PEARSON EDEXCEL IAL ECONOMICS · YEC11

ECONOMICS



EXAM QUESTION PACK

UNIT 2: MACROECONOMIC OBJECTIVES AND POLICIES

SCORE	PERCENTAGE
/470	%

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Q1.

From 2008 to 2018 Thailand's GDP per capita increased by 100%. Over the same period national happiness in Thailand also rose. However, from 2008 to 2018 India's GDP per capita increased by 80% but national happiness fell.

Evaluate the view that achieving a government's macroeconomic objectives is likely to result in an increase in national happiness.

(Total for question = 20 marks)

Q2.

With reference to Extract A, analyse **two** roles of a central bank.

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(Total for question = 6 marks)

Q3.

China's economic growth has resulted in a significant increase in pollution within the country. It is believed that recent government legislation to lower pollution will cause China's real GDP to increase at a slower rate.

Evaluate the view that conflicts between macroeconomic objectives are inevitable.

(Total for question = 20 marks)

Q4.

In the first two quarters of 2020, pollution in China decreased by 10.8% as a result of the slowdown in the country's rate of economic growth.

Evaluate the potential conflicts between the objective of economic growth and **two** other macroeconomic objectives.

(Total for question = 20 marks)

Q5.

Define the term 'base rate of interest' (Figure 1).

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(Total for question = 2 marks)

Q6.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

In June 2020 the Bank of England increased the value of its asset purchases scheme (quantitative easing) by £100 billion.

Which **one** of the following correctly describes this economic policy?

☐ **A** Reflationary monetary policy

☐ **B** Deflationary monetary policy

☐ **C** Reflationary fiscal policy

☐ **D** Deflationary fiscal policy

(Total for question = 1 mark)

Q7.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

In 2020 the Italian Government spent €945.6 billion and received €789.3 billion in tax revenue.

Which **one** of the following policies could the Italian Government implement to achieve a balanced budget over the following year?

☒ **A** Deflationary monetary policy

☒ **B** Reflationary monetary policy

☒ **C** Deflationary fiscal policy

☒ **D** Reflationary fiscal policy

(Total for question = 1 mark)

Q8.

Study Figure 1, Figure 2, Extract A and Extract B in the Source Booklet before answering this question.

With reference to the information provided, discuss supply-side policies that the UK Government has introduced to increase the country's productive potential.

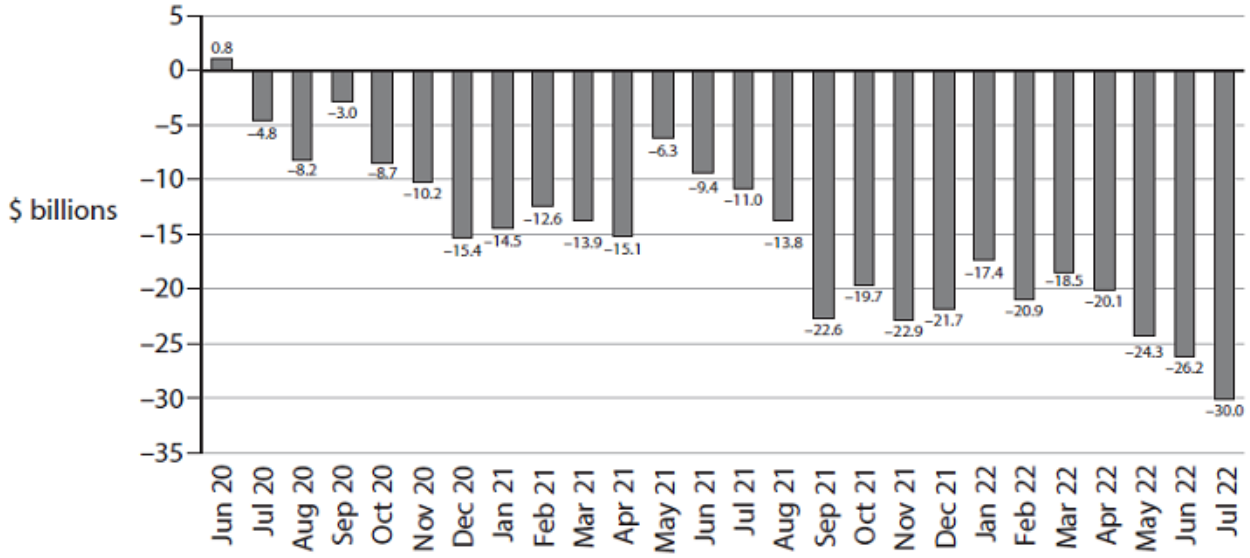
(Total for question = 14 marks)

