

Paper Reference 9EC0/02
Pearson Edexcel
Level 3 GCE

Economics A

Advanced

Paper 2: The National and Global Economy

Tuesday 12 June 2018 – Afternoon

Data Book

In the boxes below, write your name, centre number and candidate number.

Surname					
Other names					
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INSTRUCTIONS

There may be spare copies of some data sheets in case you need them.

THIS DATA BOOK MUST BE RETURNED WITH THE QUESTION PAPER AT THE END OF THE EXAMINATION.

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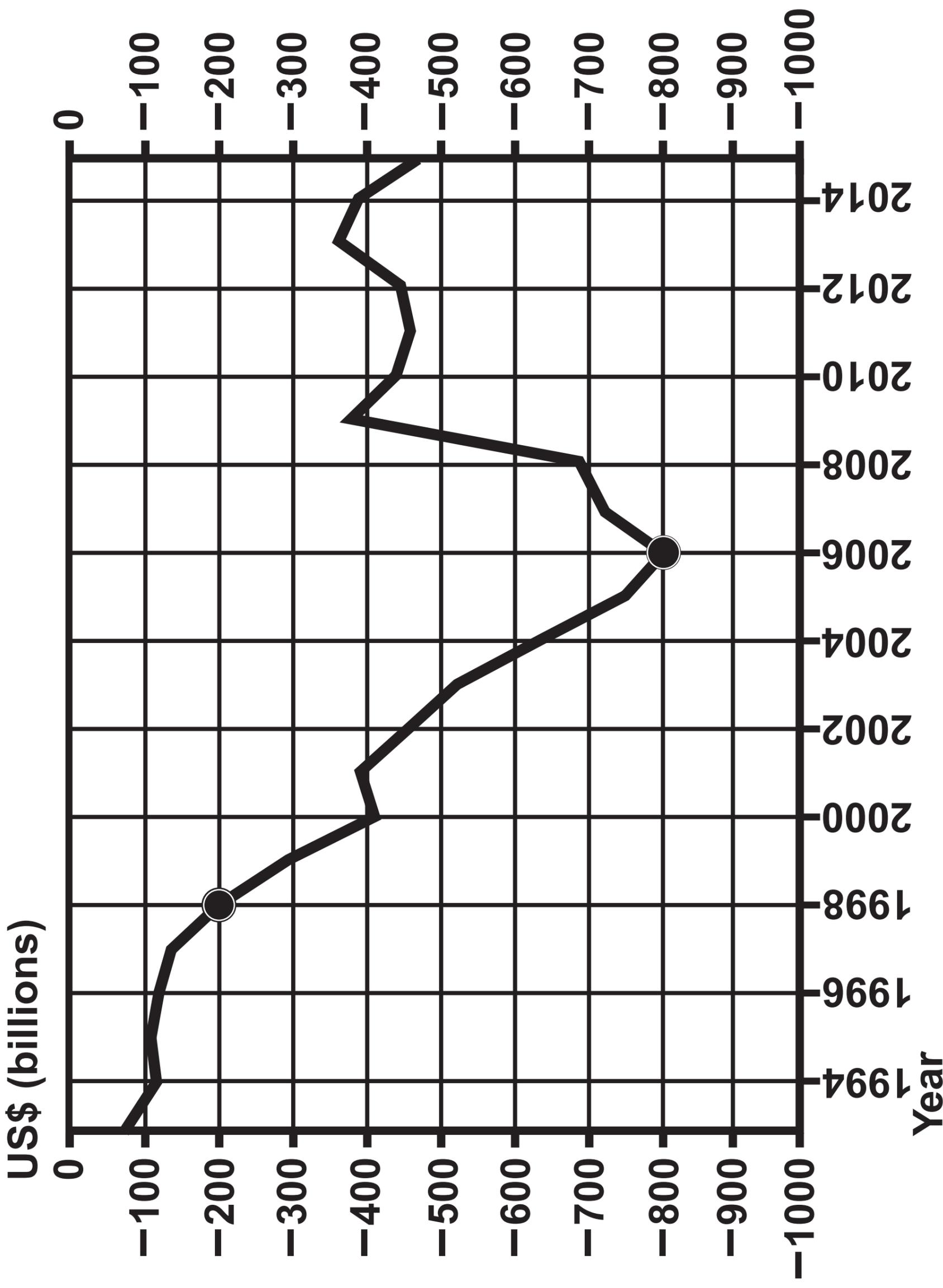
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Question 3

