AQA

Please write clearly in block capitals.

Centre number | | | | | | Candidate number | | | | |

Surname _____

Forename(s) _____

Candidate signature _____

AS
ECONOMICS

Paper 2 The national economy in a global context

Monday 23 May 2016 Morning Time allowed: 1 hour 30 minutes

Materials

For this paper you must have:
- the source booklet
- a calculator.

Instructions
- Use black ink or black ball-point pen. Pencil should only be used for drawing.
- Fill in the boxes at the top of this page.
- Answer **all** questions in **Section A.**
- Answer **either** Context 1 **or** Context 2 in **Section B.**
- You will need to refer to the source booklet provided to answer **Section B.**
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information
- There are 70 marks available on this paper.
- The marks for questions are shown in brackets.
- No deductions will be made for wrong answers.

Section A

Answer **all** questions in this section

Only **one** answer per question is allowed.

For each answer completely fill in the circle alongside the appropriate answer.

CORRECT METHOD  WRONG METHODS 

If you want to change your answer you must cross out your original answer as shown. 

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown. 

0 1 Changes in real GDP are used to measure

A inflation. ⬭

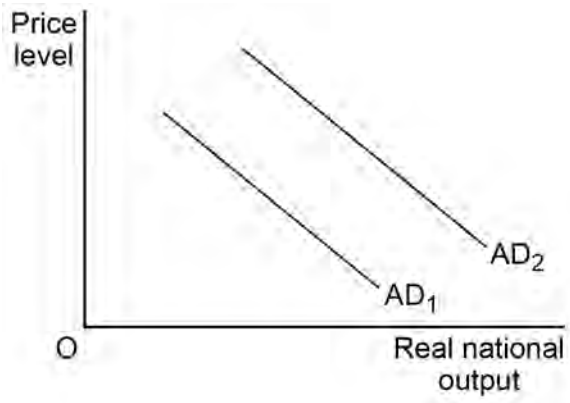
B the level of employment. ⬭

C economic growth. ⬭

D the distribution of income. ⬭

[1 mark]

0 2 The diagram below shows two aggregate demand curves (AD) for an economy.



All other things being equal, the most likely cause of the shift from AD_1 to AD_2 is an increase in

A exports. ⬭

B the rate of inflation. ⬭

C interest rates. ⬭

D the budget deficit. ⬭

[1 mark]

0 3 All other things being equal, the long-run aggregate supply curve of an economy is likely to shift to the right if there is an increase in

A factor mobility. ⬭

B raw material prices. ⬭

C indirect taxation. ⬭

D wage rates. ⬭

[1 mark]

Turn over for the next question

0 4 A country has a slow rate of growth of productivity and rising cyclical unemployment. All other things being equal, which measures are most likely to increase the rate of growth of productivity and reduce cyclical unemployment?

A Increased investment and increased saving ⬭

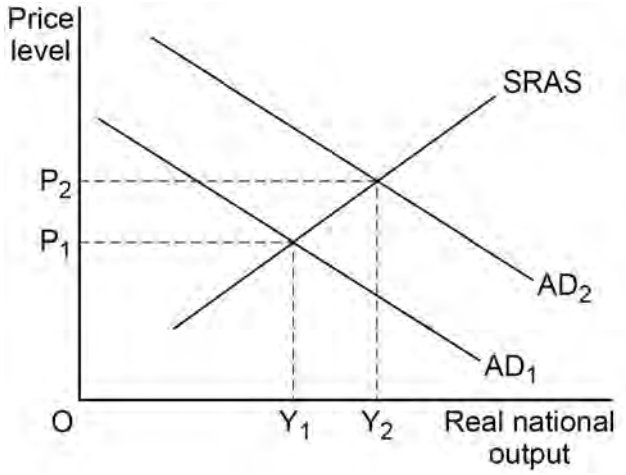
B More government spending on training and a higher exchange rate ⬭

C Decreased benefit payments and a lower budget deficit ⬭

D Lower taxation on firms and lower interest rates ⬭

[1 mark]

0 5 The diagram below shows two aggregate demand curves (AD) and the short-run aggregate supply curve (SRAS) for an economy.



All other things being equal, which one of the following is the most likely cause of the movement of the economy from equilibrium at Y_1 to equilibrium at Y_2?

A A decrease in imports ⬭

B An increase in savings ⬭

C A decrease in the money supply ⬭

D An increase in productivity ⬭

[1 mark]

0 6 The table below shows how the index of GDP and the index of population changed in an economy between 2011 and 2015.

