OXFORD

INTERNATIONAL
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I declare this is my own work.

INTERNATIONAL AS
ECONOMICS

Unit 2 The National Economy in a Global Environment

A

Monday 9 January 2023 07:00 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	

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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 combinations shows macroeconomic indicators that are commonly used to measure economic growth, inflation and inequality?

[1 mark]

	Economic growth	Inflation	Inequality	
A	Nominal GDP per capita	Price level	Gini coefficient	⬭
B	Rate of change in real GDP	Rate of change in the consumer price index	Gini coefficient	⬭
C	Real GDP	Price level	Labour Force Survey	⬭
D	Real GDP per capita	Rate of change in the consumer price index	Labour Force Survey	⬭

0 2 The main aim of a supply-side policy is to increase

[1 mark]

A living standards. ⬭

B long-run aggregate supply. ⬭

C short-run aggregate supply. ⬭

D wage rates. ⬭

Do not write outside the box

0 3 The value of the multiplier in an economy is 2.5

An injection into the economy causes national income to rise by $500m.

What was the value of this initial injection into the economy?

[1 mark]

A $143m ⬭

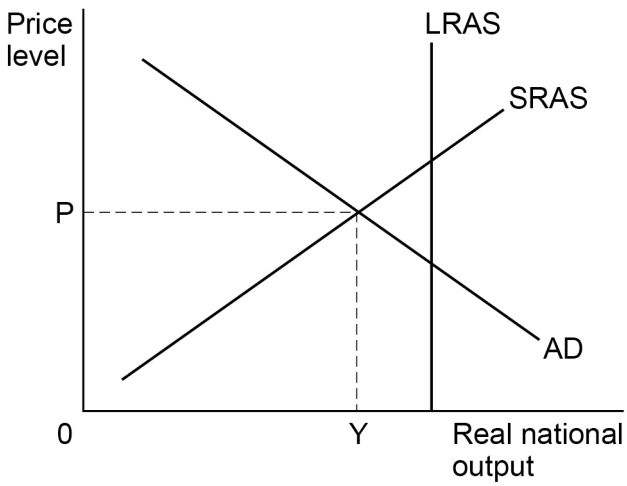
B $200m ⬭

C $250m ⬭

D $1250m ⬭

0 4 **Figure 1** shows the aggregate demand (AD), short-run aggregate supply (SRAS) and long-run aggregate supply (LRAS) curves for an economy. The economy is initially in equilibrium.

Figure 1



This economy now experiences a fall in the savings ratio.

All other things being equal, what is the most likely impact of this change?

[1 mark]

A A decrease in employment ⬭

B A decrease in the price level ⬭

C An increase in real national output ⬭

D An increase in the full employment level of output ⬭

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0 5 Which one of the following statements about types of unemployment is true?

[1 mark]

A Cyclical unemployment occurs as a result of workers having the wrong skills for the available jobs. ⬭

B Frictional unemployment is due to immobility of labour and occurs as a result of workers moving between jobs. ⬭

C Seasonal unemployment only occurs in countries where the weather changes during the year. ⬭

D Structural unemployment is caused by a lack of aggregate demand during a recession. ⬭

0 6 **Table 1** shows the injections and withdrawals in real terms for an economy for two years, in $bn.

Table 1

Injections and withdrawals	**2020 ($bn)**	**2021 ($bn)**
Exports	450	475
Government spending	300	275
Investment	500	550
Imports	500	525
Saving	200	300
Tax	300	320

All other things being equal, which one of the following can be concluded from the data?

[1 mark]

A Real national output has increased. ⬭

B The current account deficit has increased. ⬭

C The government's budget is balanced in both years. ⬭

D The value of injections has increased. ⬭

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0 7 An economy experiences economic growth but this may cause a possible conflict with other macroeconomic objectives.

Which one of the following is the most likely conflict as a result of this growth?

