OXFORD AQA
INTERNATIONAL QUALIFICATIONS

Please write clearly in block capitals.

Centre number | | | | | | Candidate number | | | | |

Surname _____

Forename(s) _____

Candidate signature _____
I declare this is my own work.

INTERNATIONAL A-LEVEL
ECONOMICS

Unit 4 Economic Development and the Global Economy

Monday 8 January 2024 07:00 GMT Time allowed: 2 hours

Materials
For this paper you must have:
- the Source Booklet, provided as an insert (enclosed)
- a calculator, which you are expected to use where appropriate.

Instructions
- Use black ink or black ball-point pen. Pencil should only be used for drawing.
- Fill in the boxes at the top of this page.
- Answer **all** questions in **Sections A**, **B** and **C**.
- Answer **EITHER** Question 15 **OR** Question 16 in **Section D**.
- You must answer the questions in the spaces provided. Do **not** write outside the box around each page or on blank pages.
- Do **not** write in the Source Booklet.
- If you need extra space for your answer(s), use the lined pages at the end of this book. Write the question number against your answer(s).
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information
- The marks for questions are shown in brackets.
- The maximum mark for this paper is 90.
- You may use a bilingual dictionary for this exam.
- You may **not** use an English dictionary.

For Examiner's Use	
Question	Mark
1–10	
11	
12	
13	
14	
15	
16	
TOTAL	

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Section A

Answer **all** questions in the spaces provided.

Only **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD ⬬ WRONG METHODS

If you want to change your answer you must cross out your original answer as shown.

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.

0 1 Which one of the following options identifies **two** characteristics of globalisation?

[1 mark]

A Free trade and transnational corporations ⬭

B International capital flows and protectionism ⬭

C Protectionism and free trade ⬭

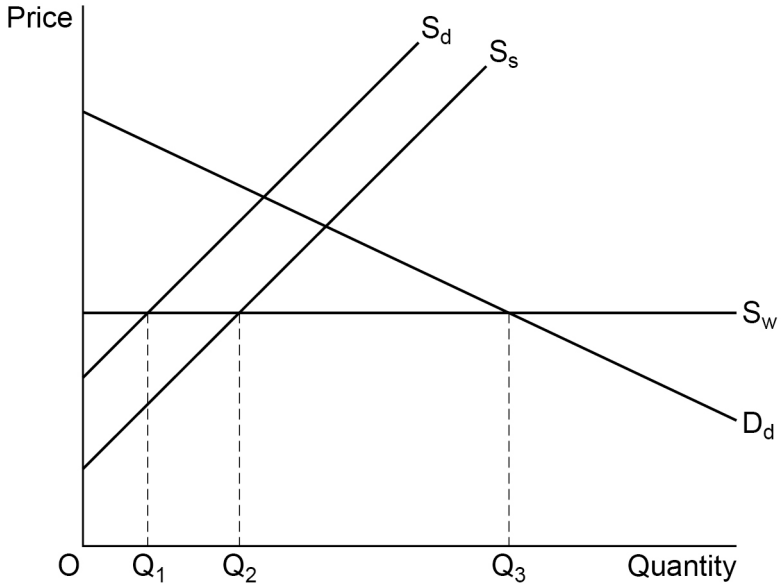
D Transnational corporations and controls on immigration ⬭

Do not write outside the box

0 2 **Figure 1** shows the domestic demand (D_d) and supply (S_d) curves for a product and the world market supply (S_w) curve for the product.

The government introduces a subsidy which shifts the domestic supply curve to S_s.

Figure 1



The subsidy reduces imports from

[1 mark]

A OQ_2 to OQ_1 ⬭

B OQ_3 to OQ_2 ⬭

C $(OQ_3 – OQ_1)$ to $(OQ_2 – OQ_1)$ ⬭

D $(OQ_3 – OQ_1)$ to $(OQ_3 – OQ_2)$ ⬭

Turn over for the next question

Do not write outside the box

0 3 Which one of the following is a role of the International Monetary Fund (IMF)?

