Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel Level 3 GCE

Monday 20 May 2024

Afternoon (Time: 2 hours)

Paper reference **9EC0/02**

Economics A

Advanced

PAPER 2: The National and Global Economy

You do not need any other materials.

Total Marks

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 three sections in this question paper. Answer **all** questions from Section A and Section B. Answer **one** question from Section C.
- 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 ▶

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Pearson

SECTION A

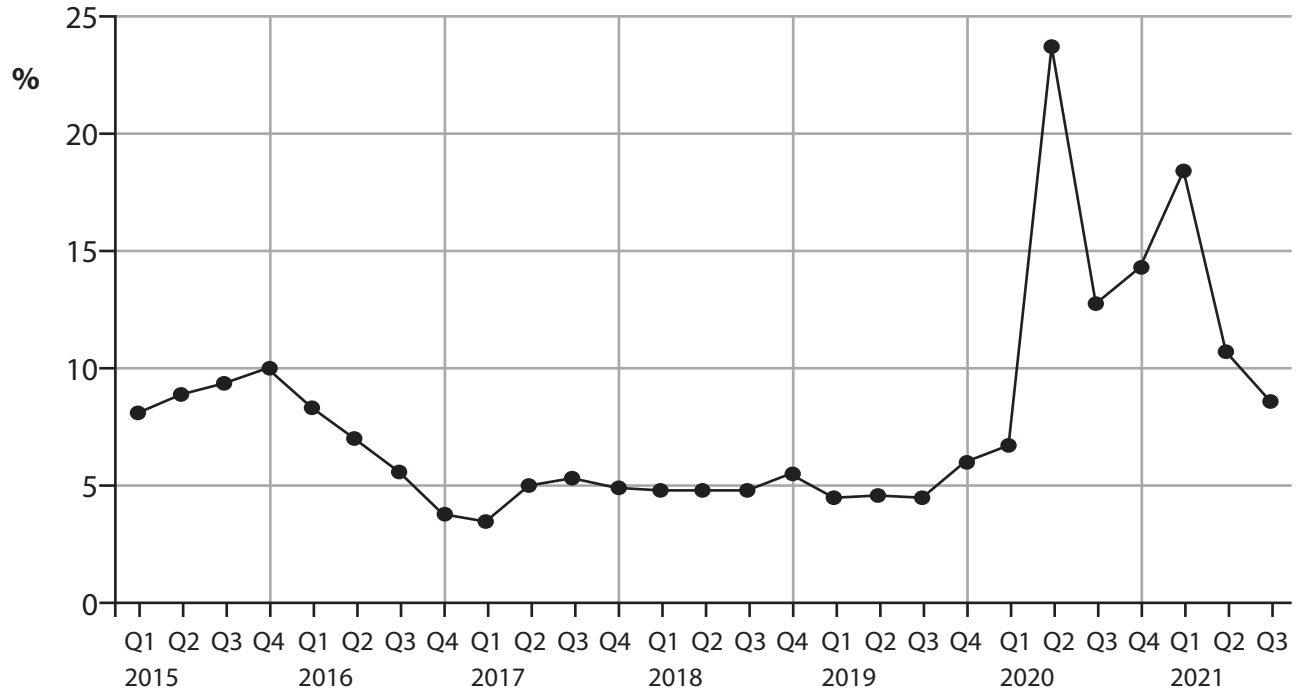
Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

You are advised to spend 30 minutes on this section.

Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

1 UK household savings as a percentage of household disposable income, quarter 1 (Q1) 2015 to quarter 3 (Q3) 2021



(Source: https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/dgd8/ukea)

(a) With reference to the chart above, which **one** of the following is correct?

(1)

UK household savings as a percentage of household disposable income:

- ☒ **A** fell in 2015
- ☒ **B** fell throughout the time period shown
- ☒ **C** were the highest in Q1 2017
- ☒ **D** were the highest in Q2 2020

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(b) In Q4 of 2015 average household disposable income was £26 300.

Calculate the total amount of money saved by the average household in Q4 of 2015.

