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

Friday 17 May 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 an example of conflicting government policy objectives?

[1 mark]

A Reducing inflation may reduce imports. ⬭

B Reducing interest rates may increase growth. ⬭

C Reducing the exchange rate may reduce exports. ⬭

D Reducing unemployment may increase inflation. ⬭

0 2 Which one of the following is an example of a supply-side improvement?

[1 mark]

A A reduction in tax rates on company profits ⬭

B A rise in government spending on education ⬭

C An expansion of capacity due to higher productivity ⬭

D An increase in the amount of quantitative easing ⬭

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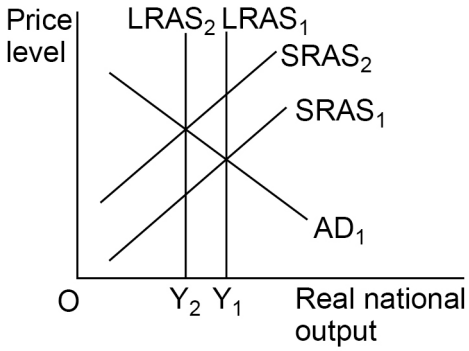
0 3 The diagrams below show an economy's initial aggregate demand (AD_1), short-run aggregate supply ($SRAS_1$) and long-run aggregate supply ($LRAS_1$) curves.

The economy was initially operating at Y_1. As a result of a supply-side shock, it now has a negative output gap and unemployment.

Which one of the following diagrams shows this change?

[1 mark]

A



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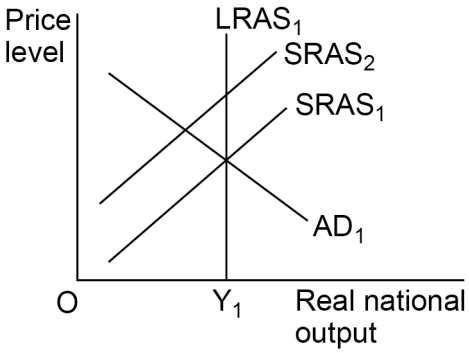

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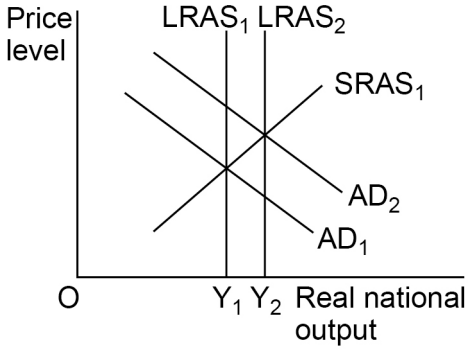

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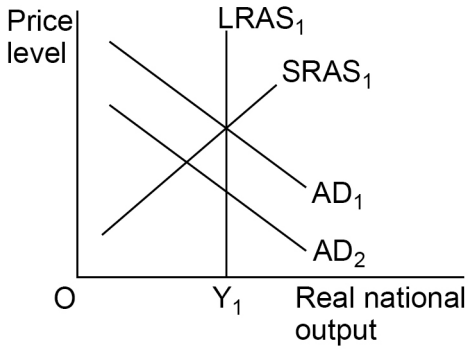

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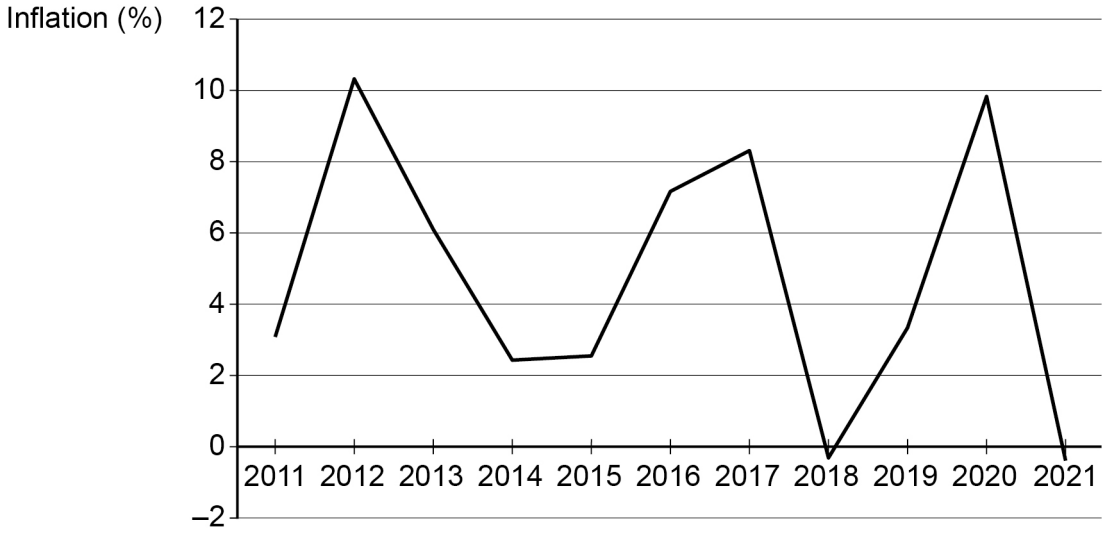
0 4 **Figure 1** shows the rate of inflation in a country from 2011 to 2021.

