OXFORD

INTERNATIONAL
AQA EXAMINATIONS

Please write clearly in block capitals.

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

Surname _____

Forename(s) _____

Candidate signature _____
I declare this is my own work.

# INTERNATIONAL AS
# ECONOMICS

## UNIT 2 THE NATIONAL ECONOMY IN A GLOBAL ENVIRONMENT

Monday 10 January 2022 7.00am GMT Time allowed: 1 hour 45 minutes

**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.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- 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).
- All working must be shown.
- 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 80.
- You may use a bilingual dictionary for this exam.
- You may **not** use an English dictionary.

| For Examiner's Use | |
|---|---|
| Question | Mark |
| 1–15 | |
| 16 | |
| 17 | |
| 18 | |
| 19 | |
| 20 | |
| 21 | |
| **TOTAL** | |

*Do not write outside the box*

## 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** An economy's boat-building sector is declining and its aerospace sector is growing.

If boat-building firms close as a result, this leads to which type of unemployment?

**[1 mark]**

**A** Cyclical

**B** Frictional

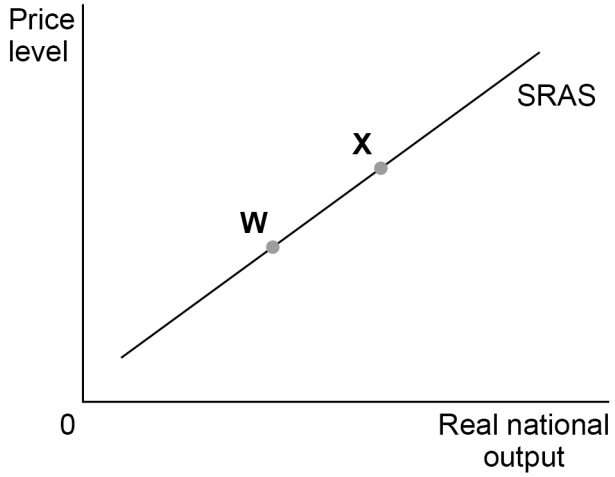
**C** Seasonal

**D** Structural

Do not write outside the box

**0 2** **Figure 1** shows the short-run aggregate supply curve for an economy.

**Figure 1**




The movement from point **W** to point **X** is most likely to have been caused by

**[1 mark]**

**A** a fall in real wage rates. ⬭

**B** a rise in household income. ⬭

**C** a rise in the value of imports. ⬭

**D** rising factor productivity. ⬭

**0 3** If an economy experiences rising economic growth, then it is likely that the

**[1 mark]**

**A** budget balance will improve because of falling welfare payments. ⬭

**B** budget balance will worsen because of rising spending on infrastructure. ⬭

**C** current account balance will improve because of rising tax revenue. ⬭

**D** current account balance will worsen because of rising exports. ⬭

Do not write outside the box

**0 4** A government injects $180m into the economy, causing a final change in national income of $720m.

What is the economy's marginal propensity to consume (MPC)?

