

Please write clearly in block capitals.

Centre number

Candidate number

Surname \_\_\_\_\_

Forename(s) \_\_\_\_\_

Candidate signature \_\_\_\_\_

I declare this is my own work.

# INTERNATIONAL A-LEVEL ECONOMICS

## Unit 4 Economic Development and the Global Economy

Monday 9 January 2023

07:00 GMT

Time allowed: 2 hours

### 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 in **Sections A, B and C**.
- Answer **EITHER** Question 15 or Question 16 in **Section D**.
- 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 90.
- You may use a bilingual dictionary for this exam.
- You may **not** use an English dictionary.

For Examiner's Use	
Question	Mark
1–10	
11	
12	
13	
14	
15	
16	
<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**

Transnational companies (TNCs) may deliberately reduce the profits they make in some countries to reduce the tax they pay. This involves one part of a business charging another part of the same business for goods and services received.

This strategy is known as

**[1 mark]**

**A** deferred payment.

**B** dumping.

**C** tax evasion.

**D** transfer pricing.



**0 2**

**Table 1** shows labour market statistics for a more economically developed country (MEDC).

**Table 1**

Number of individuals employed	12 600 000
Number of individuals out of work but actively seeking employment	636 000
Number of 16–24 year olds in full-time education	2 000 000

What is the unemployment rate to one decimal place?

**[1 mark]**

- A** 4.4%
- B** 4.8%
- C** 4.9%
- D** 5.0%

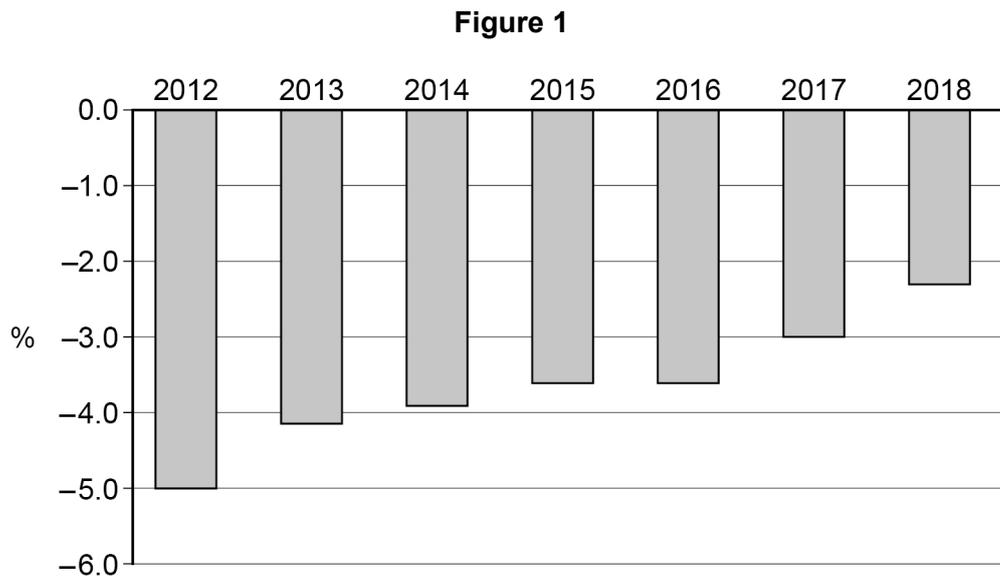
**Turn over for the next question**

**Turn over ►**



0 3

Figure 1 shows the budget balance for France as a percentage of GDP in 2012–2018.



All other things being equal, what can be concluded about the size of the public sector debt for France?

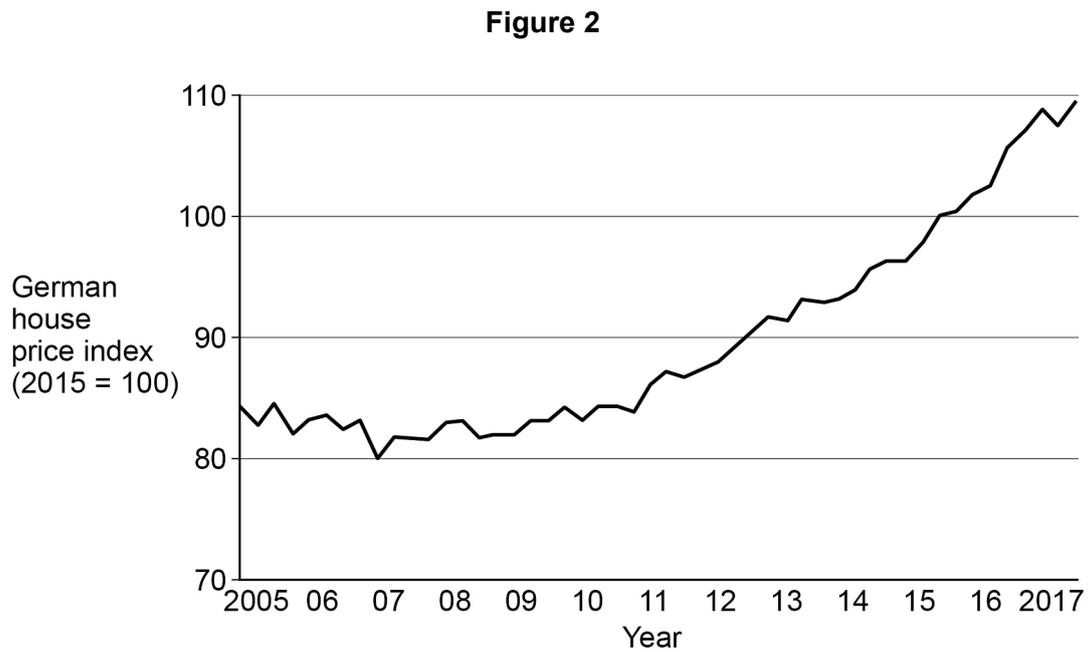
[1 mark]

