Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel Level 3 GCE

Sample assessment material for first teaching September 2015

Time 2 hours

Paper reference **9EC0/02**

Economics A

Advanced

PAPER 2: The national and global economy

You must have:
Source Booklet (enclosed)

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- 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
  – *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.

Turn over ▶

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SECTION A

Answer ALL questions. Write your answers in the spaces provided.

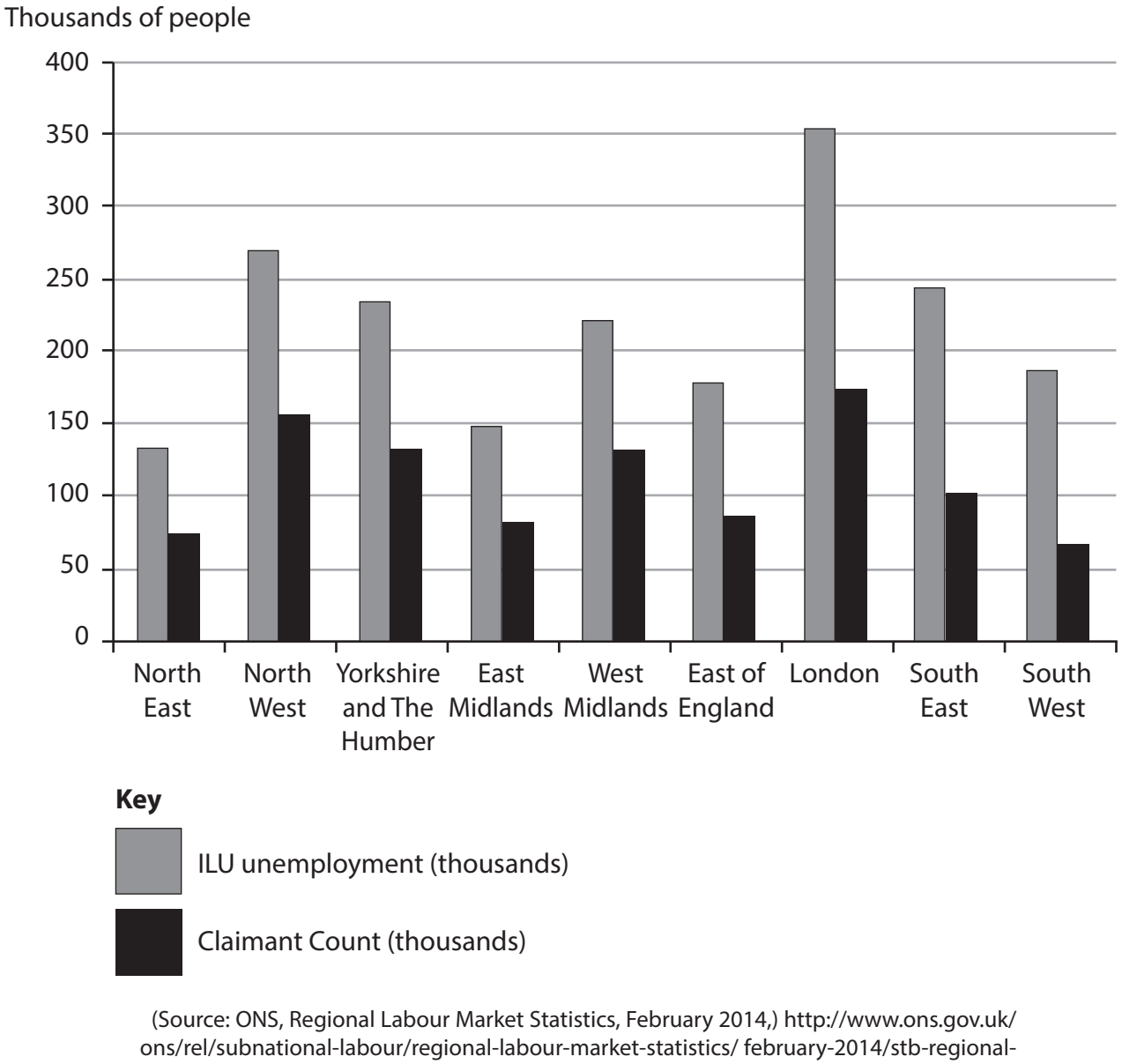
Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

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 The chart below shows UK regional unemployment in December 2013, as measured by both the International Labour Organisation (ILO) measure of unemployment and the Claimant Count.

UK regional unemployment, December 2013 (thousands)



(Source: ONS, Regional Labour Market Statistics, February 2014,) http://www.ons.gov.uk/ons/rel/subnational-labour/regional-labour-market-statistics/ february-2014/stb-regional-labour-market-february-2014.html)

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(a) Which **one** of the following can be inferred from the chart?

