Questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 Which **one** of the following suggests that *primary product dependency* is a constraint on growth and development?

☒ **A** The Prebisch–Singer hypothesis

☒ **B** The Marshall–Lerner condition

☒ **C** The Lewis structural dual-sector model

☒ **D** The Harrod–Domar model

(Total for Question 1 = 1 mark)

3 In 2020 Denmark's international competitiveness rank was six places higher than in 2019.

Which **one** of the following is the most likely reason for this increase in Denmark's international competitiveness?

☒ **A** An increase in its unit labour costs relative to other countries

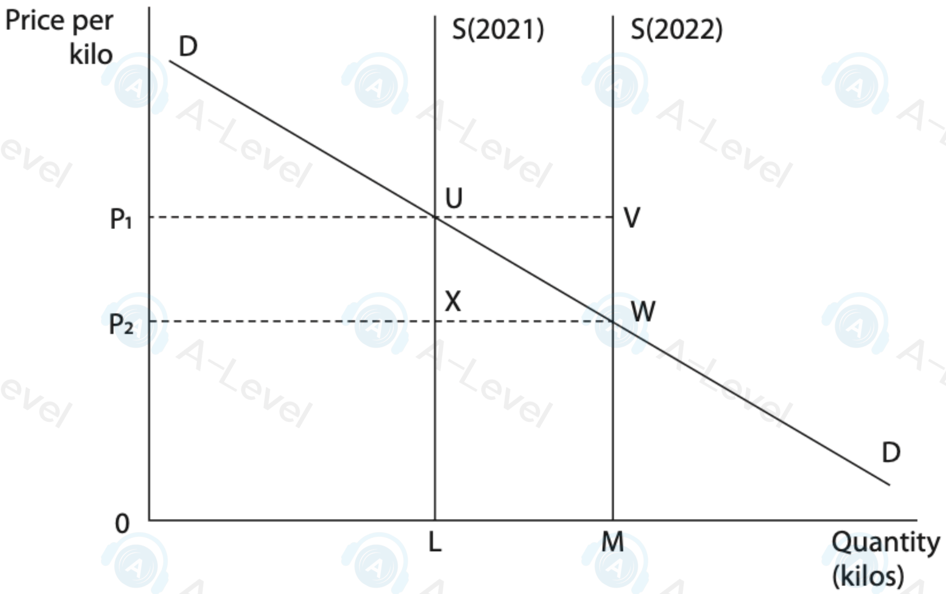
☒ **B** An increase in its transportation costs relative to other countries

☒ **C** An increase in its labour productivity relative to other countries

☒ **D** An increase in its rate of inflation relative to other countries

(Total for Question 3 = 1 mark)

6 The graph shows the market for rice in Indonesia. The Government guarantees a minimum support price of P_1 and operates a buffer stock scheme. Between 2021 and 2022 output of rice increased from 0L to 0M.



Which **one** of the following areas would be the government expenditure on the buffer stock scheme?

- **A** UVWX
- **B** UVML
- **C** P_2P_1UX
- **D** P_2P_1VW

(Total for Question 6 = 1 mark)

2 Which **one** of the following theories suggests that a *savings gap* is a constraint on growth and development?

- **A** The Harrod–Domar model
- **B** The Lewis structural dual-sector model
- **C** The Marshall–Lerner condition
- **D** The Prebisch–Singer hypothesis

(Total for Question 2 = 1 mark)

6 Between 2000 and 2019 Afghanistan's terms of trade increased by 65%.

Ceteris paribus, which **one** of the following is most likely to have caused an increase in Afghanistan's terms of trade?

☒ **A** Lower relative inflation rates

☒ **B** A decrease in the price of exports

☒ **C** Depreciation of its exchange rate

☒ **D** A decrease in the price of imports

(Total for Question 6 = 1 mark)

2 In 2023 Latvia's international competitiveness ranking was 16 places lower than it was in 2022.

Which **one** of the following is likely to increase Latvia's international competitiveness?

☒ **A** Privatisation of state-owned enterprises

☒ **B** An increase in unit labour costs

☒ **C** Less spending on healthcare services

☒ **D** Stricter regulation of product markets

(Total for Question 2 = 1 mark)

5 Between 2022 and 2023 Finland recorded an increase in the capital and financial account deficit of its balance of payments.

Ceteris paribus, which **one** of the following is the most likely reason for this increase in Finland's capital and financial account deficit?

☒ **A** An increase in public sector borrowing and an increase in public sector debt

☒ **B** An increase in outflows from the primary income component of Finland's balance of payments

☒ **C** A decrease in inward foreign direct investment (FDI) and portfolio investment

☒ **D** A decrease in the value to the EU and an increase in the value of imports from the EU

(Total for Question 5 = 1 mark)

1 Between 2009 and 2018 Argentina's national debt increased from approximately $186 billion to nearly $447 billion.

Which **one** of the following is the most likely effect of an increase in national debt of a country?

