



Oxford Cambridge and RSA

Friday 09 October 2020 – Afternoon

A Level Economics

H460/02 Macroeconomics

Time allowed: 2 hours



You can use:

- a scientific or graphical calculator



Please write clearly in black ink. **Do not write in the barcodes.**

Centre number

--	--	--	--	--

 Candidate number

--	--	--	--

First name(s) _____

Last name _____

INSTRUCTIONS

- Use black ink. You can use an HB pencil, but only for graphs and diagrams.
- Write your answer to each question in the space provided. If you need extra space use the lined pages at the end of this booklet. The question numbers must be clearly shown.
- Answer **all** the questions in Section A, **one** question in Section B and **one** question in Section C.

INFORMATION

- The total mark for this paper is **80**.
- The marks for each question are shown in brackets [].
- Quality of extended response will be assessed in questions marked with an asterisk (*).
- This document has **28** pages.

ADVICE

- Read each question carefully before you start your answer.

SECTION A

Read the following stimulus material and answer **all** parts of question 1 which follow in this section.

Are low-income countries playing catch up?

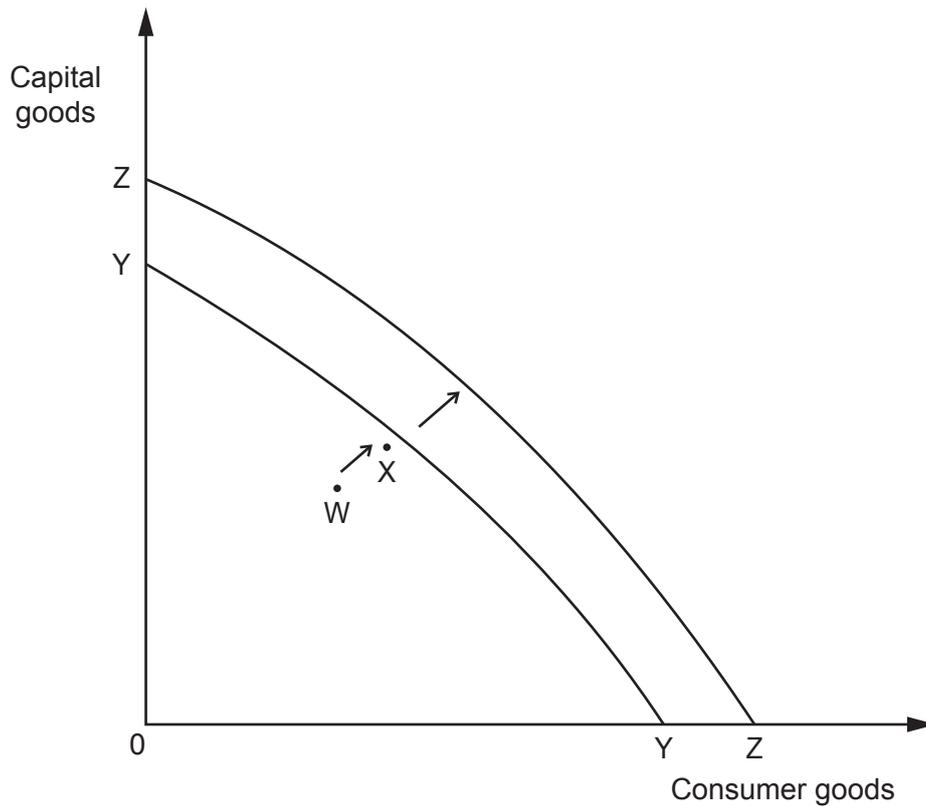
The global economy is changing. It is becoming more integrated and China is moving towards becoming the world's largest economy. Lower costs of transport continue to increase the volume of international trade. Producing in different countries and buying products from anywhere in the world are being made easier by advances in communications.

- 5 World trade grew by 4.4% in 2017 and is predicted to grow by 4.7% in 2018. China is accounting for a higher proportion of this global trade and a higher proportion of global output. The country has experienced a significant rise in its GDP per head in recent years. This has had an impact on its citizens' life expectancy. Fig. 1 shows the average income and life expectancy in a number of countries.

