OXFORD AQA
INTERNATIONAL QUALIFICATIONS

Please write clearly in block capitals.

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

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I declare this is my own work.

INTERNATIONAL AS
ECONOMICS

Unit 2 The National Economy in a Global Environment

Monday 8 January 2024 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. Pencil should only be used for drawing.
- 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).
- 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 is most likely to be part of an expansionary monetary policy?

[1 mark]

A Increasing quantitative easing ⬭

B Increasing the base rate of interest ⬭

C Reducing government spending ⬭

D Reducing the rate of income tax ⬭

0 2 A government reduces indirect taxes on a wide range of products.

Which one of the following is the most likely effect of this?

[1 mark]

A Aggregate demand decreases ⬭

B National income decreases ⬭

C Short-run aggregate supply increases ⬭

D The budget surplus increases ⬭

Do not write outside the box

0 3 **Table 1** shows a country's real gross domestic product (GDP) between 2019 and 2023 in € billion.

Table 1

	Real GDP (€ billion)
2019	260.0
2020	254.8
2021	272.1
2022	286.2
2023	288.5

At the end of 2018, the country was at its full employment level of national income. Between 2018 and 2019 the country grew at its trend rate of 3% growth per annum.

During which period was the country most likely to experience a positive output gap?

[1 mark]

A Between 2019 and 2020 ⬭

B Between 2020 and 2021 ⬭

C Between 2021 and 2022 ⬭

D Between 2022 and 2023 ⬭

Turn over for the next question

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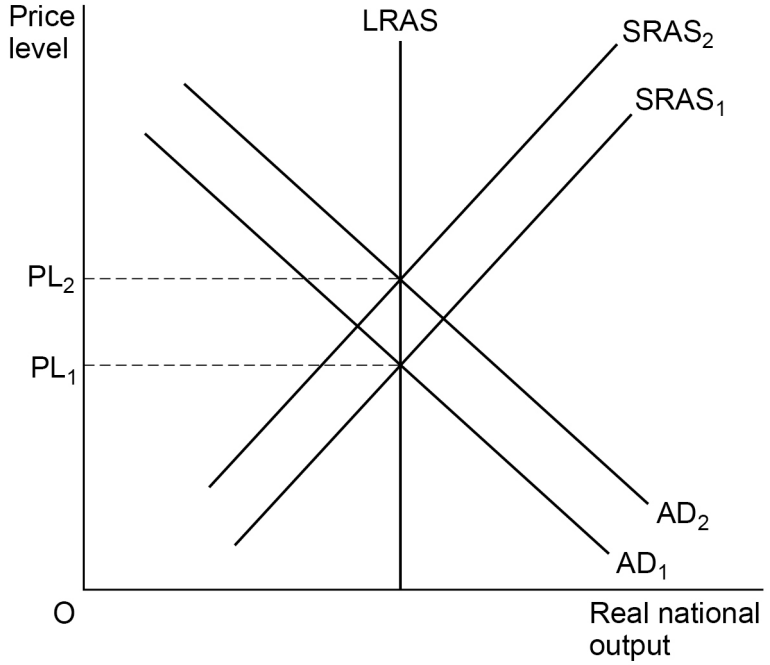
0 4 **Figure 1** shows a long-run aggregate supply (LRAS) curve, an initial aggregate demand (AD_1) curve and an initial short-run aggregate supply ($SRAS_1$) curve.

Figure 1



All other things being equal, which one of the following is most likely to cause the price level to rise from PL_1 to PL_2?

[1 mark]

A Increased exports and higher prices for factors of production

B Increased government spending and higher investment

C Increased income tax and more workers leaving the country

D Increased world oil prices and a higher value of imports

0 5 Which one of the following best defines disinflation?

[1 mark]

A On average, prices of goods and services are not rising or falling.

B The average price level in the economy is falling.

C The price level is rising but the rate of increase is falling.

D The prices of some goods and services are falling.

