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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 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	
<b>TOTAL</b>	



**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

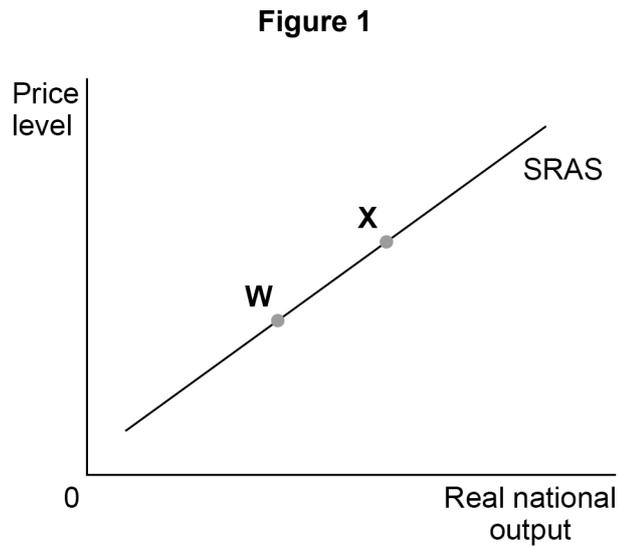
**C** Seasonal

**D** Structural



0 2

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



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.

Turn over ►



**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

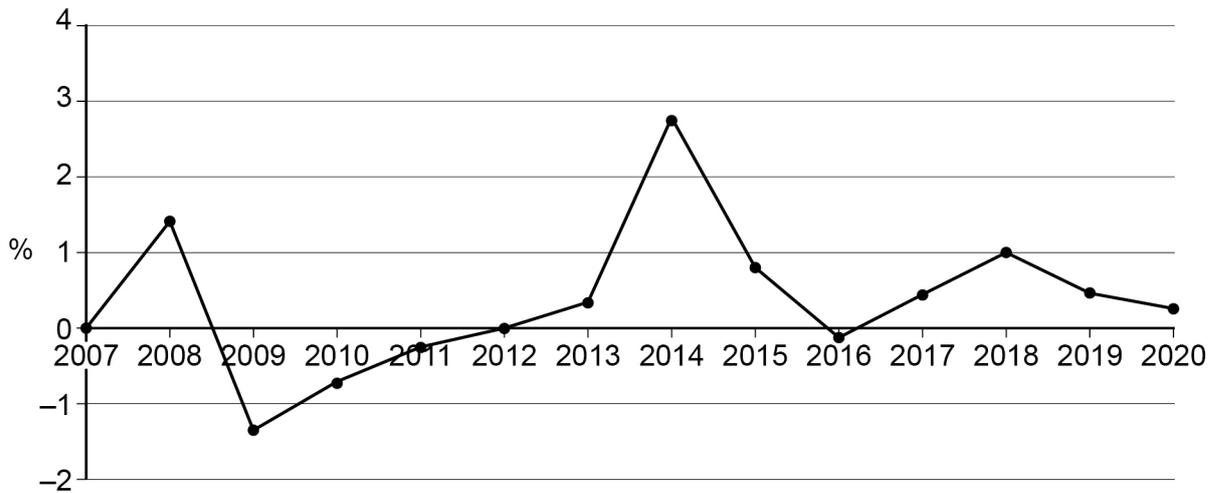
**D** savings = tax = imports



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.

Turn over ►



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%.