Fig. 1 GDP per head and life expectancy in selected countries 2017

Country	GDP per head (\$)	Life expectancy (years)
Bangladesh	4200	73.7
China	16 700	75.8
Egypt	12 700	73.2
Germany	50 800	80.9
Guinea	2200	62.1
Japan	42 900	85.5
UK	44 300	80.9
USA	59 800	80.1

- 10 Developments in the Chinese economy can be illustrated by both movements in the country's production possibility points and in the position of the production possibility curve as shown in Fig. 2.

Fig. 2 A country's production possibility curve and points

The Bangladeshi economy has also grown in recent years, but its growth has been more erratic. In 2017, the country's main export destinations were the USA, Germany, UK and France. Its main sources of imports were China, India, Singapore and Japan. In 2017, the value of its exports to the UK was £2251 m while the value of its imports from the UK were £190 m. Bangladesh is also a recipient of UK overseas aid. In 2016, the UK government spent £13.4 bn on overseas aid, in line with its target of 0.7% of GDP. Bangladesh was the 11th largest recipient, receiving £170 m. Fig. 3 provides some more information on the Bangladeshi economy.

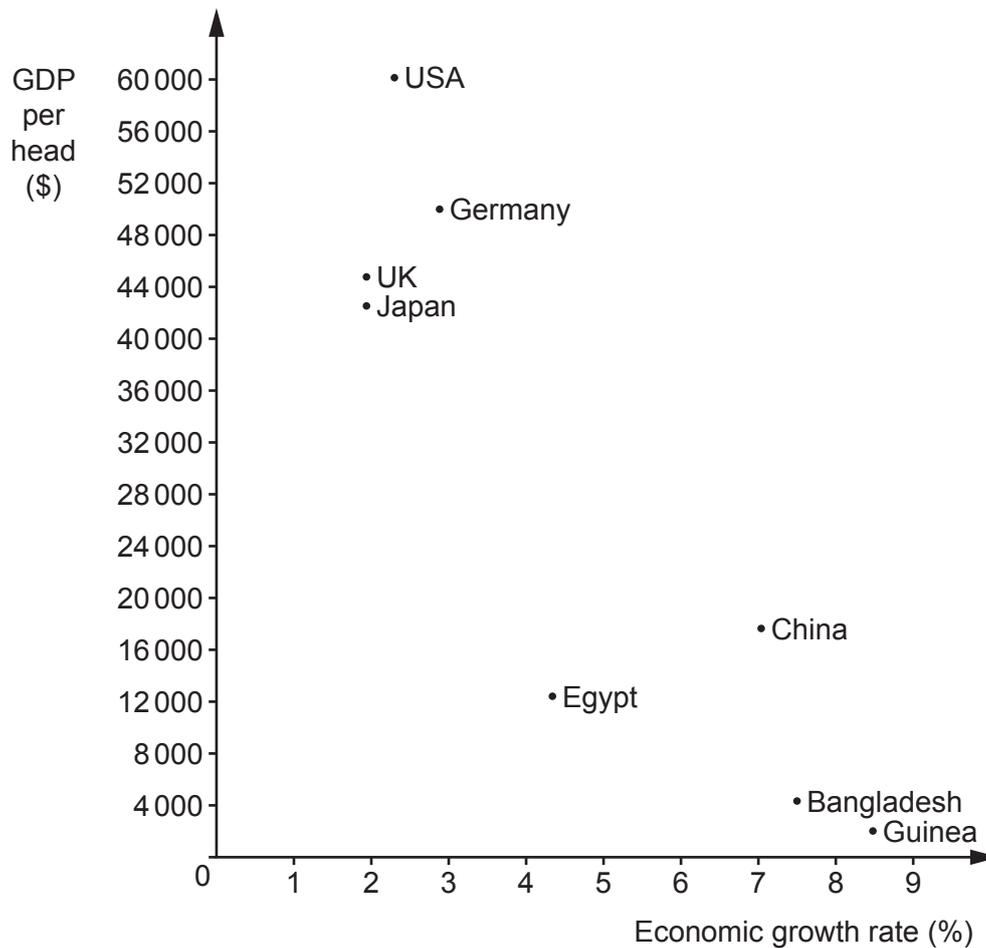
Fig. 3 Details on the Bangladeshi economy 2017

	\$ billion
Consumer expenditure	191
Exports	50
Government spending	13
Investment	76
Imports	68
Tax revenue	25

Bangladesh's finance minister suggested in 2017 that he would cut the country's corporate tax rates as they are much higher than most other countries. He argued that such a move would increase the country's rate of economic growth.

