OXFORD

INTERNATIONAL
AQA EXAMINATIONS

Please write clearly in block capitals.

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

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Forename(s) _____

Candidate signature _____
I declare this is my own work.

INTERNATIONAL AS
ECONOMICS

Unit 2 The National Economy in a Global Environment

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	

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 Which one of the following is an example of contractionary monetary policy?

[1 mark]

A A decrease in the rate of income tax

B A decrease in the value of the currency

C An increase in the money supply

D An increase in the rate of interest

0 2 Which one of the following statements is correct?

[1 mark]

A Investment is an injection into the circular flow of income.

B The marginal propensity to save is total savings as a proportion of total income.

C The total value of savings must be greater than total investment.

D When interest rates increase, investment will also increase.

Do not write outside the box

0 3 **Table 1** shows total injections into, and withdrawals from, an economy's circular flow of income in one year.

Table 1

Injections and withdrawals	**$m**
Investment	200
Savings	150
Exports	400
Imports	450
Government spending	300
Taxation revenue	300

GDP at the start of the year was $1200m.

All other things being equal, what is the value of GDP at the end of the year?

[1 mark]

A $200m ⬭

B $1200m ⬭

C $1800m ⬭

D $3000m ⬭

Turn over for the next question

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0 4 **Table 2** shows data relating to the price index of an economy.

Table 2

Item	Weight	Price index in Year 2 (Year 1 = 100)
Food	30%	105
Housing	45%	102
Transport	25%	110

What is the weighted price index in Year 2?

[1 mark]

A 104.9 ⬭

B 105.7 ⬭

C 117.0 ⬭

D 317.0 ⬭

0 5 If a government has a balanced budget, this means that

[1 mark]

A fiscal policy is contractionary. ⬭

B government spending equals tax revenue. ⬭

C the value of exports equals the value of imports. ⬭

D there is no government debt. ⬭

Do not write outside the box

0 6 National income rises by €500bn. In turn, consumer spending on domestically produced goods rises by €250bn, savings rise by €100bn and the tax paid rises by €50bn.

Which one of the following is true?

[1 mark]

A The increase in government spending equals €50bn. ⬭

B The marginal propensity to import is 0.2 ⬭

C The marginal propensity to save is 0.1 ⬭

D Total withdrawals equal €100bn. ⬭

0 7 An economy has a positive output gap.

Which one of the following must be true?

[1 mark]

A Employment levels are falling. ⬭

B Inflationary pressure is falling. ⬭

C Long-run economic growth is occurring. ⬭

D Potential output is less than actual output. ⬭

Turn over for the next question

Do not write outside the box

0 8 **Table 3** shows selected macroeconomic data, in index form, from 2018 to 2020 (2017 = 100).

Table 3

Indicator	2018	2019	2020
Nominal GDP	102	104	106
Price level	101	105	108
Nominal investment	104	106	110

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

[1 mark]

A Investment fell in real terms between 2018 and 2020. ⬭

B Nominal GDP growth was most rapid between 2019 and 2020. ⬭

C Prices were 8% higher in 2020 than in 2019. ⬭

D Real GDP rose by about 2% between 2018 and 2020. ⬭

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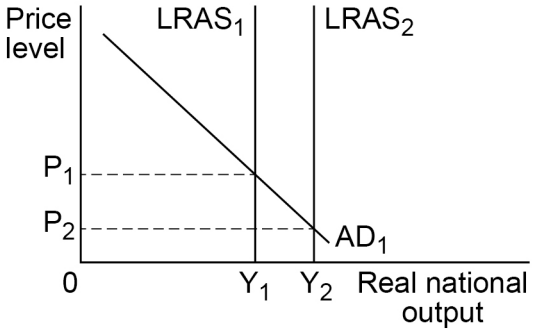
0 9 The diagrams below show the initial aggregate demand (AD_1), short-run aggregate supply ($SRAS_1$) and long-run aggregate supply ($LRAS_1$) curves for an economy. The economy experiences a significant negative supply-side shock due to the collapse of airlines and shipping companies.