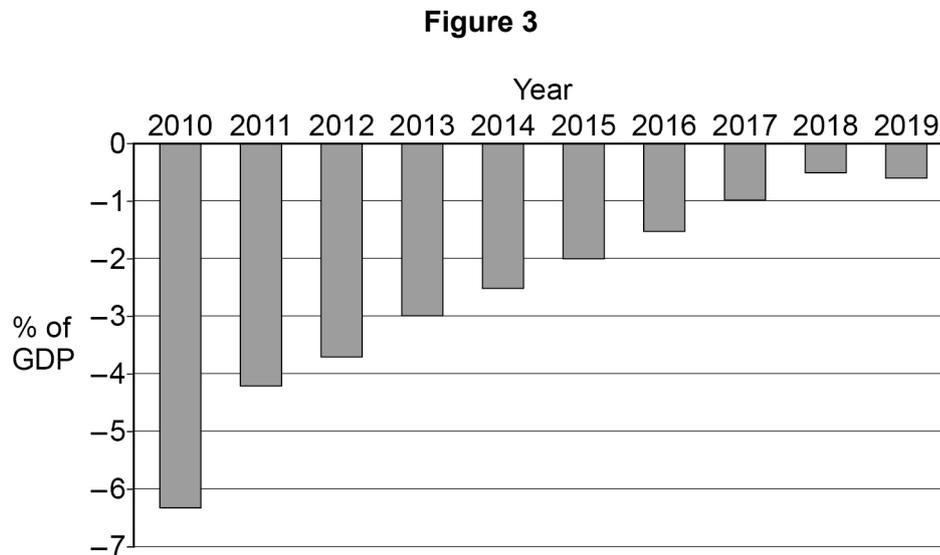
Using 2018 prices, what was the real price of a barrel of oil in 2019?

[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.



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.



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**

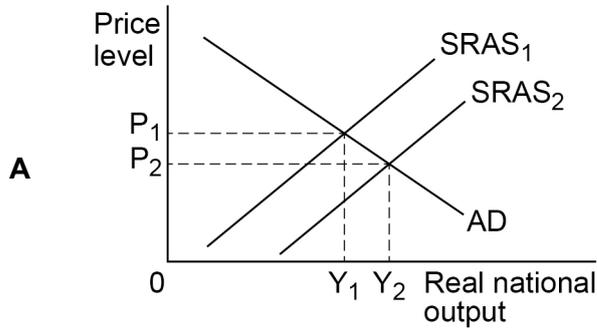
**Turn over ►**

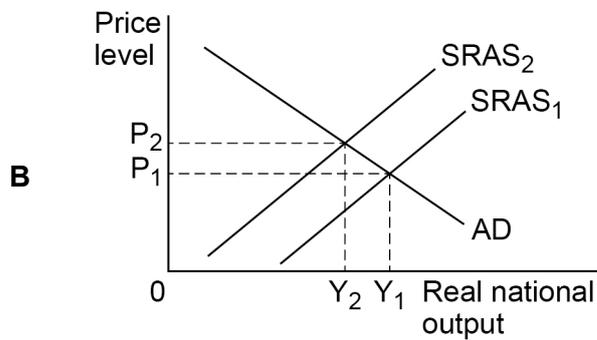


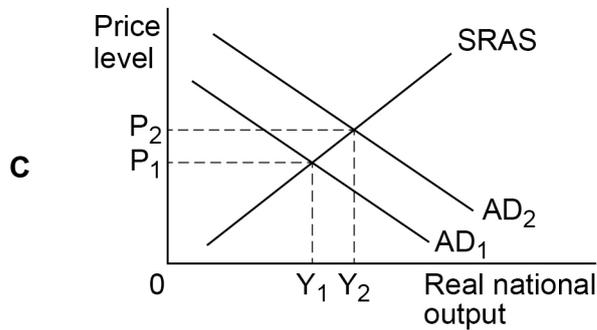
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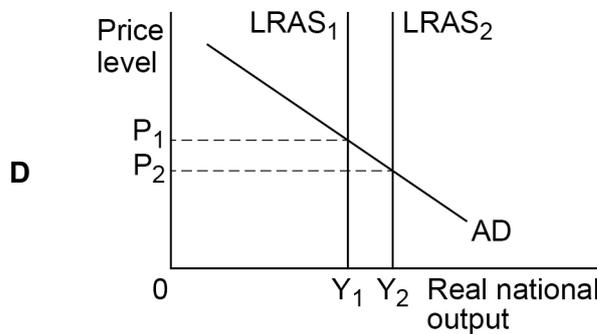
The diagrams below show aggregate demand (AD) and aggregate supply (AS) curves for an economy. This economy experiences a fall in money wage rates. Which one of the following diagrams best illustrates this situation?

