



Rewarding Learning

ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2025

Centre Number

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Candidate Number

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Economics

Assessment Unit AS 2

assessing

Managing the National Economy



[SEC21]

SEC21

MONDAY 19 MAY, MORNING

TIME

1 hour 30 minutes.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number in the spaces provided at the top of this page. Answer **all** questions in Sections **A** and **B**, and **one** question in Section **C**.

You are permitted to use a calculator in this paper.

You must answer the questions in the spaces provided.

Do not write outside the boxed area on each page or on blank pages.

Complete in black ink only. **Do not write with a gel pen.**

INFORMATION FOR CANDIDATES

The total mark for this paper is 80.

- Section A: 25 Marks
- Section B: 35 Marks
- Section C: 20 Marks

Figures in brackets printed down the right-hand side of pages indicate the marks awarded to each question or part question. This paper is accompanied by a Case Study Booklet.

ADVICE TO CANDIDATES

You are advised to take account of the marks for each part question in allocating the available examination time. In questions involving calculations, you are advised to show your workings.

Quality of written communication will be assessed in Questions **6**, **7(b)**, **(c)** and **(d)**, **8** and **9**. Quantitative skills will be assessed where appropriate.



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28SEC2102

Answer all questions

- With reference to the statement above, distinguish between direct and indirect taxation.

[4]

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[Turn over



2 The table below shows national income statistics for a country over two years.

Year	GDP at factor cost (£bn)	Net foreign factor income (net primary income) (£bn)
2023	355	15
2024	366	14

Using the information in the table, calculate the percentage change in Gross National Product (GNP) between 2023 and 2024. [3]



- [illegible]

[4]

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28SEC2105

- 4** In 2022, 297 000 people entered the UK to seek work. Assume that all other things have remained equal. With the aid of a PPF diagram, explain the impact this is likely to have on the UK economy. [4]

[illegible]

- | Category of spending | Weight | 2024 price index |
|--------------------------|--------|------------------|
| Food, drink and clothing | 35 | 94 |
| Housing | 40 | 115 |
| Transport and leisure | 25 | 102 |

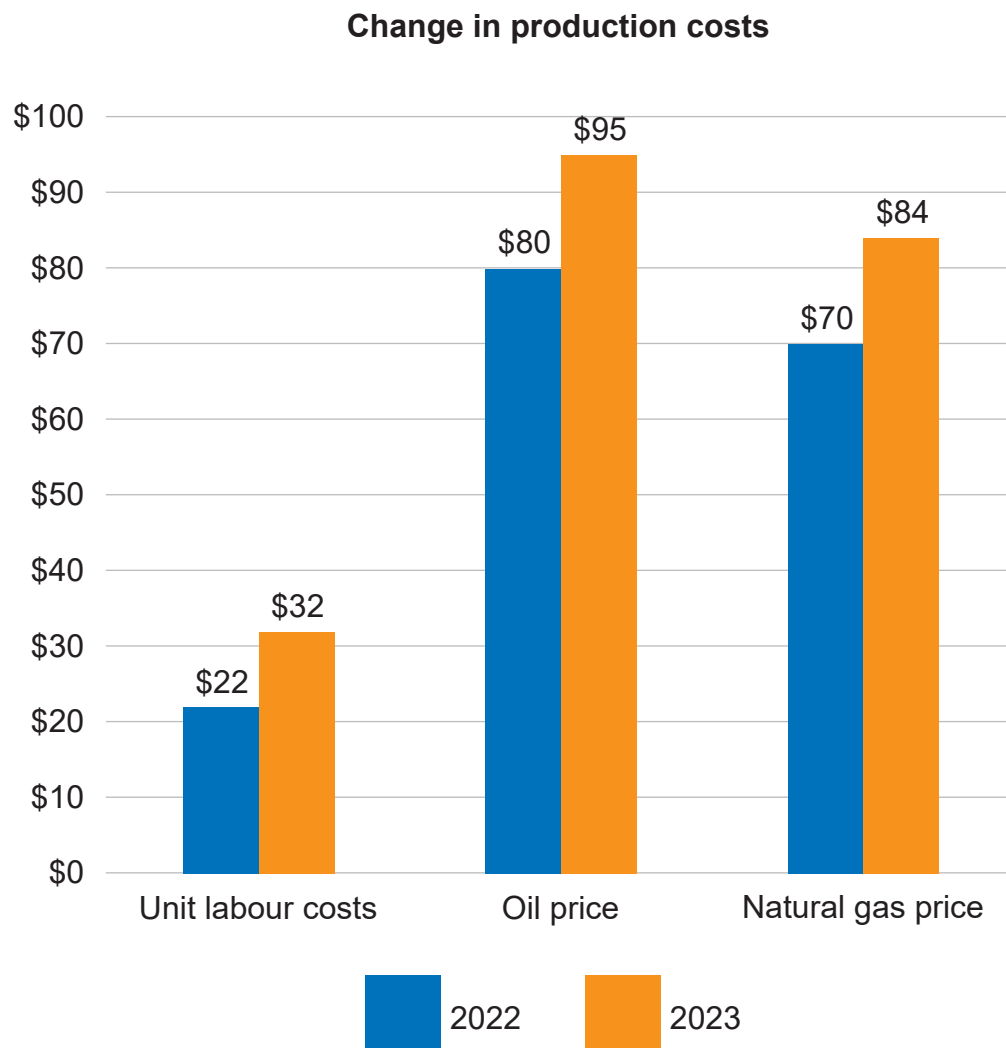
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28SEC2107

