Please check the examination details below before entering your candidate information

Candidate surname	Other names

Pearson Edexcel Level 3 GCE

Centre Number | Candidate Number

Tuesday 2 June 2020

Morning (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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SECTION A

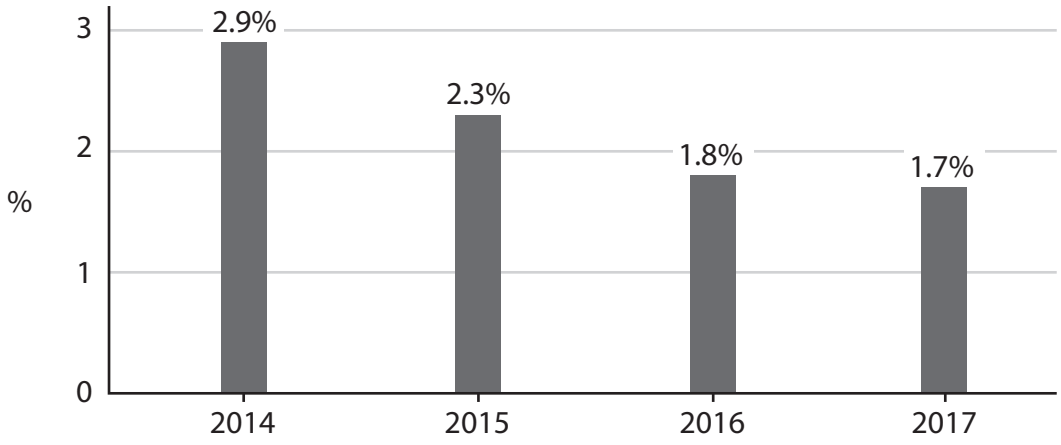
Answer ALL questions. Write your answers in the spaces provided.

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 real Gross Domestic Product (GDP), annual percentage change 2014–2017



(Source: https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/ihyp/qna)

(a) Total real UK GDP in 2016 was £200 000 million. With reference to the chart above, calculate the total real UK GDP for 2017. You are advised to show your working.

(2)

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(b) Explain the term 'real gross domestic product'.

(2)

(c) With reference to the chart on page 2, which **one** of the following is correct over the period shown?

(1)

- ☒ **A** GDP per capita was highest in 2014
- ☒ **B** Inflation rose in 2015
- ☒ **C** The UK economy grew at the fastest rate in 2014
- ☒ **D** The UK economy was in recession in 2015

(Total for Question 1 = 5 marks)

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2 The planned investment in the redevelopment of Dover Port will cost £115 million. The Chief Executive said it will lead to many 'new job opportunities for local people and a transformed waterfront experience' with new cafés, bars, and shops.

(Source adapted from: https://www.kentonline.co.uk/dover/news/docklands-redevelopment-work-to-start-118581/)

(a) If the value of the multiplier is 1.8, which **one** of the following will be the total increase in GDP from the redevelopment, assuming other things are equal?

(1)

- ☒ **A** £64 million
- ☒ **B** £115 million
- ☒ **C** £207 million
- ☒ **D** £230 million

(b) Using the example above, explain how the multiplier process leads to an increase in aggregate demand.

(4)

(Total for Question 2 = 5 marks)

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3 In 2018, the International Monetary Fund (IMF) lent Argentina $57 billion as part of a bailout package to help prevent the country's government defaulting on its debts. This financial crisis also caused significant capital flight out of Argentina's economy.

(Source adapted from: https://www.ft.com/content/737b48bc-c1c9-11e8-95b1-d36dfef1b89a)

(a) Explain the role of the IMF in providing financial assistance to countries such as Argentina.

(4)

(b) Which **one** of the following is most likely to happen to Argentina's currency value as a result of capital flight, assuming it is operating with a floating exchange rate system?

