

Please write clearly in block capitals.

Centre number

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Candidate number

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Surname

Forename(s)

Candidate signature

I declare this is my own work.

INTERNATIONAL AS ECONOMICS

Unit 2 The National Economy in a Global Environment

Thursday 9 January 2025 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.

For Examiner's Use	
Question	Mark
1–15	
16	
17	
18	
19	
20	
21	
TOTAL	

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.



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

A country has a Gini coefficient close to 0. This means that the country has

[1 mark]

A a very equal income distribution.

B a very high budget deficit.

C a very low budget deficit.

D a very unequal income distribution.

0 2

All other things being equal, which one of the following is most likely to increase a country's imports?

[1 mark]

A A fall in the country's exchange rate

B A rise in inflation in other countries

C An increase in productivity in the country

D An increase in real incomes in the country



0 3

Table 1 shows a government's expected revenue and spending for the next year in billions of Indian rupees (₹).

Table 1

Budget item	Amount (₹ billion)
Capital spending	1450
Direct tax revenue	2500
Indirect tax revenue	1500
National debt interest payments	350
Other revenue	250
Spending on goods and services	3100

The government wants to balance the budget.

Which one of the following policies is most likely to achieve this objective?

[1 mark]

- A** Expansionary fiscal policy
- B** Increase government borrowing
- C** Increase spending on goods and services
- D** Reduce capital spending

Turn over for the next question

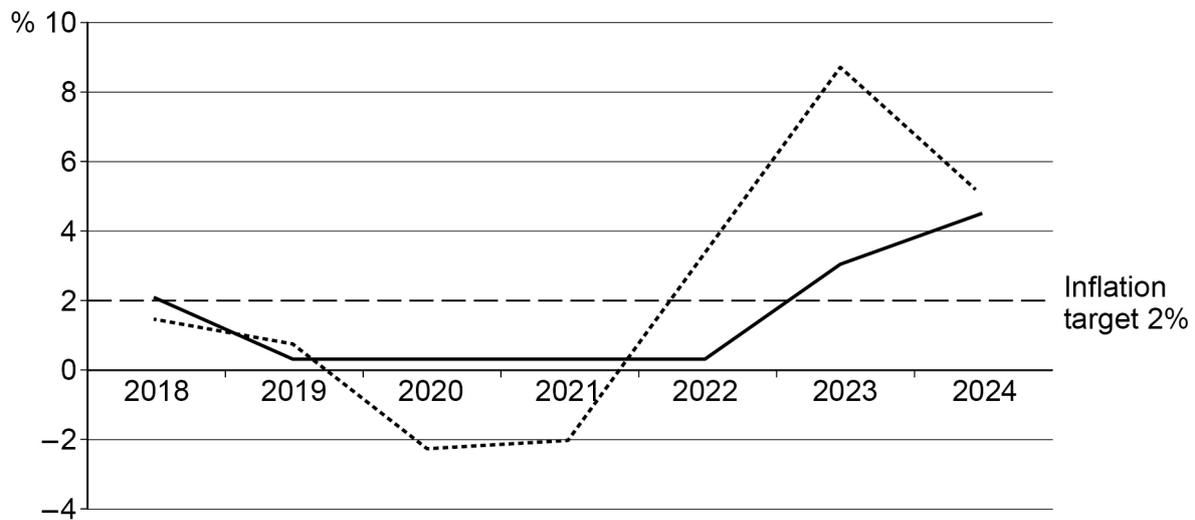
Turn over ►



0 4

Figure 1 shows a country's rate of inflation and the interest rate set by the central bank between 2018 and 2024. It also shows the country's target for inflation, which is 2%.

Figure 1



Key

- Rate of inflation
 — Interest rate

Which one of the following shows the most likely set of monetary policies used by the central bank to control inflation between 2018 and 2024?

[1 mark]

	2018 – 2019	2019 – 2022	2022 – 2024	
A	Contractionary interest rate policy	Expansionary interest rate policy	Quantitative easing	<input type="radio"/>
B	Contractionary interest rate policy	Quantitative easing	Expansionary interest rate policy	<input type="radio"/>
C	Expansionary interest rate policy	Quantitative easing	Contractionary interest rate policy	<input type="radio"/>
D	Quantitative easing	Contractionary interest rate policy	Expansionary interest rate policy	<input type="radio"/>



0 5

The economy of a country is close to its normal capacity level of real national output but has some underemployment.

Which one of the following policies could the government use to reduce the country's level of underemployment?

