

Paper Reference 9EC0/02
Pearson Edexcel
Level 3 GCE

Total Marks

Economics A
Advanced
Paper 2: The National and Global Economy

Tuesday 12 June 2018 – Afternoon

Time: 2 hours plus your additional time allowance.

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

Surname					
Other names					
Centre Number					
Candidate Number					

You do not need any other materials.

YOU WILL BE GIVEN

Data Book

INSTRUCTIONS

There are three sections in this question paper. Answer ALL questions from Section A and Section B. Answer ONE question from Section C.

Answer the questions in the spaces provided in this question paper – there may be more space than you need.

INFORMATION

The total mark for this paper is 100

The marks for EACH question are shown in brackets – use this as a guide as to how much time to spend on each question.

Calculators may be used.

ADVICE

Read each question carefully before you start to answer it.

Check your answers if you have time at the end.

SECTION A

Answer ALL questions.

Write your answers in the spaces provided.

Some questions are multiple choice.

Write the letter(s) of your chosen answer(s) in the box(es) provided.

You are advised to spend 30 minutes plus some of your additional time allowance on this section.

Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

Turn over

1. The trade deal known as the Comprehensive Economic and Trade Agreement (CETA) is designed to eliminate or reduce trade barriers between the European Union (EU) and Canada. It is estimated that it will increase trade by **20%** and boost EU GDP by **12 billion euros**.

(Source: <http://www.theguardian.com/business/2016/oct/30/eu-canada-sign-ceta-free-trade-deal-trudeau-juncker>)

(a) Which ONE of the following is most likely to decrease as a result of CETA?

- A Economic growth in EU countries
- B Exports from EU countries to Canada
- C Imports from Canada to EU countries
- D Tariffs on European exports to Canada

Answer

(1 mark)

(continued on the next page)

Turn over

1. continued.

(b) With reference to the theory of comparative advantage, explain how CETA may increase the GDP of both the EU and Canada.

(4 marks)

Answer lines continue on the next page.

1. (b) continued.

(Total for Question 1 = 5 marks)

Turn over

2. (a) Which ONE of the following would be most likely to cause aggregate demand to increase?

A fall in:

A government spending

B net trade ($X-M$)

C the marginal propensity to consume

D the marginal propensity to save

Answer

(1 mark)

(continued on the next page)

Turn over

2. continued.

(b) Draw an aggregate demand and aggregate supply diagram illustrating the likely impact of a rise in interest rates on the price level and real output.

(4 marks)

Answer space continues on the next page.

2. (b) continued.

(Total for Question 2 = 5 marks)

Turn over

3. Refer to the diagram for Question 3 in the Data Book.

(a) Calculate the percentage change in the United States current account deficit on the balance of payments between 1998 and 2006 (2 marks)

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3. continued.

(b) Explain the term ‘current account of the balance of payments’.

(2 marks)

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3. continued.

(c) Using the chart in the Data Book, which ONE of the following may be inferred about the United States balance of payments?

- A The current account deficit decreased between 2001 and 2006**
- B The current account surplus increased between 2001 and 2006**
- C There was a current account deficit for the entire period shown**
- D There was a current account surplus for the entire period shown**

Answer

(1 mark)

(Total for Question 3 = 5 marks)

Turn over

4. The UK has experienced a budget deficit since **2001**. The government aimed to reach a budget surplus by **2019**, but in **2016** this target was abandoned.

(Source: adapted from <https://www.gov.uk/government/news/autumn-statement-2016-some-of-the-things-weve-announced>)

- (a) Explain ONE likely reason why the **2019** budget surplus target was abandoned.
(2 marks)

Answer lines continue on the next page.

Turn over

4. (a) continued.

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4. continued.

(b) Explain the likely impact of abandoning the budget surplus target on the UK national debt. (2 marks)

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4. continued.

(c) If a government takes decisions to target a budget surplus, this is an example of:

A contractionary monetary policy

B discretionary fiscal policy

C expansionary fiscal policy

D expansionary monetary policy

Answer

(1 mark)

(Total for Question 4 = 5 marks)

Turn over

5. Refer to the table for Question 5 in the Data Book.

(a) Explain ONE likely reason why consumer demand for bank loans has increased.

