PEARSON EDEXCEL IAL ECONOMICS · YEC11

ECONOMICS



EXAM QUESTION PACK

UNIT 4: THE ROLE OF THE STATE IN THE MACROECONOMY

SCORE	PERCENTAGE
/286	%

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Q1.

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

With reference to Extract A, analyse **two** roles of the European Central Bank (ECB).

(Total for question = 6 marks)

Q2.

Study Figures 1, 2 and 3 and Extracts A and B in the Source Booklet before answering this question.

In 2020 Iran's GDP was $635.72 billion.

With reference to Figure 3, calculate Iran's national debt in 2020. You are advised to show your workings.

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(Total for question = 2 marks)

Q3.

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

The Bank of Zambia raised 'the base interest rate by 1.75 percentage points to 11.5% between April and November 2019' (Extract A, lines 12–13).

Calculate Zambia's base interest rate in April 2019. You are advised to show your working.

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(Total for question = 2 marks)

Q4.

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

In 2018, the EU's rate of inflation was 1.6%.

With reference to Figure 1, calculate the nominal GDP growth rate of the EU in 2018. You are advised to show your workings.

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(Total for question = 2 marks)

Q5.

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

With reference to Figure 1 and Figure 2, calculate the value of Greece's national debt in 2022. You are advised to show your workings.

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(Total for question = 2 marks)

Q6.

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

With reference to Figure 1 and Figure 2, calculate Turkey's real interest rate in July 2020. You are advised to show your working.

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(Total for question = 2 marks)

Q7.

In 2021 the Nigerian Government introduced a tax of N10 per litre on sugary drinks.

Which **one** of the following can be deduced from this information?

☒ **A** It is an ad valorem tax

☒ **B** It is a specific tax

☒ **C** It is a tax on income

☒ **D** It is a tax on company profits

(Total for question = 1 mark)

Q8.

Study Figures 1, 2 and 3 and Extracts A and B in the Source Booklet before answering this question.

With reference to Figure 3, analyse **two** disadvantages of an increase in Iran's national debt.

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(Total for question = 6 marks)

Q9.

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

With reference to the information provided, discuss the likely economic effects of a further increase in the base interest rate.

(Total for question = 14 marks)

Q10.

Study Figures 1 and 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 economic benefits of a decrease in national debt, as a proportion of GDP, on the economy of Greece.

(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 September 2019 the European Central Bank (ECB) decided to restart its quantitative easing programme in the eurozone area.

Ceteris paribus, which **one** of the following is the most likely effect of this decision by the ECB for an economy in the eurozone?

☒ **A** A decrease in the money supply

☒ **B** A decrease in economic growth

☒ **C** An increase in unemployment

☒ **D** An increase in the rate of inflation

(Total for question = 1 mark)

Q12.

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

With reference to the information provided, examine **two** likely effects on Mauritius' economy of the reduction in the 'base interest rate from 4% to 3.5%' (Extract A, line 10).

(Total for question = 8 marks)

Q13.

In January 2018 Saudi Arabia and five neighbouring countries introduced a value added tax (an indirect tax) at a
rate of 5%.

Evaluate the likely macroeconomic effects of the introduction of an indirect tax on a developing country of your choice.

(Total for question = 20 marks)

Q14.

From 2017 to 2021 public expenditure as a proportion of GDP rose from 25.1% to 29.5% in Azerbaijan and from 12.5% to 15.9% in India.

Evaluate possible causes of an increase in public expenditure as a proportion of GDP in a developing economy of
your choice.

(Total for question = 20 marks)

Q15.

Between 2008 and 2017, Portugal's national debt increased from 71% of Gross Domestic Product (GDP) to 126% of GDP. Italy's national debt increased from 102% of GDP to 132% of GDP over the same period.

Evaluate the extent to which an increase in the national debt is a cause for concern. Refer to a developed country of your choice in your answer.

(Total for question = 20 marks)

Q16.

Between 2012 and 2018 Spain's public expenditure as a proportion of GDP fell from 48.1% to 41.3%.

Evaluate the likely economic effects of a reduction in public expenditure as a proportion of GDP. Refer to a developed country of your choice in your answer.