[1 mark]

A To finance infrastructure projects in less-developed countries

B To help a country with a balance of payments problem

C To promote free trade and reduce protectionism

D To reduce fluctuations in world commodity prices

0 4 **Table 1** shows the Human Development Index (HDI) and Gini coefficient for four countries in Year 1 and Year 2.

Table 1

	HDI		**Gini coefficient**	
	Year 1	**Year 2**	**Year 1**	**Year 2**
Country W	0.732	0.698	0.343	0.358
Country X	0.569	0.597	0.402	0.372
Country Y	0.848	0.856	0.321	0.305
Country Z	0.782	0.801	0.403	0.451

Which country is most likely to have had the greatest improvement in its economic development between Year 1 and Year 2?

[1 mark]

A Country W

B Country X

C Country Y

D Country Z

Do not write outside the box

0 5 Which one of the following is an expenditure-switching policy that a government might use to reduce a deficit on the current account of the balance of payments?

[1 mark]

A A cut in indirect taxation

B A reduction in government spending

C A tariff on imports

D An increase in income tax

0 6 **Table 2** shows a country's nominal (money) GDP and its price index in 2022 and 2023.

Table 2

Year	GDP ($bn)	Price index
2022	250	140
2023	280	150

The country's rate of economic growth in 2023, to one decimal place, was

[1 mark]

A 4.5%

B 10.7%

C 12.0%

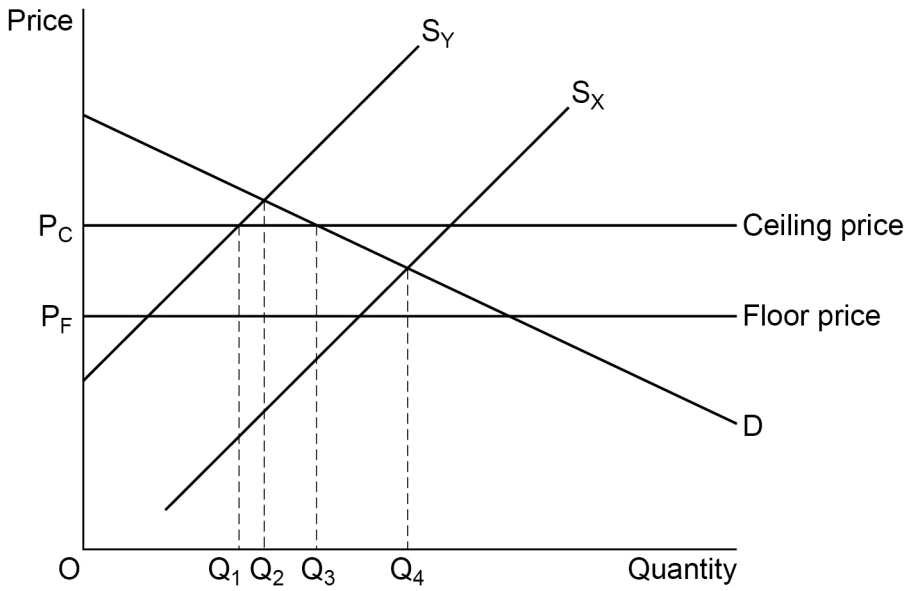
D 20.0%

Turn over for the next question

Do not write outside the box

0 7 **Figure 2** shows the original demand (D) and supply (S_X) curves for an agricultural commodity. An agency runs a buffer stock scheme that aims to keep the price of the commodity between P_C and P_F, as shown in **Figure 2**.

Figure 2



Bad weather causes the supply curve of the commodity to shift from S_X to S_Y.

Which one of the following actions by the buffer stock agency will keep the price between P_C and P_F?

[1 mark]

A Buying $OQ_3 – OQ_1$ of the commodity ⬭

B Buying $OQ_4 – OQ_2$ of the commodity ⬭

C Selling $OQ_2 – OQ_1$ of the commodity ⬭

D Selling $OQ_3 – OQ_1$ of the commodity ⬭

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0 8 The value of goods imported by a country equals $240 billion. The country's income elasticity of demand for imports is –0.2.