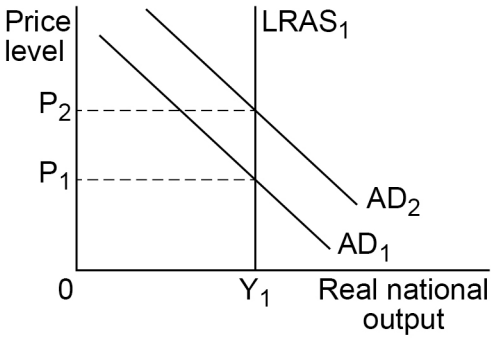
All other things being equal, which one of the following diagrams shows the most likely impact of this shock on the economy?

[1 mark]

A



B



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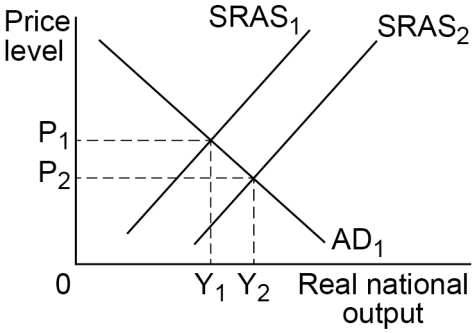
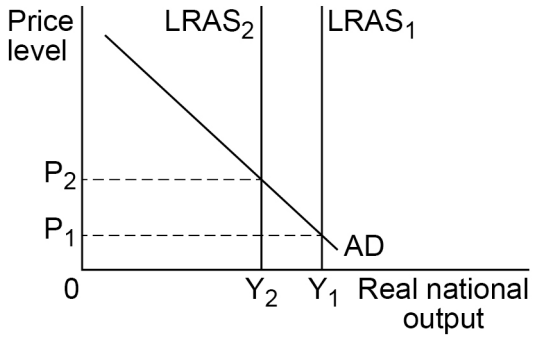


D



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1 0 **Figure 1** shows data on Mexico's balance of payments on current account as a percentage of GDP, from 2000 to 2019.

Figure 1

Which one of the following can be concluded about Mexico's economy?

[1 mark]

A It experienced its largest current account deficit in both 2006 and 2019. ⬭

B Mexico's national income was fluctuating for the entire period. ⬭

C There was a deficit on the balance of trade in goods for the entire period. ⬭

D There were more outflows than inflows of money into its current account each year. ⬭

Do not write outside the box

1 1 The cost of raw materials rises for all industries in an economy.

All other things being equal, what is the most likely impact on this economy's inflationary pressure and real national output?

[1 mark]

Impact	Inflationary pressure	Real national output	
A	Decreases	Decreases	⬭
B	Decreases	Increases	⬭
C	Increases	Decreases	⬭
D	Increases	Increases	⬭

1 2 Deflationary policy

[1 mark]

A aims to reduce aggregate demand. ⬭

B causes short-run aggregate supply to increase. ⬭

C is intended to result in deflation. ⬭

D leads to a fall in the value of an economy's currency. ⬭

Turn over for the next question

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1 3 **Table 4** shows data on the value of exports, imports and aggregate demand for three economies in one year, in US dollars.

Table 4

Economy	Value of exports ($m)	Value of imports ($m)	Aggregate demand ($m)
Economy X	500	100	4000
Economy Y	150	300	1200
Economy Z	800	600	4800

Which one of the following statements is true?

[1 mark]

A The aggregate demand of Economy Y is a quarter of Economy Z. ⬭

B The imports of Economy X add $100m to its aggregate demand. ⬭

C The net exports of Economy Y are $450m. ⬭

D The ratio of the value of exports to the value of imports in Economy Z is 3:2 ⬭

1 4 Which one of the following is a cyclical influence on a government's budget balance?