Q9.

Study Figure 1 and Extract A in the Source Booklet before answering this question.

The Indian economy

Figure 1 Balance of trade, June 2020 to July 2022



Extract A Balance of trade, inflation and economic growth

In 2022 the Indian economy was experiencing several challenges following the global health crisis. In particular, there was a rising rate of inflation caused by its dependence on imported oil. Oil accounts for 30% of India's imports by value. This is more than double the average of 14.7% for other major Asian economies, such as China, Japan and South Korea. In July 2022 India reported a record balance of trade deficit of $30 billion, largely caused by the increased expenditure on imported oil. This deficit was one of the largest of all the Asian economies. Economists expect the rate of inflation to increase which will have a further negative impact on India's balance of trade.

The rate of inflation was 7.01% in June 2022 compared with June 2021. This was the second highest rate of inflation of the larger Asian economies. This higher rate of inflation reduced the purchasing power of consumers in India. As a result, many consumers were struggling to afford basic necessities. According to economists there were increasing signs that consumer expenditure would increase at a slower rate in the second half of 2022 than in the first half of 2022. This was likely to cause a fall in the rate of economic growth.

During 2022, India's currency, the rupee, fell in value against the US dollar. In order to prevent the rupee from falling further, and to control the rising rate of inflation, India's central bank raised the country's base rate of interest to 4.9% in June 2022. This represented an increase of 0.5 percentage points from the previous month.

Unlike several other Southeast Asian countries, exports of services contribute more to India's economic growth rate than exports of goods.

The Asian Development Bank (ADB) decreased its projected GDP growth rate for India to 6.7% for 2022. This was as a result of the high rate of inflation in India and the deflationary monetary policy adopted by India's central bank. The ADB predicted a small increase in consumer expenditure in the second half of 2022. However, it believed that this increase in consumption will not be sufficient to maintain India's rate of economic growth.

With reference to the information provided and your own knowledge, discuss the likely effects of the increase in the base rate of interest on the Indian economy.

(Total for question = 14 marks)

Q10.

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering this question.

With reference to Extract A and Extract B, discuss the likely effects of interventionist supply-side policies on East African economies.

(Total for question = 14 marks)

Q11.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

In December 2021 the European Central Bank (ECB) decided to end its asset purchases (quantitative easing) scheme. In August 2022 the ECB started to sell these assets.

Which **one** of the following describes this economic policy?

☒ **R** Reflationary fiscal policy

☒ **B** Deflationary fiscal policy

☒ **C** Reflationary monetary policy

☒ **D** Deflationary monetary policy

(Total for question = 1 mark)

Q12.

Between January 2020 and May 2020 the global oil price decreased from $63 a barrel to $31 a barrel.

Evaluate the view that falling global oil prices will always benefit a country's macroeconomy.

(Total for question = 20 marks)

Q13.

Bosnia and Herzegovina, a country in Europe, experienced high levels of unemployment. In 2013 the unemployment rate was 46% and in 2018 it was 37%.

Explain **one** possible effect of high rates of unemployment on the public finances of Bosnia and Herzegovina.

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(Total for question = 4 marks)

Q14.

Study Figures 1–3 and Extract A in the Source Booklet before answering this question.

With reference to Extract A and your own knowledge, discuss the likely effects of the ECB's monetary policy on the French economy.