(1)

☒ **A** Appreciation

☒ **B** Depreciation

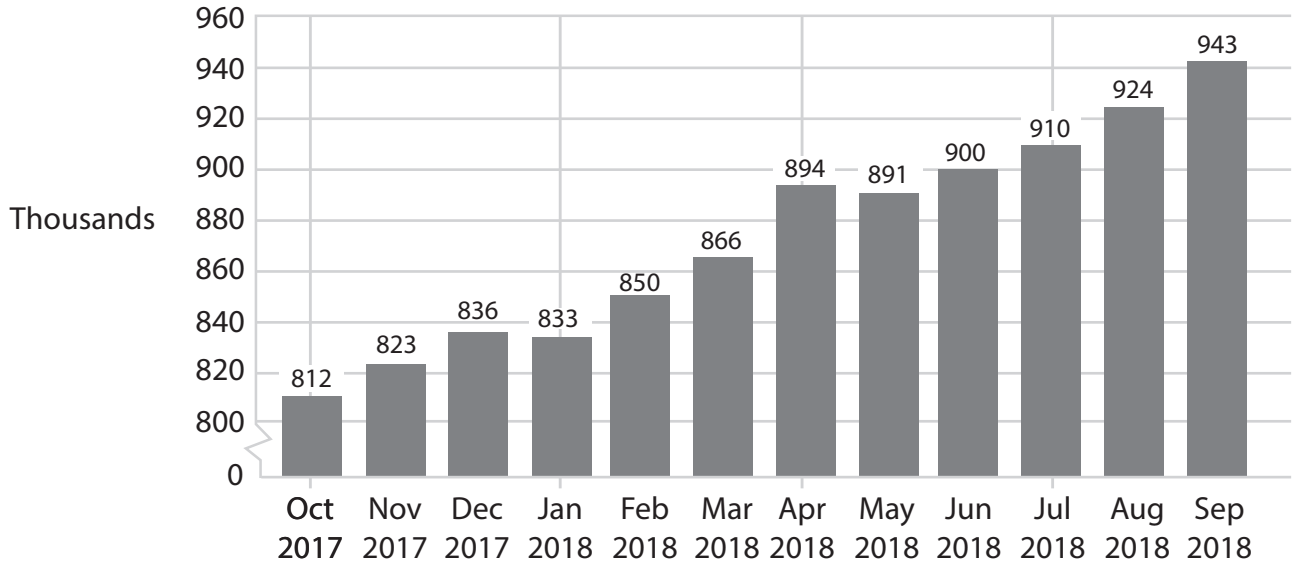
☒ **C** Devaluation

☒ **D** Revaluation

(Total for Question 3 = 5 marks)

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4 Number of unemployed persons, UK, as measured by the claimant count, thousands



(Source: https://tradingeconomics.com/united-kingdom/unemployed-persons)

(a) Calculate the percentage change in the number of UK unemployed persons between April and July 2018. You are advised to show your working.

(2)

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(b) Explain **one** likely reason for the increase in the number of people unemployed in the UK over the time period shown.

(2)

(c) Which **one** of the following types of unemployment is most likely to be caused by a technological change in an industry?

(1)

- ☒ **A** Cyclical
- ☒ **B** Real wage
- ☒ **C** Seasonal
- ☒ **D** Structural

(Total for Question 4 = 5 marks)

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5 The Hong Kong-Zhuhai-Macau Bridge is the world's longest sea bridge. It reduces the journey time from Hong Kong to Zhuhai from 4 hours to just 30 minutes. It cost the equivalent of $18.8 billion and was government funded.

(Source adapted from: www.theguardian.com)

(a) Draw an aggregate demand and aggregate supply diagram to show the likely impact of this new bridge on the price level and real output in the region.

(4)

(b) Which **one** of the following would be most likely to solve a negative output gap problem in a domestic economy?