A change in

[1 mark]

A government spending on health care as the population ages. ⬭

B government spending on infrastructure to support export industries. ⬭

C tax revenue due to a fall in the level of GDP. ⬭

D tax revenue due to a fall in the rate of corporation tax. ⬭

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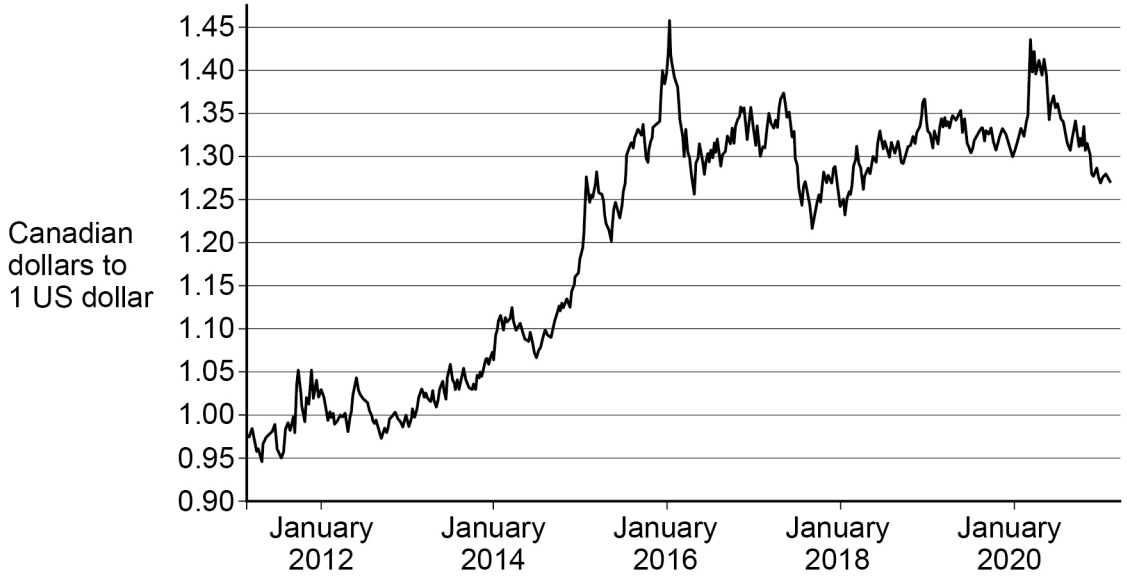
1 5 **Figure 2** shows the value of the US dollar in Canadian dollars from 2011 to 2021.

Figure 2



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

[1 mark]

A Canada's aggregate demand has increased over the period shown. ⬭

B The Canadian dollar was strongest against the US dollar at the start of 2016. ⬭

C The US dollar appreciated against the Canadian dollar over the period shown. ⬭

D The value of Canadian exports to the US has increased by around 30%. ⬭

15

Turn over for Section B

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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 'GDP per capita' (**Extract B**, line 2).

[3 marks]

1 6 . 2 Define 'underemployment' (**Extract C**, line 4).

[3 marks]

6

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1 7 **Extract A** shows data on the growth rates and unemployment rates of HICs and UMICs from 2010 to 2019.

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

1 7 . 1 Use **Extract A (i)** to calculate the change in the difference between the growth rates of HICs and UMICs in 2019 compared to 2010.

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

[3 marks]

1 7 . 2 In 2019, the labour force in HICs was 628 587 432 people.

Use **Extract A (ii)** to calculate the number of employed people in HICs in 2019.

Give your answer to the nearest **whole** number.

[3 marks]

6

Turn over ►

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1 8 **Extract C** (lines 2–3) states: 'economic growth can lead to falling unemployment.'

1 8 . 1 Explain why positive rates of economic growth can lead to falling unemployment.

[6 marks]

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1 8 . 2 To what extent do the data suggest that positive rates of economic growth lead to falling unemployment?

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

[6 marks]

12

Turn over for the next question

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1 9 **Extract B** (lines 13–14) states: 'A rapid increase in productivity usually causes higher economic growth.'

With the help of a diagram, explain why an increase in productivity can lead to economic growth.

[9 marks]

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2 0 **Extract B** (lines 6–7) states: 'The UMICs with the highest growth rates are usually those with increasing productivity'.

Analyse ways in which productivity can be increased in an economy.

[12 marks]

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12

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2 1 **Extract C** (line 17) states: 'Governments need to use a range of policies to tackle the problem of unemployment'.

Use the extracts and your knowledge of economics to discuss policies that governments could use to reduce unemployment.

[20 marks]

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END OF QUESTIONS

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ANSWER IN THE SPACES PROVIDED

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