



Economics Questions By Topic:

**Positive & Normative Statements
(1.1.2)**

A-Level Edexcel Theme 1

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SECTION A

Write your answers in the spaces provided.

- 1** Statement 1: Since Poland joined the European Union (EU) in 2004, over one million of its workforce have migrated to other countries in the EU.

Statement 2: Many engineers have left Poland for higher paid jobs in other countries in the EU.

(Source: <https://www.forbes.com/sites/freylindsay/2019/08/09/polands-emigration-rate-is-falling-but-people-are-still-worried-about-the-brain-drain-bogeyman/> 9550525792e6)

Which **one** of the following best describes the two statements above?

(1)

	Statement 1	Statement 2
<input checked="" type="checkbox"/> A	Normative	Normative
<input checked="" type="checkbox"/> B	Normative	Positive
<input checked="" type="checkbox"/> C	Positive	Normative
<input checked="" type="checkbox"/> D	Positive	Positive

(Total for Question 1 = 1 mark)

2 Statement 1: Cuba has a healthcare system with a patient to doctor ratio of 155:1.

Statement 2: Other countries ought to adopt a similar healthcare system to that which exists in Cuba.

Which **one** of the following best describes the two statements above?

(1)

	Statement 1	Statement 2
<input checked="" type="checkbox"/> A	Normative	Normative
<input checked="" type="checkbox"/> B	Normative	Positive
<input checked="" type="checkbox"/> C	Positive	Normative
<input checked="" type="checkbox"/> D	Positive	Positive

(Total for Question 2 = 1 mark)

3 Statement 1: In the March 2016 Budget the Chancellor of the Exchequer announced a tax increase on tobacco of 2% above the rate of inflation.

Statement 2: The increase in the tax on tobacco is unjustified since it takes up a high proportion of the income of the low paid.

Which **one** of the following best describes the two statements above?

(1)

- A Statement 1 is normative and statement 2 is positive
- B Both statements are normative
- C Statement 1 is positive and statement 2 is normative
- D Both statements are positive

Answer

Explanation

(3)

(Total for Question 3 = 4 marks)

4 Statement 1: In the UK, a 50% tax rate applies on taxable earnings over £150 000 a year.

Statement 2: The 50% tax rate is unfair to high income earners since it reduces their living standards.

Which of the following best describes the two statements above?

(1)

- A** Statement 1 is normative and statement 2 is positive
- B** Both statements are positive
- C** Statement 1 is positive and statement 2 is normative
- D** Both statements are normative

Answer

Explanation

(3)

(Total for Question 4 = 4 marks)

5 Statement 1: Bonuses to financial sector workers in the City of London exceeded £13 billion in 2009.

Statement 2: A 50% tax on bonuses above £25,000 is fair.

Which of the following best describes the two statements above?

(1)

- A** Statement 1 is normative and statement 2 is positive.
- B** Both statements are normative.
- C** Statement 1 is positive and statement 2 is normative.
- D** Both statements are positive.

Answer

Explanation

(3)

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(Total for Question 5 = 4 marks)

6 Statement 1: The London Congestion Charge on motor vehicles has reduced air pollution in the city.

Statement 2: The plan to introduce a higher congestion charge for motor vehicles with a large engine is unfair.

Which of the following best describes the two statements above?

- A** Statement 1 is positive and statement 2 is normative.
- B** Both statements are normative.
- C** Statement 1 is normative and statement 2 is positive.
- D** Both statements are positive.

(a) **Answer**

(1)

(b) **Explanation**

(3)

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(Total for Question 6 = 4 marks)