An increase in

(1)

- ☒ **A** government funding to the World Bank
- ☒ **B** government spending on foreign aid
- ☒ **C** government spending on public transport
- ☒ **D** income tax

(Total for Question 5 = 5 marks)

TOTAL FOR SECTION A = 25 MARKS

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SECTION B

Read Figures 1 and 2 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

Trade and Development Issues in Africa

Figure 1: The Fairtrade scheme in the cocoa industry. How the additional revenue is spent by cocoa farmers.

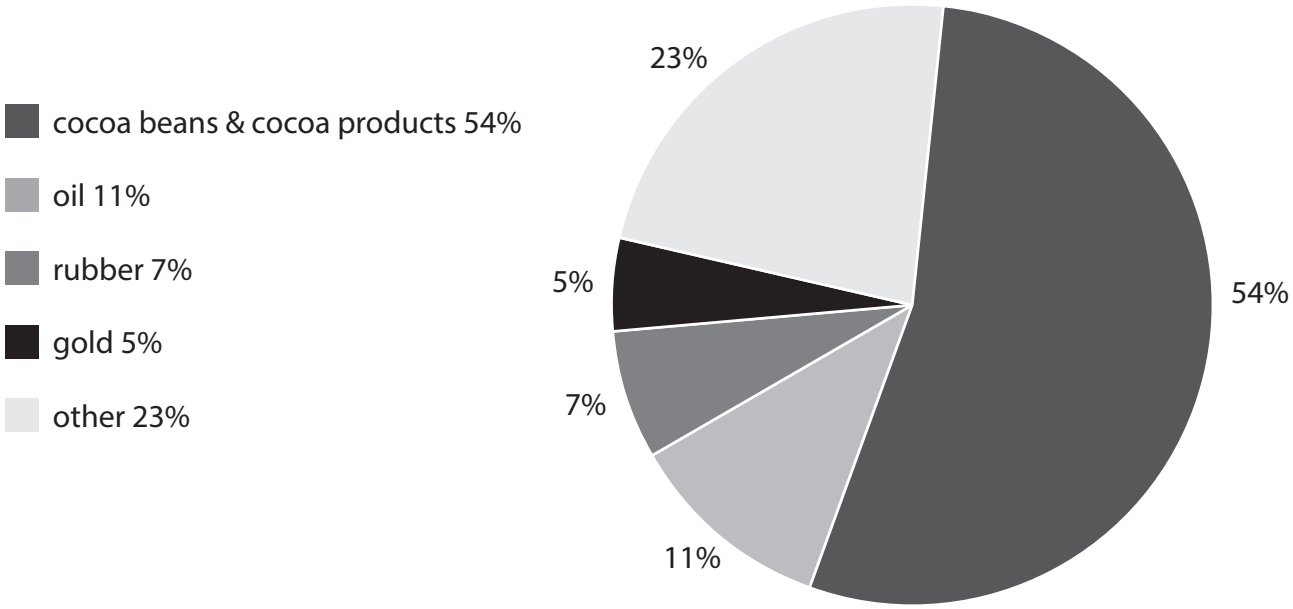


Improving business administration and infrastructure	44%
Investing in farm equipment, training and funding	45%
Supporting social services for the community	10%
Other	1%

(Source: https://www.fairtrade.org.uk/~/media/FairtradeUK/What%20is%20Fairtrade/Documents/Policy%20and%20Research%20documents/Monitoring%20reports/Fairtrade%20Monitoring%20Report_9thEdition%202016.pdf)

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Figure 2: Ivory Coast exports – relative share of main products (%), 2016



(Source: https://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/civ/all/show/2016/)

Extract A

Cheap cocoa is costing farmers dear

The median annual income of cocoa farmers in the west African country, Ivory Coast, is just US$2 600. Research suggests that an annual income of US$6 133 is needed for this country's farmers to have a decent, living income. This situation is even worse for farmers who are not part of a Fairtrade scheme.

World cocoa prices fell by more than a third in 2017. Cocoa farmers have to accept all the risk from price volatility, putting a significant strain on their fragile incomes. On the other hand, cocoa processors and chocolate manufacturers are able to adapt or even make high profit and consumers continue to enjoy their chocolate.