- A** Public sector debt fell in all years except 2016.
- B** Public sector debt was highest in 2018.
- C** Public sector debt was lower in 2013 than 2012.
- D** Public sector debt was unchanged between 2015 and 2016.



0 4

**Figure 2** shows the index of house prices in Germany from 2005 to 2017.



As a result of the changing house prices, a commercial bank in Germany increased its mortgage lending. This raised the ratio of its long-term lending to customer deposits.

Which one of the following combinations shows the most likely impact on the bank's liquidity and profitability?

[1 mark]

	Liquidity	Profitability	
<b>A</b>	Falls	Falls	<input type="radio"/>
<b>B</b>	Falls	Rises	<input type="radio"/>
<b>C</b>	Rises	Falls	<input type="radio"/>
<b>D</b>	Rises	Rises	<input type="radio"/>

**Turn over for the next question**

**Turn over ►**



0 5

In 2008, the UK Government spent £500bn to support banks that held too many risky assets.

Which one of the following best describes why banks may engage in risky lending due to this financial support?

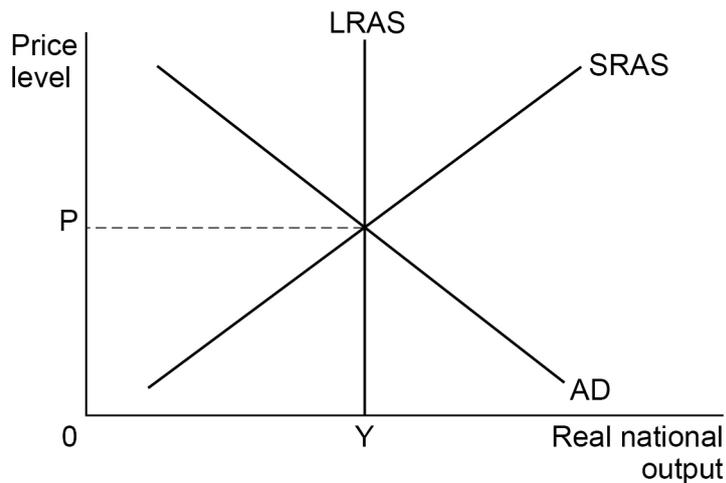
[1 mark]

- A Asymmetric information
- B Herding
- C Moral hazard
- D Speculation

0 6

**Figure 3** shows the aggregate demand (AD) curve, short-run aggregate supply (SRAS) curve and long-run aggregate supply (LRAS) curve for an emerging economy. The economy is in equilibrium at output Y.

Figure 3



In order to maintain growth rates, the government increases its spending.

Which one of the following indicators is most likely to **decrease** as a result of this change in spending?

[1 mark]

- A International competitiveness
- B Nominal wages
- C The budget deficit
- D The current account deficit



0 7

**Table 2** shows a selection of items from the balance of payments account of a country over two years.

**Table 2**

	<b>Year 1</b>	<b>Year 2</b>
	\$ billion	\$ billion
Balance of trade in goods	-75	-60
Balance of trade in services	120	100
Net FDI	90	80
Net portfolio investment	107	117
Payments to the IMF	-5	-4
Overseas development aid	-10	-10

All other things being equal, which one of the following is true?

**[1 mark]**

- A** The capital account has improved.
- B** The deficit in goods and services has fallen.
- C** The financial account has improved.
- D** The secondary income balance has improved.

**Turn over for the next question**

**Turn over ►**



0 8

**Table 3** shows the average values for the price elasticity of demand for an economy's exports and imports.

**Table 3**

	Price elasticity of demand
<b>Exports</b>	-0.65
<b>Imports</b>	-1.20

The economy devalues its currency.

