunt 'mjert out so comet be	bonkers bonnies clearly an unjuit	lecision"
judgement 'unjerir' and so connet be		
	l .	

		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,

	***************************************	***************************************
		>
		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,

(b) Examine two reasons for the rise in inflation in the UK. Refer to the information provided in your answer. (8) UK is the rise in costs. 7117 94 cvA-- 8.0. Uk gas prices significantly pose ponce por them. This is a increuse since Any 2012 when poles were at ponce per herm. The rise in costs he costs of SRAS1 -> SEAS2) price berek an word in costs of production coursing (cost-pach) Honour, his Agends ve josts of sas has a musimum price

another reven per the rise in marion is an incresse in accorde dound Incremed agregate demund result from house montag policy As wherest ontes dercoase as they did in Many 2021 to 0.1/ , the consumption as he cost of Gronny (credit ands) durence. As consumption mereges, so dues AD as AO= C+ 1+ G+(xm). Consumption accords for 65% of AO in he UK. Trugare as AD ships out (ADI -) ADZ), here is deemed golf hylater as shown in the dissum 1PL1 -> PLZ). E.S. EAT in Ay 2012 was St. Moment, the a like in injohn depends on how great the cut in interest restes one. It interest rates are about low, a purpler cut may not similare significant consumption, and so free my ut be a significant rise in muhn.



(c) Discuss the likely impact of a rise in gas prices on a firm that uses a large amount of gas in its production process. Use a cost and revenue diagram to support your answer. (12)6166 P1 ACZ=MCZ CRS 2 ACI-MCI (85 A rise in pasprices, which 7022 as yes prives rose from nem (Abg 2012) to 525 rorr), he with to produces in he production to he from slight , assuming to scale from AC1 = MC2 decline in propils due to mercial costs. in he diagram as propils

in has significant moneyoly pones, her me pin can pass be increased costs of production onto conservers by chaping higher pries but are much ligher han Original. Phis will theaper ensure proxits do not decrase and means that the rise it gas prives any not seriously impact the times AC3 A se in ghe prices thronk time as ims are 1855 likely to be dynamically essicient. Due to a fall in propits for times as expland in he previous paragraph, times have less poof't to inect who research & development. Therepal he pom cannot reduce heir onerne costs from ACI > ACZ > ACZ, as show in he disgram above this is a potential loss to me jim me to the toss in profits with profits the form bearing dynamically experient and return vosto. Homener, his doords on whether there



prie cop on gas pries costs produces

EITHER

(d) Evaluate microeconomic and macroeconomic policies that could be used to reduce inequality in the UK.

(25)

OR

關

(e) Evaluate the likely microeconomic and macroeconomic effect of tax cuts in the UK.

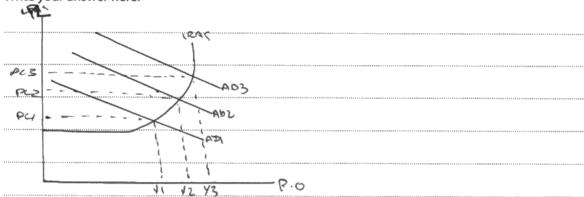
(25)

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 new question with a cross ⋈.

Chosen question number: Question 1(d) ☑

Question 1(e)

Write your answer here:



queet of

As epremption is with 65% of aggregate demund in he UK here is a subseguent sligh in AD prom DDS -> ADD. Mis heads to evonemic grown as and anopent munes gran 41 -> x2. Furtherme corporate for us neved to 19%, firms innest more into heir bushesses UK he to he hoper posits him get key this purher stimulates FOI Which is an injectur into the UK's ciralin flow of inume. Inerend investment, which is 13% of AD in he UK, and must PDI courses a positive multiplier effect as here is more many in the UK Trengure AD continues to nevere from ADZ -> AD3 which proher leads to economic growth (427/3) This demonstrates have a full by tutes can land to minared AD on the UK and subsequent economic growth. Monerer, einence grown depends on the charden equivalence. La Consumers and