	GDP (2013 = 100)	Population (2013 = 100)
2011	92	97
2012	96	99
2013	100	100
2014	101	102
2015	103	103

Which one of the following can be inferred from the data?

A Population was higher than GDP in 2011 ⬭

B Between 2011 and 2013, GDP grew by 8% whereas population grew by 3% ⬭

C There was no growth in GDP per capita between 2013 and 2015 ⬭

D Money GDP increased by more than real GDP between 2011 and 2015 ⬭

[1 mark]

0 7 As a consequence of a severe global recession, an economy has experienced a demand-side shock and is now growing below its trend rate.

All other things being equal, which one of the following combinations, **A**, **B**, **C** or **D**, is now most likely to exist in this economy?

	Rate of unemployment %	Rate of inflation %	
A	Falling	Increasing	⬭
B	Falling	Falling	⬭
C	Increasing	Falling	⬭
D	Increasing	Increasing	⬭

[1 mark]

0 8 In which one of the following situations could the UK be said to be experiencing a negative output gap?

A Output per worker is lower in the UK than in the USA ⬭

B Real GDP in the UK is less than the economy's productive potential ⬭

C UK firms do not have sufficient productive capacity to satisfy customer demand ⬭

D The skills possessed by UK workers do not match those which are required by UK employers ⬭

[1 mark]

0 9 Structural unemployment is most likely to occur because of

A labour being temporarily unemployed when moving between jobs. ⬭

B fluctuations in the level of aggregate demand. ⬭

C the seasonal nature of certain occupations. ⬭

D long-term changes in the pattern of demand for the products of particular industries. ⬭

[1 mark]

1 0 An economy is in macroeconomic equilibrium, producing at its normal capacity level of output. Without long-run economic growth, a persistent increase in aggregate demand is likely to lead to an increase in the level of

A real GDP. ⬭

B employment. ⬭

C productivity. ⬭

D prices. ⬭

[1 mark]

1 1 Which one of the following combinations, **A**, **B**, **C** or **D**, is most likely to occur in the recovery phase of the economic cycle?

	Growth of GDP	Inflation rate	Unemployment	Investment	
A	Decrease	Increase	Increase	Decrease	⬭
B	Increase	Decrease	Decrease	Increase	⬭
C	Increase	Increase	Decrease	Increase	⬭
D	Increase	Decrease	Increase	Decrease	⬭

[1 mark]

1 2 The table below shows different sets of changes taking place in an economy.

All other things being equal, which one of the following combinations, **A**, **B**, **C** or **D**, is most likely to have the effect of shifting the short-run aggregate supply curve for the economy to the left?

	Exchange rate	Taxes on business profits	
A	Falling	Rising	⬭
B	Rising	Falling	⬭
C	Falling	Falling	⬭
D	Rising	Rising	⬭

[1 mark]

1 3 The current account of the balance of payments is in surplus. However, there are deficits on the balance of trade in goods and the balance of trade in services.

It can be concluded that

A the trade figures must be inaccurate. ⬭

B the primary income (income flows) balance must be positive. ⬭

C the combined primary and secondary income (income flows and transfers) balance must be positive. ⬭

D the value of services exported must exceed the value of goods imported. ⬭

[1 mark]

1 4 Which one of the following is an example of contractionary fiscal policy?

A Decreasing the supply of credit ⬭

B Increasing spending on welfare benefits ⬭

C Reducing progressive taxation ⬭

D Increasing the size of the budget surplus ⬭

[1 mark]

1 5 All other things being equal, an increase in the exchange rate of the pound against other currencies due to a rise in interest rates is most likely to cause an increase in the UK's

A surplus on the current account of the balance of payments. ⬭

B price of imported goods. ⬭

C level of unemployment. ⬭

D rate of economic growth. ⬭

[1 mark]

1 6 A budget deficit is most likely to occur when

A the value of imports exceeds the value of exports. ⬭

B government spending exceeds tax revenue. ⬭

C the volume of imports exceeds the volume of exports. ⬭

D direct and indirect taxes are reduced. ⬭

[1 mark]

1 7 The table below shows the annual percentage change in real GDP for an economy between 2013 and 2016. The long-run trend rate of growth for this economy is estimated to be 2.8%.

Year	Change in real GDP (%)
2013	2.4
2014	3.5
2015	2.8
2016	3.9

Which one of the following statements is most likely to be correct?

A In 2013, the economy's negative output gap increased. ⬭

B In 2014, the amount of spare capacity in the economy increased. ⬭

C In 2015, the amount of spare capacity in the economy decreased. ⬭

D In 2016, the economy's positive output gap decreased. ⬭

[1 mark]

1 8 Which one of the following statements relating to the use of supply-side policy is correct?