(1)

- ☒ **A** The North East had the lowest number of unemployed people according to both measures of unemployment
- ☒ **B** According to the Claimant Count measure, there were more than twice as many people unemployed in London as in the South East
- ☒ **C** London had the highest number of unemployed people according to both measures of unemployment
- ☒ **D** According to the ILO measure of unemployment, there were more than twice as many people unemployed in the North West as in the East Midlands

(b) With reference to the chart, explain why the ILO measure of unemployment is different to the Claimant Count for all regions.

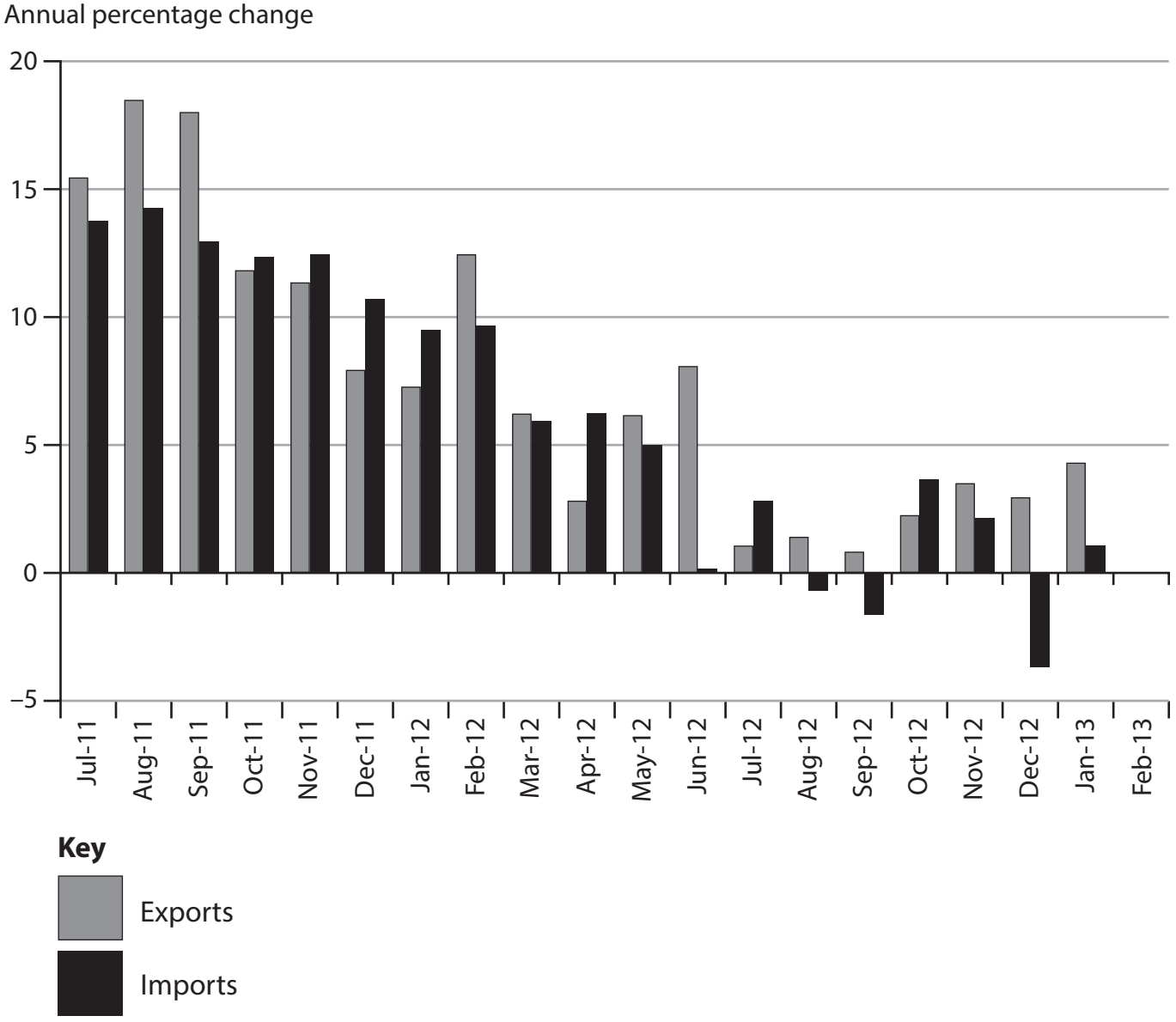
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(Total for Question 1 = 5 marks)

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2 The chart below shows the annual percentage change in the value of US exports and imports. Throughout this period, the USA has run a trade deficit.

Annual percentage change in the value of US exports and imports (nominal values), July 2011–January 2013



(Source: WTO Press Release, 10 April 2013, Press/688,) http://www.wto.org/english/news_e/pres13_e/pr688_e.htm)

(a) With reference to the chart above, which **one** of the following statements is correct?

