

Paper Reference 9EC0/03
Pearson Edexcel
Level 3 GCE

Total Marks

Economics A

Advanced

Paper 3: Microeconomics and Macroeconomics

Monday 19 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					

X51921RA

You do not need any other materials.

YOU WILL BE GIVEN

Data Book

INSTRUCTIONS

There are two sections in this Question Paper.

In Section A, answer ALL questions 1(a) to 1(c) and ONE question from 1(d) or 1(e).

In Section B, answer ALL questions 2(a) to 2(c) and ONE question from 2(d) or 2(e).

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

**Refer to Figure 1, Figure 2, Figure 3,
Extract A and Extract B in the Data Book
before answering Question 1**

**Answer ALL questions 1(a) to 1(c), and
EITHER Question 1(d) or 1(e).**

Write your answers in the spaces provided.

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

- 1. (a) With reference to Figure 2, explain ONE likely reason for the change in the Chile peso exchange rate between 2013 and 2015 (5 marks)**

- (b) Examine the likely impact of externalities of copper mining on firms and communities within Chile. (8 marks)**

- (c) Apart from externalities, discuss the problems that Chile faces as a result of dependency on copper mining. (12 marks)**

(continued on the next page)

1. continued.

EITHER

- (d) With reference to the information provided and your own knowledge, evaluate the microeconomic and macroeconomic effects of policies that could be used to stimulate economic growth and development in Chile.
(25 marks)**

OR

- (e) With reference to the information provided and your own knowledge, evaluate the microeconomic and macroeconomic impact on Chile's economy of changes in the level of investment.
(25 marks)**

- 1. (a) With reference to Figure 2, explain ONE likely reason for the change in the Chile peso exchange rate between 2013 and 2015 (5 marks)**

Answer lines continue on the next two pages.

[illegible]

1. (a) continued.

[illegible]

Turn over

1. (a) continued.

(continued on the next page)

- 1. (b) Examine the likely impact of externalities of copper mining on firms and communities within Chile.**

(8 marks)

Answer lines continue on the next two pages.

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1. (b) continued.

[illegible]

Turn over

1. (b) continued.

(continued on the next page)

- 1. (c) Apart from externalities, discuss the problems that Chile faces as a result of dependency on copper mining.**

(12 marks)

Answer lines continue on the next four pages.

[illegible]

1. (c) continued.

[illegible]

Turn over

1. (c) continued.

[illegible]

Turn over

1. (c) continued.

[illegible]

Turn over

1. (c) continued.

(continued on the next page)

1. continued.

EITHER

- (d) With reference to the information provided and your own knowledge, evaluate the microeconomic and macroeconomic effects of policies that could be used to stimulate economic growth and development in Chile.
(25 marks)**

OR

- (e) With reference to the information provided and your own knowledge, evaluate the microeconomic and macroeconomic impact on Chile's economy of changes in the level of investment.
(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 1(d)

☐

Question 1(e)

☐

Write your answer here:

Answer lines continue on the next ten pages.

Turn over

TOTAL FOR SECTION A = 50 MARKS

Turn over

SECTION B

**Refer to Figure 4, Figure 5, Figure 6,
Extract C and Extract D in the Data Book
before answering Question 2**

**Answer ALL questions 2(a) to 2(c), and
EITHER Question 2(d) or 2(e).**

Write your answers in the spaces provided.

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

2. (a) With reference to Extract D (line 19), explain the meaning of the term 'output gap'.
Use an aggregate demand and aggregate supply diagram in your answer.
(5 marks)
- (b) With reference to Figures 4 and 5 and your own knowledge, examine the relationship between the national debt as a proportion of GDP and the fiscal deficit.
(8 marks)
- (c) Discuss the likely impact of the National Living Wage on the profitability of firms. Use a cost and revenue diagram in your answer.
(12 marks)

(continued on the next page)

2. continued.

EITHER

- (d) With reference to the information provided and your own knowledge, evaluate the likely microeconomic and macroeconomic influences on the UK's international competitiveness.**
(25 marks)

OR

- (e) With reference to the information provided and your own knowledge, evaluate the microeconomic and macroeconomic effects of a government policy of cutting public expenditure rather than raising taxes as a means of reducing a fiscal deficit.**
(25 marks)

- 2. (a) With reference to Extract D (line 19), explain the meaning of the term ‘output gap’.**

Use an aggregate demand and aggregate supply diagram in your answer.

(5 marks)

Answer lines continue on the next two pages.

[illegible]

2. (a) continued.

[illegible]

Turn over

2. (a) continued.

(continued on the next page)

- 2. (b) With reference to Figures 4 and 5 and your own knowledge, examine the relationship between the national debt as a proportion of GDP and the fiscal deficit.**

(8 marks)

Answer lines continue on the next two pages.

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2. (b) continued.

[illegible]

Turn over

2. (b) continued.

(continued on the next page)

- 2. (c) Discuss the likely impact of the National Living Wage on the profitability of firms. Use a cost and revenue diagram in your answer.**

(12 marks)

Answer lines continue on the next four pages.

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2. (c) continued.

[illegible]

2. (c) continued.

[illegible]

Turn over

2. (c) continued.

[illegible]

Turn over

2. (c) continued.

(continued on the next page)

2. continued.

EITHER

- (d) With reference to the information provided and your own knowledge, evaluate the likely microeconomic and macroeconomic influences on the UK's international competitiveness.
(25 marks)**

OR

- (e) With reference to the information provided and your own knowledge, evaluate the microeconomic and macroeconomic effects of a government policy of cutting public expenditure rather than raising taxes as a means of reducing a fiscal deficit.
(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 2(d)

☐

Question 2(e)

☐

Write your answer here:

Answer lines continue on the next ten pages.

Turn over

TOTAL FOR PAPER = 100 MARKS

Turn over

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