[1 mark]

- A** Give childcare subsidies to working parents so they can work longer hours
- B** Increase government help for people who are looking for work but have no job
- C** Pay extra money to retired workers to encourage them back into work
- D** Reduce welfare payments to give people without a job more incentive to work

0 6

Table 2 shows a weighted consumer price index for a country in euros (€) in 2022 and 2023 (2022 = 100).

Table 2

Item	Price in 2022 (€)	Index in 2022	Price in 2023 (€)	Index in 2023	Weight	Weighted value in 2023
Housing	2000	100	3000		5	
Food	500	100	600		3	
Clothes	300	100	270		2	
Totals:					10	
Overall price index:						

What is the value of the overall price index in 2023?

[1 mark]

- A** 60
- B** 129
- C** 138
- D** 360

Turn over ►

0 7

Which one of the following is most likely to cause short-run economic growth?

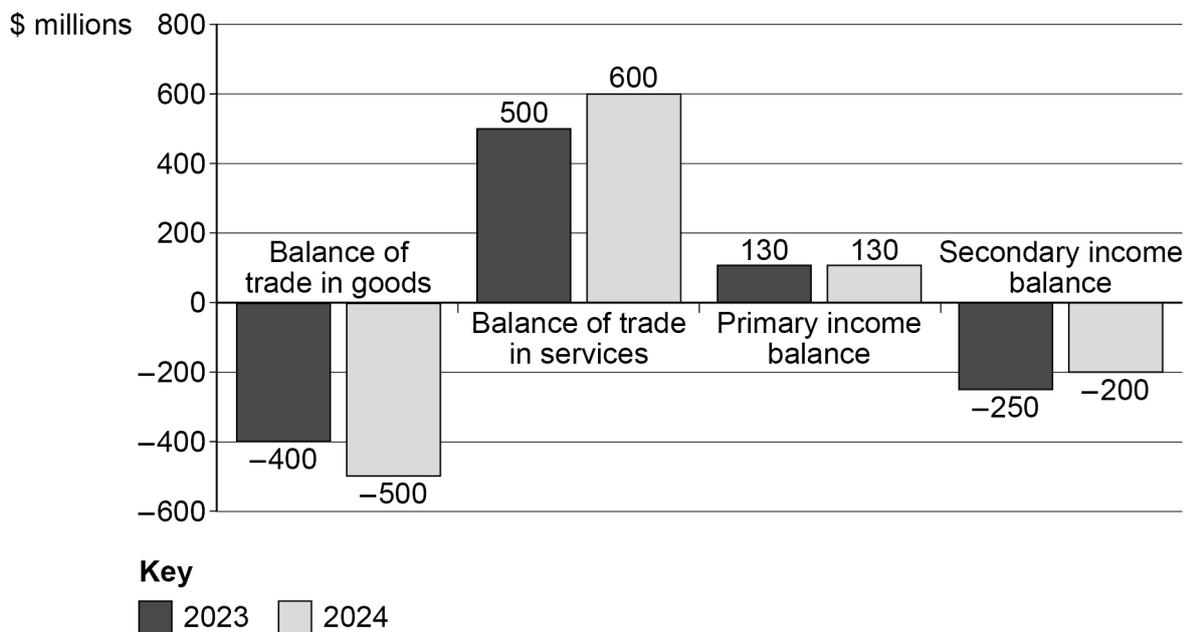
[1 mark]

- A A fall in consumer confidence
- B A fall in energy costs for businesses
- C An increase in demand for imports
- D An increase in the rate of interest

0 8

Figure 2 shows different parts of a country's balance of payments on current account in 2023 and 2024 with figures in \$ millions.

Figure 2



Between 2023 and 2024, the balance of payments on current account

[1 mark]

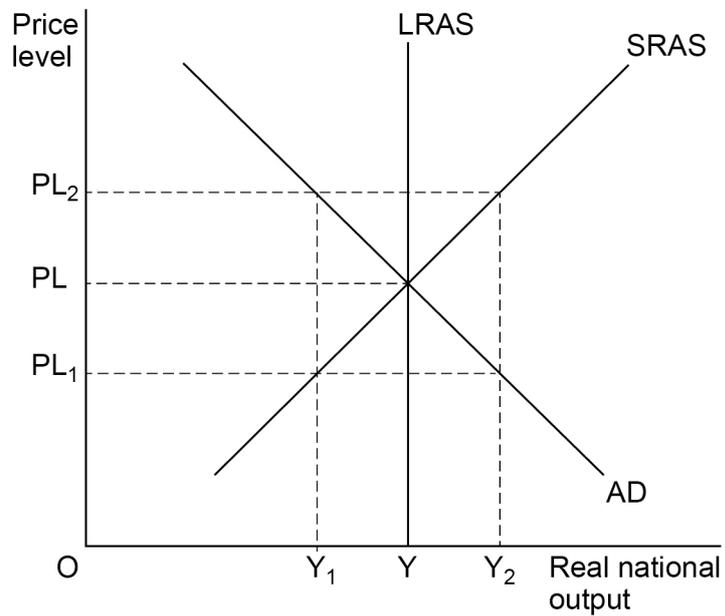
- A improved by \$50 million.
- B increased its deficit by \$10 million.
- C stayed in a surplus of \$100 million.
- D went from a surplus to a deficit.