END OF SECTION A

SECTION B

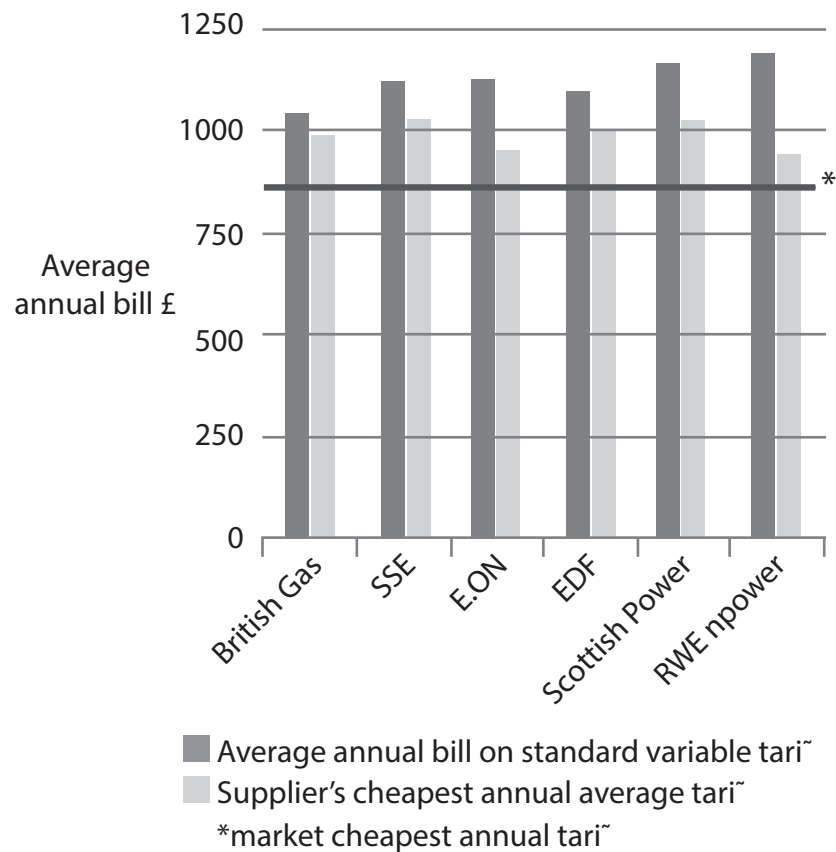
Read all figures and extracts before answering the questions.

Write your answers in the spaces provided.

Question 7

Energy and telecommunication markets in the UK

Figure 1: Average annual household bill from the Big Six UK energy suppliers, 2017



(Source: <https://www.lovemoney.com/news/67298/standard-variable-tariff-compared-cheapest-deal-provider-savings>)

Extract A

Energy price cap to fix ‘broken’ market in UK

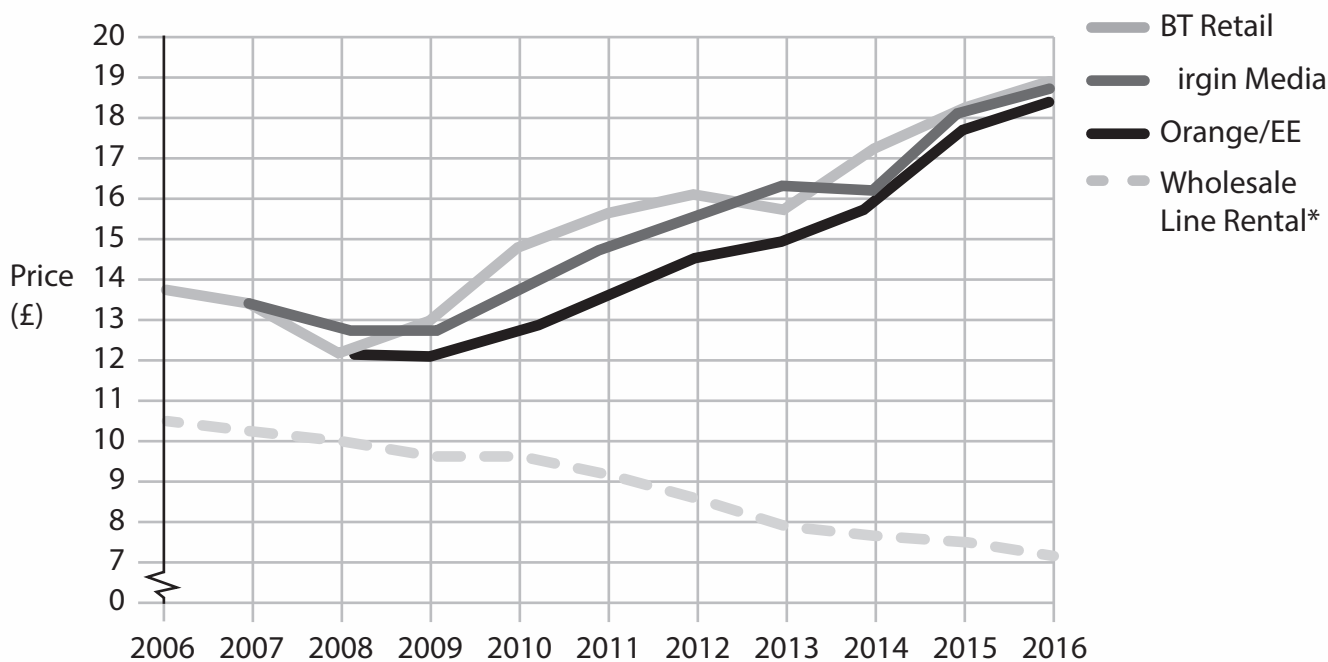
The Prime Minister recently said that the regulator Ofgem (Office of Gas and Electricity Markets) should limit electricity and gas suppliers’ most expensive tariffs.

