

Paper Reference 9EC0/02
Pearson Edexcel
Level 3 GCE

Total Marks

Economics A
Advanced
PAPER 2: The National and Global Economy

Monday 20 May 2024 – Afternoon

Time: 2 hours

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

Surname					
Other names					
Centre Number					
Candidate Number					

YOU MUST HAVE

Nil

YOU WILL BE GIVEN

Data Booklet

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 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 Booklet. It is a chart showing the UK household savings as a percentage of household disposable income, quarter 1 (Q1) 2015 to quarter 3 (Q3) 2021

- (a) With reference to the chart, which ONE of the following is correct?

UK household savings as a percentage of household disposable income:

- A fell in 2015
- B fell throughout the time period shown
- C were the highest in Q1 2017
- D were the highest in Q2 2020

Answer

(1 mark)

(continued on the next page)

Turn over

1. continued.

(b) In Q4 of 2015 average household disposable income was £26 300.

Calculate the total amount of money saved by the average household in Q4 of 2015.

(2 marks)

Answer lines continue on the next page.

[illegible]

1. (b) continued.

(continued on the next page)

1. continued.

(c) Explain ONE likely reason for the change in total household savings from Q1 2020 to Q2 2020.

(2 marks)

Answer lines continue on the next page.

[illegible]

1. (c) continued.

(Total for Question 1 = 5 marks)

2. Refer to the diagram for Question 2 in the Data Booklet. It is a graph showing the Investment in the European Union, percentage of GDP, January 2019 to October 2021

(a) Which ONE of the following is the percentage point fall in investment between April 2020 and July 2020?

A 0.1

B 0.6

C 2.1

D 8.9

Answer

(1 mark)

(continued on the next page)

2. continued.

(b) With reference to the data in the Data Booklet, explain ONE likely effect of the fall in investment in 2020.

(4 marks)

Answer lines continue on the next page.

2. (b) continued.

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(Total for Question 2 = 5 marks)

3. A group of banks, including Barclays and JP Morgan, have been fined more than €1 billion by the EU's competition authorities for rigging the foreign exchange market after the Global Financial Crisis of 2008. The EU found that traders at the banks had used online chat rooms to share information about customers' orders, prices and other trading activities in order to manipulate the currency markets.

- (a) With reference to the information above, explain what is meant by 'market rigging'.
(4 marks)

Answer lines continue on the next page.

3. (a) continued.

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(continued on the next page)

3. continued.

(b) Which ONE of the following is a role of financial markets?

To:

- A** discourage saving
- B** promote moral hazard
- C** provide forward markets
- D** restrict free trade

Answer

(1 mark)

(Total for Question 3 = 5 marks)

4. Refer to the Diagram for Question 4(a) in the Data Booklet. It shows a trade cycle diagram.

(a) Which ONE point on the trade cycle diagram illustrates a boom?

A

B

C

D

Answer

(1 mark)

(continued on the next page)

4. continued.

- (b) In July 2020 a survey estimated that the marginal propensity to consume in the UK was 0.1.

Calculate the total increase in aggregate demand from an increase in government spending of £60 million.

(4 marks)

Answer lines continue on the next page.

Turn over

4. (b) continued.

(Total for Question 4 = 5 marks)

5. In March 2018 the US imposed a tariff of 25% on steel imports from the UK.

(a) Explain the likely impact of this tariff on the steel market in the US.

(4 marks)

Answer lines continue on the next page.

5. (a) continued.

(continued on the next page)

5. continued.

(b) Which ONE of the following is likely to give the US a comparative advantage in steel production?

An increase in:

- A corporation tax in the US
- B economic growth in the US
- C the productivity of US steel workers
- D the wages of US steel workers

Answer

(1 mark)

(Total for Question 5 = 5 marks)

TOTAL FOR SECTION A = 25 MARKS

Turn over

SECTION B

Read Figures 1, 2, 3 and 4 and extracts A and B in the Data Booklet before answering Question 6.

Write your answers in the spaces provided.

You are advised to spend 1 hour on this section.

Question 6

The UK Economy

6. (a) With reference to Figure 4 in the Data Booklet and your own knowledge, explain the distinction between a progressive and a regressive tax.
(5 marks)
- (b) With reference to Figure 4 and Extract A in the Data Booklet, examine the likely impact of the 'freeze in income tax thresholds' (Extract A line 1) on aggregate demand.
(8 marks)
- (c) Assess whether a fiscal deficit AND national debt should be a cause for concern for the UK government.
(10 marks)

(continued on the next page)

Turn over

6. continued.

