

Paper Reference 9EC0/02
Pearson Edexcel
Level 3 GCE

Total Marks

Economics A
Advanced
Paper 2: The National and Global Economy

Tuesday 13 June 2017 – 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					

X51920A

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 or in the Data Book – 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.

1. Refer to the diagram for Question 1 in the Data Book.

It shows the UK unemployment rate, seasonally adjusted, from 2008 to 2015

- (a) Which ONE of the following types of unemployment best explains the change in the data between 2008 and 2010?

- A Cyclical
- B Frictional
- C Seasonal
- D Voluntary

Answer

(1 mark)

(continued on the next page)

1. continued.

(b) Explain the likely effects on the circular flow of income of the change in unemployment between 2013 and 2015

(4 marks)

Answer lines continue on the next page.

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and extend across the width of the page. There are no margins, text, or other markings on the paper.

1. (b) continued.

(Total for Question 1 = 5 marks)

2. Refer to the table for Question 2 in the Data Book. It shows marginal propensity to save data for an economy.

(a) Explain ONE possible reason for the changes in the marginal propensity to save as shown in the table.

(2 marks)

(continued on the next page)

2. continued.

(b) Explain the likely effect of a fall in the marginal propensity to save on the value of the multiplier if other things remain equal.

(2 marks)

(continued on the next page)

2. continued.

An economy has marginal propensity to save of 0.1 , marginal propensity to tax of 0.2 and marginal propensity to import of 0.1

(c) Which ONE of the following is the correct size of the multiplier?

A 0.4

B 0.6

C 1.7

D 2.5

Answer

(1 mark)

(Total for Question 2 = 5 marks)

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

It shows UK inflation as measured by the Consumer Prices Index (CPI), 2011 to 2015

- (a) Which ONE of the following statements is correct about the UK's inflation record between September 2011 and January 2013?**

Based on the data shown, the UK experienced:

- A deflation**
- B disinflation**
- C falling average prices**
- D falling money supply**

Answer

(1 mark)

(continued on the next page)

3. continued.

(b) With reference to the data provided, explain the process of calculating the rate of inflation in the UK using the Consumer Prices Index. Refer to the concept of weights in your answer.

(4 marks)

Answer lines continue on the next page.

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

3. (b) continued.

(Total for Question 3 = 5 marks)

- 4. Refer to the diagram for Question 4 in the Data Book.**

It shows the UK Gini coefficient of incomes, 2007 to 2013

- (a) Explain ONE likely reason for the change in UK income inequality since 2007**

(4 marks)

Answer lines continue on the next page.

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

4. (a) continued.

(continued on the next page)

4. continued.

(b) Which ONE of the following values for the Gini coefficient is correct if there is perfect income equality?

A 0

B 0.5

C 1

D 50:50

Answer

(1 mark)

(Total for Question 4 = 5 marks)

5. Refer to the table for Question 5 in the Data Book. It shows the selected economic data in 2014 for Vietnam and India.

(a) Which ONE of the following statements can be deduced from the data in the table?

- A Average incomes are higher in India than in Vietnam.**
- B Levels of absolute poverty are higher in Vietnam.**
- C Life expectancy is higher in India than in Vietnam.**
- D Provision of healthcare and education is less effective in Vietnam than in India.**

Answer

(1 mark)

(continued on the next page)

5. continued.

(b) With reference to the data provided, explain TWO limitations of using the HDI to compare levels of development between countries and over time.

(4 marks)

Answer lines continue on the next page.

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

5. (b) continued.

(Total for Question 5 = 5 marks)

TOTAL FOR SECTION A = 25 MARKS

SECTION B

Read Figure 1, Figure 2 and Extract A 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.

6. (a) With reference to Figure 1, calculate the percentage change in the value of the euro in pounds from the start of **2009** to the start of **2015**
(5 marks)
- (b) With reference to the information provided and your own knowledge, examine **TWO** factors which might explain the change in the rate of Eurozone inflation as shown in Figure 2
(8 marks)
- (c) Since mid-**2015** the euro has appreciated. Assess the likely impact of an appreciation of the euro on the current account of the balance of payments for Eurozone countries.
(10 marks)
- (d) Discuss the likely success of the ECB's quantitative easing programme in moving Eurozone inflation closer to 'the central bank's ceiling of **2%**' (Extract A, line 20).
(12 marks)

(continued on the next page)

6. continued.