A Supply-side improvements in the economy can only be brought about by government policy. ⬭

B Supply-side policies are intended to increase the long-run trend rate of economic growth. ⬭

C Supply-side policies are designed to reduce the size of a negative output gap. ⬭

D Supply-side policies ensure increased capacity utilisation in the economy. ⬭

[1 mark]

Turn over for the next question

1 9 In the circular flow of income model, which one of the following equations is correct?

A Income = Output = Expenditure ⬭

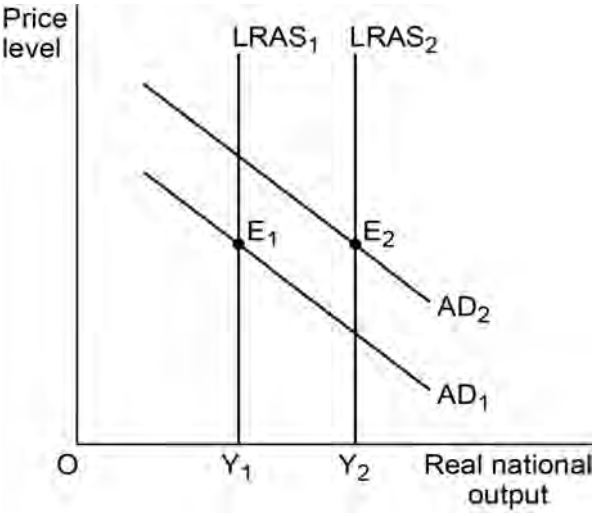
B Income = Output = Injections ⬭

C Output = Expenditure = Withdrawals ⬭

D Expenditure = Income = Injections = Withdrawals. ⬭

[1 mark]

2 0 The diagram below shows two aggregate demand curves (AD) and two long-run aggregate supply curves (LRAS) for an economy. The economy's initial equilibrium point is at E_1.



All other things being equal, which one of the following combinations of macroeconomic policies, **A**, **B**, **C** or **D**, is most likely to have moved the economy to its new equilibrium point at E_2?

	Monetary policy	Fiscal policy	
A	Increase in interest rates	Increase in Value Added Tax (VAT)	⬭
B	Reduction in interest rates	Reduction in direct taxes	⬭
C	Increase in interest rates	Reduction in Value Added Tax (VAT)	⬭
D	Reduction in interest rates	Increase in direct taxes	⬭

[1 mark]

QUESTION 20 IS THE LAST QUESTION IN SECTION A

Section B

Look at the source booklet and choose to answer **EITHER** Context 1 **OR** Context 2.

Answer **EITHER** Questions 21 to 26 in the spaces below

OR

Questions 27 to 32 on pages 21 to 31 of this answer booklet.

There is a total of 50 marks for either context.

Shade the circle below to indicate which context you have answered.

Context **0 1** ⬭ Context **0 2** ⬭

WRONG METHODS  CORRECT METHOD 

EITHER

Context 1 **Total for this Context: 50 marks**

FALLING WORLD COMMODITY PRICES GIVE THE UK ECONOMY A BOOST

Use the source booklet provided to study **questions 21 to 26** and **Extracts A, B** and **C,** and then answer the questions in the spaces which follow.

2 1 Define 'expansionary monetary policy' **Extract C** (line 11).

[3 marks]

Extra space

2 2 Use **Extract A** to calculate, to two decimal places, the percentage change in the price of energy between September 2014 and March 2015.

[4 marks]

2 3 Use **Extract A** to identify **two** significant points of comparison between the index of world energy prices and the index of world food prices over the period shown.

[4 marks]

