Surname	Centre Number	Candidate Number
First name(s)		2

GCE AS

B520U10-1

S23-B520U10-1

MONDAY, 15 MAY 2023 – MORNING

ECONOMICS – AS component 1
Introduction to Economic Principles

1 hour

For Examiner's use only		
Question	**Maximum Mark**	**Mark Awarded**
1.	**15**	
2.	**5**	
3.	**14**	
4.	**11**	
5.	**15**	
Total	**60**	

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01

ADDITIONAL MATERIALS

A calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen. Do not use gel pen or correction fluid.

Write your name, centre number and candidate number in the spaces at the top of this page.

Answer **all** the questions in the spaces provided. If you run out of space, use the additional page(s) at the back of the booklet, taking care to number the question(s) correctly.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part-question.

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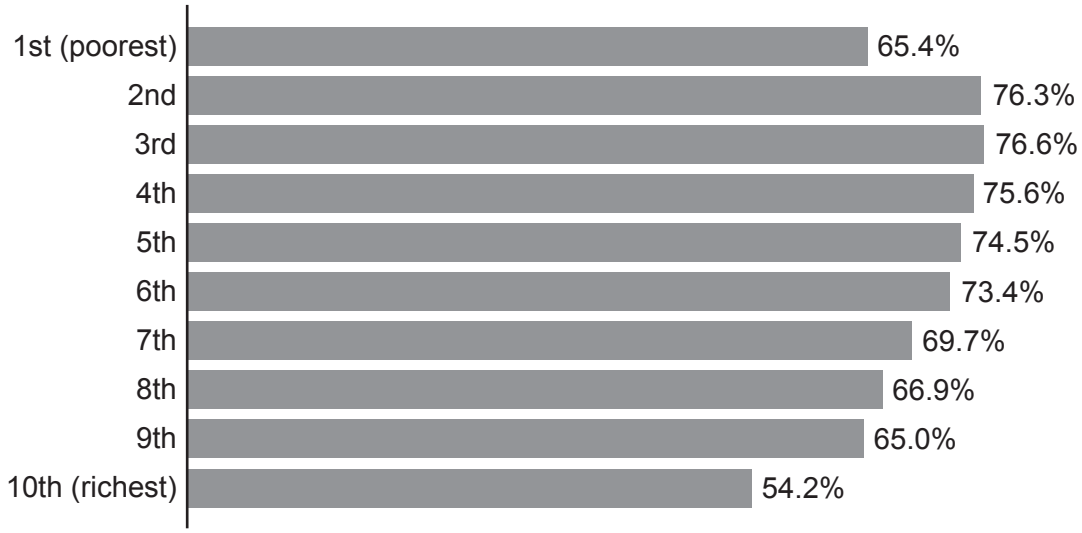
Answer **all** the questions in the spaces provided.

1. Figure 1: Income gap between highest and lowest 10% of earners in Singapore (Singapore dollars (S$) per month)

Figure 2: Income growth by decile 2007–2017 in Singapore



(a) Define the meaning of income inequality. [3]

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(b) Using a numerical example, outline how the income gap in Singapore dollars could worsen even when income growth for low earners is faster than high earners. [4]