Under the planned new legislation, the energy bills of 11 million households will be capped for as long as five years. The government claimed this cap could save households up to £100 a year. This legislation would force Ofgem to change the licence conditions for energy suppliers so that they are required to cap electricity and gas prices. The measure will apply to anyone on a standard variable tariff, the expensive plans that customers are moved to when cheaper, fixed-price deals end. Ofgem will need to consult energy companies on how the cap is calculated, the government said. The Prime Minister repeated her claim that she had to act because the ‘market is broken’, a charge the big energy companies reject. “ have been clear that our broken energy market has to change – it has to offer fairer prices for millions of loyal customers who have been paying hundreds of pounds too much,” she said.

However, Michael Lewis, chief executive of E.ON said “the government must guard against any unintended consequences that undermine customer service and push up prices as a whole. A price cap will not be good for customers. It will reduce competition and innovation”. Smaller suppliers such as First Utility said the Big Six had only themselves to blame for the cap, because they had kept millions of people on standard variable tariffs.

(Source: adapted from ‘UK puts energy efficiency at heart of climate change strategy’, Adam Loughan, Copyright Guardian News & Media Ltd 2017 <https://www.theguardian.com/money/2017/oct/12/may-energy-price-cap-ofgem-electricity-gas-tariffs>)

Figure 2: The monthly rental cost of a telephone landline



*Wholesale line rental – the rental price BT Openreach charges telephone service providers

(Source: <https://www.ofcom.org.uk/about-ofcom/latest/features-and-news/landline-prices-review>)

Extract B

BT profit rises

BT Group, which includes BT Openreach and BT Retail, reported a rise in profit as revenue increased following the integration of the consumer mobile business, EE. BT finalised the takeover of EE in August 2016, and the integration has resulted in BT controlling 35% of the mobile consumer market. The profit of the UK-based telecommunication group in its second quarter 2017 rose to £566 million.

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BT Group chief executive Gavin Patterson said: "We will operate a multi-brand strategy with UK customers being able to choose a mix of BT, EE or Plusnet services, depending on which suits them best. The acquisition enables us to offer great value bundles of services and customers are set to be the winners as we compete for their business"

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(Source: adapted from www.marketwatch.com (Oct 27 – 2016) and <http://home.bt.com/news/bt-life/bt-to-retain-ee-brand-as-acquisition-confirmed-11364037422234>)

Extract C

BT to slash landline charges for 1 million customers

Rental charges for landline-only customers – households with a telephone-only contract but no BT broadband – will fall from £18.99 to £11.99 per month after the regulator attacked existing deals as 'poor value for money'. This rental reduction will save a million landline-only customers £84 a year.

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The regulator Ofcom (Office of Communications) said it stepped in because these bills for landline-only customers – nearly two-thirds of whom are over 65 – have "soared" in recent years. This is despite BT and other landline providers benefiting from significant cuts in the wholesale line rental cost of providing the service by BT Openreach. Many landline-only customers are elderly, and have been with BT for decades. Ofcom has focused on BT because it accounts for two-thirds of the UK's 1.5m landline-only customers.

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A spokesperson for Ofcom said "This position [of dominance] has allowed BT to increase prices without much risk of losing customers, and other providers have followed BT's pricing lead. We expect BT's price cut to mean other providers will follow suit". Ofcom said that over three-quarters of BT's landline-only customers have never switched provider, which has left them a prime target for price rises. The regulator said that all major landline providers have increased their line rental charges by between 23% and 47% in recent years, while their own costs for providing the service have fallen about 27%. Ofcom said it is also looking at measures to help people shop around for better deals with more confidence.

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(Source: adapted from 'BT to slash landline charges for 1m customers', Mark Sweney, Copyright Guardian News & Media Ltd 2017 <https://www.theguardian.com/business/2017/oct/26/bt-to-slash-landline-charges-for-1m-customers>)