Homes my already expect a fall in far rates and so his may not head to me desired outcome of invosed AD. Tryne , here my not se economic grown as a result. Although, a golf in tax values workers and juins to earn more in the slock own we have rakes are not give sheepine a full in three can certainly merense DD and economic great ACZ RED/ ACL Trouvologiand AC3 A microe wronne of fat cuts hat jims become dynamically exprinent and reduce heir arrange costs. The to a cut in consorting hat to 191, which was frozen sutil Anil 2023, jims none able to keep a graver sun of heir proxits. They posit alland fines to impst into theirselves and become more lynamically excited



though research and development and automation For example, Book in he UK mested their spanned proxits its automobin and reserved and hendpout through the of self-checkant and no tills. This reduced Books average costs in the long run to AC3 (in the previous diagrams) This put in average costs purher increased Books proxits and a Go benefited costs of production consumes as he coner 15 pared onto consums hingh lones prus Monere, dermie gyveny and a pull in costs and prices begands on objectives father han somerned muching proprite which are high due corporate kix, share holders my the out dividends. This prema from Geronia lynamichy and costs do not denine that consinues do not hener't Overall, tax cuts can langely honest the economy in terms of Fires columny benefit from the outs but consumes my not dungs open

myn	Mese	henepity	due	h	ne	nohres	
	111111111111111111111111111111111111111						
	**************************************			***************************************	***************************************	111111111111111111111111111111111111111	
					,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		*****************
			***************************************)))))))			

			***************************************	}}	>>>>		***************************************
			·	***************************************			***************************************



(Total for Question 1 = 50 marks)

SECTION B

Read Figures 3 and 4 and the extracts (C to E) before answering Question 2.

Answer ALL Questions 2(a) to 2(c), and EITHER Question 2(d) OR 2(e).

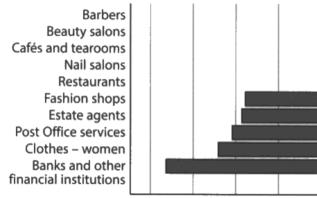
Write your answers in the spaces provided.

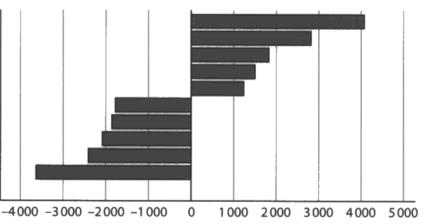
You are advised to spend 1 hour on this section.

Question 2

Changes in the nature of UK towns and cities

Figure 3: Growing and declining high street firms - net change in store numbers, 2013-2022

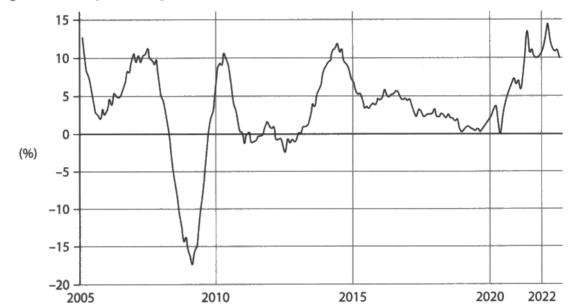




Net increase/decrease in store numbers

(Source: adapted from https://www2.deloitte.com/uk/en/pages/consumerbusiness/articles/what-next-for-the-high-street.html)

Figure 4: House price changes in the UK (%), 2005 to 2022



(Source: adapted from https://www.theguardian.com/money/2022/sep/28/uk-house-prices-may-fall-20-amid-mortgage-carnage-warn-experts)



Extract C

| | | | | | |

What next for the high street?

A high street is typically found in all UK towns and cities. Shops normally encountered in a typical UK high street can include successful small firms such as independent food retailers, cafés, nail and beauty salons, restaurants and charity shops. They differ from out-of-town shopping centres by being more diverse, family-run and offering local or personalised services. Customers are often very loyal. However, the high street may often have limited access by car or expensive parking facilities.

5

The rise of online retailers such as Amazon and eBay have placed huge pressures on UK high streets, with many well-known shops – and even successful retail chains – forced to close due to lost business. Many high street firms cannot compete on price with online retailers who – because they frequently have very low fixed costs – can significantly undercut the high street shops on price.

10

Even before online shopping, competition was eroding high street activity, with out-of-town retail parks that were not necessarily cheaper but provide a larger range of shops and offer plentiful parking. They offer a shopping experience that other retailing cannot match – pleasant, safe pedestrian shopping, a clean environment, fun activities for children and spend-the-day-there potential.