Figure 1



All other things being equal, in which two years was the country most likely to experience a recession followed by a recovery?

[1 mark]

	Recession	Recovery	
A	2012	2013	⬭
B	2016	2017	⬭
C	2018	2019	⬭
D	2020	2021	⬭

0 5 A central bank is using monetary policy to raise the country's exchange rate.

The most likely objective of this policy is

[1 mark]

A to increase economic growth. ⬭

B to increase the country's exports. ⬭

C to reduce the budget deficit. ⬭

D to reduce the rate of inflation. ⬭

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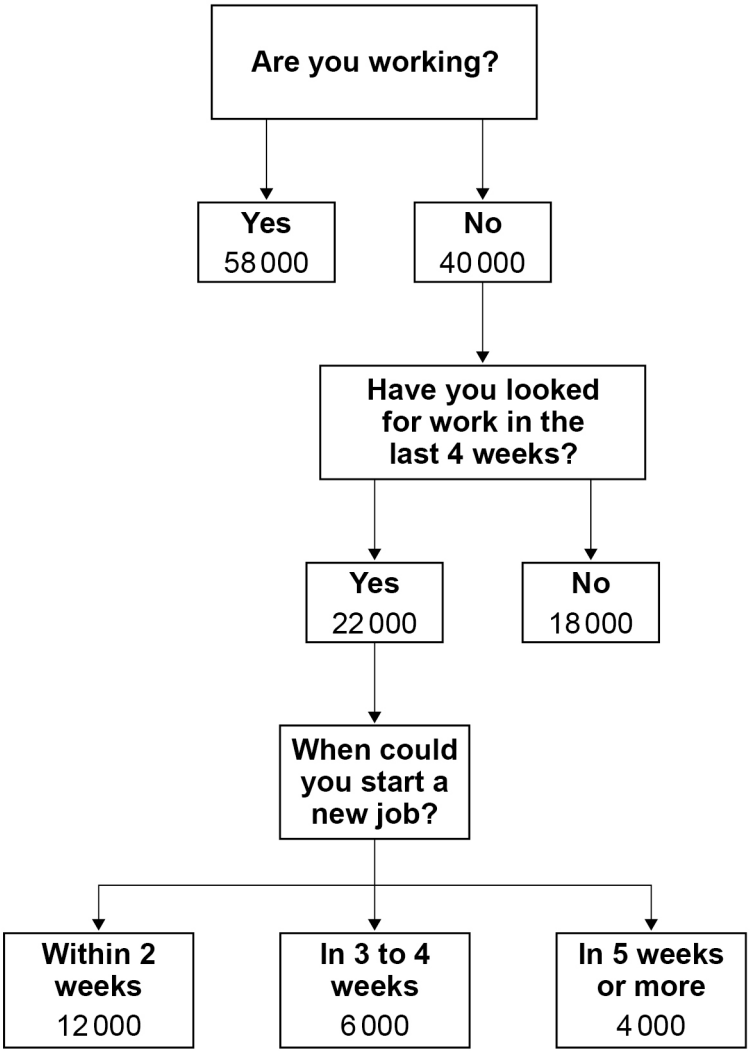
0 6 **Figure 2** shows the responses to a labour force survey.

Figure 2



Using the International Labour Organisation (ILO) definition, what percentage of the labour force is unemployed?

[1 mark]

A 17.1% ⬭

B 23.7% ⬭

C 27.5% ⬭

D 40.8% ⬭

Do not write outside the box

0 7 What is the difference between real national income and nominal national income?