(Total for question = 14 marks)

Q15.

Between June 2021 and November 2021 the rate of employment in Australia decreased from 63% to 61.5%.

Evaluate government policies that could be used to increase the rate of employment. Refer to a country of your choice in your answer.

(Total for question = 20 marks)

Q16.

In January 2019 the Portuguese Government announced an increase of €20 billion of government spending on transport, energy and environmental projects. It aims to improve the productive potential of the economy.

Evaluate interventionist supply-side policies as a means of achieving economic growth.

(Total for question = 20 marks)

Q17.

In 2022 many countries experienced low rates of economic growth and high rates of inflation.

Evaluate supply-side policies that a government could use to increase the rate of economic growth and to decrease the rate of inflation. Refer to a country of your choice in your answer.

(Total for question = 20 marks)

Q18.

Many economists are expecting several of the world's leading economies to enter a recession in 2023.

Evaluate the likely costs of a recession on an economy of your choice.

(Total for question = 20 marks)

Q19.

In February 2023 government expenditure exceeded tax revenue by approximately $1 billion in Argentina.

Evaluate the likely macroeconomic effects of a government using deflationary policies to achieve a balanced budget. Refer to a country of your choice in your answer.

(Total for question = 20 marks)

Q20.

Between February 2022 and February 2023 the central bank of South Korea increased the base rate of interest from 1.25% to 3.5%.

Evaluate the likely macroeconomic effects of an increase in interest rates on a country of your choice.

(Total for question = 20 marks)

Q21.

In 2022 Japan's productivity was approximately 30% lower than that of the USA.

Evaluate supply-side policies that a government could use to increase the country's productivity.

(Total for question = 20 marks)

Q22.

In 2018 the US Government increased government spending and reduced taxation on high incomes. These policies contributed to an increase in the rate of economic growth and to an increase in income inequality.

Evaluate the view that fiscal policies always result in conflicts between macroeconomic objectives.

(Total for question = 20 marks)

Q23.

Study Figures 1 and 2 and Extracts A and B in the Source Booklet.

With reference to Extract B, examine the case for a reduction in the base rate of interest by the Australian central bank.

(Total for question = 8 marks)

Q24.

Between 2015 and 2023 the European Central Bank increased its asset purchases (quantitative easing) programme by approximately €3.5 trillion.

With reference to the data, explain what is meant by quantitative easing.

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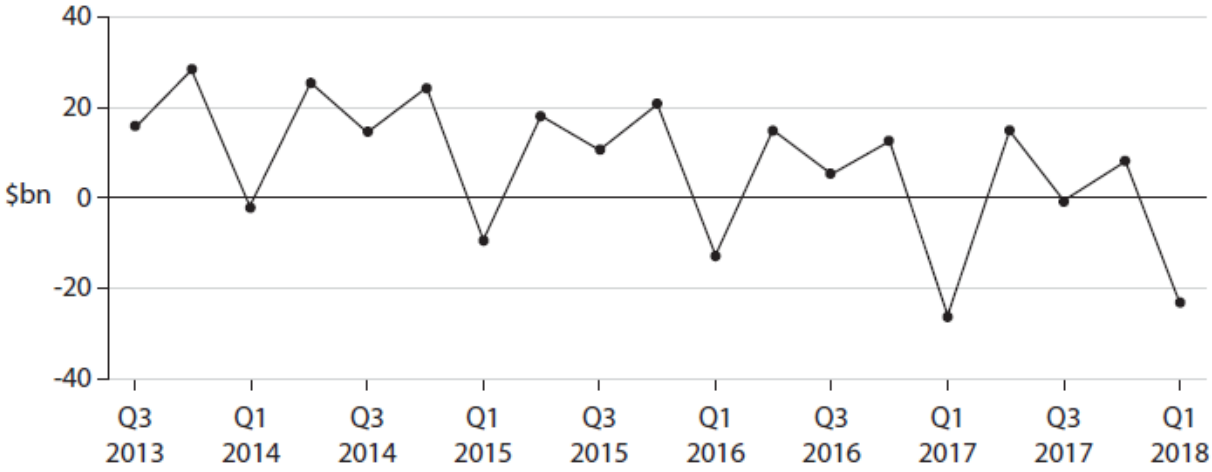
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(Total for question = 4 marks)

Q25.