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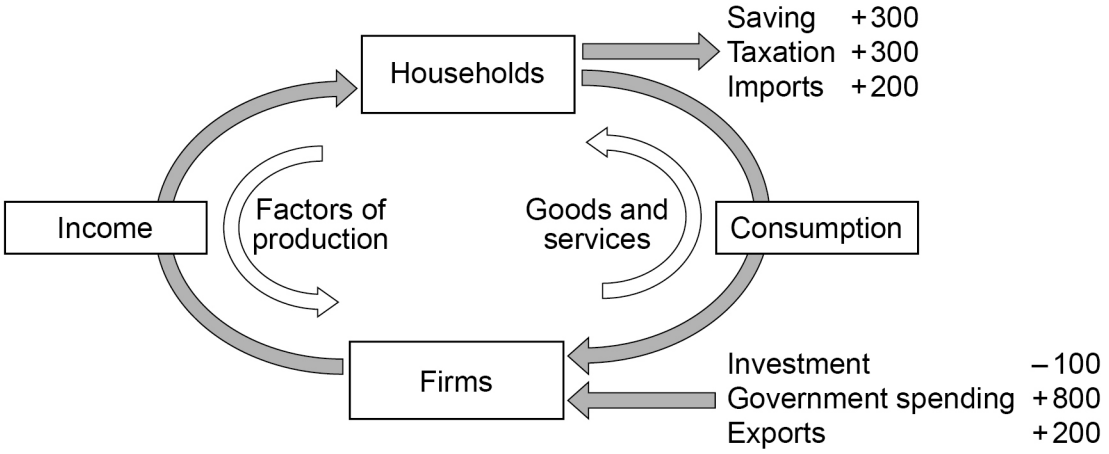
0 6 **Figure 2** shows the withdrawals from and injections into a country's circular flow of income in 2023, in £ million.

Figure 2



All other things being equal, in 2023 the country must have seen

[1 mark]

A a positive figure for short-run economic growth. ⬭

B a reduction in the government's budget deficit. ⬭

C an improved balance of payments on current account. ⬭

D an increase in long-run economic growth. ⬭

0 7 An index is set up to measure productivity growth in the economy.

What will determine the weight given to each industry in the index?

[1 mark]

A The average price level in each industry in the base year ⬭

B The growth target set by the government for each industry ⬭

C The productivity of each industry in the base year ⬭

D The relative importance of each industry to the economy ⬭

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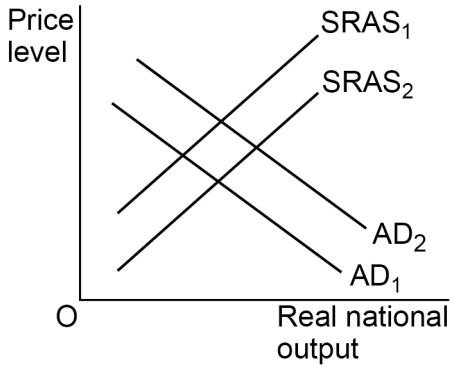
0 8 The diagrams below show an economy's initial aggregate demand (AD_1), short-run aggregate supply ($SRAS_1$) and long-run aggregate supply ($LRAS_1$) curves.

Which one of the following diagrams shows that a successful supply-side policy has reduced the price level?

[1 mark]

A



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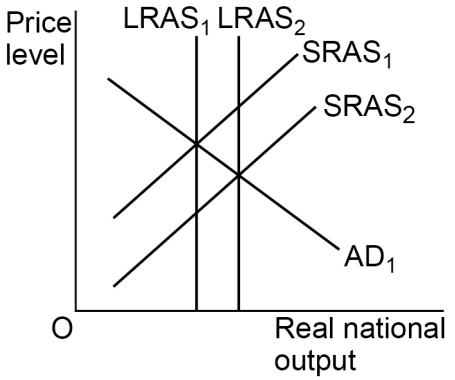

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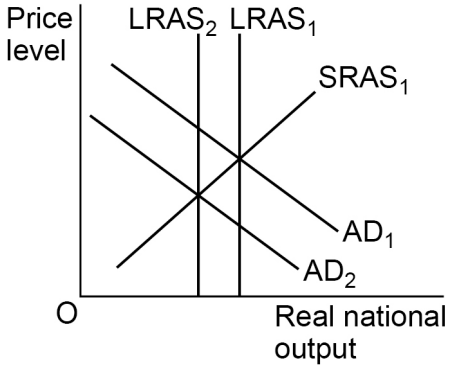

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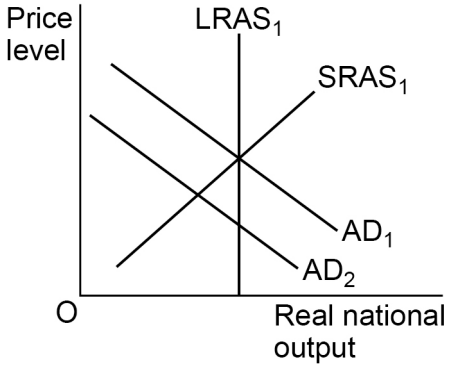
D



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0 9 **Table 2** shows the income tax paid by people with different incomes in four countries.