[1 mark]

A A decrease in the budget surplus ⬭

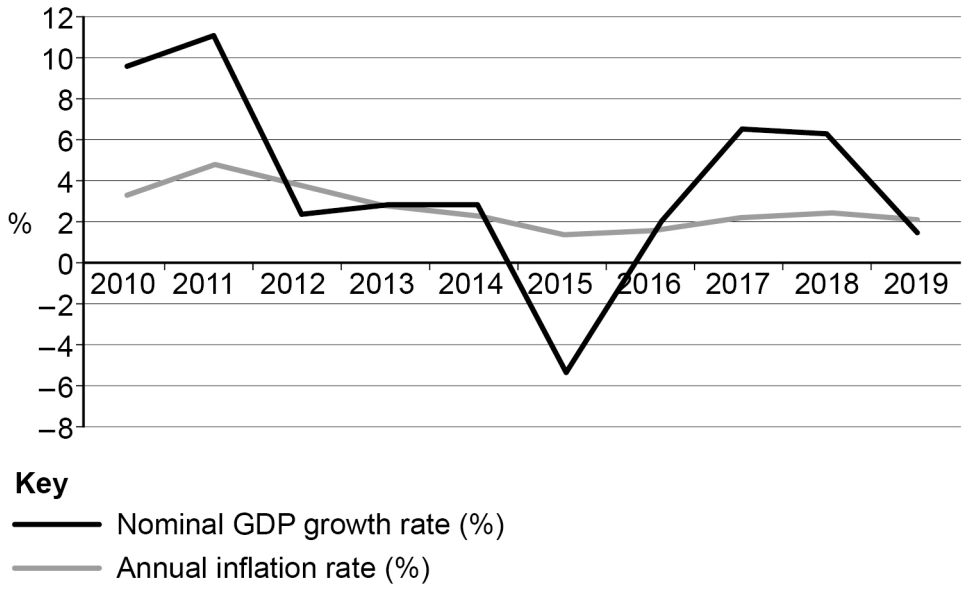
B An increase in the savings rate ⬭

C An increase in the unemployment rate ⬭

D Increasing inflationary pressure ⬭

0 8 **Figure 2** shows the world's nominal GDP growth rate (%) and the world's annual inflation rate (%) from 2010 to 2019.

Figure 2



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

[1 mark]

A Prices were highest in 2011. ⬭

B Productivity increased from 2015 to 2017. ⬭

C Real GDP decreased between 2014 and 2016. ⬭

D Real GDP was highest in 2011. ⬭

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0 9 **Table 2** shows the total amount paid in indirect tax by different household income groups in the UK in 2019, in Pound Sterling (£). The households have been divided into five equal-sized groups, according to their income.

Table 2

Income group	Average total amount paid in indirect tax (£)	Average total income (after benefits and before tax, £)
Poorest 20%	3621	14 772
Next 20%	4488	25 044
Middle 20%	5907	35 858
Next 20%	6764	49 821
Richest 20%	9778	107 695

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

[1 mark]

A Every household in the 'Middle 20%' had a total income of £35 858 ⬭

B Indirect tax in the UK was regressive. ⬭

C Indirect tax was the same proportion of income for all income levels. ⬭

D The 'Richest 20%' received the least amount in benefits. ⬭

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1 0 **Table 3** shows government spending on welfare benefits, such as unemployment benefits, in six different economies. The spending is given as a percentage of GDP.

Table 3

	Chile	Estonia	Japan	Netherlands	Turkey	United States
Percentage of GDP spent on welfare benefits (%)	11.4	17.7	22.3	16.1	12.0	18.7

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

[1 mark]