The chart shows a government budget between quarter 3 2013 and quarter 1 2018 ($ billion).



What can be deduced from this chart?

☒ **A** There was a budget surplus in quarter 3 2015

☒ **B** There was a budget deficit in quarter 3 2013

☒ **C** Tax receipts exceeded government expenditure in quarter 1 2017

☒ **D** Government expenditure exceeded tax receipts in quarter 3 2015

(Total for question = 1 mark)

Q26.

In 2022 the Government of China decided to invest 1.48 trillion yuan in many new transportation, energy and telecommunication infrastructure projects.

Evaluate the likely benefits of an increase in government expenditure on infrastructure.

Refer to a country of your choice in your answer.

(Total for question = 20 marks)

Q27.

Study Figure 1 and Extract A in the Source Booklet before answering this question.

Discuss how supply-side policies might 'help the Philippines to achieve economic growth' (Extract A, lines 12–13).

Illustrate your answer with an appropriate diagram(s).

(Total for question = 14 marks)

Q28.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Brazil's annual rate of inflation between April 2019 and August 2019 is shown in the table.

Month	Rate of inflation (%)
April	4.94
May	4.66
June	3.37
July	3.22
August	3.43

Which **one** of the following can be deduced from the table?

☒ **A** There was deflation between April and July

☒ **B** The average price level was highest in April

☒ **C** There was disinflation between April and July

☒ **D** The rate of inflation was lowest in August

(Total for question = 1 mark)

Q29.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Between January 2021 and December 2021 the central bank of the USA increased its asset purchases (quantitative easing) from $7.3 trillion to $8.8 trillion.

Which **one** of the following is the most likely impact of an increase in asset purchases (quantitative easing)?

☒ **A** A decrease in the availability of credit

☒ **B** A decrease in the rate of inflation

☒ **C** An increase in the rate of unemployment

☒ **D** An increase in the money supply

(Total for question = 1 mark)

Q30.

In 2018 the Chinese Government increased the amount an individual could earn before paying tax in an attempt to raise aggregate demand.

Evaluate the impact of reflationary demand-side policies on an economy of your choice.

(Total for question = 20 marks)

Q31.

Productivity in France and Germany was significantly higher than in the UK between 2007 and 2016.

Evaluate the importance of productivity for the rate of economic growth in a country.

(Total for question = 20 marks)

Q32.

Study Figures 1 and 2 and Extracts A and B in the Source Booklet before answering this question.

With reference to Extract B, discuss interventionist supply-side policies that the Australian Government could implement to increase Australia's productivity.

(Total for question = 14 marks)

Q33.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

The Bank of Israel is the country's central bank and it is the sole banker to Israel's Government.

Which **one** of the following is also a role of a central bank?

☒ **A** To act as a lender of last resort

☒ **B** To achieve a balanced government budget

☒ **C** To change the level of welfare payments

☒ **D** To deregulate product and labour markets

(Total for question = 1 mark)

Q34.

Study Figure 1, Figure 2 and Extract A in the Source Booklet before answering this question.

With reference to the information provided and your own knowledge, discuss the likely effects of a reflationary monetary policy on the economy of China.

(Total for question = 14 marks)

Q35.

Study Figure 1, Figure 2 and Extract A in the Source Booklet before answering this question.

With reference to Extract A, examine how a reflationary fiscal policy will impact China's circular flow of income.

(Total for question = 8 marks)

Q36.

Answer the question with a cross in the box you think is correct ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Governments use fiscal policies to meet their macroeconomic objectives.

Which **one** of the following is a fiscal policy instrument?