(Total for question = 20 marks)

Q17.

Examine **two** 'problems facing central banks when applying monetary policies to reduce the rate of inflation' (Extract A, lines 11–12).

(Total for question = 8 marks)

Q18.

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

Explain what is meant by 'deflationary fiscal policies' (Extract A, line 10).

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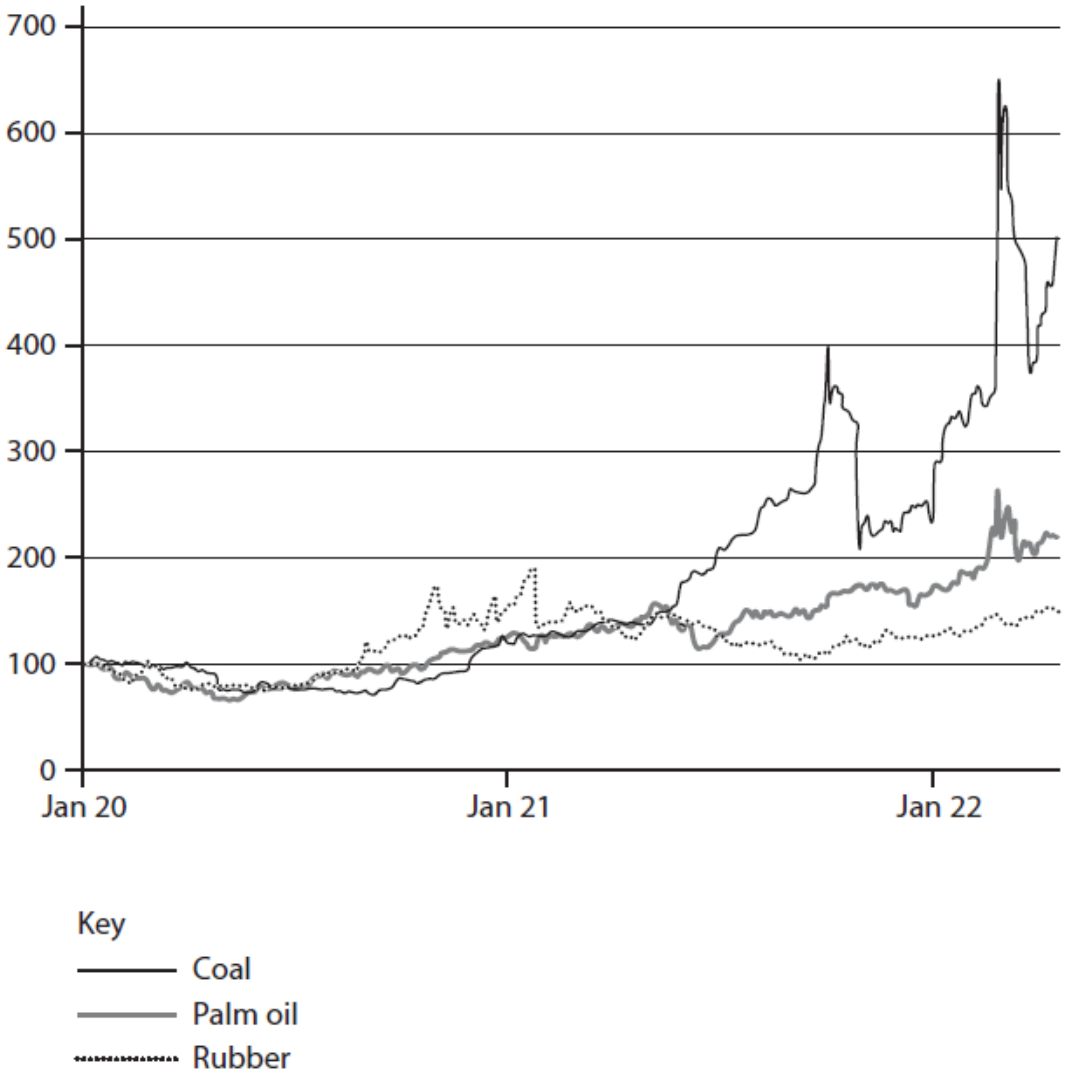
(Total for question = 4 marks)

Q19.