7 With reference to Extract A, explain the difference between a positive statement and a normative statement.

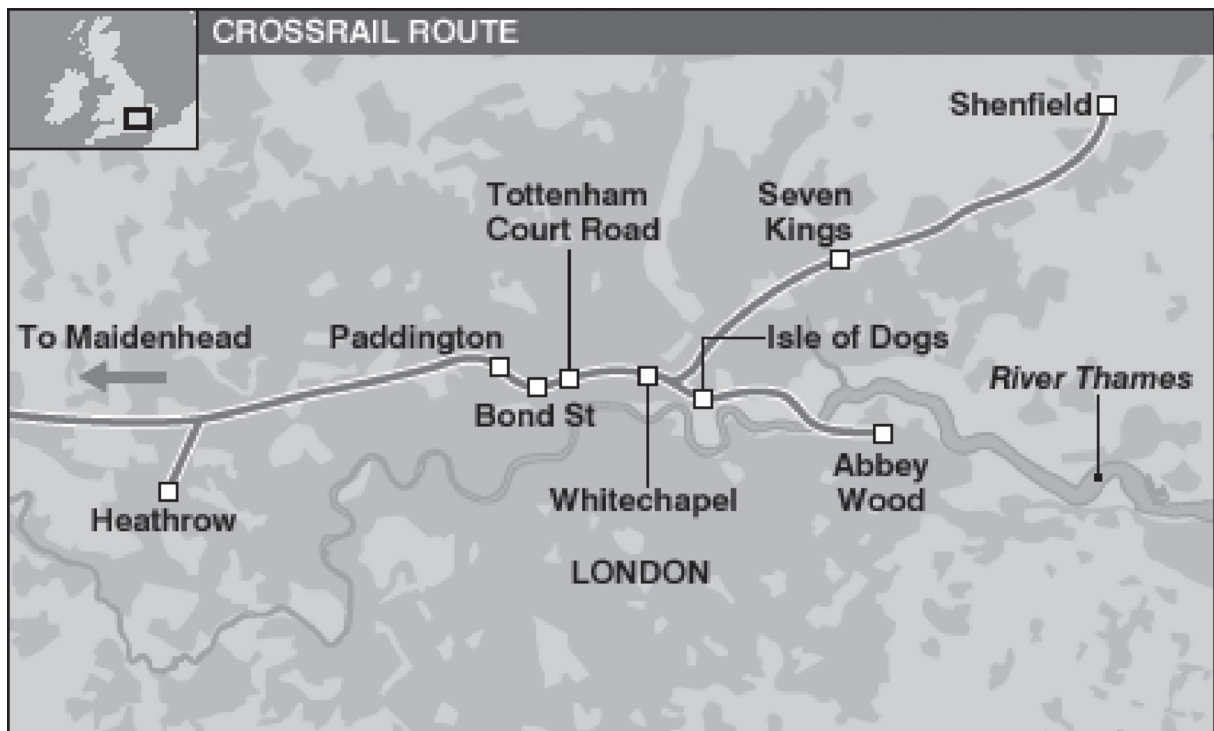
(5)

A series of horizontal dotted lines for writing the answer to Question 7.

(Total for Question 7 = 5 marks)

8 The London Crossrail project

Figure 1 The London Crossrail route



(Source: Google images)

Extract 1 London Crossrail is Europe's largest infrastructure project

A government-funded East-West rail link across London, known as Crossrail, is due to open in 2018. It involves building 73 miles of railway line to link Reading in the west to Shenfield in the east. It includes 38 railway stations and 26 miles of tunnels under London. London's rail capacity is set to increase by 10% and overcrowding on the existing transport routes should reduce.

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Crossrail is being built to cope with London's growing population and to support further economic development of the capital city. An estimated 200 million passenger journeys per year will be made on Crossrail. Each train will be 200 metres long and capable of carrying 1 500 passengers. The project has coincided with the tendency for companies to move back into central London, reversing a 20 year trend.

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Rail travel times are set to come down, for example, Heathrow Airport to the City of London will fall from 55 minutes to 32 minutes. The project will also bring a further 1.5 million people within a 45 minute commute to the major employment centres in London. There is now a discussion about building Crossrail 2 to improve links between north and south London.

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(Source: <http://www.crossrail.co.uk/benefits/>)

Extract 2 Employment at London Crossrail

Over 9 000 people are directly employed on the project across 40 construction sites. Another 41 000 jobs have been created indirectly outside London, including the supply of thousands of tonnes of steel from Northern England and construction equipment from the Midlands.