[1 mark]











**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**

	<b>2001</b>	<b>2010</b>	<b>2019</b>
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.

**Turn over ►**

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

**[1 mark]**

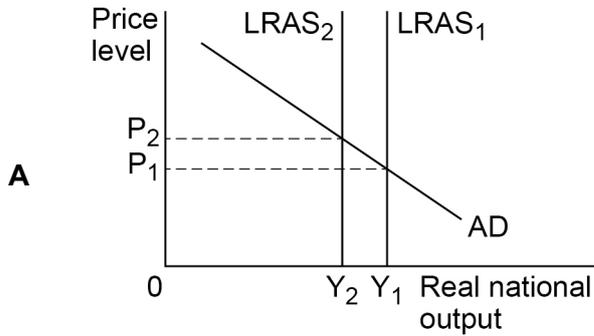
- A** Investment increases aggregate demand but has no impact on aggregate supply.
- B** Investment is a leakage from the circular flow of income.
- C** Net investment occurs when households save money in banks.
- D** Rising net investment increases an economy's stock of capital.

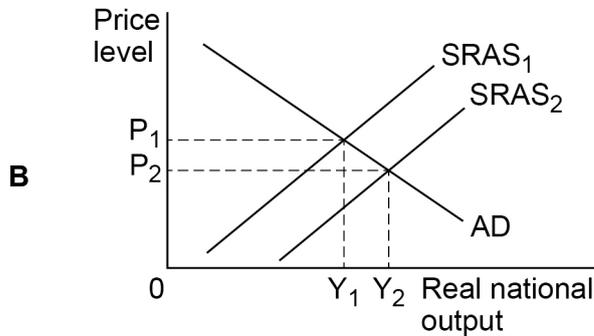


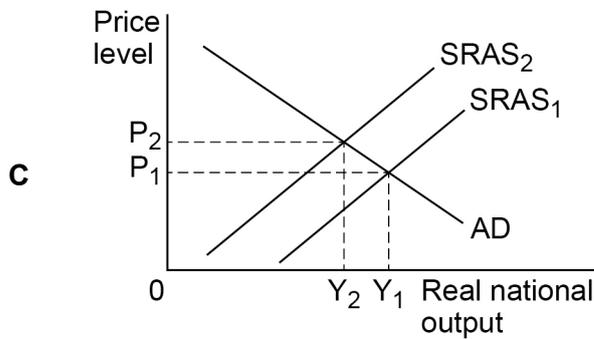
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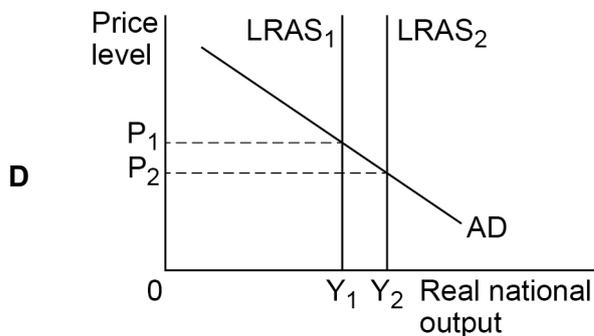
The diagrams below show aggregate demand (AD) and aggregate supply (AS) curves for an oil-importing economy. This economy experiences a significant depreciation in its exchange rate. All other things being equal, which one of the following diagrams represents the most likely impact of this event on aggregate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

[1 mark]










15

Turn over ►



**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]**

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

**[3 marks]**

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**6**



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]**

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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]**

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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]**

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