- 6 The graph below shows the change in various production costs for an economy between 2022 and 2023.



Quality of written communication will be assessed in this question.

[illegible]

15827



28SEC2109



[illegible][illegible][illegible]

- [illegible]

[illegible][illegible][illegible][illegible]

[illegible]



Handwriting practice lines consisting of 20 horizontal lines.





- [15]

[illegible]

15827



28SEC2117



Section C (20 marks)

Answer **either** question 8 **or** question 9

Quality of written communication will be assessed in these questions.

- 8 As the cost-of-living crisis continued to worsen in 2023, some economists called for a change in direction from the UK government. Sir Thomas Smythe of the Institute for Free Markets declared that “the government must focus on boosting economic growth as the only way to make sure that everyone is better off”.

Critically examine the extent to which economic growth will “make everyone in the UK better off”. [20]

or

- 9 In 2010 the UK unemployment rate was 7.79%; by 2019 it had fallen to 3.74%. Over the same period, the government increased the tax-free personal allowance from £6,475 to £12,500 and imposed restrictions on people’s ability to claim benefits. A Conservative MP stated that “this proves that tax and benefit cuts are the only way to reduce unemployment. Government intervention simply doesn’t work”.

Critically examine the view that “tax and benefit cuts are the only way to reduce unemployment”. [20]



[illegible]

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28SEC2121







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28SEC2127

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For Examiner's use only	
Question Number	Marks
Section A	
1	
2	
3	
4	
5	
6	
Section B	
7	
Section c	
8	
9	

Total Marks	
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Examiner Number

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MONDAY 19 MAY, MORNING

CASE STUDY BOOKLET

**For use with
Section B**

Read the following information and answer Question 7 in the question and answer booklet.

The following article was written in July 2023.

Does Britain need a pay rise?

In 2023, UK workers were facing an unprecedented squeeze on living standards. Research by the Resolution Foundation, published in March that year, showed that wage growth had stalled since the financial crash of 2008. If wages had continued to grow at their pre-crash rates, then average real wages would have been £11,000 a year higher. The graph below shows the changes in real wages in both the public and private sectors between Quarter 3 2020 and Quarter 1 2023.