Comparison 1

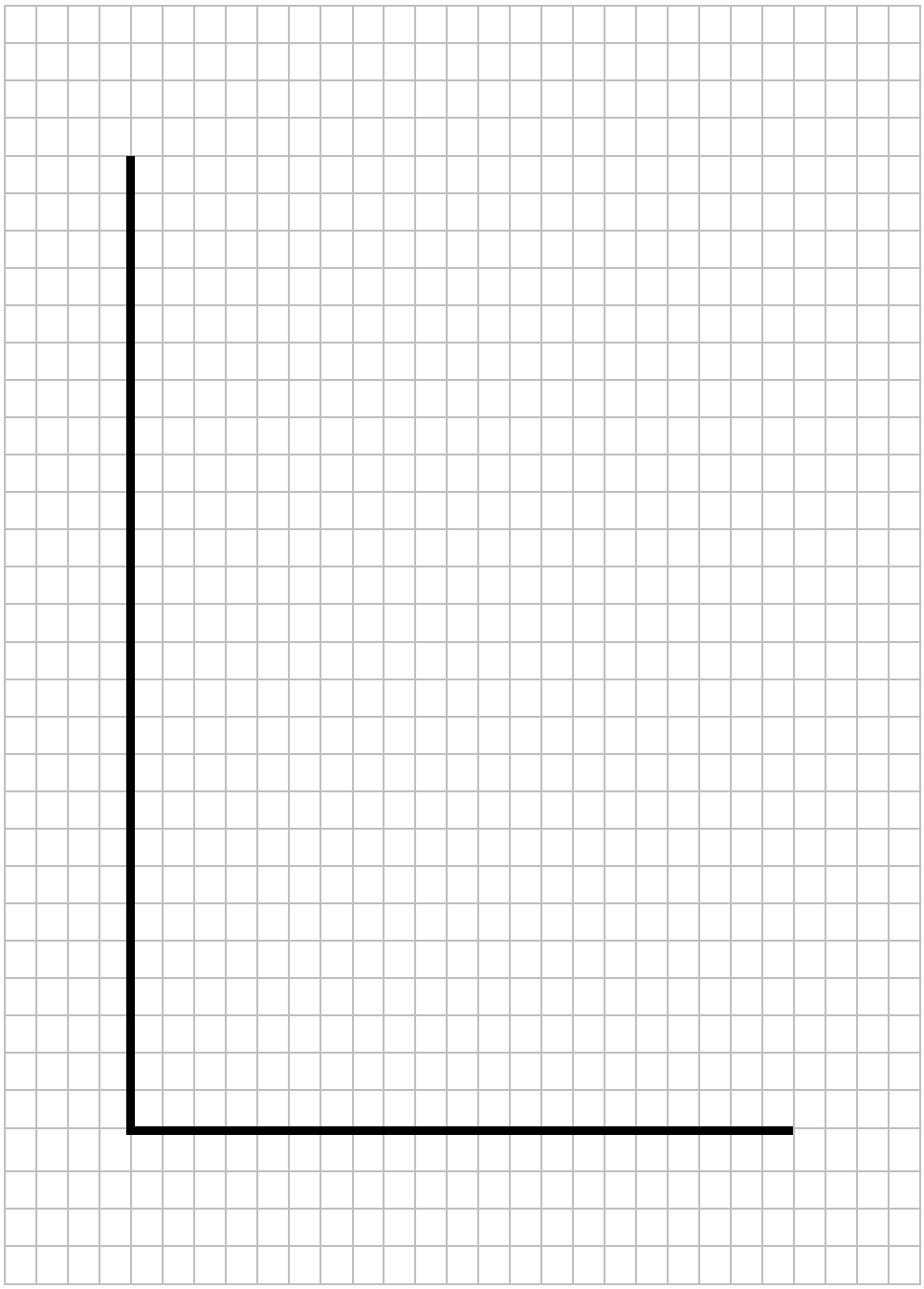
Extra space

Comparison 2

Extra space

2 4 Use the data in **Extract A** to draw a bar chart to show the index of world energy prices between September 2014 and March 2015.

[4 marks]



Turn over for the next question

2 5 **Extract B** (lines 6 to 8) states 'The weakness in global energy prices and food prices combined with the recent appreciation in the pound sterling exchange rate help to explain the recent fall in inflation in the UK.'

Explain why a rise in the pound sterling exchange rate is likely to affect the rate of inflation in the UK.

[10 marks]

Extra space

2 6 **Extract C** (lines 4 to 7) states 'Lower commodity prices have also been good for most businesses… However, not everyone benefits.'

Use the data in the extracts and your knowledge of economics to assess the likely impact of the fall in world commodity prices on the performance of the UK economy.

[25 marks]

Extra space

Do **not** answer Context 2 if you have answered Context 1.

OR

Context 2 **Total for this Context: 50 marks**

HOW HAS IMMIGRATION AFFECTED THE PERFORMANCE OF THE UK ECONOMY?

Use the source booklet provided to study **questions 27 to 32** and **Extracts D, E** and **F,** and then answer the questions in the spaces which follow.

2 7 Define 'labour productivity' **Extract F** (line 7).

[3 marks]

Extra space

2 8 In 2006, the UK population was estimated to be 60 827 100 people. Use **Extract D** to calculate, to two decimal places, the percentage change in the size of the UK population between 2006 and 2013.