[1 mark]

A Real national income has direct taxes removed. ⬭

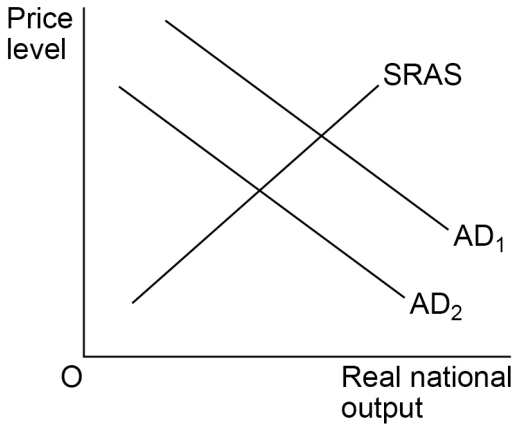
B Real national income includes a measure of well-being. ⬭

C Real national income is divided by the population size. ⬭

D Real national income removes the effects of inflation. ⬭

0 8 **Figure 3** shows an economy's short-run aggregate supply (SRAS) curve, initial aggregate demand (AD_1) curve and new aggregate demand (AD_2) curve.

Figure 3



Which one of the following is most likely to cause the change in aggregate demand?

[1 mark]

A An increase in imports of goods ⬭

B An increase in quantitative easing ⬭

C An increase in the budget deficit ⬭

D An increase in world oil prices ⬭

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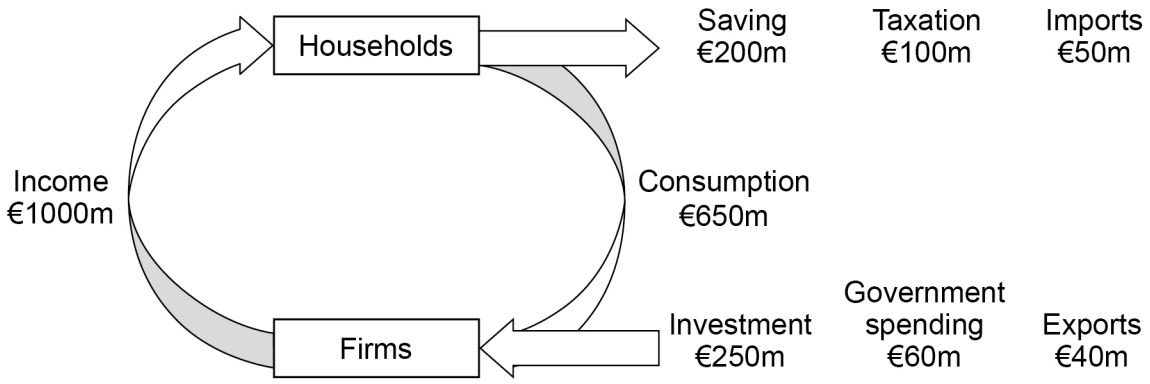
0 9 **Figure 4** shows the circular flow of income for an economy.

Figure 4



The economy's full employment level of national income is €1200 million.

The data show that the economy

[1 mark]

A is at its full employment equilibrium. ⬭

B is experiencing a positive output gap. ⬭

C is in disequilibrium and has some unemployment. ⬭

D is in equilibrium but has some unemployment. ⬭

1 0 All other things being equal, which one of the following would be most likely to increase short-run aggregate supply?

[1 mark]

A A cut in indirect taxes ⬭

B A fall in business confidence ⬭

C A reduction in subsidies ⬭

D An increase in average wages ⬭

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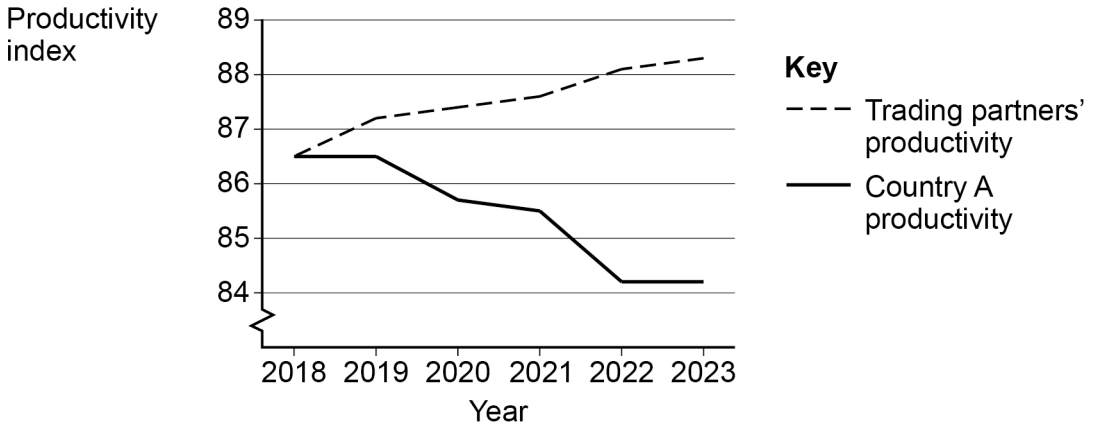
1 1 **Figure 5** shows an index of the productivity in the car industry of Country A and an index of the average productivity in the car industries of its trading partners.