(2)

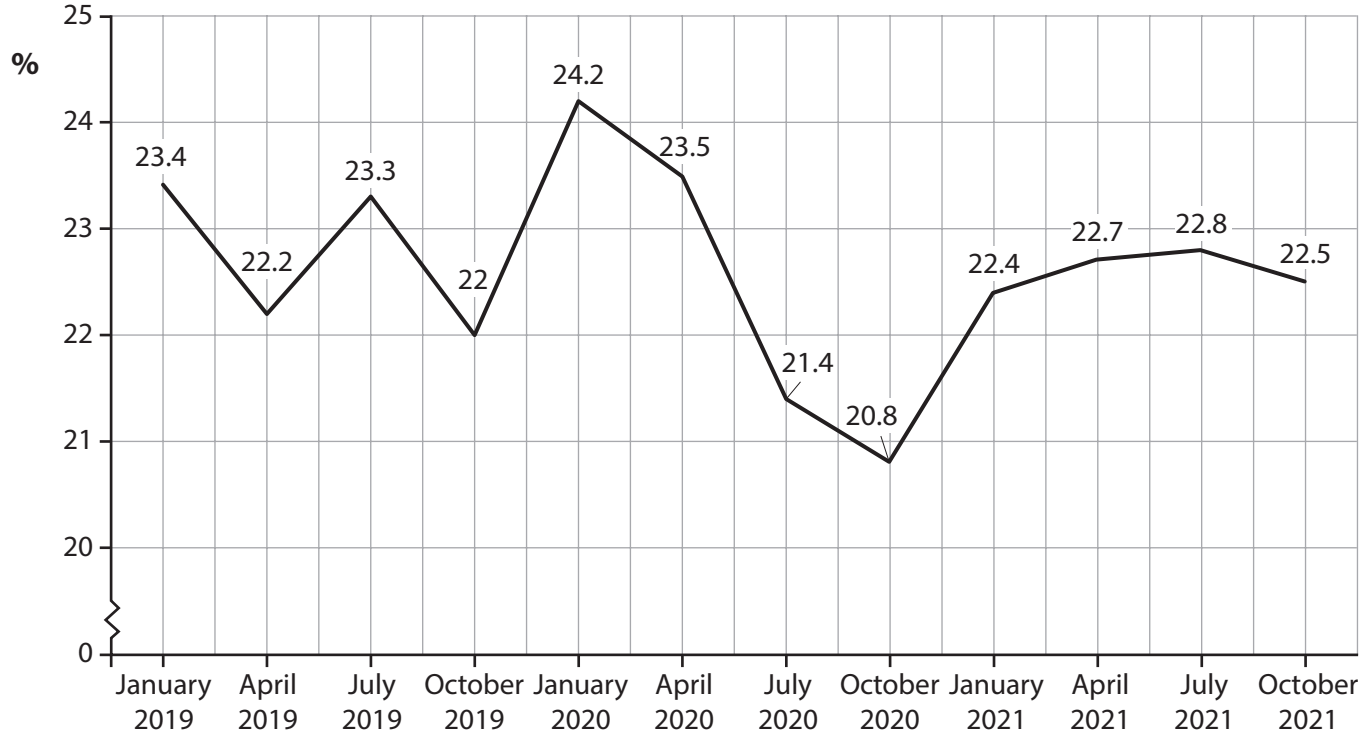
(c) Explain **one** likely reason for the change in total household savings from Q1 2020 to Q2 2020.

(2)

(Total for Question 1 = 5 marks)

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2 Investment in the European Union, percentage of GDP, January 2019 to October 2021



(Source: adapted from https://www.ceicdata.com/en/indicator/european-union/investment--nominal-gdp)

(a) Which **one** of the following is the percentage point fall in investment between April 2020 and July 2020?

(1)

- ☒ **A** 0.1
- ☒ **B** 0.6
- ☒ **C** 2.1
- ☒ **D** 8.9

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(b) With reference to the data, explain **one** likely effect of the fall in investment in 2020.

(4)

(Total for Question 2 = 5 marks)

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3 A group of banks, including Barclays and JP Morgan, have been fined more than €1 billion by the EU's competition authorities for rigging the foreign exchange market after the Global Financial Crisis of 2008. The EU found that traders at the banks had used online chat rooms to share information about customers' orders, prices and other trading activities in order to manipulate the currency markets.

(Source: adapted from https://www.ft.com/content/73163fa0-77c5-11e9-bbad-7c18c0ea0201)

(a) With reference to the information above, explain what is meant by 'market rigging'.

(4)

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(b) Which **one** of the following is a role of financial markets?