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

Southeast Asian economies

Figure 1 Index of global prices for selected commodities, January 2020 to April 2022 (January 2020=100)



Extract A Economic outlook 2022

Economies around the world are facing the threat of stagflation: a period of high inflation and low economic growth. This is a result of increasing global prices for fuel, food and other commodities. Many central banks have raised base interest rates in response to this inflationary pressure. For example, the European Central Bank increased its base interest rate from 0% to 1.25% between January and September 2022.

However, Southeast Asia is one region that is likely to avoid stagflation. Southeast Asia is a region situated south of mainland China. It comprises 11 countries that include Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

In countries such as Indonesia, Vietnam and Malaysia, the rate of increase in Gross Domestic Product (GDP) is higher than the rate of inflation. This increase in economic growth rates is partly as a result of an increase in the number of tourists visiting these countries. Each of these Governments have relaxed border controls that were introduced during the global health crisis. For example, between February 2022 and May 2022 the number of tourists increased by 1 050% in Indonesia and by 8 629% in Vietnam.

The majority of Southeast Asian countries are experiencing a steady growth in their exports. The rising prices of fuel, food and other commodities have benefited countries that export them in large quantities, for example, coal (Indonesia), rubber (Malaysia), and palm oil (Indonesia and Malaysia). These countries have experienced an improvement in their terms of trade.

By contrast, in Thailand and Singapore, the rate of inflation is rising faster than the GDP growth rate. Both countries are experiencing low rates of economic growth. In Thailand, inflation is reducing real incomes. In Singapore, the economic growth rate is low because of the slowdown in China's economy. China is Singapore's main trading partner.

Some countries in the region are highly exposed to external shocks in the global economy. For example, the Philippines relies on imports of rice and overall it is a net importer of food and fuel.

In Malaysia and Indonesia maximum prices have been imposed on certain commodities. This has helped to control the rising rate of inflation. Governments in other parts of the region are also considering the implementation of price controls. The President of the Philippines promised to decrease the price of rice by imposing a maximum price.

Explain what is meant by 'interest rates' (Extract A, line 4).

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(Total for question = 4 marks)

Q20.

Explain what is meant by 'monetary policy instruments' (Extract A, line 9).

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(Total for question = 4 marks)

Q21.

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

Explain what is meant by a 'reduction in the fiscal deficit' (Extract A, line 16).

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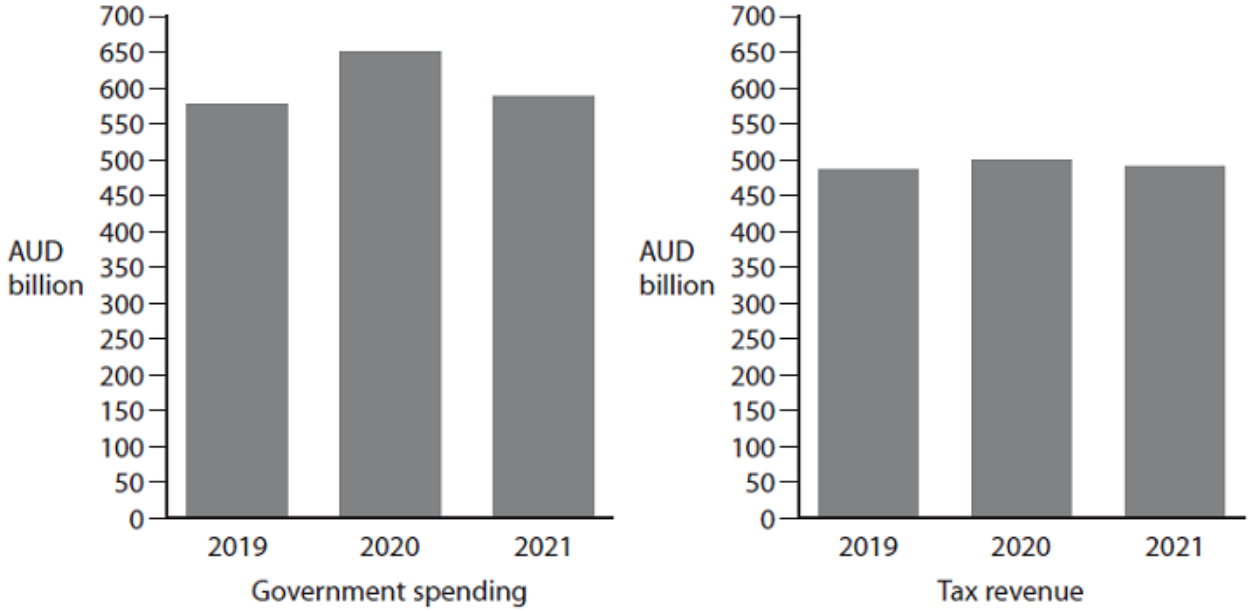
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(Total for question = 4 marks)