**[1 mark]**

**A** 0.25 ⬭

**B** 0.75 ⬭

**C** 3.0 ⬭

**D** 4.0 ⬭

**0 5** According to the circular flow of income, when measuring an economy's GDP, it is known that

**[1 mark]**

**A** exports = government spending = investment ⬭

**B** income = output = expenditure ⬭

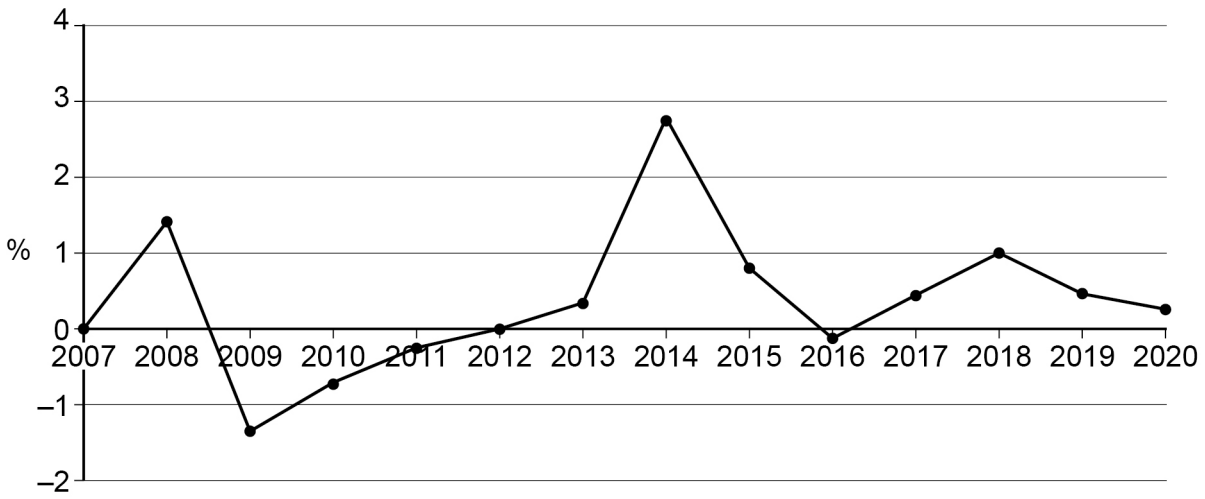
**C** investment = savings = output ⬭

**D** savings = tax = imports ⬭

Do not write outside the box

**0 6** **Figure 2** shows the annual inflation rate (%) for an economy from 2007 to 2020.

**Figure 2**




Which one of the following can be concluded from the data?

**[1 mark]**

**A** The price level was at its highest in 2014. ⬭

**B** There was deflation from 2018 to 2020. ⬭

**C** There was disinflation from 2014 to 2015. ⬭

**D** There was inflation from 2009 to 2012. ⬭

**0 7** Each scenario below would cause an increase in an economy's productive potential.

Which one of the following is **not** a supply-side policy?

**[1 mark]**

**A** More government spending on high-speed broadband infrastructure throughout the economy. ⬭

**B** The government reducing the amount of paperwork required to set up a new business. ⬭

**C** The introduction of tax-relief for private sector firms carrying out research and development. ⬭

**D** The invention of new software making it easier for people to work from home. ⬭

Do not write outside the box

**0 8** In 2018, the average price of a barrel of oil was $69.78. In 2019, the average price of a barrel of oil was $64.05. Over the same time period, the global inflation rate was 3.4%.

Using 2018 prices, what was the real price of a barrel of oil in 2019?

**[1 mark]**

**A** $61.94

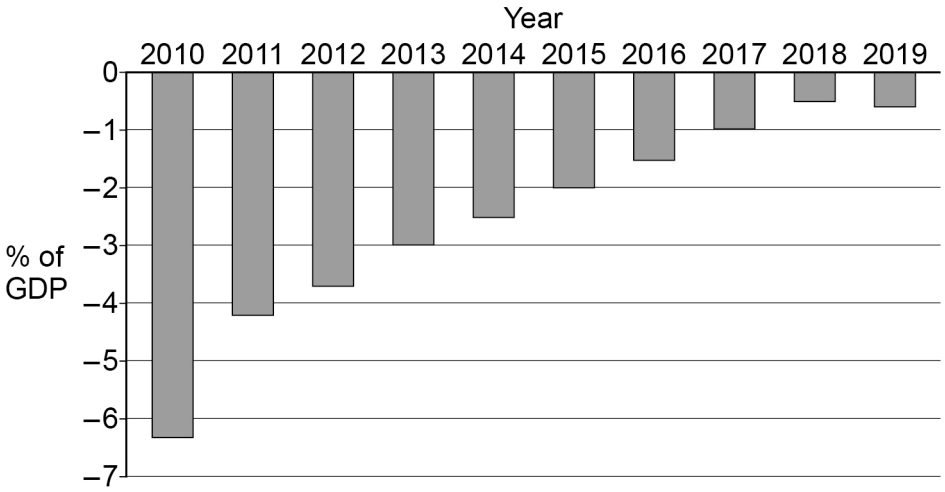
**B** $63.02

**C** $66.23

**D** $67.49

**0 9** **Figure 3** shows the average government budget balance, as a percentage of GDP, for economies in the euro area, from 2010 to 2019.