To:

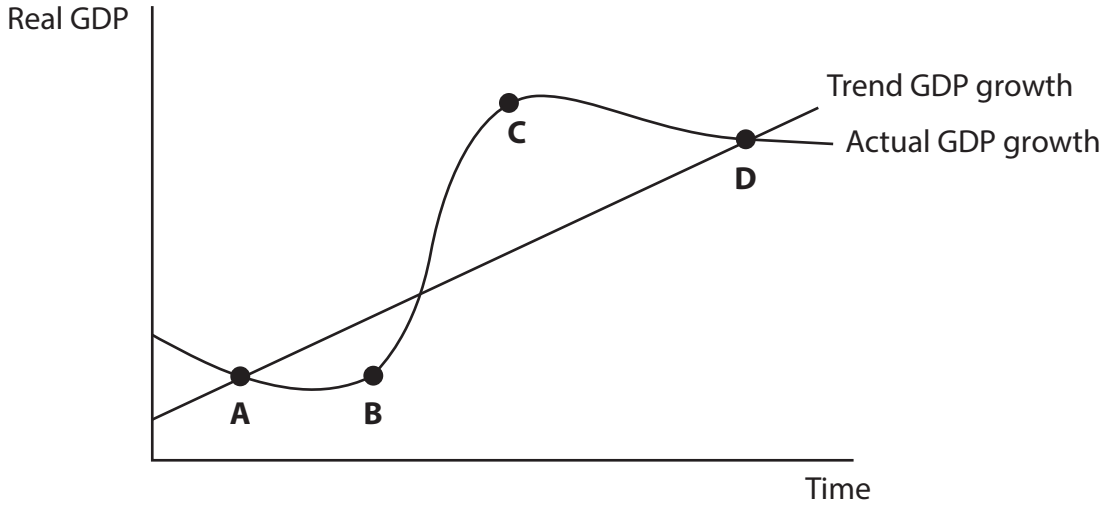
(1)

- ☒ **A** discourage saving
- ☒ **B** promote moral hazard
- ☒ **C** provide forward markets
- ☒ **D** restrict free trade

(Total for Question 3 = 5 marks)

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(a) Which **one** point on the trade cycle diagram above illustrates a boom?

(1)

- ☒ **A**
- ☒ **B**
- ☒ **C**
- ☒ **D**

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(b) In July 2020 a survey estimated that the marginal propensity to consume in the UK was 0.1.

(Source: adapted from https://ifs.org.uk/uploads/WP202035-MPCs-through-COVID-spending-saving-and-private-transfers.pdf)

Calculate the total increase in aggregate demand from an increase in government spending of £60 million.

(4)

(Total for Question 4 = 5 marks)

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5 In March 2018 the US imposed a tariff of 25% on steel imports from the UK.

(Source: adapted from https://www.reuters.com/business/us-uk-announce-plans-formal-talks-metals-tariffs-wednesday-sources-2022-01-19/)

(a) Explain the likely impact of this tariff on the steel market in the US.

(4)

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(b) Which **one** of the following is likely to give the US a comparative advantage in steel production?

An increase in:

(1)

- ☒ **A** corporation tax in the US
- ☒ **B** economic growth in the US
- ☒ **C** the productivity of US steel workers
- ☒ **D** the wages of US steel workers

(Total for Question 5 = 5 marks)

TOTAL FOR SECTION A = 25 MARKS

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SECTION B

Read Figures 1, 2, 3 and 4 and the following extracts (A and B) before answering Question 6.

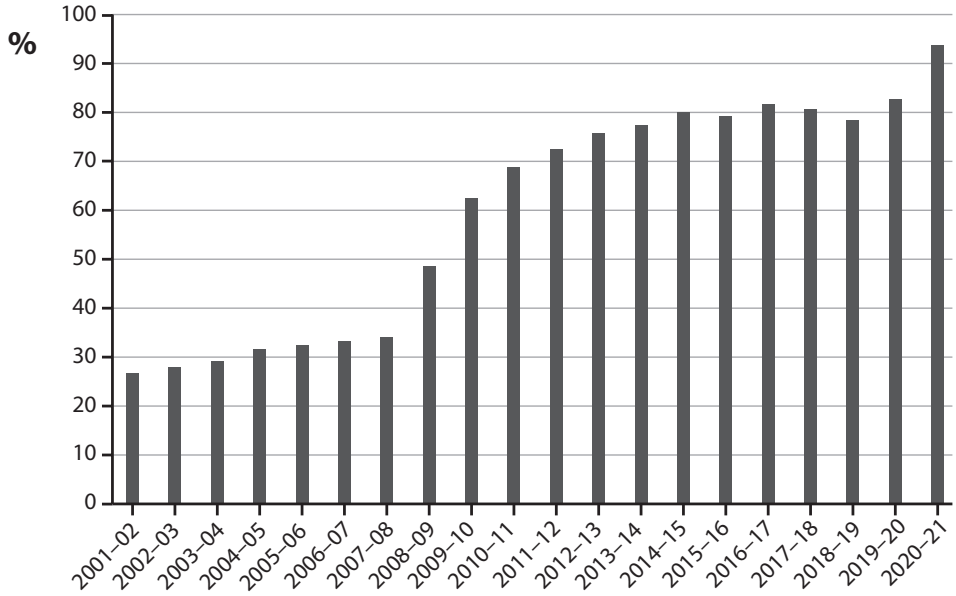
Write your answers in the spaces provided.