☒ **A** A decrease in its comparative advantage

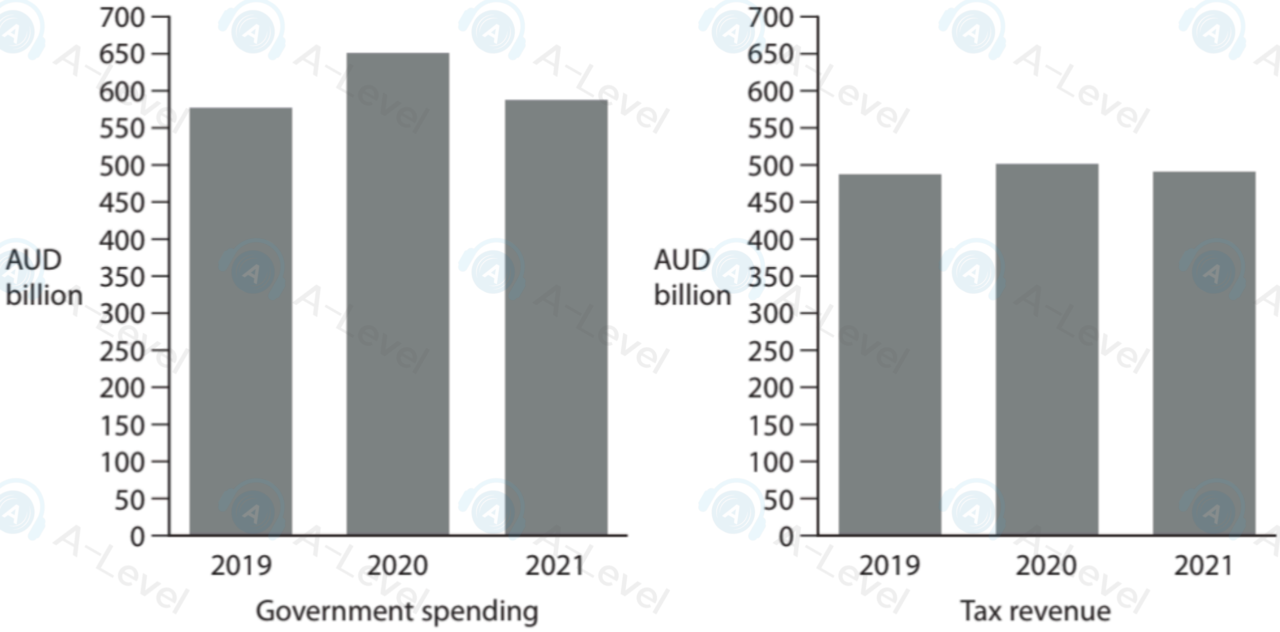
☒ **B** A decrease in its interest rates

☒ **C** An increase in its debt servicing costs

☒ **D** An increase in the external value of its currency

(Total for Question 1 = 1 mark)

4 The charts show government spending and tax revenue in Australia, AUD billion, 2019–2021.



(Source: adapted from https://www.theguardian.com/australia-news/2021/may/11/australia-federal-budget-2021-josh-frydenberg-back-in-black-how-started-going)

Which **one** of the following can be deduced from these charts?

☒ **A** In 2021 Australia's current account surplus was approximately AUD 100 billion

☒ **B** In 2020 Australia's fiscal deficit was approximately AUD 150 billion

☒ **C** Australia experienced a fiscal surplus throughout the given period

☒ **D** Australia experienced a current account deficit throughout the given period

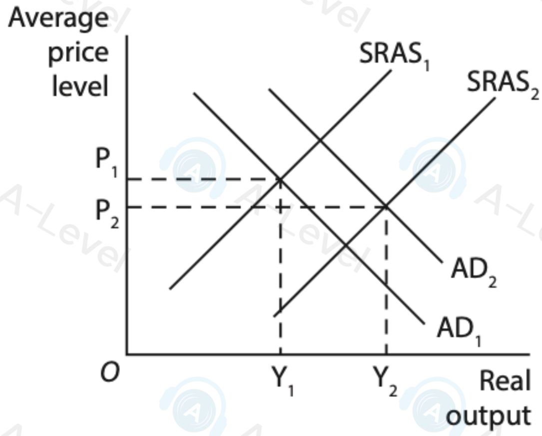
(Total for Question 4 = 1 mark)