[4 marks]

2 9 Use **Extract D** to identify **two** significant points of comparison between the natural increase in the UK population and net migration into the UK.

[4 marks]

Comparison 1

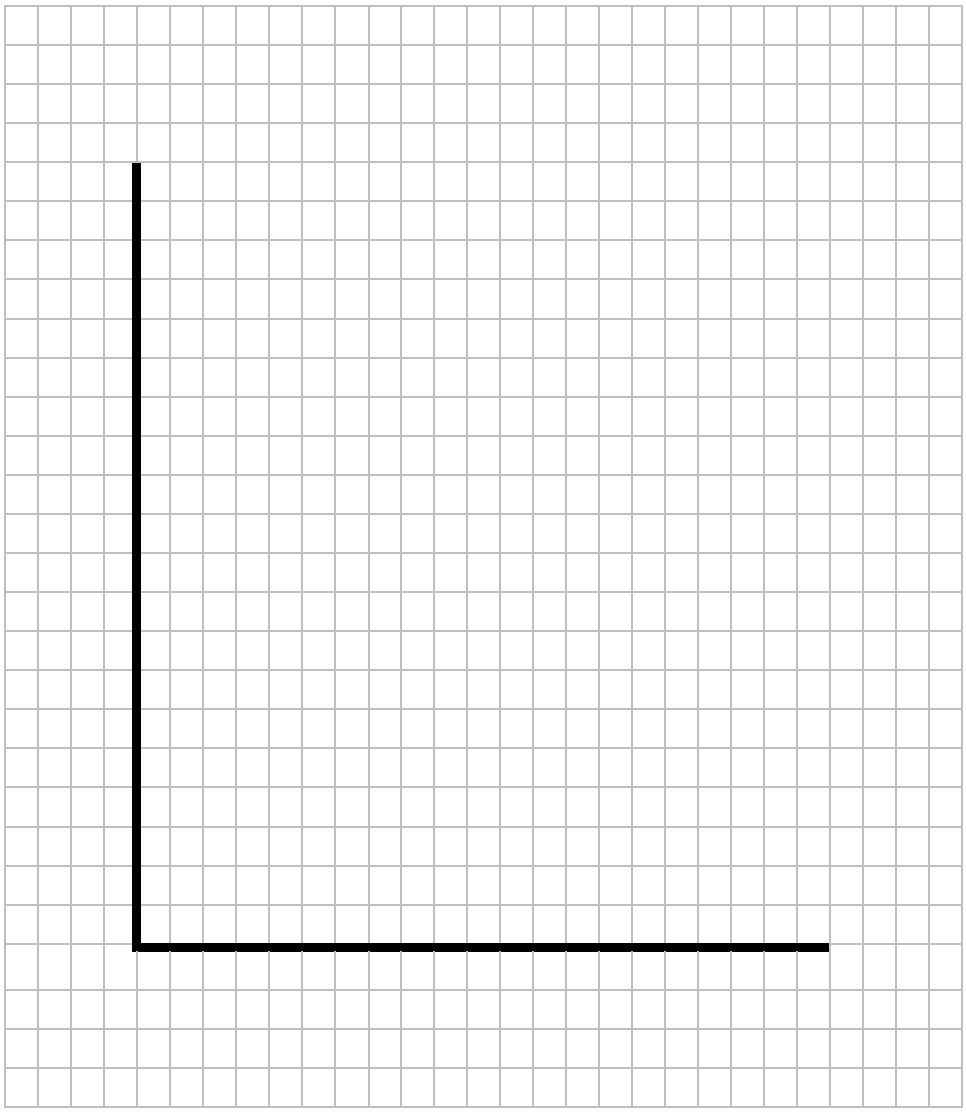
Extra space

Comparison 2

Extra space

3 0 Use the data in **Extract D** to draw a bar chart to show net migration into the UK for each of the years between 2007 and 2013.

[4 marks]



Turn over for the next question

3 1 **Extract E** (lines 1 to 3) states 'European migrants who arrived in the UK since 2000 have made a net contribution of more than £20bn to UK public finances.'

Explain how immigration from the rest of Europe affects the UK government's budget deficit.

[10 marks]

Extra space

3 2 **Extract F** (lines 1 to 2) states 'Immigration is very important for the UK economy; it is estimated that foreign-born people comprise around 15% of the UK labour force.'

Use the data in the extracts and your economic knowledge to discuss the ways in which immigration affects the performance of the UK economy.

[25 marks]

Extra space

END OF QUESTIONS

There are no questions printed on this page

DO NOT WRITE ON THIS PAGE
ANSWER IN THE SPACES PROVIDED

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