(2 marks)

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5. continued.

(b) Which ONE of the following is most likely to result from an increase in bank lending to individuals?

A An improvement in net trade (X–M)

B An increase in consumption

C An increase in unemployment

D Deflation

Answer

(1 mark)

(continued on the next page)

Turn over

5. continued.

(c) Calculate the index number for the total value of bank lending in **2016** using **2015** as a base year.

(2 marks)

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Turn over

5. (c) continued.

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5. (c) continued.

(Total for Question 5 = 5 marks)

TOTAL FOR SECTION A = 25 MARKS

Turn over

SECTION B

Read Figure 1, Extract A and Extract B in the Data Book before answering Question 6.

Write your answers in the spaces provided.

You are advised to spend 1 hour plus some of your additional time allowance on this section.

Turn over

6. Globalisation and Inequality

- (a) With reference to the information provided, explain the distinction between absolute poverty and relative poverty.
(5 marks)**
- (b) With reference to the information provided and your own knowledge, examine TWO factors that might explain the differing rates of decline in absolute poverty in East Asia and Sub-Saharan Africa.
(8 marks)**
- (c) With reference to Extract A, discuss TWO macroeconomic policies, apart from protectionism, that a government could use to reduce the negative effects of globalisation.
(12 marks)**

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Turn over

6. continued.

(d) Assess the view that ‘some level of inequality is desirable to maintain an appropriate incentive structure in the economy’ (Extract B, lines 28 and 29).

(10 marks)

(e) Discuss the role of the financial sector in the growth and development of developing countries.

(15 marks)

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6. continued.

(a) With reference to the information provided, explain the distinction between absolute poverty and relative poverty.

(5 marks)

Answer lines continue on the next two pages.

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6. (a) continued.

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6. (a) continued.

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6. continued.

(b) With reference to the information provided and your own knowledge, examine TWO factors that might explain the differing rates of decline in absolute poverty in East Asia and Sub-Saharan Africa.

(8 marks)

Answer lines continue on the next three pages.

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6. (b) continued.

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6. continued.

(c) With reference to Extract A, discuss TWO macroeconomic policies, apart from protectionism, that a government could use to reduce the negative effects of globalisation.

(12 marks)

Answer lines continue on the next five pages.

6. (c) continued.

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6. continued.

(d) Assess the view that ‘some level of inequality is desirable to maintain an appropriate incentive structure in the economy’ (Extract B, lines 28 and 29).

(10 marks)

Answer lines continue on the next five pages.

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Turn over

6. continued.

(e) Discuss the role of the financial sector in the growth and development of developing countries.

(15 marks)

Answer lines continue on the next eight pages.

Turn over

6. (e) continued.

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6. (e) continued.

(Total for Question 6 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS

Turn over

SECTION C

Answer ONE question from this section.

Write your answer in the space provided.

You are advised to spend 30 minutes plus some of your additional time allowance on this section.

Turn over

EITHER

- 7. In 2016 the UK Chancellor of the Exchequer announced that the government would spend an extra £23 billion on innovation and infrastructure over the following five years.**

Evaluate the likely economic effects of this planned increase in government expenditure.

(Total for Question 7 = 25 marks)

OR

- 8. The British pound fell by over 10% to a 30-year low against the US dollar after the UK voted to leave the European Union.**

To what extent will this depreciation impact on future economic growth in the UK?

(Total for Question 8 = 25 marks)

Turn over

Indicate which question you are answering by marking a cross in the box. If you change your mind, put a line through the box and then indicate your new question with a cross.

Chosen question number:

Question 7

☐

Question 8

☐

Write your answer here:

Answer lines continue on the next twelve pages.

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Section C continued.

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Section C continued.

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Section C continued.

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TOTAL FOR SECTION C = 25 MARKS

TOTAL FOR PAPER = 100 MARKS

END OF PAPER