Figure 5



The trend shown in **Figure 5** will affect Country A's balance of payments on current account. Which part of the current account is most likely to be affected negatively?

[1 mark]

A Balance of trade in goods ⬭

B Balance of trade in services ⬭

C Primary income balance ⬭

D Secondary income balance ⬭

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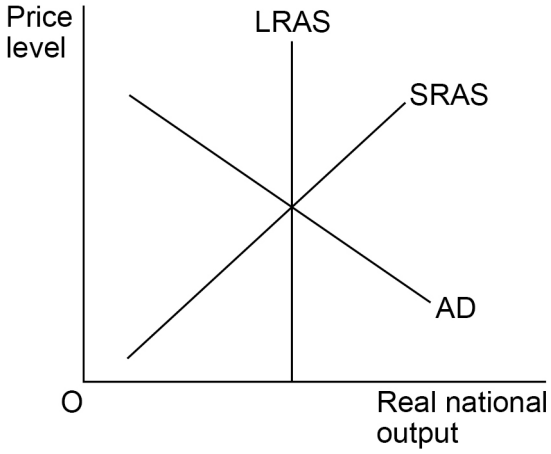
1 2 **Figure 6** shows the long-run aggregate supply (LRAS), short-run aggregate supply (SRAS) and aggregate demand (AD) curves for a country.

Figure 6



There is a large rise in the country's exports. Which one of the following is the most likely result in the short run?

[1 mark]

A A fall in cost-push inflation and a negative output gap ⬭

B A fall in the amount of structural unemployment ⬭

C A positive output gap and a rise in demand-pull inflation ⬭

D An increase in the country's productive capacity ⬭

1 3 Which one of the following is an example of investment in the circular flow of income?

[1 mark]

A Firms buying more machines to increase their capacity ⬭

B Firms employing more workers to increase their output ⬭

C Households borrowing money to buy a house ⬭

D Households paying into a bank account that earns interest ⬭

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1 4 A rise in interest rates is most likely to cause an increase in

[1 mark]

A demand for capital goods. ⬭

B demand for consumer goods. ⬭

C short-run aggregate supply. ⬭

D the amount households save. ⬭

1 5 **Table 1** shows the values of an index of real GDP per capita in three countries between 2019 and 2023.

The base year for the index is 2020.

Table 1

	2019	**2020**	**2021**	**2022**	**2023**
Country X	105	100	104	100	98
Country Y	85	100	106	100	105
Country Z	98	100	102	108	110

Based on the data in **Table 1**, which one of the following statements must be true?

[1 mark]

A Country X had the same amount of real GDP as Country Y in 2022. ⬭

B Country Y had the highest average real GDP per capita growth between 2019 and 2023. ⬭

C Country Z experienced the fastest growth between 2022 and 2023. ⬭

D Country Z had the highest real GDP per capita in 2023. ⬭

15

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Section B

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

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1 6 . 1 Define 'direct tax' (**Extract B**, line 4).

[3 marks]

1 6 . 2 Define 'aggregate demand' (**Extract C**, line 3).

[3 marks]

6

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1 7 **Extract A** shows the highest rate of income tax and the labour force as a percentage of the population, aged 15 or over, in selected countries from 2017 to 2021.

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

1 7 . 1 Use **Extract A (i)** to calculate for 2021 how much **more** tax a worker in Denmark would pay than a worker in Bolivia if they both had $35 000 of income taxed at the top rate.

Give your answer in dollars.

[3 marks]

1 7 . 2 2017 is the base year for an index that measures changes in the percentage of South Korea's population aged 15 or over who are in the labour force.

Use **Extract A (ii)** to calculate the value of the index in 2020.

Give your answer to **two** decimal places.

[3 marks]

6

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1 8 **Extract B** (lines 9–10) states: 'high income tax rates can affect the size of a country's labour force.'

1 8 . 1 Explain how income tax rates can affect the size of a country's labour force.

[6 marks]

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1 8 . 2 To what extent do the data suggest that income tax rates affect the size of a country's labour force?

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 9–10) states: 'lower taxes on company profits affect a country's long-run aggregate supply.'

With the help of a diagram, explain how lower taxes on company profits affect a country's long-run aggregate supply.

[9 marks]

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2 0 **Extract C** (line 5) states: 'the level of taxation is one reason why consumption may change'.

Analyse reasons why consumption in an economy may change.

[12 marks]

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12

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2 1 **Extract B** (lines 19–20) states: 'fiscal policy can also change the pattern of economic activity.'

Use the extracts and your knowledge of economics to assess the likely effectiveness of fiscal policy in changing the pattern of economic activity.

[20 marks]

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END OF QUESTIONS

20

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