Which country has a proportional tax system?

[1 mark]

Table 2

Country	Tax paid on income of $15 000	Tax paid on income of $25 000	Tax paid on income of $35 000	
A	150	2500	3500	⬭
B	1500	2750	4200	⬭
C	2100	3500	4900	⬭
D	2250	3500	4550	⬭

1 0 **Table 3** shows a country's balance of payments on current account and nominal GDP for the period 2019 to 2023. All figures are in ¥ billions.

Table 3

	2019	2020	2021	2022	2023
Balance of payments on current account	135.6	140.1	62.6	–146.3	–135.2
Nominal GDP	3013.3	3258.2	3971.9	4405.2	4022.9

It can be concluded from **Table 3** that the balance of payments on current account as a percentage of nominal GDP

[1 mark]

A deteriorated every year from 2020 to 2023. ⬭

B improved between 2021 and 2022. ⬭

C improved between 2022 and 2023. ⬭

D recorded the highest surplus in 2020. ⬭

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1 1 Which one of the following combinations in **Table 4** is most likely to show a government's macroeconomic objectives?

[1 mark]

Table 4

	Balance of payments on current account	Inflation	Unemployment
A	Growing surplus	Negative	Low
B	Growing surplus	Zero	Zero
C	Stable	Low and stable	Low
D	Stable	Zero	Rising

1 2 Which one of the following is a formula that can be used to calculate the multiplier?

[1 mark]

A $\dfrac{1}{(1 - \text{marginal propensity to consume})}$

B $\dfrac{1}{(1 - \text{marginal propensity to import})}$

C $\dfrac{1}{(\text{marginal propensity to consume})}$

D $\dfrac{1}{(\text{marginal propensity to import})}$

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1 3 Which one of the following is most likely to cause cost-push inflation in an economy?

[1 mark]

A A decrease in average world commodity prices

B Aggregate demand rising faster than aggregate supply

C An increase in productivity compared to the world average

D The country's exchange rate depreciating

1 4 **Table 5** shows government spending on health care, and the value of a price index in 2022.

Table 5

Year	Government spending on health care ($ millions)	Price index
2022	300	110
2023	396	

Government spending on health care was the same in real terms in both years.

What was the value of the price index in 2023?

[1 mark]

A 130.3

B 143.0

C 145.2

D 206.0

Turn over for the next question

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1 5 A country with a high level of exports and imports has experienced a fall in its exchange rate.

Which one of the following groups in the country is most likely to benefit from this?

[1 mark]

A Firms that buy services from other countries ⬭

B Firms that compete with imported goods and services ⬭

C People who are travelling abroad for a holiday ⬭

D People who buy goods that were made abroad ⬭

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 'unemployment rate' (**Extract B**, line 11).

[3 marks]

1 6 . 2 Define 'normal capacity level of output' (**Extract C**, line 7).

[3 marks]

6

Turn over for the next question

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1 7 **Extract A** shows data on the annual percentage change in real GDP and the percentage of income received by the poorest 10% of households in Georgia and Thailand.

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

1 7 . 1 Use **Extract A (i)** to calculate Georgia's mean annual percentage change in real GDP for the five years shown.

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

[3 marks]

1 7 . 2 Use **Extract A (ii)** to calculate the difference between the median percentage of income received by the poorest 10% of households in Georgia and the median percentage of income received by the poorest 10% of households in Thailand, for the five years shown.

[3 marks]

6

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1 8 **Extract B** (line 16) states: 'Economic growth can help to reduce income inequality.'

1 8 . 1 Explain how economic growth can help to reduce income inequality.

[6 marks]

Extra space

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1 8 . 2 To what extent do the data suggest that economic growth reduces income inequality?

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

[6 marks]

Extra space

12

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1 9 **Extract C** (lines 13–14) states: 'Thailand's investment in education has improved firms' productivity. This has helped to protect the country from the impact of global economic shocks'.

With the help of a diagram, explain the impact of a negative supply-side shock on the macroeconomy.

[9 marks]

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2 0 **Extract B** (lines 5–6) states: 'Georgia has clear rules to limit government spending and control the national debt.'

Analyse the relationship between government spending and the national debt.

[12 marks]

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2 1 **Extract C** (line 18) states that investment in education and training 'improves incomes, health, productivity and economic growth.'

Use the extracts and your knowledge of economics to assess the impact of investment in education and training on economic growth.

[20 marks]

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END OF QUESTIONS

20

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ANSWER IN THE SPACES PROVIDED

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