0 9

Figure 3 shows a country's initial short-run aggregate supply (SRAS), long-run aggregate supply (LRAS) and aggregate demand (AD) curves.

Figure 3



The government raises income tax. Some skilled workers decide to leave the country.

All other things being equal, which is the most likely combination of price level and real national output after these changes?

[1 mark]

- A** PL and Y
- B** PL₁ and Y₁
- C** PL₁ and Y₂
- D** PL₂ and Y₁

Turn over for the next question

Turn over ►



1 0

Workers in a country all have different incomes but they all pay the same amount of income tax, \$1000 per year.

What type of tax is this?

[1 mark]

A Equitable

B Progressive

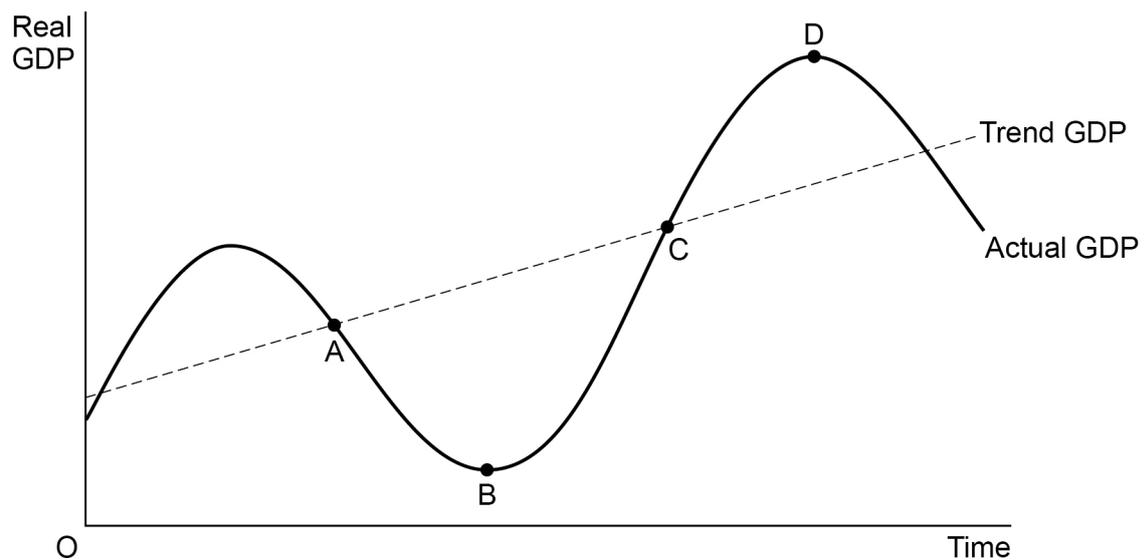
C Proportional

D Regressive

1 1

Figure 4 shows the economic cycle for a country.

Figure 4



At which point in the cycle will the national debt be most likely to fall?

[1 mark]

A Point A

B Point B

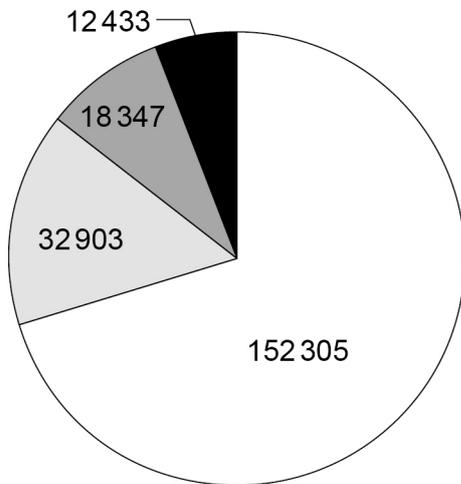
C Point C

D Point D



1 2

Figure 5 shows the number of people unemployed in a country and the different causes of unemployment.