United States current account of the balance of payments, 1993 – 2015



Question 5

UK total bank lending to individuals, percentage change on previous year

2014	2·5%
2015	3·2%
2016	4·0%

(Source: Bank of England 2017)

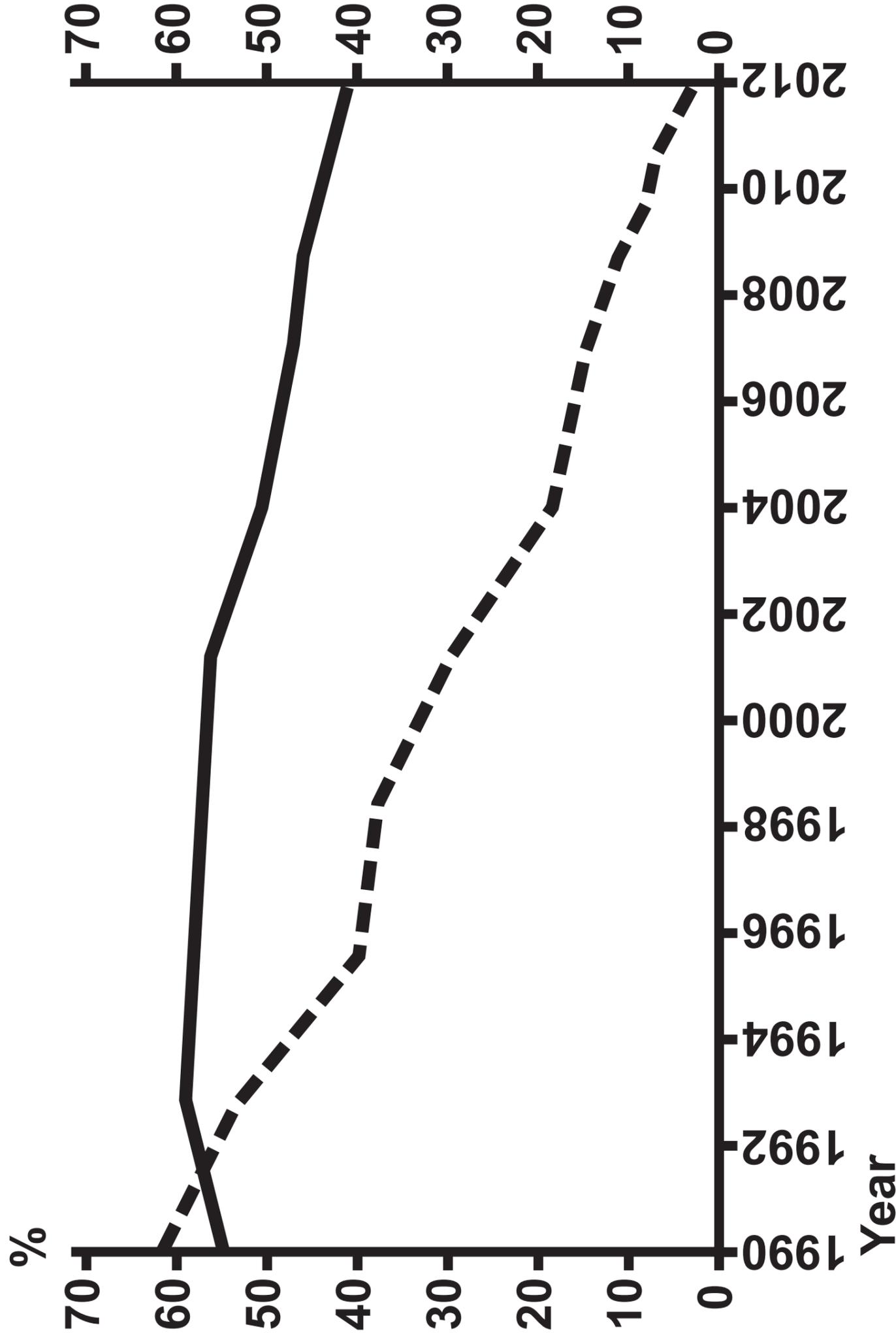
Figure 1 for Question 6

Proportion of population in absolute poverty (US\$1 · 90-a-day 2011 PPP)

Key:

— Sub-Saharan Africa

- - - East Asia



Extract A for Question 6

Lessons from globalisation

The past **25** years have seen a freeing up of trade. Capital has been free to move around the world. Formerly closed economies in Asia have been opened up and tariffs cut.

5 In emerging economies, a billion people have been taken out of absolute poverty, but relative poverty remains a problem.

In many advanced economies globalisation has come to mean, according to the Governor of the Bank of England,
10 “low wages, insecure employment, stateless corporations and striking inequalities”. His solution to these problems is threefold: an acceptance by economists that not everybody has gained from trade and technology; a better mix of monetary policy, fiscal policy and structural reform
15 to boost growth; and more inclusive growth. In essence, this is the same conclusion that was reached in the past when there was a fear that market forces had to be moderated to prevent capitalism from destroying itself.

(continued on the next page)

Extract A for Question 6 continued.

- The good news is that this moderation of capitalism
- 20** included real policy changes: an extension of the right to vote, the growth of trade unions, the creation of welfare states, a move to more progressive tax policies, nationalisation of key sectors of the economy, and more activist demand management.
- 25** The bad news is that this process took about **100** years and was not completed until the end of the Second World War. What's more, protectionism seems to be on the increase as countries seek to protect themselves from inequalities caused by rapid globalisation.

(Source: adapted from https://www.theguardian.com/business/2016/dec/05/mark_carney_globalisation_bank_of_england_capitalism)