1

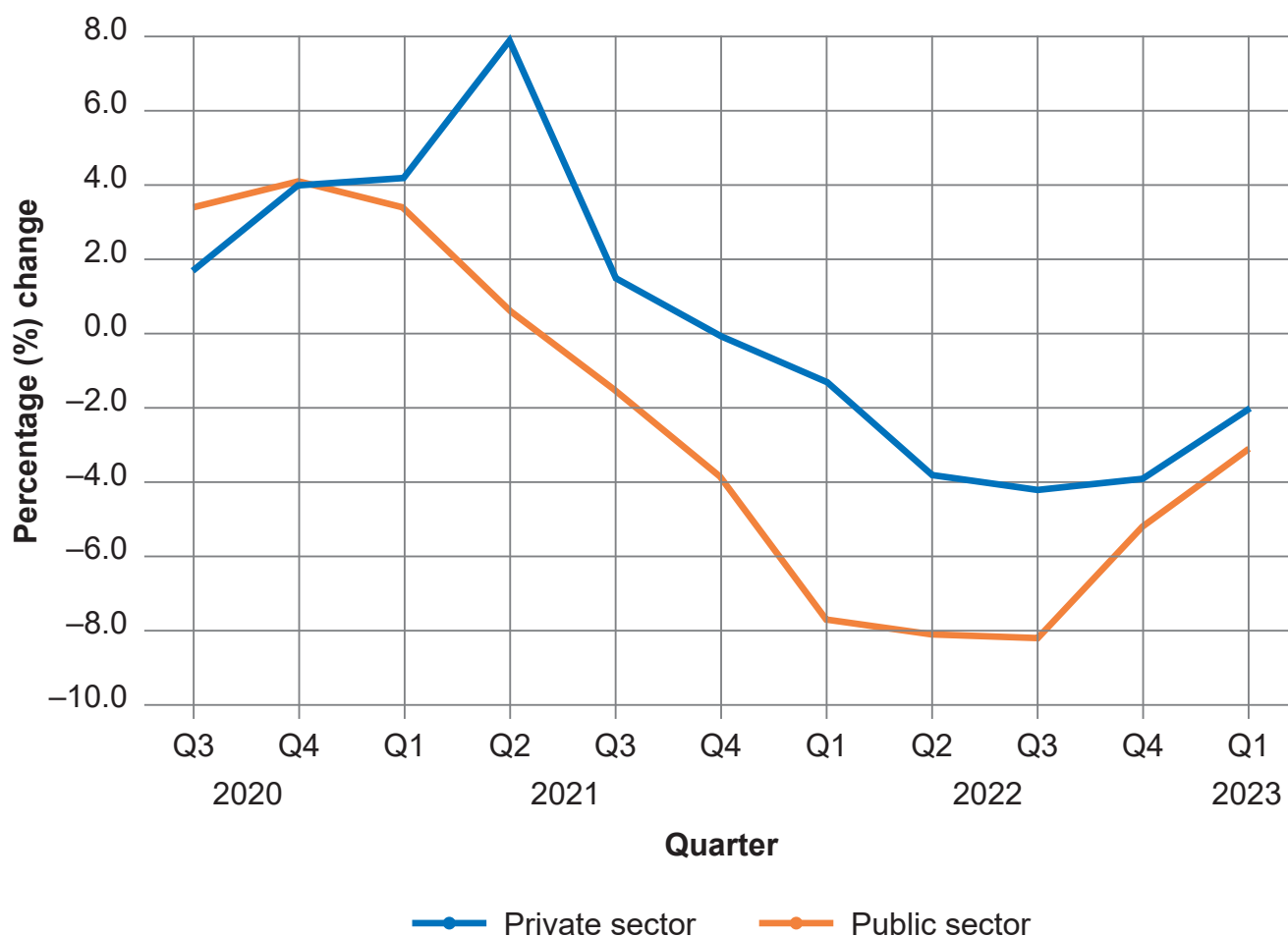


Fig. 1: Change in real wages in public sector and private sector

Source: ONS

A key reason for the stagnation in wage growth is the failure of productivity to grow since 2008. An increase in productivity, as measured by output per worker per hour, enables firms to pay higher wages. A 5% increase in productivity would enable firms to increase wages by 5% without increasing their average costs.

2

UK firms have chosen to expand output, not by improving efficiency, but by hiring more workers. Between the start of 2010 and May 2023, the employment rate increased from 70.2% to 76%, with both unemployment and economic inactivity falling. However, growth based on simply recruiting more workers will hit a problem when the economy runs out of workers, as firms will no longer be able to increase output in response to rising demand.

3

The UK has lower productivity than its main rivals, particularly the USA and Germany. Key reasons for this low productivity are its poor record on investment, education and training. Britain has had a rate of private sector investment lower than the G7 average since 1990. In 2021, the UK invested only 10% of its GDP compared to 14.2% for France and 19.6% for Ireland. Public sector investment is also low; if UK public sector investment had been at the G7 average, it would have been £208.4 billion higher between 2006 and 2021. That would have built an extra 416 hospitals and 8300 secondary schools. Instead, hospital waiting lists reached 7.4 million people in June 2023, whilst in September that year 104 schools were declared unsafe and at risk of collapse.

4

In the public sector, lack of investment isn't the only issue as staff shortages are also causing problems. In March 2023, NHS England estimated it was operating with 154 000 staff fewer than needed. In education, the number of unfilled teaching posts had doubled between June 2022 and 2023. Pay was an important cause of staff shortages. Whilst pay for workers in finance had increased by almost 7% in real terms between 2008 and 2023, in the public sector it had fallen by almost 9%. In July 2023, junior doctors were on strike seeking a pay rise of 26% to restore their real pay to its 2008 level. Increasingly, doctors were moving to better paid jobs overseas. The government, however, was refusing to grant higher than inflation pay rises. It maintained this would cause even higher inflation and, in any case, the government couldn't afford them. One trade union leader responded by saying, "The public sector is on its knees. It's simply not the case that pay rises for public sector workers will be inflationary. Without a real term pay increase, we won't be able to recruit teachers to educate children and doctors and nurses to care for the sick."

5

Sources: Text adapted from articles
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