(1)

- ☒ **A** In the year to December 2012, the US trade balance improved
- ☒ **B** In the year to September 2012, the US trade balance worsened
- ☒ **C** In the year to November 2011, the US trade balance improved
- ☒ **D** In the year to August 2012, the US trade balance worsened

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(b) Explain the likely effect of an increase in US income tax rates on the US trade balance.

(4)

(Total for Question 2 = 5 marks)

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3 (a) Explain **one** role of financial markets.

(2)

(b) Explain **one** reason why the UK central bank used quantitative easing following the Global Financial Crisis of 2008.

(2)

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(c) Which **one** of the following would be the most likely cause of market failure in the financial sector?

(1)

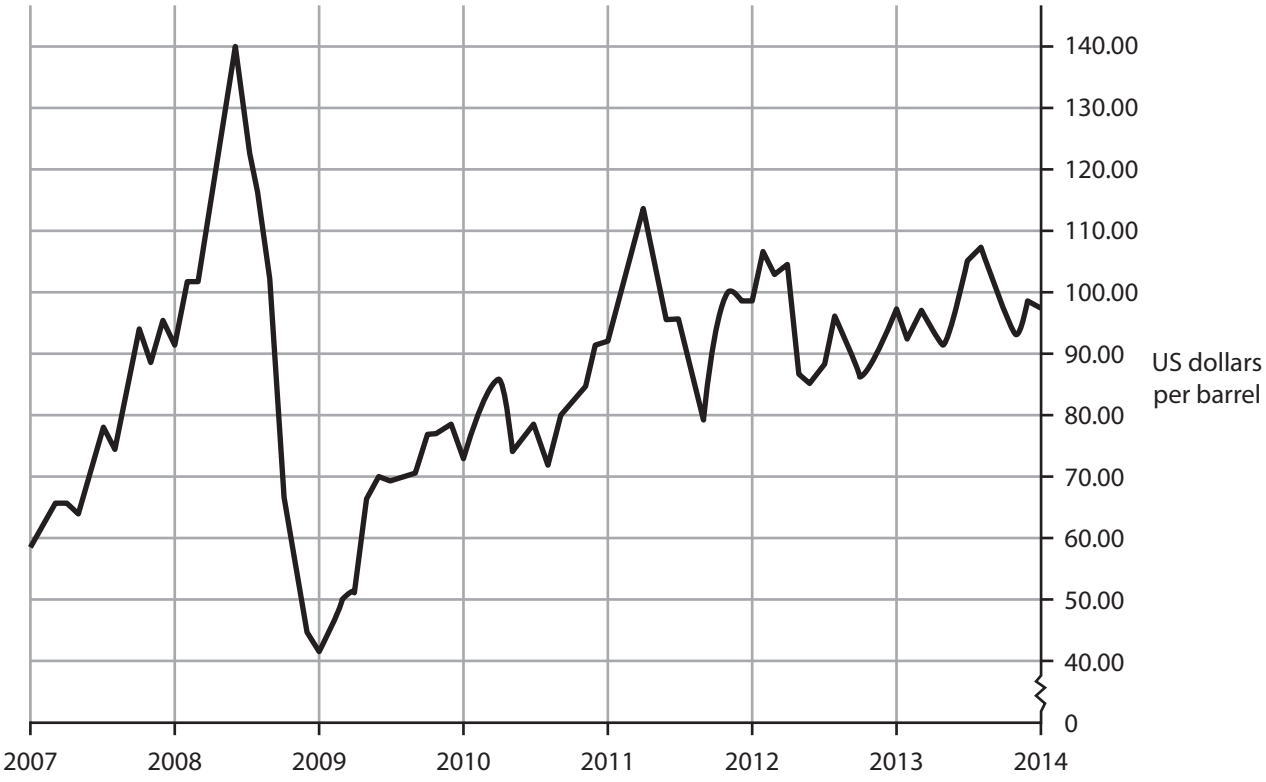
- ☒ **A** Banks charge higher interest rates on higher risk loans
- ☒ **B** Banks do not create any external costs or benefits in their operations
- ☒ **C** Banks know that the government will bear the risk of customers defaulting on loans
- ☒ **D** Banks and their customers have symmetric information

(Total for Question 3 = 5 marks)

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4 The chart below shows the price of crude oil from 1 January 2007 to 1 January 2014.