15

While the list of retail and leisure failures might suggest that the high street does not have a future, some analysts argue the opposite. Many believe that the high street is ideally placed to reinvent itself in response to the structural shift in working and shopping patterns that has resulted from the global health crisis 2020–22. The perceived weaknesses of the high street model – its fragmented ownership, lack of centralised coordination and high vacancy rates – become strengths as they lower the barriers to entry for new concepts and operators. They also enable risk taking and innovation that will ultimately lead to a more flourishing and diverse environment on our local high streets.

20

It should be possible for small firms to flourish even when staff shortages are pushing up wages in the high street, and house price falls damage consumer confidence and spending on perceived luxuries.

25

(Source: adapted from https://www.designingbuildings.co.uk/ and https://www2.deloitte. com/uk/en/pages/consumer-business/articles/what-next-for-the-high-street.html)



Extract D

UK house prices may fall up to 20%

Turmoil on the UK financial markets has prompted analysts to predict that house prices could fall dramatically, and many lenders in the mortgage sector are withdrawing deals. People coming to the end of their fixed-rate mortgages are seeing rises from 2% to over 5.5%, with increases in the cost of borrowing of over £5 200 a year by 2024 for the average mortgage in the UK. Many people think UK house prices will never fall, but analysts say the fall could be between 10% and 20%.

One mortgage lender said that a lack of housing supply will not keep house prices up when mortgage interest rates are somewhere between 5% and 7%. He claimed that 'the decade-long property bubble is about to burst [...] It's a buyer's market now'. The greatest impact will be seen in the southeast of England.

(Source: adapted from https://www.theguardian.com/money/2022/sep/28/uk-house-prices-may-fall-20-amid-mortgage-carnage-warn-experts)

5

10

5

10

Extract E

UK job vacancies hit record 1.1 million as labour shortages increase

The ratio of jobless people to vacancies is 1.45 to 1, lower than at any point in the last 40 years. Social care for example has 300 000 current unfilled posts.

'Today's figures show that labour shortages are now affecting the whole economy,' said one analyst. 'There are almost a million people fewer in the labour market, largely due to younger people staying in education and older people dropping out of the workforce.' The inactivity rate is 21.1%, and many people are not returning to work after the global health crisis. 'People seeking work do not have the skills or availability that employers need,' said Kitty Ussher, chief economist at the Institute of Directors. Firms offering higher wages does not solve the issue.

(Source: adapted from https://www.ft.com/content/463f4fbd-3a50-45b5-891c-5cb5ba623df8)



2 (a) Using the data provided in Extract D, explain one role of financial markets.

(5)

(b) Examine two reasons why retailers on the high street tend to remain small.

(8)

(c) Discuss possible methods of price and non-price competition that firms could use to increase the value of sales on the high street.

(12)

EITHER

(d) Evaluate the microeconomic and macroeconomic effects of falling house prices.

(25)

OR

(e) Evaluate the microeconomic and macroeconomic effects of labour shortages in the UK, or a developed economy of your choice.

(25)



(a) Using the data provided in Extract D, explain one role of financial markets. (5)

(b) Examine two reasons why retailers on the high street tend to remain small. One remon why retailers on he hope Sheet tend he amon smill is to ansid M'se courses of scale, most specifically he comingal - agent problem. The principal yent -posten seems when the business soms at here is been carted of the corner over he where this discovery of scale lead to irreased arrange costs to retailers on he high gheet such as ," capes, rail and beauty sylons and restarants". They are, to reduce menge easts, rehailing on he high sheet land to enul Smill. Moneron, by remmy snall, retailers con aiss ant on economies of some trerepore, rehailes my choose to become bis gain eurones of scale and reduce Another renson my solvikes on hope mad for for small small due to borriers to entry. The unwhat be very concertified and require large economic



of scale which presents smaller retailers from growing. Gor example, "hope sheet Ams count coupete with on the retailers (Answin & 6box) Seance has time low fired costs owned interest high sheet shops on price! this high spat actiles honeur, regulatore oan ena high sheet repiles to you Giges shirter against online repollers. This will make pe what were correstable

(c) Discuss possible methods of price and non-price competition that firms could use to increase the value of sales on the high street. $\{12\}$ PoliR e,c,R Inelastic Submuhet Market Elastic sylmbet ARZAND DETRID MR of price competition pins could like to here to dipera product. For ruhe of suls



sheet. Moreon, the price discommunion regimes monopoly ponerous Nall salins on he him sheet my not have monopoly poner ansidery here has on the with smeet therefore, hay amount prize dizzomble and generte A non-price wellhood to increase sites varlue is to advertise. By advertising, high sheet jims can gain a grater mulet share In dong so men generale una sules and build 'brand losally' for example, consens may only choose to go to their spect barber and not suitch to he im can structly change trigher mices due to smales includicity of a alich issues he value flowerer, this kepends on the assumption hat no ones jun all advertise all bothers in me high sheet towich inemed in anyther by 4000 as shown in