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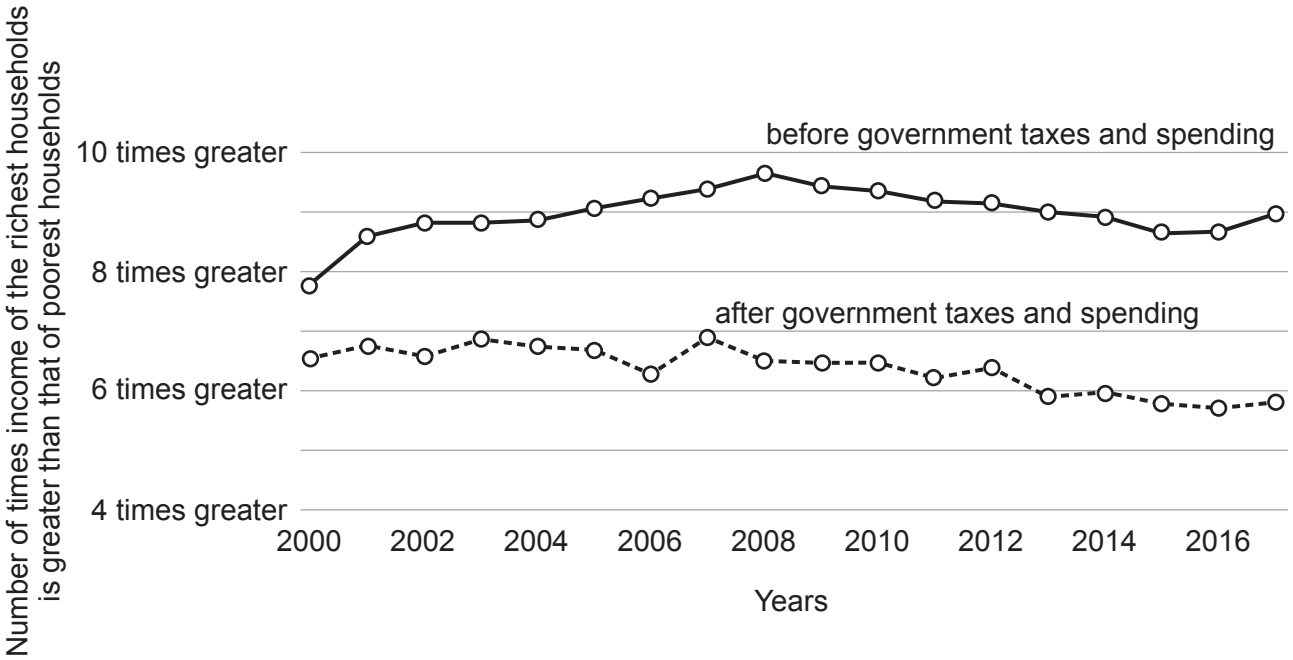
Figure 3: Comparison of monthly Singapore household income for the richest 10% to the poorest 10%.



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Over the period shown the Singapore Government has implemented policies including changes to government spending and taxation to try to reduce income inequality.

(c) Using **Figures 1**, **2 and 3**, consider how effective these policies seem to have been in reducing income inequality. [8]

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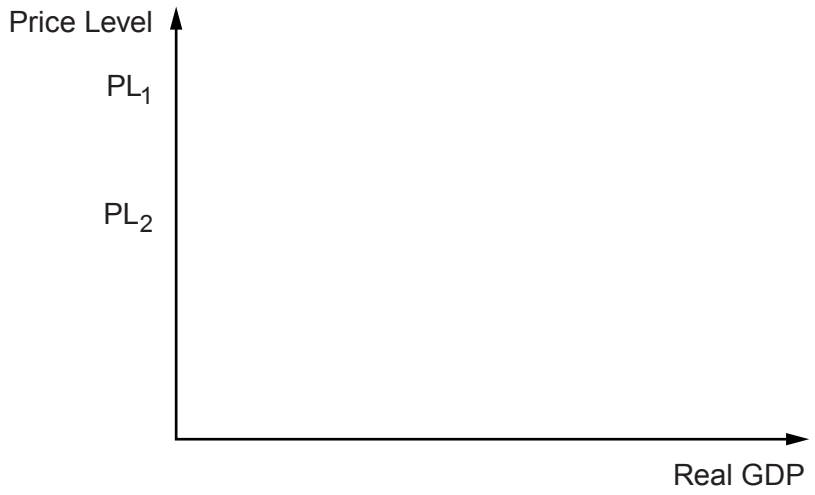

Drawing an aggregate demand (AD) curve, explain **one** reason why a reduction in the price level should lead to an increase in aggregate demand (AD). [5]

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3. In 2014, Narendra Modi became India's Prime Minister promising that the *"acche din"* (good days) would come back due to his introduction of new economic policies.

One of his policies was to lower sales tax rates across the country from 26% to 18%.

(a) Using a demand and supply diagram, show the likely impact of this change in tax rates. [4]

Further policies included:

- Made in India Programme improving infrastructure, India's workers' skills and reforming labour laws.
- Maintaining the minimum price paid to producers of rice, wheat and pulses at the same price level.
- Improvements in rural India: increased rural house building (300%) and ensuring all villages had an electricity connection by 2018.