A Chile has the lowest tax revenue as a percentage of GDP. ⬭

B Japan's government spends the most money in total on welfare benefits. ⬭

C The mean percentage of GDP spent on welfare benefits is approximately 16.9%. ⬭

D The median percentage of GDP spent on welfare benefits is 16.9%. ⬭

Turn over for the next question

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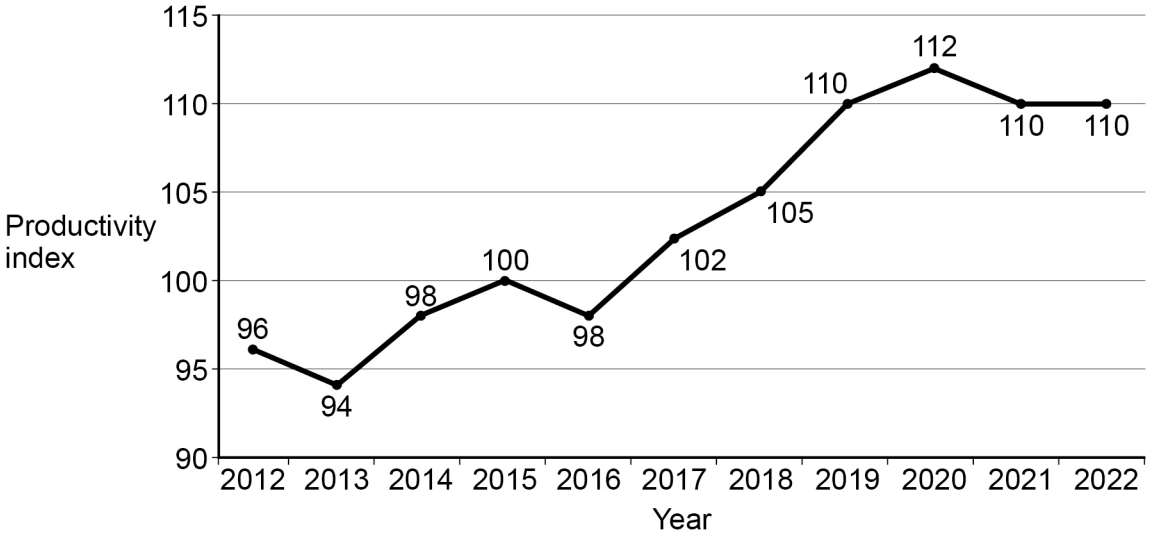
1 1 **Figure 3** below shows an economy's productivity index from 2012 to 2022 (2015 = 100).

Figure 3



From the data, it can be concluded that

[1 mark]

A production was highest in 2020. ⬭

B productivity was 12% higher in 2020 than in 2015. ⬭

C productivity was 96% less in 2012 than it was in 2015. ⬭

D the economy was in recession from 2012 to 2015. ⬭

1 2 Which one of the following best defines the accelerator process?

An increase in

[1 mark]

A a firm's output and therefore increasing demand for labour. ⬭

B an injection leading to a greater increase in real national output. ⬭

C national output leading to an increase in investment. ⬭

D the total productive potential of an economy. ⬭

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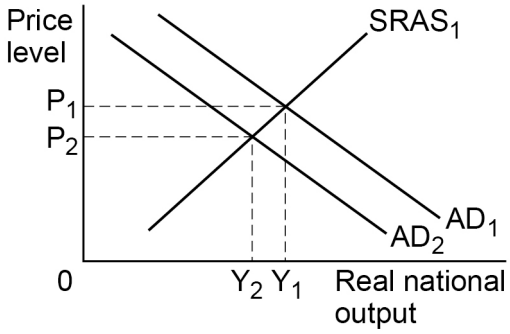
1 3 The diagrams below show the initial aggregate demand (AD_1) and short-run aggregate supply ($SRAS_1$) curves for an economy. The government of this economy changes its fiscal policy so that it has a budget surplus instead of a budget deficit.

All other things being equal, which one of the following diagrams shows the most likely impact of this change in fiscal policy?