Q22.

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 charts show government spending and tax revenue in Australia, AUD billion, 2019–2021.



(Source: adapted from https://www.theguardian.com/australia-news/2021/may/11/australia-federal-budget-2021-josh-frydenberg-back-in-black-how-started-going)

Which **one** of the following can be deduced from these charts?

☒ **A** In 2021 Australia's current account surplus was approximately AUD 100 billion

☒ **B** In 2020 Australia's fiscal deficit was approximately AUD 150 billion

☒ **C** Australia experienced a fiscal surplus throughout the given period

☒ **D** Australia experienced a current account deficit throughout the given period

(Total for question = 1 mark)

Q23.

Between 2008 and 2018, income inequality, as measured by the Gini coefficient, increased from 0.43 to 0.51 in Angola and from 0.34 to 0.41 in Bulgaria.

Evaluate government policies that could be used to reduce income inequality in a developing country of your choice.

(Total for question = 20 marks)

Q24.

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 Government of Hungary operates an income tax system in which the proportion of income paid in tax by individuals remains constant as incomes increase.

Which **one** of the following can be deduced from this information?

☒ **A** Hungary has a progressive tax system

☒ **B** Hungary has a regressive tax system

☒ **C** Hungary has a proportional tax system

☒ **D** Hungary has a specific tax system

(Total for question = 1 mark)

Q25.

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 2012 and 2021 Paraguay's national debt increased from $3.6 billion to $13.3 billion.

Which **one** of the following is the most likely effect of an increase in the national debt of a country?

☒

A A decrease in the rate of inflation

☒ **B** A decrease in debt servicing costs

☒ **C** An increase in crowding out

☒ **D** An increase in tax revenues

(Total for question = 1 mark)

Q26.

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 2009 and 2018 Argentina's national debt increased from approximately $186 billion to nearly $447 billion.

Which **one** of the following is the most likely effect of an increase in national debt of a country?

☒ **A** A decrease in its comparative advantage

☒ **B** A decrease in its interest rates

☒ **C** An increase in its debt servicing costs

☒ **D** An increase in the external value of its currency

(Total for question = 1 mark)

Q27.

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 ☒.

Armenia's Gini coefficient increased from 0.28 in 2009 to 0.34 in 2017.

Which **one** of the following is most likely to reduce Armenia's income inequality?

☒ **A** A reduction in the national minimum wage

☒ **B** An improvement in education and training

☒ **C** A decrease in progressive tax rates

☒ **D** An increase in regressive tax rates

(Total for question = 1 mark)

Q28.

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

With reference to Figure 1 and Extract A, explain what is meant by an 'inflation target' (Extract A, line 5).

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(Total for question = 4 marks)

Q29.

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

With reference to Extract C, discuss policies that the Japanese Government could implement to increase the country's long-term rate of economic growth.

(Total for question = 14 marks)

Q30.

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 Japan's central bank, the Bank of Japan, increased its reserve asset (liquidity) requirements for commercial banks.

Ceteris paribus, which **one** of the following is the most likely effect of this decision?

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

☒ **B** An increase in the level of real output

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

☒ **D** A decrease in the rate of unemployment

(Total for question = 1 mark)

Q31.

In 2020 the Government of Chile increased the top rate of income tax from 35% to 40%.

Evaluate the likely macroeconomic effects of an increase in the top rate of income tax on a country of your choice.

(Total for question = 20 marks)

Q32.