However, at the start of construction in 2009, Crossrail required some 1 200 specialist workers with underground tunnelling skills but were only able to recruit 700 and these had an average age of 55 years. In response to the labour shortage, Crossrail set up a £15 million Tunnelling Academy to train the remaining specialist workers required for the project. This may prove useful for possible future transport infrastructure projects such as the controversial High Speed 2 rail line (HS2) between London and the north. 5 10

Terry Morgan, the boss of Crossrail, warned that Britain's construction skills base will be put at risk without a steady flow of large-scale infrastructure projects. Government spending on infrastructure projects fell by 50% in the first quarter of 2013, creating uncertainty over future employment for specialist construction workers and investment by firms. 15

(Source: adapted from 'Crossrail chief warns infrastructure schemes vital to skills base', James Pickford, Financial Times, 24 June 2013)

Extract 3 London Crossrail is unfair to taxpayers

Central and local government taxpayers are paying for most of the £14.8 billion cost of the Crossrail project. However, most taxpayers will receive little benefit from the rise in domestic and commercial property values. Only those properties near the stations will experience an increase in value as a result of Crossrail. House prices near the stations have already risen by 20% more than the average, and commercial values along the route are set to rise by at least 10%. The project could lead to an increase in regional inequality. 5

(Source: adapted from <http://www.transport-network.co.uk/Taxpayers-lose-out-on-millions-due-to-Crossrails-crude-funding-structure/9645#.UqOAJxZFAdU>)

8 With reference to the **titles of Extract 1 and Extract 3**, distinguish between positive and normative statements.

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(Total for Question 8 = 4 marks)

9 UK Higher Education tuition fees

Figure 1: Estimated repayment of tuition fees by graduate workers

Gross annual income	Monthly repayment
Under £21 000	0
£25 000	£ 30
£30 000	£ 68
£40 000	£143
£50 000	£218
£60 000	£293

(Source: Browne report: Review of Higher Education Funding and Student Finance, 2010
© Crown Copyright)

Figure 2: UK University applications 2005-2011

Year	Number of student applications to higher education	Percentage change over previous year
2005	522 155	-----
2006	506 304	-3.0*
2007	534 495	5.6
2008	588 689	10.1
2009	639 860	8.7
2010	697 351	9.0
2011	729 376 (forecast)	4.6

*Note: between 2005 and 2006 tuition fees increased from £1 175 to £3 000 per annum

(Source: UCAS Analysis and Research - http://wwwucas.com/about_us/stat_services/stats_online/data_tables/datasummary)

Extract 1 University tuition fees increase up to a maximum of £9,000 a year

Universities minister David Willetts announced an increase in tuition fees from £3,290 to a maximum of £9,000 a year in England by 2012. Three quarters of English universities intend to set the maximum tuition fees of £9,000, and 95% plan to charge more than £7,000. This will help to balance out an 80% cut in government funding to university undergraduate courses.

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Increasing the contribution made by graduates strengthens the link between what the student gains from education and what they pay back. It encourages universities to compete for students who will now directly fund the courses. Universities may be forced to improve teaching standards and become more efficient. Students should still gain financially: the return on a degree has been estimated at an additional £160,000 over a working lifetime compared to a non-graduate with A Levels. However, graduate unemployment reached a 17 year high at 8.9% in 2010.

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Many students will take out student loans to pay their fees and living expenses. These loans will only be repaid once graduates' income rises above £21,000 a year, at a rate of 9% of their income above this level. For students from low-income families, there are grants of up to £3,250 per year, and bursaries from universities will also be available.

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A world class university education system is vital for attracting investment and increasing labour productivity, ensuring long term wealth and prosperity. It also generates earnings from large numbers of overseas students.

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(Source: Adapted from 'University tuition fee limit rises to £9 000'; by Hazel Barker, Sky News online, 3rd November 2010 © 2011 BskyB and Jeevan Vasagar, Guardian, 22nd November 2010 © Guardian News & Media Ltd 2010)

Extract 2 Higher university fees are unfair to students from low-income families

Research conducted in 2010 by the University of Leicester indicated that students from low-income families are more likely to be put off from applying to higher education than better-off students. The research involving 730 A Level students found that an increase in tuition fees from £3,290 to £7,000 would reduce the number of applications from low-income households by 14% compared to a reduction of 9% for better-off households.

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The research also revealed a differing impact on the types of institutions and courses. Applications to the most prestigious universities would not be affected but the new universities would suffer a significant fall in applications. Furthermore, applications for Medicine and Law would hardly be affected but there would be a big fall in numbers applying for Arts and Humanities courses. The tuition fees increase could lead to a reduction in the number of universities and range of courses on offer. There are fears that some 36 000 university places could be lost in 2012.

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However, most A Level students still intend to apply to university, suggesting a genuine appreciation of the benefits from a higher education degree.

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(Source: © University of Leicester 20 September 2010)

9 With reference **to the titles** of Extract 1 and Extract 2, distinguish between positive and normative statements.

(4)

(Total for Question 9 = 4 marks)

END OF SECTION B