

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					

Y74000A

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.

Turn over

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.

Turn over

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.

Turn over

- 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?**

Select ONE answer from the options on the next page and write the letter in the box provided.

1. (a) continued.

**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 two pages.**

Turn over

1. (b) continued.

Turn over

1. (b) continued.

(continued on the next page)

Turn over

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.

Turn over

1. (c) continued.

[illegible]

(Total for Question 1 = 5 marks)

Turn over

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?

Select ONE answer from the options on the next page and write the letter in the box provided.

Turn over

2. (a) continued.

A 0·1

B 0·6

C 2·1

D 8·9

Answer

(1 mark)

(continued on the next page)

Turn over

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 two pages.

Turn over

2. (b) continued.

Turn over

2. (b) continued.

(Total for Question 2 = 5 marks)

Turn over

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.**

(continued on the next page)

3. continued.

(a) With reference to the information on the previous page, explain what is meant by 'market rigging'.

(4 marks)

Answer lines continue on the next two pages.

Turn over

3. (a) continued.

Turn over

3. (a) continued.

(continued on the next page)

Turn over

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)

Turn over

- 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?

Select ONE answer from the options on the next page and write the letter in the box provided.

4. (a) continued.

A

B

C

D

Answer

(1 mark)

(continued on the next page)

Turn over

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 two pages.

Turn over

4. (b) continued.

Turn over

4. (b) continued.

(Total for Question 4 = 5 marks)

Turn over

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 two pages.

Turn over

5. (a) continued.

Turn over

5. (a) continued.

(continued on the next page)

Turn over

5. continued.

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

**Select ONE answer from the
options on the next page and
write the letter in the box
provided.**

Turn over

5. (b) continued.

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.**

Turn over

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)**

(continued on the next page)

Turn over

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)

(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)

Turn over

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 three pages.

Turn over

6. (a) continued.

Turn over

6. (a) continued.

Turn over

6. (a) continued.

(continued on the next page)

Turn over

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 six pages.

Turn over

6. (b) continued.

Turn over

6. (b) continued.

Turn over

6. (b) continued.

Turn over

6. (b) continued.

Turn over

6. (b) continued.

Turn over

6. (b) continued.

(continued on the next page)

Turn over

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 seven pages.**

Turn over

6. (c) continued.

Turn over

6. (c) continued.

Turn over

6. (c) continued.

Turn over

6. (c) continued.

Turn over

6. (c) continued.

Turn over

6. (c) continued.

Turn over

6. (c) continued.

(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)

Answer lines continue on the next nine pages.

Turn over

6. (d) continued.

Turn over

6. (d) continued.

Turn over

6. (d) continued.

Turn over

6. (d) continued.

Turn over

6. (d) continued.

Turn over

6. (d) continued.

Turn over

6. (d) continued.

Turn over

6. (d) continued.

Turn over

6. (d) continued.

(continued on the next page)

Turn over

6. continued.

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

(15 marks)

Answer lines continue on the next twelve pages.

Turn over

6. (e) continued.

Turn over

6. (e) continued.

Turn over

6. (e) continued.

Turn over

6. (e) continued.

Turn over

6. (e) continued.

Turn over

6. (e) continued.

Turn over

6. (e) continued.

Turn over

6. (e) continued.

Turn over

6. (e) continued.

Turn over

6. (e) continued.

Turn over

6. (e) continued.

Turn over

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.

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 on this section.**

Turn over

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.**

(continued on the next page)

Turn over

7. continued.

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)

Turn over

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)

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

☐

(continued on the next page)

Turn over

Section C continued.

Write your answer here.

**Answer lines continue on the next
twenty pages.**

Turn over

Section C continued.

Turn over

Section C continued.

Turn over

Section C continued.

Turn over

Section C continued.

Turn over

Section C continued.

Turn over

Section C continued.

Turn over

Section C continued.

Turn over

Section C continued.

Turn over

Section C continued.

Turn over

Section C continued.

Turn over

Section C continued.

Turn over

Section C continued.

Turn over

Section C continued.

Turn over

Section C continued.

Turn over

Section C continued.

Turn over

Section C continued.

Turn over

Section C continued.

Turn over

Section C continued.

Turn over

Section C continued.

Turn over

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/>)

(continued on the next page)

Turn over

Sources continued.

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>)