**Figure 3**




It can be concluded from the data that

**[1 mark]**

**A** governments in the euro area have increased tax rates.

**B** spending by governments in the euro area has increased every year.

**C** the annual cost of borrowing in the euro area has fallen every year.

**D** the total national debt of governments in the euro area has increased.

Do not write outside the box

**1 0** **Table 1** provides data on the income tax paid (as a percentage of earnings) by an individual person in four countries in 2019.

**Table 1**

| | Person earning 67% of average wage | Person earning the average wage | Person earning 167% of the average wage |
|---|---|---|---|
| Australia | 18.1 | 23.6 | 30.5 |
| Denmark | 32.8 | 35.6 | 41.1 |
| Hungary | 15.0 | 15.0 | 15.0 |
| Mexico | 3.7 | 9.5 | 14.0 |

Which one of the following can be concluded from the data?

**[1 mark]**

**A** Australia's income tax system is progressive. ⬭

**B** In Hungary, everyone pays the same total amount of tax. ⬭

**C** In Mexico, the highest earners pay about four times more tax in total than the lowest earners. ⬭

**D** People in Denmark pay the most amount of money in tax. ⬭

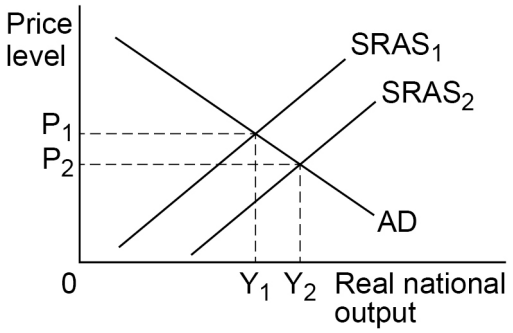
**Turn over for the next question**

Do not write outside the box

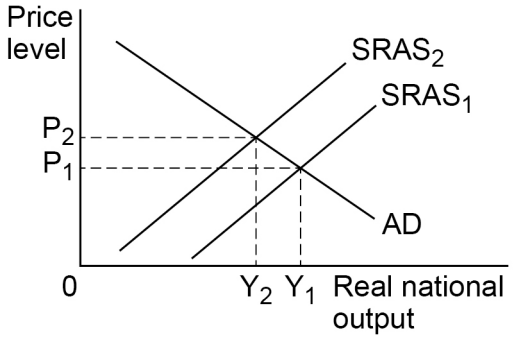
**1 1** The diagrams below show aggregate demand (AD) and aggregate supply (AS) curves for an economy. This economy experiences a fall in money wage rates. Which one of the following diagrams best illustrates this situation?