- (e) Discuss ‘looser fiscal policy’ and ‘supply–side reforms’ (Extract A, lines 24 and 26) that may be used by governments of Eurozone countries to increase economic growth.**

(15 marks)

(continued on the next page)

6. (a) With reference to Figure 1, calculate the percentage change in the value of the euro in pounds from the start of **2009** to the start of **2015**

(5 marks)

Answer lines continue on the next two pages.

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

6. (a) continued.

[illegible]

Turn over

6. (a) continued.

(continued on the next page)

- 6. (b) With reference to the information provided and your own knowledge, examine TWO factors which might explain the change in the rate of Eurozone inflation as shown in Figure 2 (8 marks)**

Answer lines continue on the next three pages.

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and extend across the width of the page. There are no margins, text, or other markings on the paper.

6. (b) continued.

[illegible]

Turn over

6. (b) continued.

This image shows a single page from a notebook or ledger. It features a series of evenly spaced, horizontal black lines across its entire width. The lines are thin and uniform, providing a guide for writing. There are no margins, text, or other markings present on the page.

Turn over

6. (b) continued.

(continued on the next page)

- 6. (c) Since mid-2015 the euro has appreciated. Assess the likely impact of an appreciation of the euro on the current account of the balance of payments for Eurozone countries.**

(10 marks)

Answer lines continue on the next five pages.

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and extend across the width of the page. There are no margins, text, or other markings on the paper.

6. (c) continued.

[illegible]

Turn over

6. (c) continued.

[illegible]

Turn over

6. (c) continued.

[illegible]

Turn over

6. (c) continued.

[illegible]

Turn over

6. (c) continued.

(continued on the next page)

- 6. (d) Discuss the likely success of the ECB's quantitative easing programme in moving Eurozone inflation closer to 'the central bank's ceiling of 2%' (Extract A, line 20) (12 marks)**

Answer lines continue on the next five pages.

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and extend across the width of the page. There are no margins, text, or other markings on the paper.

6. (d) continued.

[illegible]

Turn over

6. (d) continued.

[illegible]

Turn over

6. (d) continued.

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Turn over

6. (d) continued.

[illegible]

Turn over

6. (d) continued.

(continued on the next page)

- 6. (e) Discuss ‘looser fiscal policy’ and ‘supply-side reforms’ (Extract A, lines 24 and 26) that may be used by governments of Eurozone countries to increase economic growth.**

(15 marks)

Answer lines continue on the next seven pages.

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and extend across the width of the page. There are no margins, text, or other markings on the paper.

6. (e) continued.

[illegible]

Turn over

6. (e) continued.

[illegible]

Turn over

6. (e) continued.

[illegible]

Turn over

6. (e) continued.

[illegible]

Turn over

6. (e) continued.

This image shows a single page of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins or other markings visible.

Turn over

6. (e) continued.

[illegible]

Turn over

6. (e) continued.

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

(Total for Question 6 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS

SECTION C

Answer ONE question from this section.

Write your answer in the spaces provided.

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

EITHER

- 7. Since the global financial crisis of 2008 there have been over 5 700 increases in tariffs, quotas and administrative controls on international trade.**

Evaluate the likely effects of an increase in protectionism on the economy of a developing country of your choice.

(Total for Question 7 = 25 marks)

OR

- 8. Global oil prices fell from a 2008 peak of \$147 a barrel to \$27 in 2016**

Evaluate the likely macroeconomic consequences of a significant fall in global oil prices.

(Total for Question 8 = 25 marks)

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 eleven pages.

Turn over

TOTAL FOR SECTION C = 25 MARKS

TOTAL FOR PAPER = 100 MARKS

END OF PAPER

Every effort has been made to contact copyright holders to obtain their permission for the use of copyright material. Pearson Education Ltd. will, if notified, be happy to rectify any errors or omissions and include any such rectifications in future editions.