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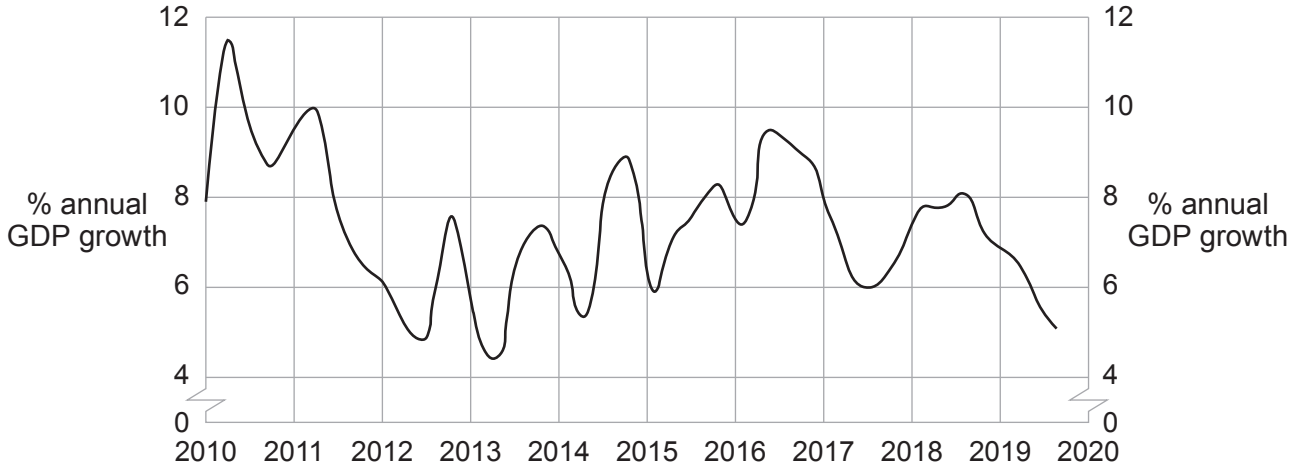
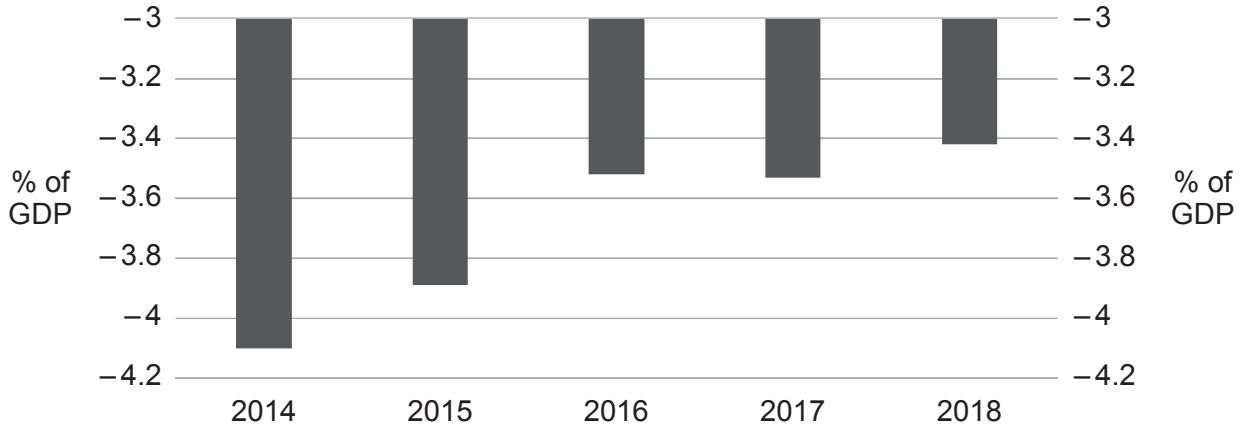
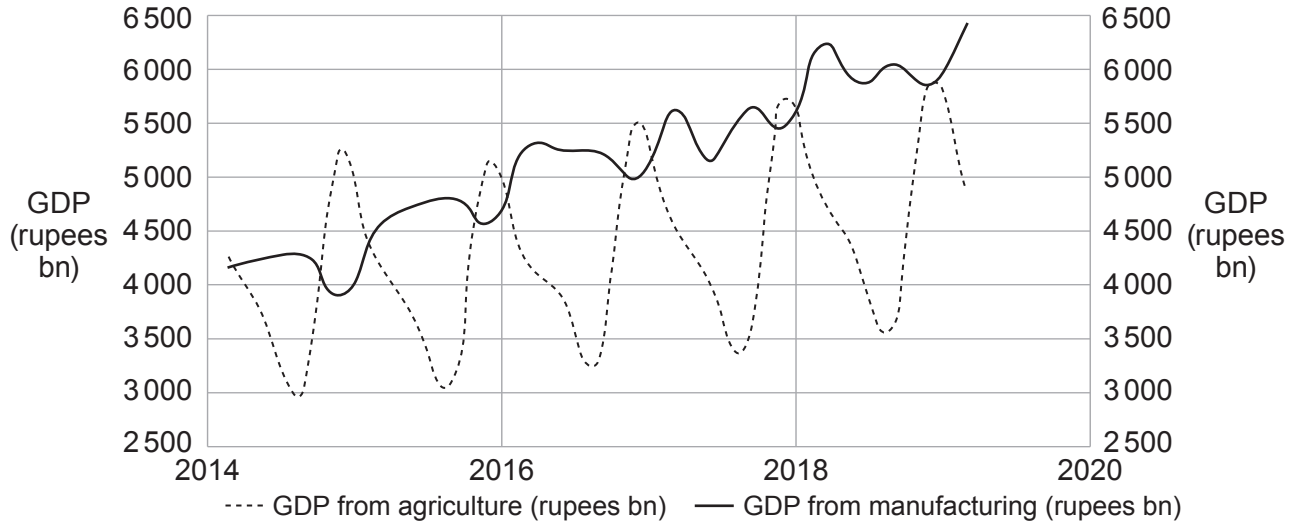
India GDP annual growth rate %