[1 mark]

A



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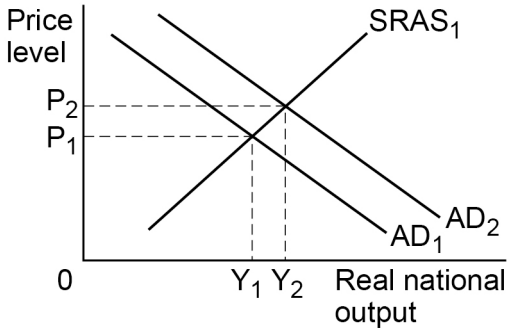

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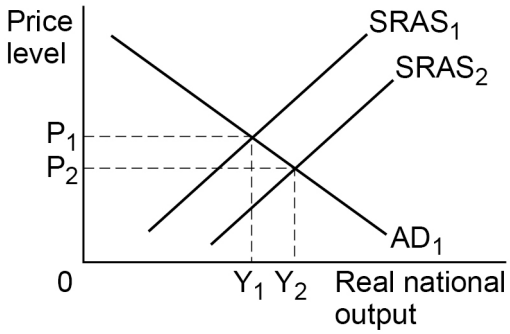

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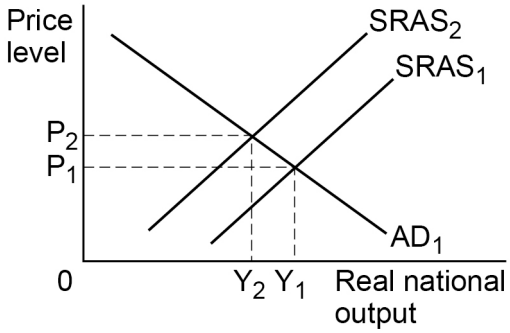

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1 4 Which one of the following statements about output gaps is correct?

[1 mark]

A A negative output gap can only exist when an economy's real national output is decreasing.

B A negative output gap occurs when there is cyclical unemployment in an economy.

C A positive output gap exists when potential output is greater than actual output.

D A positive output gap usually leads to decreasing inflationary pressure.

1 5 Which one of the following is the most likely impact of a significant fall in the value of the US dollar ($) against other currencies?

[1 mark]

A Cost-push inflationary pressure in the US will decrease.

B The budget deficit of the US will decrease.

C The deficit on the US trade in goods will worsen.

D The price of raw materials imported into the US will increase.

15

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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 'interest rate' (**Extract B**, line 5).

[3 marks]

1 6 . 2 Define 'current account deficit' (**Extract C**, line 2).

[3 marks]

6

Turn over for the next question

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1 7 **Extract A** shows data on consumer prices, export prices and the current account balance as a proportion of GDP for Japan from 2010 to 2020.

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

1 7 . 1 Using **Extract A (i)**, calculate the percentage change in Japan's export price index between 2010 and 2020.

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

[2 marks]

1 7 . 2 In 2020:

- Japan's deficit on trade in goods and services was ¥40 800m
- Japan's net primary income on current account was a surplus of ¥1 732 000m
- Japan's net secondary income on current account was a deficit of ¥210 700m.

Using **Extract A (ii)**, calculate Japan's GDP in 2020.

[4 marks]

6

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1 8 **Extract C** (line 11) states: 'The price of exports can be affected by the inflation rate'.

1 8 . 1 Explain why inflation can cause export prices to rise.

[6 marks]

Question 18 continues on the next page

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1 8 . 2 To what extent do the data suggest that inflation causes export prices to rise?

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

[6 marks]

12

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1 9 **Extract B** (lines 7–8) states: 'By 2013, the Bank of Japan decided that it should aim to raise inflation back to the 2% target and increase real national output. This time, it used quantitative easing.'

With the help of a diagram, explain how quantitative easing might lead to an increase in real national output.

[9 marks]

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2 0 **Extract C** (lines 2–3) states: 'Japan usually runs a large current account surplus.'

Analyse the possible causes of a current account surplus.

[12 marks]

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12

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2 1 **Extract B** (lines 1–3) states: 'The Bank of Japan (Japan's central bank) uses monetary policy to achieve price stability, although in recent years the Bank has also used monetary policy to help achieve other macroeconomic objectives.'

Use the extracts and your knowledge of economics to discuss the likely effects of Japan's recent monetary policy on its economic performance.

[20 marks]

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END OF QUESTIONS

20

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