You are advised to spend 1 hour on this section.

Question 6

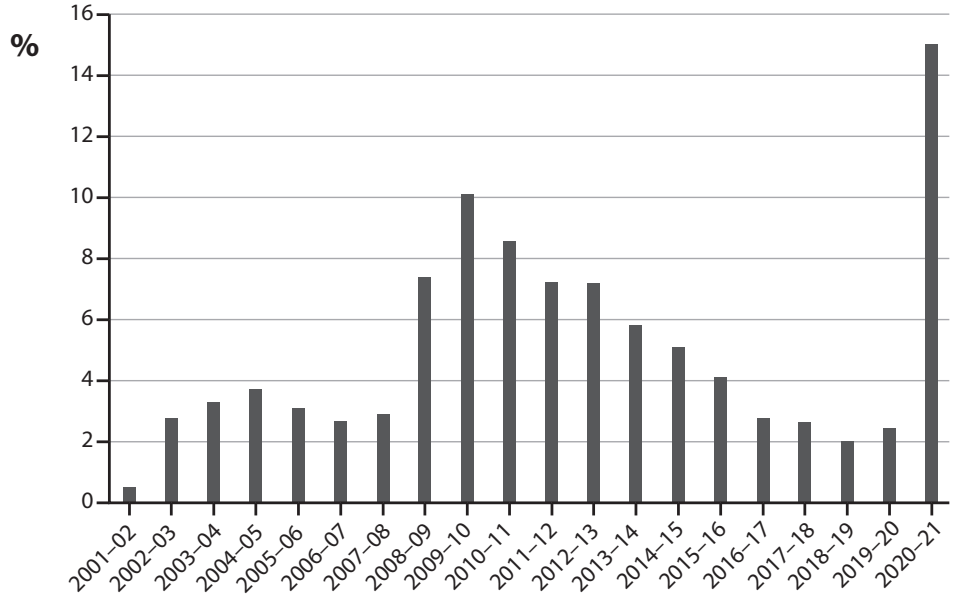
The UK Economy

Figure 1: UK national debt, percentage of GDP, 2001–2021



(Source: https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/bulletins/publicsectorfinances/december2021)

Figure 2: UK fiscal deficit, percentage of GDP, 2001–2021



(Source: https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/bulletins/publicsectorfinances/december2021)

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Figure 3: Interest rate on a 10-year UK government bond, July 2022 to March 2023



(Source: https://www.ft.com/content/ece962c3-b7e5-48c6-a0b1-06f9823a4853#post-ad2ac225-0543-49e7-9ed5-af9907e83697)

Figure 4: Income tax rates for 2023–24, compared to 2022–23

	2022–23		2023–24	
Tax band	**Income threshold**	**Tax rate**	**Income threshold**	**Tax rate**
Personal allowance	Up to £12 570	**0%**	Up to £12 570	**0%**
Basic rate	£12 571–£50 270	**20%**	£12 571–£50 270	**20%**
Higher rate	£50 271–£150 000	**40%**	£50 271–£125 140	**40%**
Additional rate	Over £150 000	**45%**	**Over £125 140**	**45%**

(Source: Gov.uk)

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Extract A

Freeze in income tax thresholds from 2023 onwards

The freeze on the personal allowance, and the basic and higher-rate income tax bands in England, Wales and Northern Ireland will be extended to April 2028. While this freeze may not look like a tax rise on the face of it, having thresholds that fail to rise in line with salaries, people will still end up paying more tax on their income – particularly if they end up in a higher tax band as a result.

The biggest change announced in the Autumn Statement 2022 was the reduction of the additional-rate income tax threshold, dropping from £150 000 to £125 140 from 6 April 2023. It is estimated around 250 000 taxpayers will be pushed into the additional rate tax band, paying 45% tax on any income above the new limit.