India Government Budget % of GDP



India GDP from Agriculture and Manufacturing (rupees bn)



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(b) Using the data, discuss the extent to which Modi's economic policies (page 7) have been successful in bringing back the "good days" to the Indian economy. [10]

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4. Government funded outdoor gym equipment has become available in some UK parks.

The main features are:

- no charge for their use
- aimed at adults of all fitness levels
- easy to use – instructions are included but each user is responsible for using the equipment safely.

(a) State the difference between an economic good and a free good. [3]

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(b) Discuss whether local government should provide outdoor gyms. [8]

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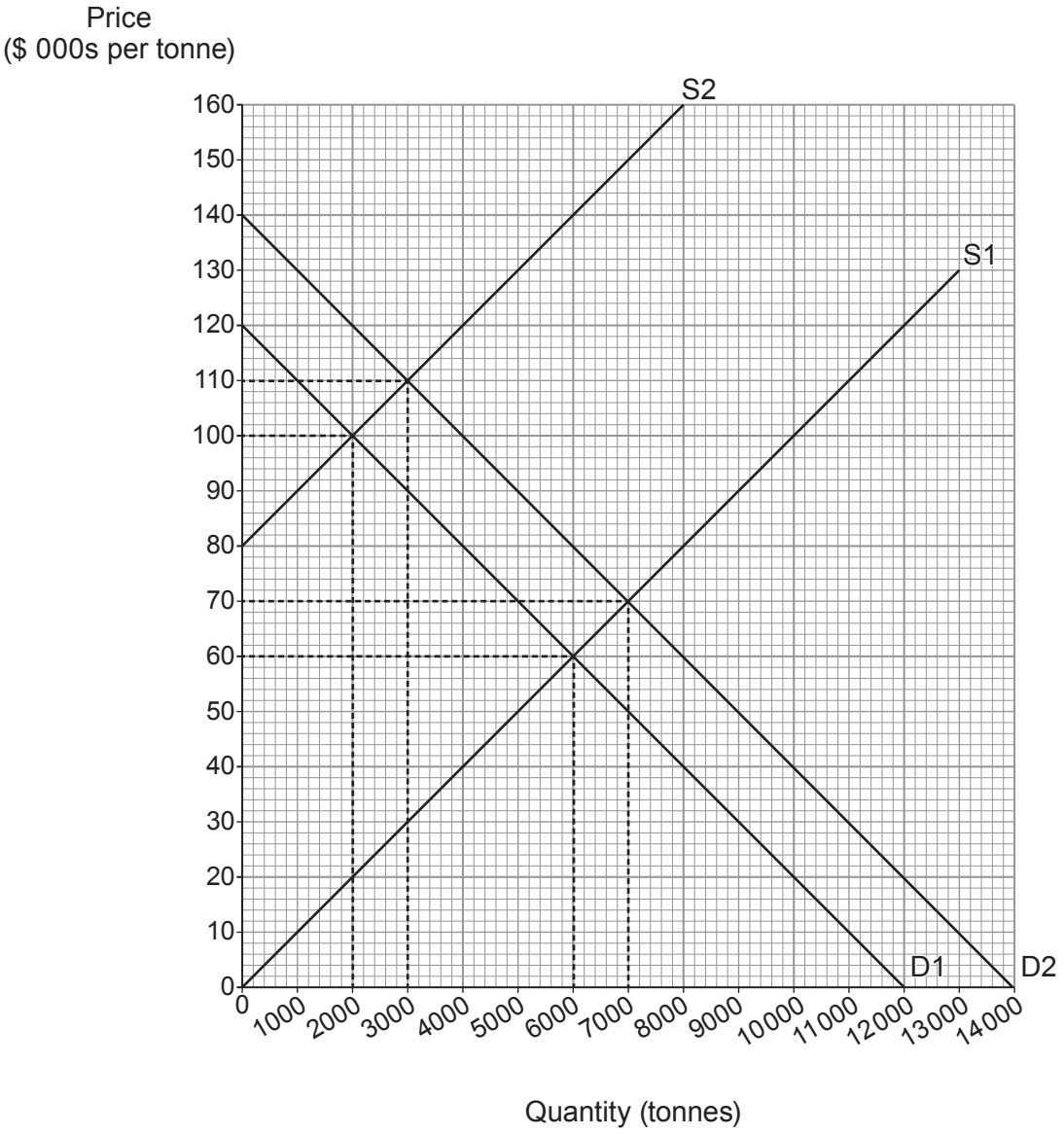
5. Demand for rare-earth minerals continues to rise as they are used in a variety of high-tech goods.