Ryme	3)	then	adne 2	hong This	nil	\	me	a
Avene	ی ل	nd	les	, a 1/y	05	he	calı	· 4
sills.						***************************************	***************************************	***************************************
	hhhadadd 11111 (ppp			***************************************	***************************************			•••••
		}		***************************************				
***************************************							411111111111111111111111111111111111111	***************************************
	11119999999991111				}	4	***************************************	
		!!!!bbbbd-qdd!!!!!!bbbrasqqq	d	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		***************************************	***************************************	
				**************************************			***************************************	***************************************
			***************************************		I		*****	***************************************

		***************************************	***************************************				hhannadddigd (((((((((((((((((((
				44+111111111111111111111111111111111111				
	***************************************			***************************************	***************************************			
	***************************************	**************************************		***************************************	***************************************		***************************************	
	***************************************			***************************************				
		>>*************************************	11->				1848-1999999999999	1444444444444444111111
	***************************************)}}		·	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		444444411111111111111111111111111111111	188844488***4************

EITHER

(d) Evaluate the microeconomic and macroeconomic effects of falling house prices.

(25)

OR

(e) Evaluate the microeconomic and macroeconomic effects of labour shortages in the UK, or a developed economy of your choice.

(25)

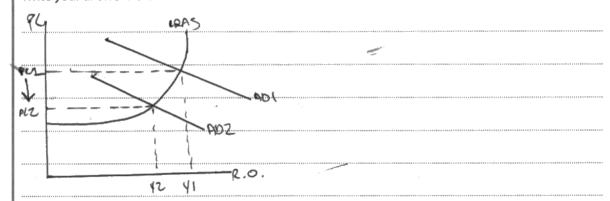
Indicate which question you are answering by marking a cross in the box ⊠. If you change your mind, put a line through the box ⊠ and then indicate your new question with a cross ⊠.

Chosen question number:

Question 2(d) 🌋

Question 2(e)

Write your answer here:



A more effect of pulling home prices is

dermal pull disimplature. As home prices

led in 7000 by -17.5%. (Figure 4),

homeonia be be especiance the

regative would effect. As the value

of their ascets decrease, homeonia in

the UK peol less were Ithir despite no

change in more this leads to a pull

in the warginal propersity to consume

and so consumption pulls. Concempton is

a mulo of AD (c + tho + a m) about

totals to ball to assist

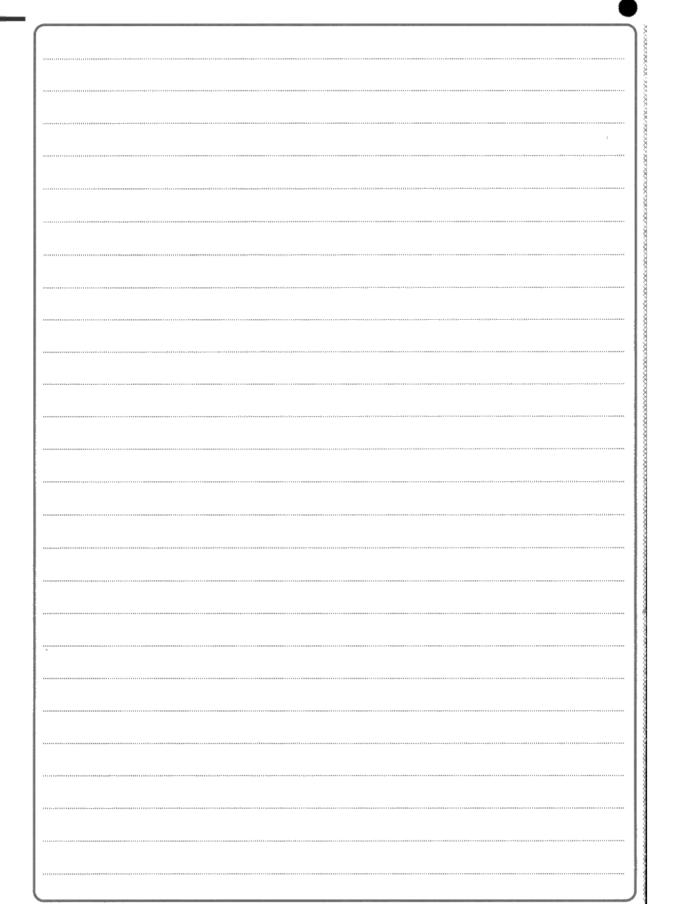
Shift muds, as shown in he dingry (AOI DADE). To shoughen his point, 60% of the UK population are homeonings. This gall is DO will lead to demand-pull disinglation as price leads full from PLI -> PLZ igs shown in the dring on. This clearly demonstrates that a pall in house pies our land to demand-pull disinglation. However, his against com be shalled because pully have pour can impact lead to the me positive would effect. As house pries pull "between 10 and 20%" as extract 0 states more individuals can buy new homes. As houses become me apportable to land, the column increases. There individuals will experience the positive usula eject as their asset value 11 ses, Foods theyme, his can conce dound pul infulu cas consumply increises. Although i'p these are pirst - hime busco her marginal propersity to some may be growler has he myind propersity to consine are to he gest of he notinge and high interest outes (which readed over 5.5% as extract to