☒ **A** Changes in quantitative easing

☒ **B** Changes in taxation

☒ **C** Changes in lending criteria

☒ **D** Changes in liquidity requirements

(Total for question = 1 mark)

Q37.

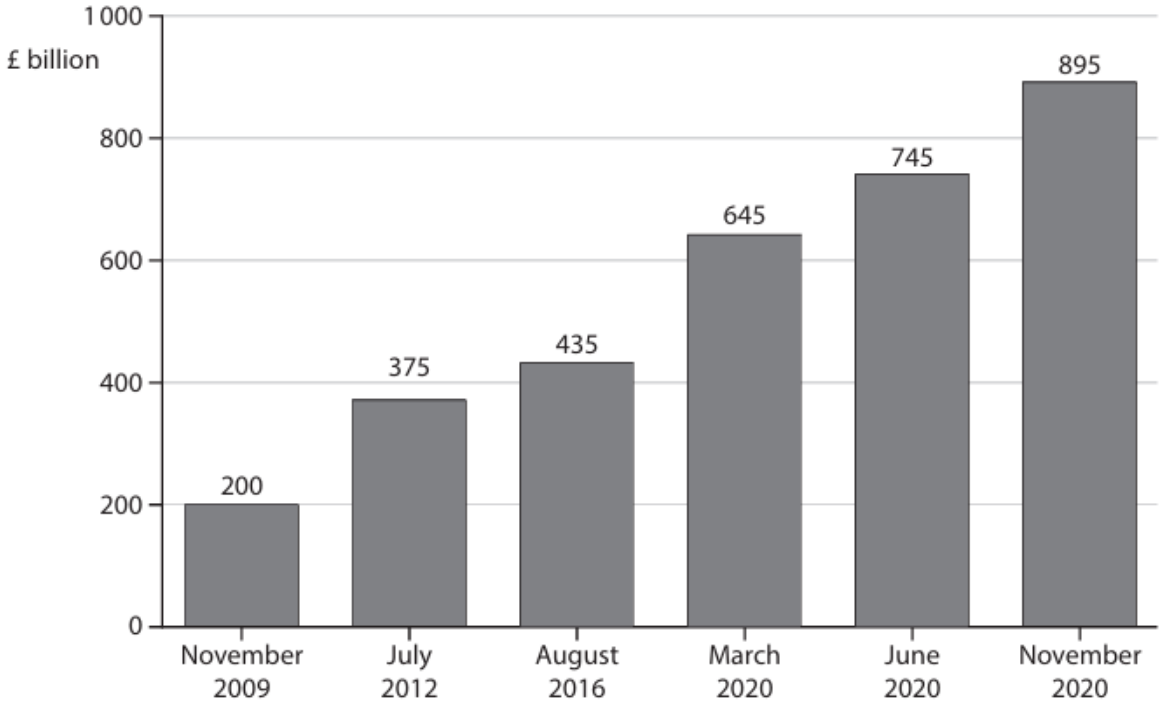
Study Figure 1, Figure 2, Figure 3 and Extract A in the Source Booklet before answering this question.

With reference to Figure 2 and Extract A, examine **two** ways by which the increase in the base interest rate could reduce the rate of inflation.

(Total for question = 8 marks)

Q38.

The chart shows quantitative easing in the UK between November 2009 and November 2020, £ billion.



With reference to the chart, explain the term ‘quantitative easing’.

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(Total for question = 4 marks)

Q39.

Study Figure 1, Extract A and Extract B in the Source Booklet before answering this question.

With reference to the information provided and your own knowledge, discuss factors that the BoJ might consider when setting the base interest rate.

(Total for question = 14 marks)

Q40.

Study Figure 1, Extract A and Extract B in the Source Booklet before answering this question.

Analyse **one** likely effect of the ‘increase in the number of overseas visitors’ (Extract A, lines 8 and 9) on Japan's circular flow of income.

Illustrate your answer with a circular flow diagram.

(Total for question = 6 marks)