(d) With reference to Extract B in the Data Booklet, discuss the use of quantitative easing in preventing deflation.

(12 marks)

(e) Discuss supply–side policies the UK government could introduce to stimulate economic growth.

(15 marks)

(continued on the next page)

6. (a) With reference to Figure 4 in the Data Booklet and your own knowledge, explain the distinction between a progressive and a regressive tax.

(5 marks)

Answer lines continue on the next two pages.

6. (a) continued.

[illegible]

6. (a) continued.

(continued on the next page)

6. continued.

(b) With reference to Figure 4 and Extract A in the Data Booklet, examine the likely impact of the ‘freeze in income tax thresholds’ (Extract A line 1) on aggregate demand.

(8 marks)

Answer lines continue on the next four pages.

Turn over

6. (b) 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. (b) continued.

[illegible]

Turn over

6. (b) continued.

[illegible]

Turn over

6. (b) continued.

(continued on the next page)

6. continued.

(c) Assess whether a fiscal deficit AND national debt should be a cause for concern for the UK government.

(10 marks)

Answer lines continue on the next five pages.

6. (c) continued.

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Turn over

6. (c) continued.

[illegible]

6. (c) continued.

[illegible]

Turn over

6. (c) continued.

[illegible]

Turn over

6. (c) continued.

(continued on the next page)

6. continued.

(d) With reference to Extract B in the Data Booklet, discuss the use of quantitative easing in preventing deflation.

(12 marks)

Answer lines continue on the next six pages.

6. (d) continued.

[illegible]

Turn over

6. (d) continued.

[illegible]

Turn over

6. (d) continued.

[illegible]

Turn over

6. (d) continued.

[illegible]

Turn over

6. (d) continued.

[illegible]

Turn over

6. (d) continued.

(continued on the next page)

6. continued.

(e) Discuss supply–side policies the UK government could introduce to stimulate economic growth.

(15 marks)

Answer lines continue on the next eight pages.

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.

[illegible]

Turn over

6. (e) continued.

[illegible]

Turn over

6. (e) continued.

[illegible]

Turn over

6. (e) continued.

(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 on this section.

EITHER

7. In **2021** Brazil's current account deficit on the balance of payments was **US\$46.12** billion. The Central Bank of Brazil intervened to sell its own currency, the **real**, on **September 23rd 2022**. This was the first time it has intervened in foreign currency markets since **December 2021**.

Evaluate macroeconomic policies that could be used to reduce a current account deficit. Refer to a country of your choice in your answer.

(Total for Question 7 = 25 marks)

OR

- 8. In 2020, exports as a share of world GDP were 12% higher than in 2000, almost twice as high as 50 years ago.**

Evaluate the possible factors contributing to globalisation.

(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 fourteen pages.

Section C continued.

[illegible]

Turn over

Section C continued.

[illegible]

Turn over

Section C continued.

[illegible]

Turn over

Section C continued.

[illegible]

Section C continued.

[illegible]

Turn over

Section C continued.

[illegible]

Turn over

Section C continued.

[illegible]

Turn over

Section C continued.

[illegible]

Turn over

[illegible]

Section C continued.

[illegible]

Turn over

Section C continued.

[illegible]

Turn over

Section C continued.

[illegible]

Section C continued.

[illegible]

Section C continued.

TOTAL FOR SECTION C = 25 MARKS

TOTAL FOR PAPER = 100 MARKS

END OF PAPER

Sources

Question 3

(Source: adapted from <https://www.ft.com/content/73163fa0-77c5-11e9-bbad-7c18c0ea0201>)

Question 4(b)

(Source: adapted from <https://ifs.org.uk/uploads/WP202035-MPCs-through-COVID-spending-saving-and-private-transfers.pdf>)

Question 5

(Source: adapted from <https://www.reuters.com/business/us-uk-announce-plans-formal-talks-metals-tariffs-wednesday-sources-2022-01-19/>)

Question 7

(Source adapted from: <https://www.statista.com/statistics> and <https://www.centralbanking.com/central-banks/reserves/foreign-exchange/7953193/brazil-makes-first-fx-intervention-of-the-year>)

Question 8

(Source adapted from: <https://www.dhl.com/content/dam/dhl/global/dhl-spotlight/documents/pdf/2021-gci-update-report.pdf>)