Figure 5**Key**

- Cannot find work because aggregate demand is too low
- Cannot find work because their skills are no longer needed by the economy
- Not currently in work because they are between jobs
- Not currently in work because their job only exists for part of the year

Total unemployment = 215 988

What is the total percentage of unemployed people who are in either cyclical or frictional unemployment?

[1 mark]

- A** 21.0%
- B** 23.7%
- C** 79.0%
- D** 85.7%

1 3

Which one of the following is an example of deregulation?

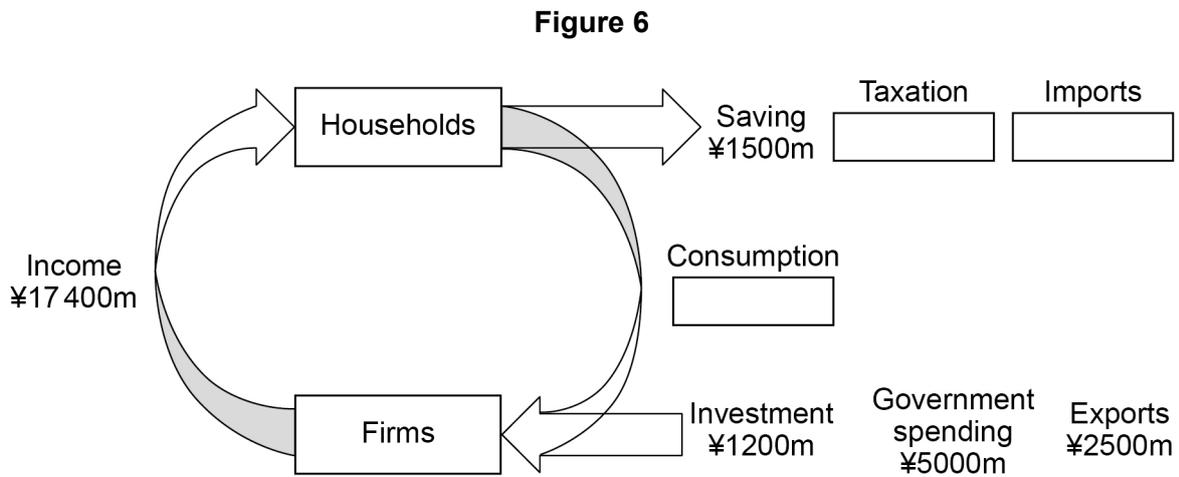
[1 mark]

- A** Reducing aggregate demand using fiscal policy
- B** Reducing the number of rules that businesses have to follow
- C** Reducing the tax that companies pay on their profits
- D** Reducing the value of a country's exchange rate



1 4

Figure 6 shows a country's circular flow of income with figures in millions of Japanese yen (¥).



The circular flow of income is in equilibrium. The country has a balanced budget and a surplus on its balance of payments on current account.

Which one of the following completes the circular flow of income correctly?

[1 mark]

	Taxation (¥)	Imports (¥)	Consumption (¥)	
A	4700m	2500m	8700m	<input type="radio"/>
B	4700m	2200m	17 400m	<input type="radio"/>
C	5000m	2200m	8700m	<input type="radio"/>
D	5000m	2500m	17 400m	<input type="radio"/>

1 5

Which one of the following is a determinant of long-run aggregate supply?

[1 mark]

- A** Costs of production
- B** Household income
- C** Technology
- D** The exchange rate



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 'negative output gap' (**Extract B**, line 3).

[3 marks]

1 6 . **2** Define 'supply-side policies' (**Extract C**, line 10).

[3 marks]

6

Turn over for the next question

Turn over ►



1 7

Extract A shows real government spending on goods and services and annual growth in real GDP in Malaysia and South Africa from 2018 to 2022.

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

1 7 . 1

South Africa's real GDP was US\$353.26 billion in 2021 and US\$360.47 billion in 2022.

Use **Extract A (i)** to calculate the difference between South Africa's government spending as a percentage of GDP in 2021 and its government spending as a percentage of GDP in 2022.

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

[3 marks]

1 7 . 2

Use **Extract A (ii)** to calculate Malaysia's mean annual percentage growth in real GDP from 2018 to 2022.

[3 marks]

6



9

2 0

Extract B (lines 14–15) states: ‘South Africa’s real GDP is now back at its 2019 level but the number of jobs is around half a million lower than in 2019.’

Analyse the factors that determine the level of employment in an economy.

[12 marks]



There are no questions printed on this page

*Do not write
outside the
box*

**DO NOT WRITE ON THIS PAGE
ANSWER IN THE SPACES PROVIDED**



