

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					

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.

Turn over

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)

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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.

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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)

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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)

Turn over

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)

Turn over

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)

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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.

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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)

Turn over

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)

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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.

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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 25).
(12 marks)

(continued on the next page)

6. continued.

(e) Discuss ‘looser fiscal policy’ and ‘supply–side reforms’ (Extract A, lines 31 and 33) 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.

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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.

[illegible]

6. (b) continued.

[illegible]

Turn over

6. (b) continued.

[illegible]

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.

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6. (c) continued.

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6. (c) continued.

[illegible]

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6. (c) continued.

[illegible]

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6. (c) continued.

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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 25)
(12 marks)

Answer lines continue on the next five pages.

6. (d) continued.

[illegible]

Turn over

6. (d) continued.

[illegible]

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6. (d) continued.

[illegible]

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6. (d) continued.

[illegible]

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6. (d) continued.

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- 6. (e) Discuss ‘looser fiscal policy’ and ‘supply-side reforms’ (Extract A, lines 31 and 33) that may be used by governments of Eurozone countries to increase economic growth.**

(15 marks)

Answer lines continue on the next seven pages.

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6. (e) continued.

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(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 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.

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TOTAL FOR SECTION C = 25 MARKS

TOTAL FOR PAPER = 100 MARKS

END OF PAPER

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