The Chancellor said lowering the additional rate threshold means that a person earning £150 000 will pay an extra £1 200 income tax per year.

(Source adapted from: https://www.which.co.uk/news/article/6-tax-changes-to-watch-out-for-in-2023)

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Extract B

UK Monetary Policy Decisions

At a special meeting on 19th March 2020, the monetary policy committee of the Bank of England announced further measures to help support the UK economy during the global health crisis. It voted to reduce the base rate of interest to 0.1% and restart the quantitative easing programme by buying £200 billion of UK government bonds and corporate bonds. This followed a number of announcements by the UK government to try and limit the damage of the deep recession the country was facing and reduce the chances of deflation occurring in the UK. Government borrowing grew massively during 2020 and 2021 to fund support for businesses and workers.

However, since then the monetary policy committee has rapidly increased the base rate of interest – which reached 4% in February 2023. The UK government's long-term borrowing costs are higher today than they were before former prime minister Liz Truss's £45 billion proposed tax cuts caused the interest rate on 30-year government bonds to briefly rise above 5%, which almost caused a financial crisis.

The Bank's use of quantitative easing (QE) has also come in for criticism, with former governor of the Bank of England Mervyn King saying that the decision to keep pumping money into the economy during the global health crisis was a mistake that fuelled inflation. He said: 'central banks decided it was a good time to print a lot of money. That was a mistake [as] we had too much money chasing too few goods'.

Experts have argued this pushed inflation higher in the UK by stimulating aggregate demand. However, critics say QE does not cause inflation as most of the extra money is contained in the financial system and does not affect consumption and investment.

Higher interest rates on the national debt may limit the ability of the UK government to increase spending on supply-side policies needed to boost economic growth, such as a £20 billion plan to transform carbon capture in the UK, which would create jobs and support a move to cleaner electricity generation and technology.

(Source: adapted from: https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2020/monetary-policy-summary-for-the-special-monetary-policy-committee-meeting-on-19-march-2020 and https://www.ft.com)

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6 (a) With reference to Figure 4 and your own knowledge, explain the distinction between a progressive and a regressive tax.

(5)

(b) With reference to Figure 4 and Extract A, examine the likely impact of the 'freeze in income tax thresholds' (Extract A line 1) on aggregate demand.

(8)

(c) Assess whether a fiscal deficit **and** national debt should be a cause for concern for the UK government.

(10)

(d) With reference to Extract B, discuss the use of quantitative easing in preventing deflation.

(12)

(e) Discuss supply-side policies the UK government could introduce to stimulate economic growth.

(15)

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6 (a) With reference to Figure 4 and your own knowledge, explain the distinction between a progressive and a regressive tax.

(5)

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(b) With reference to Figure 4 and Extract A, examine the likely impact of the 'freeze in income tax thresholds' (Extract A line 1) on aggregate demand.

(8)

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(c) Assess whether a fiscal deficit **and** national debt should be a cause for concern for the UK government.

(10)

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(d) With reference to Extract B, discuss the use of quantitative easing in preventing deflation.

(12)

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(e) Discuss supply-side policies the UK government could introduce to stimulate economic growth.

(15)

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(Total for Question 6 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS

SECTION C

Answer ONE question from this section.

Write your answer in the spaces provided.

You are advised to spend 30 minutes on this section.

EITHER

7 In 2021 Brazil's current account deficit on the balance of payments was US$46.12 billion. The Central Bank of Brazil intervened to sell its own currency, the *real*, on September 23rd 2022. This was the first time it has intervened in foreign currency markets since December 2021.

(Source adapted from: https://www.statista.com/statistics and https://www.centralbanking.com/central-banks/reserves/foreign-exchange/7953193/brazil-makes-first-fx-intervention-of-the-year)

Evaluate macroeconomic policies that could be used to reduce a current account deficit. Refer to a country of your choice in your answer.

(Total for Question 7 = 25 marks)

OR

8 In 2020, exports as a share of world GDP were 12% higher than in 2000, almost twice as high as 50 years ago.

(Source adapted from: https://www.dhl.com/content/dam/dhl/global/dhl-spotlight/documents/pdf/2021-gci-update-report.pdf)

Evaluate the possible factors contributing to globalisation.

(Total for Question 8 = 25 marks)

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 7** ☒ **Question 8** ☒

Write your answer here:

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TOTAL FOR SECTION C = 25 MARKS
TOTAL FOR PAPER = 100 MARKS

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