**[1 mark]**

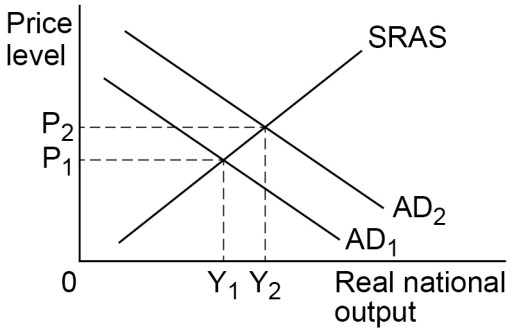
**A**



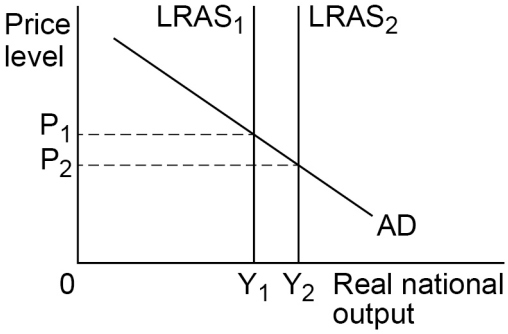

**B**




**C**




**D**



Do not write outside the box

**1 2** Real GDP per capita is one way in which economists measure living standards in an economy.

One advantage of using GDP per capita in this way is that it

**[1 mark]**

**A** allows economists to assess income distribution and inequality. ⬭

**B** can easily be compared between countries and over time. ⬭

**C** shows which economies have the highest total output. ⬭

**D** shows which households have the highest wealth. ⬭

**1 3** **Table 2** provides information on a productivity index for four economies in different years. Productivity has been measured as GDP per hour worked (2010 = 100).

**Table 2**

| | **2001** | **2010** | **2019** |
|---|---|---|---|
| Germany | 94.0 | 100.0 | 108.8 |
| New Zealand | 90.9 | 100.0 | 108.0 |
| South Korea | 63.9 | 100.0 | 123.0 |
| United States | 82.4 | 100.0 | 104.7 |

Based on the information provided, which one of the following is true?

**[1 mark]**

**A** All economies had the same productivity in 2010. ⬭

**B** Germany had the highest productivity in 2001. ⬭

**C** South Korea experienced a 92% increase in productivity over the period shown. ⬭

**D** The United States' productivity increased by 22.3% over the period shown. ⬭

Do not write outside the box

**1 4** Which one of the following statements about investment is true?

**[1 mark]**

**A** Investment increases aggregate demand but has no impact on aggregate supply. ⬭

**B** Investment is a leakage from the circular flow of income. ⬭

**C** Net investment occurs when households save money in banks. ⬭

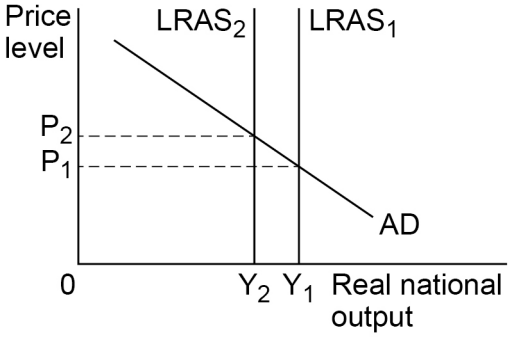
**D** Rising net investment increases an economy's stock of capital. ⬭

Do not write outside the box

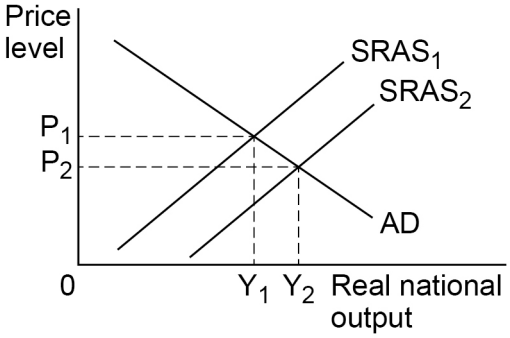
**1 5** The diagrams below show aggregate demand (AD) and aggregate supply (AS) curves for an oil-importing economy. This economy experiences a significant depreciation in its exchange rate. All other things being equal, which one of the following diagrams represents the most likely impact of this event on aggregate supply?