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

With reference to Figure 2 and the third paragraph of Extract A, explain what is meant by the 'rate of inflation'.

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(Total for question = 4 marks)

Q33.

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

With reference to Extract B, discuss measures that the Government can implement to ensure that the private sector continues to grow.

(Total for question = 14 marks)

Q34.

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 2021 the governments of 136 countries agreed to set a global minimum corporation tax rate of 15%. The aim of this agreement was to make it more difficult for transnational companies (TNCs) to avoid paying corporation tax.

Which **one** of the following is also a measure that governments may use to control TNCs?

☒ **A** Cutting costs of bureaucracy

☒ **B** Improving access to banking

☒ **C** Increasing indirect taxes

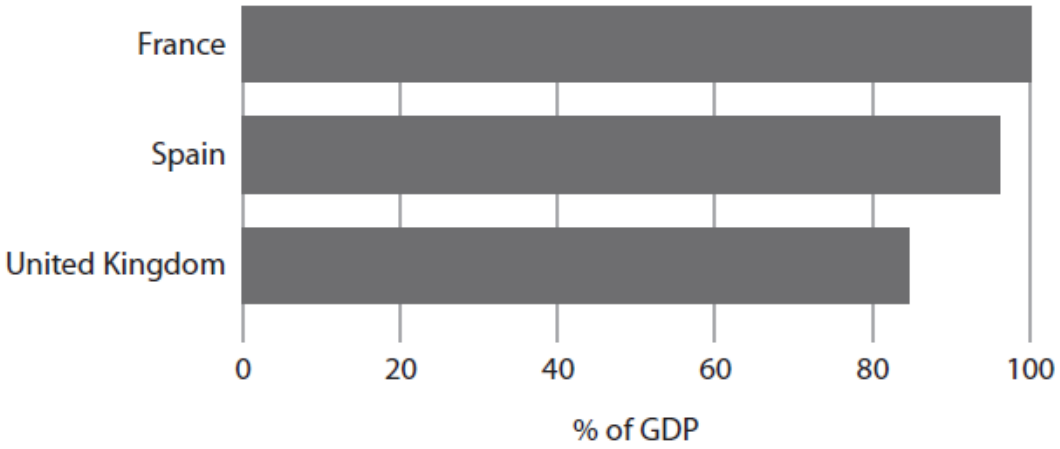
☒ **D** Regulation of transfer pricing

(Total for question = 1 mark)

Q35.

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 ☒.

The chart shows national debt as a percentage of GDP for selected countries in 2020.



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

☒ **A** In the UK tax revenues must have been lower than public expenditure in previous years

☒ **B** In Spain public expenditure as a percentage of GDP must have been higher than in France

☒ **C** In France imports must have been greater than exports

☒ **D** In the UK crowding out is more likely than in Spain

(Total for question = 1 mark)

Q36.

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

With reference to Extract A, discuss policies that a government could implement to reduce income inequality within its economy.

(Total for question = 14 marks)

Q37.

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 2014 and 2019 France's public expenditure as a proportion of GDP fell from 57.2% to 55.6%.

Which **one** of the following is the likely impact of a decrease in public expenditure?

☒ **A** A decrease in unemployment

☒ **B** A decrease in crowding out

☒ **C** An increase in injections

☒ **D** An increase in inflationary pressures

(Total for question = 1 mark)

Q38.

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 2022 the Australian Government announced that it would invest nearly $13.6 billion in major infrastructure projects.

This change in public expenditure is an example of an increase in which **one** of the following?

☒ **A** Transfer payments

☒ **B** Automatic stabilisers

☒ **C** Current expenditure

☒ **D** Capital expenditure

(Total for question = 1 mark)

Q39.

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

In 2021, the Government of Pakistan made a debt servicing payment of $32.27 billion.

With reference to Figure 1, calculate debt servicing payments as a proportion of national debt in 2021. You are advised to show your working.

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(Total for question = 2 marks)

Q40.

In 2021 it was estimated that a large proportion of the fiscal deficits in both Brazil and Suriname was structural.

To what extent is a structural fiscal deficit more serious than a cyclical fiscal deficit? Refer to a developing country of your choice in your answer.

(Total for question = 20 marks)