DO NOT WRITE IN THIS AREA

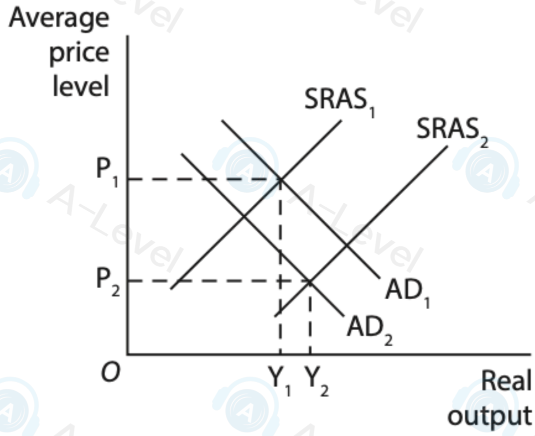
DO NOT WRITE IN THIS AREA

4 In each of the diagrams the original equilibrium is represented by P_1 and Y_1.

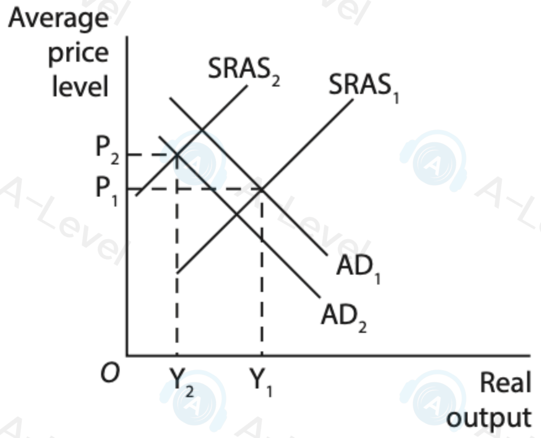
A



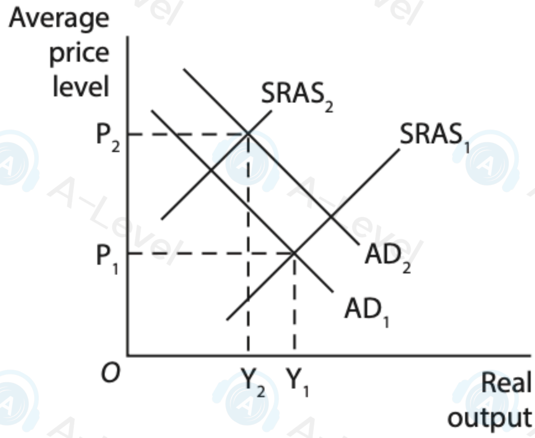
B



C



D



Which **one** of these aggregate demand (AD) and short-run aggregate supply (SRAS) diagrams represents the most likely effect of a substantial currency depreciation?

☒ **A**

☒ **B**

☒ **C**

☒ **D**

2 Between 2012 and 2021 Paraguay's national debt increased from \$3.6 billion to \$13.3 billion.

Which **one** of the following is the most likely effect of an increase in the national debt of a country?

☒ **A** A decrease in the rate of inflation

☒ **B** A decrease in debt servicing costs

☒ **C** An increase in crowding out

☒ **D** An increase in tax revenues

(Total for Question 2 = 1 mark)

3 Ireland specialises in services while Japan specialises in manufacturing.

Ceteris paribus, if each country specialises and trades in the sector in which it has a comparative advantage, which **one** of the following is likely to occur?

- ☒ **A** A fall in the volume of exports and imports
- ☒ **B** A fall in the standard of living
- ☒ **C** An increase in world output
- ☒ **D** An increase in absolute poverty

(Total for Question 3 = 1 mark)