states). Therefore, a fall in house prices will still some danud pull distyfalm despite he were in new hom house pares will decrease become more modulble, able he yndre our homes, specifically in he "southeast of England as Emul D suggests "its Workers rellocate to many with greates apportunities, such as Threme he supply freincreases from SI -> S e dragon above indans as her have a greater labor with seares unpertun unes devene (Wy 7 Wz) which deames costs of prestriking the benezite

nothers no new perionsy usemployed
is he sour earn a rige
However, he problem of NIMBYISM and
governmet since du la vent-sekry
politioner onils he kay his was
puiller Houses my not be amilable
Metun record and my not be
mhe linit. This does not some
he iske of geographial musily
et losons herene her sneet of
locar will not have, nor will
anse dinite
·

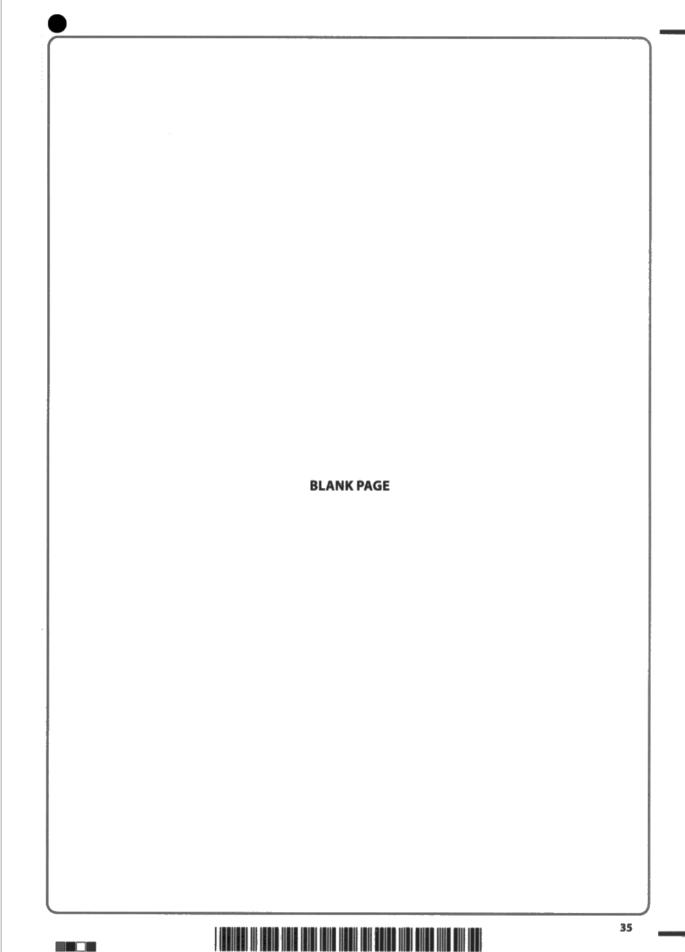




 (Total for Question 2 = 50 marks)		
TOTAL FOR SECTION B = 50 MARKS TOTAL FOR PAPER = 100 MARKS		



BLANK PAGE 34



BLANK PAGE 36