All other things being equal, which one of the following is the most likely impact of this devaluation?

**[1 mark]**

- A** The balance of trade worsens.
- B** The demand for exports rises.
- C** The value of exports rises.
- D** The value of imports rises.

0 9

A fall in which one of the following development indicators would indicate an improvement in the standard of living in an economy?

**[1 mark]**

- A** Human Development Index
- B** Life expectancy
- C** Literacy rate
- D** Multidimensional Poverty Index



**1 0**

Which one of the following changes is most likely to cause a country's currency to appreciate?

**[1 mark]**

- A** Hot money leaves the country after a fall in economic growth.
- B** The base interest rate of its major trading partner is raised.
- C** The country's central bank buys large amounts of foreign currency.
- D** The fall in outward FDI is greater than the fall in inward FDI.

**10**

**Turn over for Section B**

**Turn over ►**

**Section B**

Answer **all** questions in the spaces provided.

**1 1**

Governments can use a variety of policies to promote economic growth and development. This may involve changing the tax system to finance increased government spending.

**1 1 . 1**

Define 'progressive tax'.

**[2 marks]**

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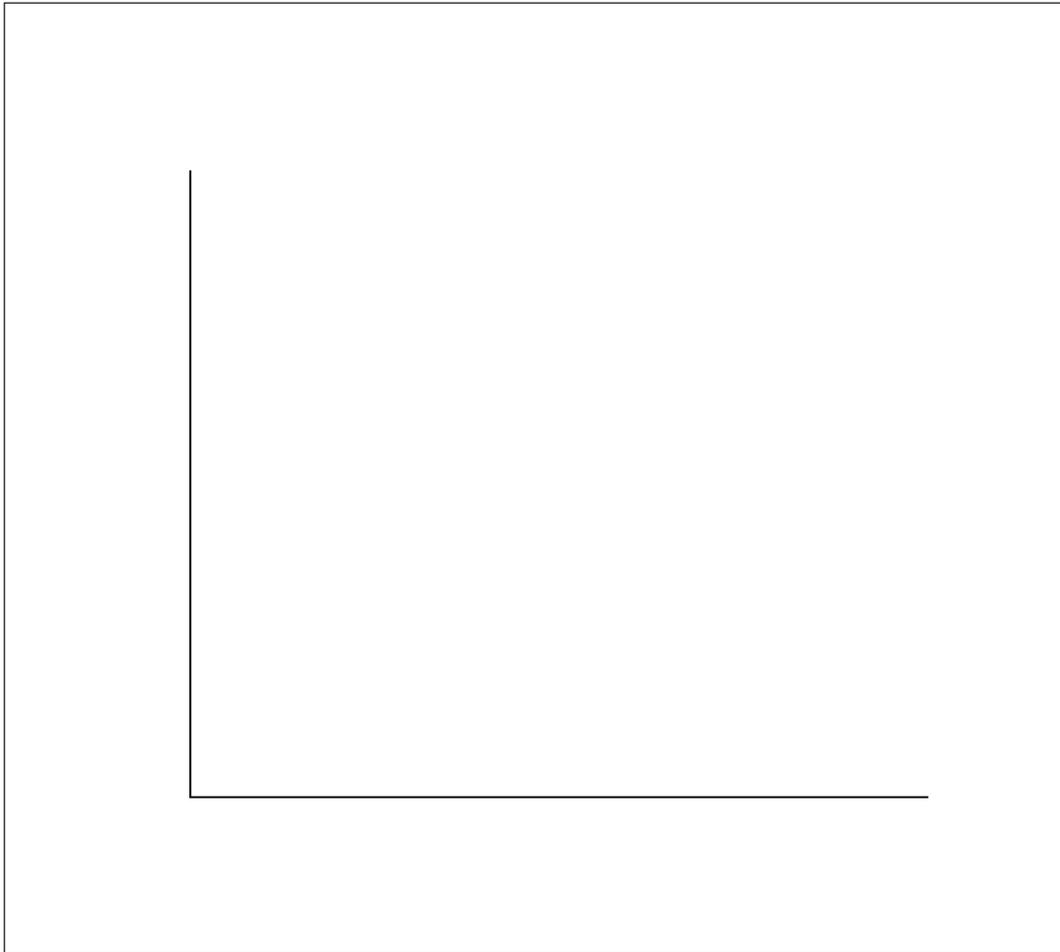


1	1	.	2
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A government decides to build a new high-speed rail link to raise the rate of economic growth in the economy and increase its productive capacity.

Draw an AD/AS diagram to show how increased government spending on infrastructure will affect an economy.

**[4 marks]**



**Question 11 continues on the next page**

**Turn over ►**



























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2 8



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