Extract B for Question 6

Tackling inequality

Despite decades of substantial progress in boosting prosperity and reducing absolute poverty, the world continues to suffer from substantial inequalities. For example, the poorest children are four times less likely than the richest children to be enrolled in primary education across developing countries. Among the estimated **780** million illiterate adults worldwide, nearly two-thirds are women. Poor people face higher risks of malnutrition and death in childhood and lower chances of receiving key healthcare. Such inequalities result in high financial costs, limit economic growth, and generate social and political burdens and barriers.

These consequences highlight the importance of directing attention to the problem of inequality. There are other reasons to tackle inequality. Most economies are struggling to recover from the global financial crisis that started in **2008** and the subsequent slowdown in global growth. The goal of eliminating absolute poverty by **2030** might not be achieved without accelerated economic growth or reductions in inequalities within countries, especially in those with large numbers of poor.

Generally speaking, poverty can be reduced through

(continued on the next page)

Extract B for Question 6 continued.

higher average growth, a narrowing in inequality, or a
25 combination of the two. Achieving the same poverty
reduction during a slowdown in growth therefore requires
a more equal income distribution.

Some level of inequality is desirable to maintain an
appropriate incentive structure in the economy or simply
30 because inequality also reflects different levels of talent
and effort among individuals. However, the substantial
inequality observed in the world today offers great scope
for reducing the gap between rich and poor. Policies to
redistribute income from higher-income and wealthy
35 households to those on lower incomes can be achieved
without compromising growth, if done effectively. A
trade-off between efficiency and fairness is not inevitable.

(Source: adapted from <https://openknowledge.worldbank.org/bitstream/handle/10986/25078/9781464809583.pdf>)