Crude oil price, 1 January 2007 to 1 January 2014, US$ per barrel



(Source: http://oilprice.com/commodity-price-charts?1=&page=chart&sym=CL*1&name=Crude Oil WTI&domain=advancedmedia&sg=true&display_ice=1&studies=Volume;&cancelstudy=&type=LINE&a=M)

(a) The best approximation of the percentage increase in crude oil price per barrel from 1 January 2009 to 1 January 2014 is:

(1)

☒ **A** 40%

☒ **B** 60%

☒ **C** 110%

☒ **D** 130%

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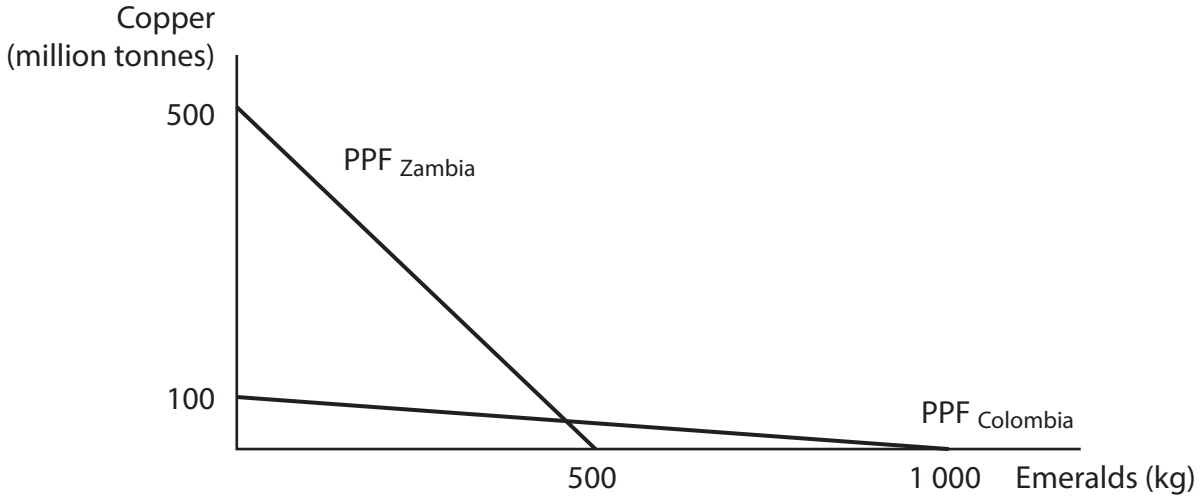
(b) An economy is a net exporter of crude oil. Draw an AD/AS diagram to show the effect of an increase in global crude oil price on the equilibrium level of real national output of this economy.

(4)

(Total for Question 4 = 5 marks)

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5 Colombia and Zambia each produce copper and emeralds. The production possibility frontiers below show the two countries' productive capacities for these goods.



(a) With reference to the diagram above, which **one** of the following statements is correct?

(1)

☒ **A** Colombia has an absolute advantage in the production of copper

☒ **B** Zambia has an absolute advantage in the production of copper

☒ **C** Zambia has an absolute advantage in the production of emeralds

☒ **D** Neither Colombia nor Zambia has an absolute advantage in the production of emeralds

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(b) Using appropriate calculations, explain which country has a comparative advantage in the production of emeralds.

(4)

(Total for Question 5 = 5 marks)

TOTAL FOR SECTION A = 25 MARKS

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SECTION B

Read Figures 1–2 and Extracts A–C in the Source Booklet before answering Question 6.

Write your answers in the spaces provided.

You are advised to spend 1 hour on this section.

6 (a) With reference to Figure 1, calculate the ratio of Burundi's GDP per capita to Kenya's GDP per capita in 2012.

(5)

(b) With reference to Figure 1, discuss the use of GDP data as a means of comparing living standards among the five EAC member countries.

(12)

(c) With reference to Extract A and Extract B, examine **two** factors that constrain economic growth in Burundi.

(8)

(d) Assess the benefits Kenya has gained from its membership of the EAC since 2000.

(10)

(e) Discuss the likely costs and benefits of monetary union to the five members of the EAC.

(15)

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(b) With reference to Figure 1, discuss the use of GDP data as a means of comparing living standards among the five EAC member countries.

(12)

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(8)

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(e) Discuss the likely costs and benefits of monetary union to the five members of the EAC.

(15)

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(Total for Question 6 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS

SECTION C

Answer ONE question from this section.

Write your answers in the spaces provided.

You are advised to spend 30 minutes on this section.

EITHER

7 In 2012, it was estimated that Japan's national debt was equal to 214.3% of its GDP, and Greece's national debt was equal to 161.3% of its GDP.

Evaluate the likely impact of measures which a government could take to reduce the economy's national debt. Refer to a developed economy of your choice in your answer.

(Total for Question 7 = 25 marks)

OR

8 Over the past 25 years, income inequality has been increasing in many developed countries. For example, from 2007 to 2011 Spain's Gini coefficient rose by 6.0 percentage points, and Ireland's by 6.6 percentage points.

Evaluate the factors which may have caused this **increase** in income inequality. Refer to a developed economy of your choice in your answer.

(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:

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TOTAL FOR SECTION C = 25 MARKS
TOTAL FOR PAPER = 100 MARKS

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