This is still happening despite considerable investment in agriculture to build a sustainable cocoa sector. The focus has been on raising productivity and diversifying crops. The average cocoa farm in the Ivory Coast produces only around half of the output that could be achieved with training and resources such as fertilisers, equipment and replanting. If farmers diversify into other crops, livestock or non-farm activities, they lower the risk they face of fluctuating world cocoa prices.

Even tripling farm output would not provide the average cocoa farmer with a living income. Diversification alone will not always make farms more profitable. If we want farmers to earn a living income, we must also be willing to pay farmers more.

(Source adapted from: https://www.fairtrade.org.uk/Media-Centre/Blog/2018/October/Cheap-cocoa-is-costing-farmers-dear)

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Extract B

Sub-Saharan Africa is becoming more integrated

After two years of negotiations, representatives of a large number of African countries signed the African Continental Free Trade Agreement (AfCFTA) in Kigali on March 21, 2018. This created a trading bloc of 1.2 billion people with a combined gross domestic product of more than US$2 trillion. The agreement committed countries to removing tariffs on 90% of goods and to liberalise services.

This can be seen as a sign of rapid and steady regional integration. Sub-Saharan Africa in particular is much more integrated today than in the past. The level of integration in sub-Saharan Africa is now similar to that in the world's other developing and emerging market economies.

However, the two largest African economies, Nigeria and South Africa, refused to sign the agreement. Nigeria's manufacturers and trade unions are concerned about the potential negative impacts of becoming more open to imports from other African countries with lower labour costs.

Greater interdependence can expose small economies to their partners' recessions. After nearly 20 years of strong economic activity, sub-Saharan Africa experienced the downside of integration in 2015. The collapse in commodity prices and the slowdown in economic activity in Nigeria and South Africa contributed to sub-Saharan African growth slowing sharply. Since 2017 growth has begun to recover. The recovery is mixed, though, and it is unclear to what extent the slow recovery of the larger economies is still affecting the rest of sub-Saharan Africa.

(Source adapted from: https://www.imf.org/ and https://www.pulse.ng/)

6 (a) With reference to Figure 1 and Extract A, explain the likely impact of a Fairtrade scheme on agricultural communities.

(5)

(b) Examine **two** ways, apart from Fairtrade schemes, in which cocoa farmers could boost their incomes despite the falling price of cocoa.

(8)

(c) Discuss the problems for the Ivory Coast of dependency on cocoa for a large proportion of their exports. Refer to Figure 2 in your answer.

(12)

(d) Nigeria is considering joining the African Continental Free Trade Agreement. Assess policies the Nigerian government could use in response to the concerns of the country's 'manufacturers and trade unions' (Extract B paragraph 3) if they join this trading bloc.

(10)

(e) Discuss the likely benefits of increased economic integration for sub-Saharan African countries.

(15)

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6 (a) With reference to Figure 1 and Extract A, explain the likely impact of a Fairtrade scheme on agricultural communities.

(5)

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(12)

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(Total for Question 6 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS

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SECTION C BEGINS ON THE NEXT PAGE.

SECTION C

Answer ONE question from this section.

Write your answer in the space provided.

You are advised to spend 30 minutes on this section.

EITHER

7 In 2018, the United States Government cut the corporation tax rate (tax on company profits) from 35% to 21%. Income tax rates for US citizens were also reduced: for example, the top rate of income tax was cut from 39.6% to 37%.

(Source adapted from: https://www.nytimes.com/)

Evaluate the likely impact of cutting tax rates as a policy to increase economic growth.

(Total for Question 7 = 25 marks)

OR

8 In terms of income distribution and wealth distribution Brazil is one of the most unequal countries in the world. Its income Gini coefficient is 0.449 and it is ranked number 2 in the world for its wealth inequality.

Evaluate possible economic causes of income and wealth inequalities within a country such as Brazil.

(Source: https://www.gfmag.com/)

(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** ☐

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

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