The Chinese Government considered restricting the export of rare-earth minerals, such as neodymium, to the USA in retaliation for USA tariffs on other Chinese exports.

(a) Using the diagram below, calculate the change in consumer surplus resulting from these two actions. [6]

The market for neodymium if retaliation occurred and demand continues to rise



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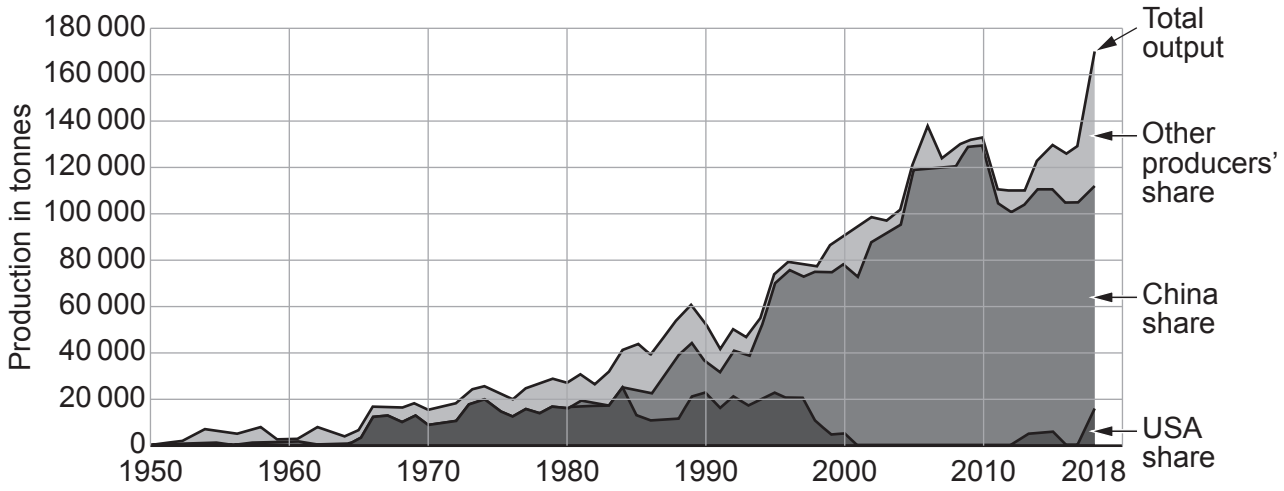
Mining and processing of rare-earth minerals requires large amounts of energy and emits pollution.
The graph below shows the actual production of rare-earth minerals by country 1950–2018.



Rare-earth minerals are important for many American industries including high-growth sectors such as electric cars, wind turbine production and defence. They are essential in the production of computer memory, rechargeable batteries, touchscreens, LED lighting and much more.

Substitutes can be used, however these are not as effective, particularly in defence applications.

USA sector data 2019:

- Output of environmentally friendly goods and services industries is $1.3 trillion
- 10% of USA industry output is for the defence industry

Contributions to USA GDP:

Agriculture	Industry	Services
0.9%	18.9%	80.2%

USA GDP total 2019 = $21.439 trillion

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(b) Using the data, discuss the likely effect on the USA economy of China restricting its exports of rare-earth minerals to the USA. [9]

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