**[1 mark]**

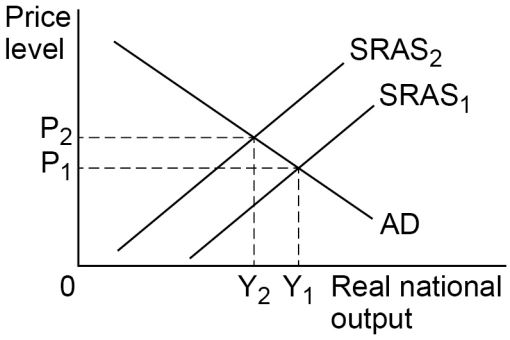
**A**



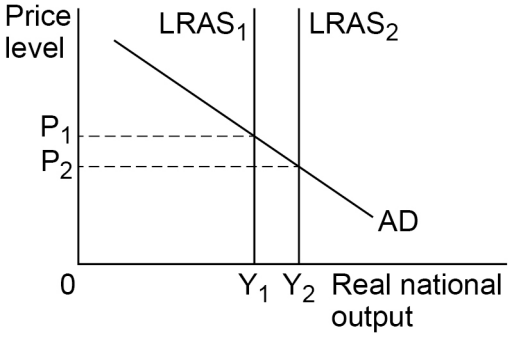

**B**




**C**




**D**




15

Do not write outside the box

## Section B

Look at the source booklet and answer **all** questions in the spaces provided.

Do **not** write in the source booklet.

**1 6 . 1** Define 'consumption' (**Extract C**, line 4).

**[3 marks]**

**1 6 . 2** Define 'monetary policy' (**Extract C**, line 22).

**[3 marks]**

6

Do not write outside the box

**1 7** **Extract A** shows selected macroeconomic data for three economies.

You are advised to show your working for the calculations below.

**1 7 . 1** Calculate, to **one** decimal place, the median annual GDP growth rate in the United States as a percentage of the median annual GDP growth rate in Singapore.

**[3 marks]**

**1 7 . 2** Venezuela's GDP at the end of 2018 was $98 437m.

Calculate the value of Venezuela's GDP at the end of 2017.

Give your answer to the nearest **million**.

**[3 marks]**

6

Do not write outside the box

**1 8** **Extract B** (lines 1–2) states: 'Countries experiencing rising exports tend to have greater economic growth.'

**1 8 . 1** Explain why rising exports can cause economic growth.

**[6 marks]**

Do not write outside the box

**1 8 . 2** To what extent do the data suggest that rising exports cause economic growth?

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

**[6 marks]**

12

**Turn over for the next question**

Do not write outside the box

**1 9** **Extract C** (lines 9–11) states: 'The Federal Reserve (US central bank) cut the base rate of interest to 0.25%, and carried out large-scale quantitative easing to reduce the widening negative output gap in the US economy.'

With the help of a diagram, explain how cutting a country's base rate of interest can help to reduce a negative output gap.

**[9 marks]**

Extra space

Do not write outside the box

9

**2 0** **Extract B** (line 8) states: 'In an open economy trade can benefit everyone.'

Analyse reasons, other than causing economic growth, why an economy may benefit from international trade.

**[12 marks]**

Do not write outside the box

Extra space

12

Do not write outside the box

**2 1** **Extract C** (lines 4–6) states: 'countries would need to work together to increase consumption, restore previous trade levels and experience strong economic recovery. This would require fiscal, monetary and trade policies to all work in the same direction.'

Use the extracts and your knowledge of economics to discuss the effectiveness of fiscal policy in raising an economy's long-run growth rate.

**[20 marks]**

*Do not write outside the box*

*Do not write outside the box*

**END OF QUESTIONS**

**20**

Do not write outside the box

**There are no questions printed on this page**

**DO NOT WRITE ON THIS PAGE**
**ANSWER IN THE SPACES PROVIDED**

*Do not write outside the box*

| Question number | **Additional page, if required.**<br>**Write the question numbers in the left-hand margin.** |
|---|---|
| | |

*Do not write outside the box*

| Question number | **Additional page, if required.**<br>**Write the question numbers in the left-hand margin.** |
|---|---|
| | |

**Copyright information**

For confidentiality purposes, all acknowledgements of third-party copyright material are published in a separate booklet. This booklet is published after each live examination series and is available for free download from www.oxfordaqaexams.org.uk.

Permission to reproduce all copyright material has been applied for. In some cases, efforts to contact copyright-holders may have been unsuccessful and Oxford International AQA Examinations will be happy to rectify any omissions of acknowledgements. If you have any queries please contact the Copyright Team.

Copyright © 2022 Oxford International AQA Examinations and its licensors. All rights reserved.