All other things being equal, what will happen to the value of goods imported if the country's national income rises by 5%?

[1 mark]

A Decrease by $2.4 billion ⬭

B Decrease by $4.8 billion ⬭

C Increase by $2.4 billion ⬭

D Increase by $4.8 billion ⬭

0 9 Which one of the following is an example of asymmetric information in a financial market?

[1 mark]

A A bank being involved in both commercial and investment banking activities ⬭

B A commercial bank borrowing short term and lending long term ⬭

C A government providing financial support to any bank that might go out of business ⬭

D A person applying for a loan without revealing they will soon lose their job ⬭

Turn over for the next question

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1 0 **Table 3** below shows the marginal capital-output ratio (MCOR) and the savings ratio for four countries.

Table 3

	MCOR	Savings ratio
Country W	2:1	0.25
Country X	3:1	0.22
Country Y	4:1	0.24
Country Z	5:1	0.15

According to the Harrod-Domar model, which country is likely to have the highest rate of economic growth?

[1 mark]

A Country W ⬭

B Country X ⬭

C Country Y ⬭

D Country Z ⬭

10

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Section B

Answer **all** questions in the spaces provided.

1 1 A change in a country's terms of trade will affect its balance of payments.

1 1 . 1 Define 'balance of payments'.

[2 marks]

Question 11 continues on the next page

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1 1 . 2 **Table 4** shows the index of export prices and the index of import prices for a country in January 2021 and January 2023.

Table 4

Date	Index of export prices	Index of import prices
January 2021	98	104
January 2023	117	113

Calculate the change in the country's terms of trade between January 2021 and January 2023.

Give your answer to **one** decimal place.

[4 marks]

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1 1 . 3 The price elasticity of demand for a country's exports of goods and services is inelastic. The price elasticity of demand for its imports of goods and services is also inelastic.

The price of the country's exports rises and the price of its imports falls.

Explain the effect of these changes in the price of the country's exports and imports on its balance of trade in goods and services.

[4 marks]

10

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Section C

Look at the Source Booklet and answer **all** questions in the spaces provided.

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1 2 **Extract A** shows the US Federal Reserve's base rate of interest and the US dollar exchange rate index.

1 2 . 1 Explain why the US Federal Reserve's base rate of interest is likely to affect the US dollar exchange rate index.

[4 marks]

Extra space

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1 2 . 2 To what extent do the data suggest that the US Federal Reserve's base rate of interest affected the US dollar exchange rate index between January 2022 and September 2022.

Use the data in **Extract A** to support your answer.

[4 marks]

Extra space

8

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1 3 **Extract B** (lines 6–8) states: 'the US central bank (the Federal Reserve) became determined to reduce inflation. It increased its base rate of interest, in stages, from 0.25% in January to 3.25% in September.'

Explain how the rise in the Federal Reserve's base rate of interest is likely to affect the rate of inflation in the US.

[12 marks]

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12

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1 4 **Extract C** (lines 6–7) states: 'Financial institutions provide a variety of services to individuals, businesses and governments'.

Discuss how financial markets may affect the economic development of a country and the economic well-being of its people.

[25 marks]

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25

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Section D

Answer **EITHER** Question 15 **OR** Question 16.

Shade the circle below to indicate which optional question you have answered.

Question 1 5 ⬭ Question 1 6 ⬭

CORRECT METHOD ⬬ WRONG METHODS

Either

1 5 The damaging impact of climate change is being felt around the world. In recent years, some countries have experienced droughts and extreme heat whereas in other parts of the world there have been floods and severe storms.

Discuss whether governments' attempts to improve living standards conflict with policies to preserve the natural environment.

[25 marks]

or

1 6 The Bretton Woods system, that collapsed in 1973, was a fixed exchange rate system. Since then, many countries have adopted managed floating exchange rates.

Assess the arguments for and against a managed floating exchange rate system.

[25 marks]

Turn over ►

1 9

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END OF QUESTIONS

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ANSWER IN THE SPACES PROVIDED

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