OCR
Oxford Cambridge and RSA

A Level Economics
H460/01 Microeconomics

Practice Paper - Set 1
Time allowed: 2 hours

You may use:
- a calculator

First name	
Last name	

Centre number						**Candidate number**				

INSTRUCTIONS
- Use black ink. You may use an HB pencil for graphs and diagrams.
- Complete the boxes above with your name, centre number and candidate number.
- Read each question carefully before you start to write your answer.
- Section A: Answer **all** questions in this section.
- Sections B and C: Answer **one** question in each of these sections.
- Write your answer to each question in the space provided.
- Additional paper may be used if required but you must clearly show your candidate number, centre number and question number(s).

INFORMATION
- The total mark for this paper is **80**.
- The marks for each question are shown in brackets **[ ]**.
- Quality of extended responses will be assessed in questions marked with an asterisk (*).
- This document consists of **24** pages.

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SECTION A

Read the following stimulus material and answer **all** parts of Question 1 which follow in this section.

The Danube River Basin

Economists describe rivers as common access resources. This means that they have special characteristics. They are rival and non-excludable.

The Danube River is the second largest river basin in Europe. It is also the world's most international river basin as it flows through 11 countries, these include seven European Union (EU) member states; the two EU candidate countries, of Serbia and Montenegro plus Moldova and the Ukraine. The river basin has a large impact on all of these countries. It has been estimated that 20 million people depend directly on the Danube River for drinking water. The industrial and mining sectors, which account for over 25% of the employment and over 30% of the GDP for the 11 countries, use over 5 billion cubic metres of water every year, much of which is drawn from the river and often returned to it.

The chemical, food, and paper industries are amongst the main industrial polluters in the Danube River Basin. Discharges from these industries significantly raise the levels of pollutants in the river network. The degree of industrial development and the pollution caused by the industrial sector varies amongst the countries. The immediate environmental impacts of the inadequate treatment and storage of industrial and mining waste include water pollution and soil contamination. Other longer-term impacts may include the depletion of natural resources, landscape degradation, reductions in biodiversity and health risks.

The environmental problems associated with industrial activities and mining are mainly caused by:

- the use of outdated production technologies
- the use of harmful substances that could be substituted
- discharges of waste water into the sewerage systems without pre-treatment
- inadequate treatment facilities.

Romania, an EU member state since 2007, is one of the countries using the Danube River. The amount of water pollution it has produced over recent years is shown in Fig. 1. Biological oxygen demand (BOD) is a measurement of pollution in a sample of water – the higher the BOD, the higher the amount of pollution.

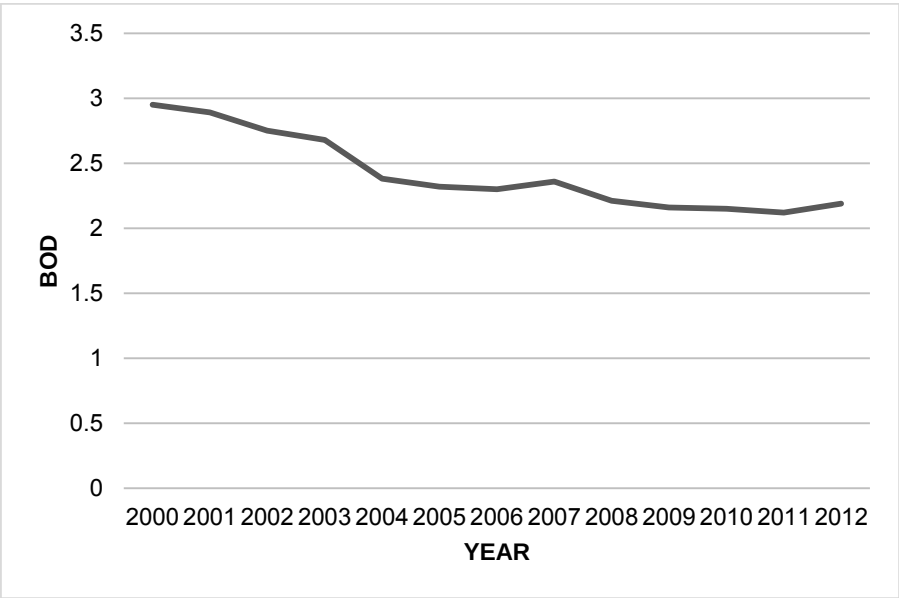

Fig.1 Water pollution in Romania 2000 to 2012.

The International Commission for the Protection of the Danube River (ICPDR) is responsible for the implementation of all aspects of the EU Water Framework Directive (WFD). The ICPDR has recommended policies to tackle the environmental problems. They believe that pollution from industry and mining can be significantly reduced through suitable investment in pollution reduction facilities. The ICPDR estimates that the necessary investments amount to 200 million Euros. The funding for such projects is provided by member states, an example of which is given in Fig.2.

Country	GDP per capita. 2013. $	Contribution to ICPDR. 2013. Euros.
Romania	6,067	98,000
Montenegro	4,690	28,488
Moldova	1,138	11,395
Contribution from other 8 countries	N/A	1,001,651
Total		**1,139,534**

Fig.2 Financial contribution to ICPDR and GDP per head by selected country.

As well as this investment the ICPDR suggests that each country should introduce and enforce an appropriate legal framework including regulation and environmental standards. It is expected that this would ensure adequate management, the closure of any unacceptable sites and the construction of new environmentally friendly landfills.

Answer **all** the questions.

1 **(a)** Explain what is meant by a resource being rival.

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..... **[2]**

(b) Explain, using a diagram and the information in Fig.1, the change in the level of market failure resulting from water use by producers in Romania between 2000 and 2012.

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.....**[6]**

(c) Explain **one** possible reason why the contributions countries make to the ICPDR account for different percentages of the ICPDR's total fund.

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.....**[2]**

(d) Evaluate the effectiveness of legislation and regulation, such as environmental standards, in reducing the market failure associated with the Danube river. **[8]**

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(e)* Using evidence from the stimulus material, evaluate whether economic growth always limits sustainable development. **[12]**

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SECTION B

Answer **EITHER** Question **2 OR** Question **3.**

EITHER

2* In January 2016 junior doctors were planning to strike after pay negotiations with their employer, the National Health Service, had failed to produce a satisfactory outcome.

Evaluate, using an appropriate diagram(s), the impact of a monopsonist employer, such as the National Health Service, on the market for highly skilled labour.

[25]

OR

3* One of the roles of the Competition and Markets authority is to prevent the abuse of monopoly power.

Evaluate, using an appropriate diagram(s), the potential impact of monopoly power within an industry.

[25]

SECTION C

Answer **EITHER** Question **4 OR** Question **5.**

EITHER

4* Merger activity can be of significant benefit to producers.

Evaluate whether the main influence on the size of a firm over time is economies of scale.

[25]

OR

5* The Conservative government's Airport Committee is clear that there is a need for new airport capacity in the south of England but has delayed the decision on the location.

Evaluate the value of Cost Benefit Analysis in helping governments to make this and other major infrastructure decisions.

[25]

SECTION B

Question No .....

Start your answer here

SECTION C

Question No .....

Start your answer here

END OF QUESTION PAPER

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