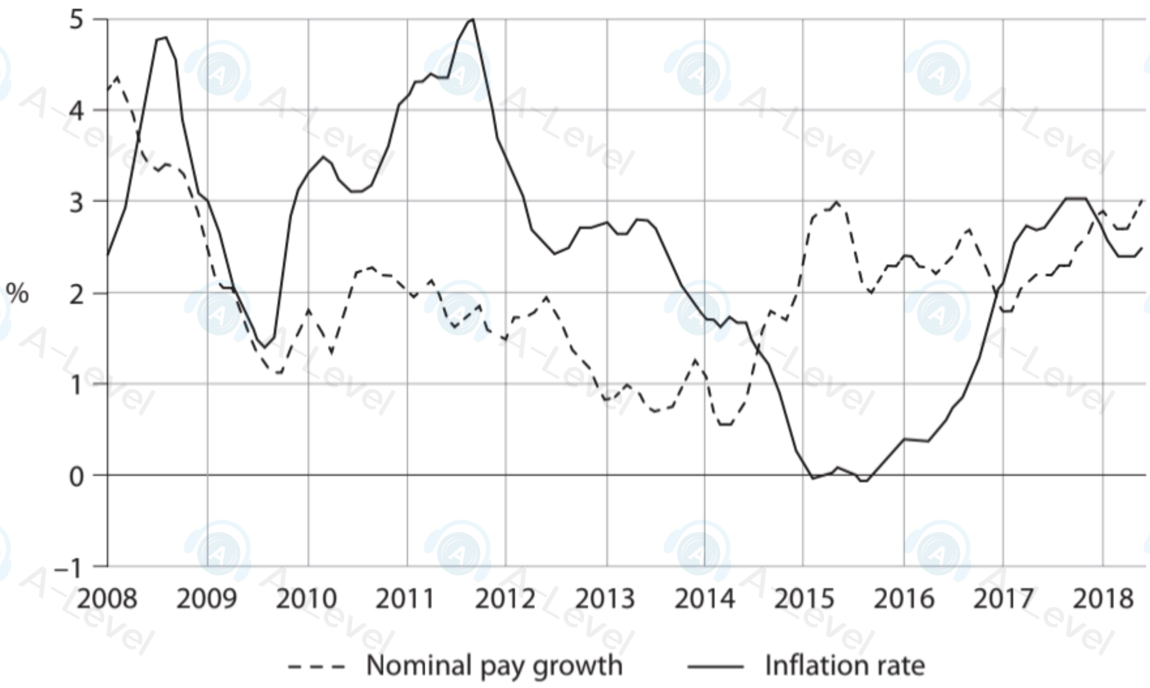
(Total for Question 4 = 1 mark)

5 In 2022 the value of Japan's currency, the yen, depreciated significantly against the US dollar. Japan's central bank intervened in the currency markets to increase the external value of its currency.

Which **one** of the following combinations of foreign currency transactions would Japan's central bank be most likely to use if it wanted to raise the value of the yen against the US dollar?

	Japanese yen	**US dollar**
☒ **A**	Buy	Buy
☒ **B**	Buy	Sell
☒ **C**	Sell	Buy
☒ **D**	Sell	Sell

4 The chart shows the UK inflation rate (as measured by the Consumer Price Index) and UK nominal pay growth, annual percentage change, 2008 to 2018.



Which **one** of the following can be deduced from this chart?

- ☒ **A** Pay growth not adjusted for inflation was lowest in 2009
- ☒ **B** Pay growth adjusted for inflation was highest in 2015
- ☒ **C** Disinflation occurred between 2016 and 2017
- ☒ **D** Deflation occurred between 2012 and 2014

(Total for Question 4 = 1 mark)

4 Globalisation has been associated with an increase in real GDP per capita in many countries. However, some economists consider that there are costs associated with globalisation.

Ceteris paribus, which **one** of the following is a possible cost of globalisation on the global economy?

- ☒ **A** Lower prices and higher consumer surplus
- ☒ **B** Lower rates of unemployment
- ☒ **C** Higher long-run average costs for transnational companies
- ☒ **D** Higher external costs arising from increased trade

(Total for Question 4 = 1 mark)

4 The UK pound sterling exchange rate is allowed to float freely. The value of the pound sterling changed from £1 = $1.53 in January 2015 to £1 = $1.26 in January 2019.

This means that the value of pound sterling against the dollar has

☒ **A** devalued

☒ **B** revalued

☒ **C** depreciated

☒ **D** appreciated

(Total for Question 4 = 1 mark)

2 In 2021 the UK experienced a fall in labour productivity. It remained below the average labour productivity of its main trading partners.

Ceteris paribus, which **one** of the following can be deduced from this statement?

☒ **A** UK goods and services were less internationally competitive than those of its trading partners

☒ **B** Average export prices of UK goods and services were lower than the average export prices of its trading partners

☒ **C** Unit labour costs in the UK were the same as the average unit labour costs of its trading partners

☒ **D** The UK experienced a significant deterioration in its terms of trade

(Total for Question 2 = 1 mark)

1 In 2021 the US dollar appreciated by around 10% against the euro.

Which **one** of the following factors is likely to have caused this appreciation of the US dollar?

☒ **A** A decrease in confidence in the USA's economy by currency speculators

☒ **B** A decrease in the USA's rate of economic growth

☒ **C** An increase in capital flight out of the USA into the eurozone

☒ **D** An increase in the USA's base interest rate relative to the eurozone

(Total for Question 1 = 1 mark)

(Total for Question 9 = 20 marks)

10 In Libya the HDI was 0.80 in 2010 and it was 0.72 in 2019.

Evaluate interventionist strategies that a government in a developing country of your choice might use to increase *economic development*.

(Total for Question 10 = 20 marks)