Some economists suggest that low-income countries are likely to grow more rapidly than high-income countries. Fig. 4 shows GDP per head and economic growth rates of a number of countries.

Fig. 4 GDP per head and economic growth rate of selected countries 2017



- 25 People in low-income countries may have a greater incentive to work hard to improve their living standards. Perhaps more significantly, the countries may be able to take advantage of technology transfer from high-income countries and their relatively low wages may attract foreign direct investment. The countries may also have greater potential to reallocate resources from low to high value activities.
- 30 To date, Asian countries have been more successful in narrowing the income gap than African countries. A number of African countries have poor infrastructure, low labour productivity, rapidly growing populations and a lack of economic and political stability.

1 (a) Using information from the stimulus material, identify **two** causes of globalisation.

Cause 1

.....

Cause 2

.....

[2]

(b) Using Fig. 1, explain the relationship between GDP per head and life expectancy.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [4]

(c) Using Fig. 2, explain the difference between short run and long run economic growth.

.....

.....

.....

.....

.....

..... [2]

A series of 25 horizontal dotted lines spanning the width of the page, intended for handwriting practice.

A series of 25 horizontal dotted lines spanning the width of the page, intended for writing.

A series of horizontal dotted lines for writing, spanning the width of the page.

A series of 25 horizontal dotted lines spanning the width of the page, providing a template for handwriting practice.

A series of horizontal dotted lines for writing, consisting of 25 lines spaced evenly down the page.

A series of 25 horizontal dotted lines for writing.

SECTION C

Answer **EITHER** question **4** **OR** question **5**.

EITHER

- 4* In recent years, the UK government has cut both corporation and income tax rates. The 2013 cut in the top rate of income tax from 50% to 45% has been estimated to have reduced government tax revenue by £8.6bn between 2013/14 and 2017/18.

Evaluate whether a cut in direct tax rates will always reduce tax revenue. **[25]**

OR

- 5* Microfinance has grown significantly in recent years. There has been a growth in microfinance institutions and microfinance is now available in most developing countries.

Evaluate whether microfinance promotes economic development. **[25]**

Question No

Start your answer here

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

A series of 25 horizontal dotted lines spanning the width of the page, intended for handwriting practice.

A series of 25 horizontal dotted lines spanning the width of the page, intended for writing.

A series of 25 horizontal dotted lines spanning the width of the page, intended for handwriting practice.

A series of horizontal dotted lines for writing, spanning the width of the page.

A series of 25 horizontal dotted lines spanning the width of the page, intended for handwriting practice.

A series of horizontal dotted lines for writing, spanning the width of the page.

ADDITIONAL ANSWER SPACE

If additional space is required, you should use the following lined page(s). The question number(s) must be clearly shown in the margin(s).

A large area of lined paper for writing. It consists of horizontal dotted lines spaced evenly down the page. A vertical solid line runs down the left side of the page, creating a margin. The lines extend across the width of the page.

A blank sheet of lined paper. On the left side, there is a solid vertical line that serves as a margin. The rest of the page is filled with horizontal dotted lines, providing a guide for writing. The lines are evenly spaced and extend across the width of the page.

A blank sheet of lined paper. On the left side, there is a solid vertical line that serves as a margin. The rest of the page is filled with horizontal dotted lines, spaced evenly down the page, providing a guide for handwriting.

A large area of the page is reserved for writing, featuring a vertical solid line on the left side and horizontal dotted lines extending across the page to the right.



Copyright Information

OCR is committed to seeking permission to reproduce all third-party content that it uses in its assessment materials. OCR has attempted to identify and contact all copyright holders whose work is used in this paper. To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced in the OCR Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download from our public website (www.ocr.org.uk) after the live examination series. If OCR has unwittingly failed to correctly acknowledge or clear any third-party content in this assessment material, OCR will be happy to correct its mistake at the earliest possible opportunity.

For queries or further information please contact The OCR Copyright Team, The Triangle Building, Shaftesbury Road, Cambridge CB2 8EA.

OCR is part of the Cambridge Assessment Group; Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.