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AQA

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I declare this is my own work.

AS ECONOMICS

Paper 2 The National Economy in a Global Context

Time allowed: 1 hour 30 minutes

Materials

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

For Examiner's Use	
Section	Mark
A	
B	
TOTAL	

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 Insert 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.
- If you need extra space for your answer(s), use the lined pages at the end of this book. Write the question number against your answer(s).
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information
- The maximum mark for this paper is 70.
- The marks for questions are shown in brackets.
- No deductions will be made for wrong answers.

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Section A

Answer **all** questions in this section.

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

For each question 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 Which one of the following is most likely to be an objective of government economic policy?

A A low level of employment

B A lower price level

C An equal distribution of income

D An increase in productive potential

[1 mark]

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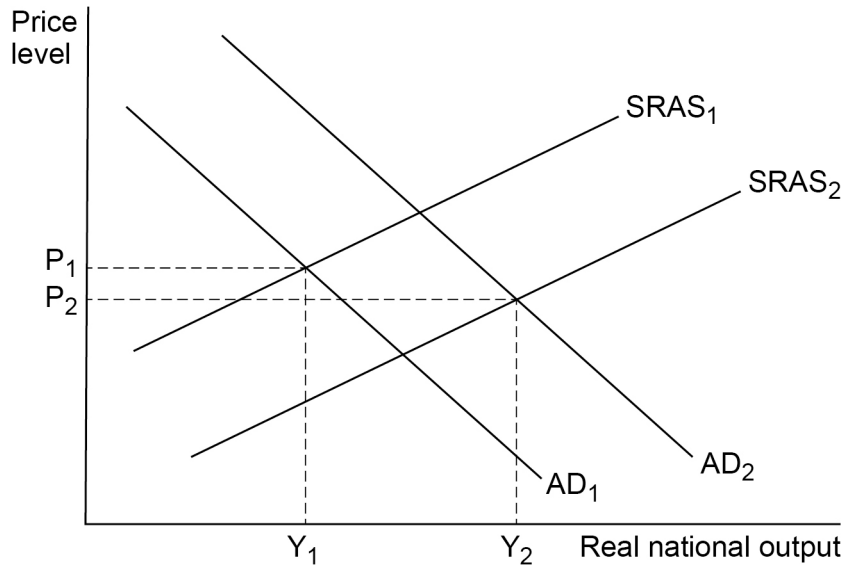
0 2 **Figure 1** shows the aggregate demand (AD) and short-run aggregate supply (SRAS) curves for an economy.

Figure 1



Which one of the following combinations of events is most likely to cause the curves to shift from AD_1 to AD_2 and from $SRAS_1$ to $SRAS_2$?

A A higher rate of savings and faster labour productivity growth ⬭

B Faster economic growth abroad and lower world commodity prices ⬭

C Higher money wages and more household consumption ⬭

D Lower interest rates and a higher rate of indirect taxes ⬭

[1 mark]

0 3 The main reason that economic statistics are often expressed as index numbers is to

A allow easier comparison of data. ⬭

B calculate cost of living data. ⬭

C convert nominal data to real data. ⬭

D even out fluctuations in raw data. ⬭

[1 mark]

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0 4 Unemployment rose in an economy despite overall economic growth. This is most likely to be explained by an increase in

A cyclical unemployment. ⬭

B job vacancies. ⬭

C structural unemployment. ⬭

D the school leaving age. ⬭

[1 mark]

0 5 An economy experiences an increasing negative output gap. Which one of the following combinations of outcomes most accurately describes the likely effects of this?

	Imports	Inflationary pressure	Unemployment	
A	Falling	Falling	Rising	⬭
B	Falling	Rising	Falling	⬭
C	Rising	Falling	Rising	⬭
D	Rising	Rising	Falling	⬭

[1 mark]

0 6 A deflationary policy is designed to

A avoid deflation. ⬭

B increase aggregate demand. ⬭

C lead to deflation. ⬭

D reduce aggregate demand. ⬭

[1 mark]

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0 7 Index numbers for real GDP per head for Country X and Country Y, are shown in **Table 1**.

Table 1

Year	Country X	Country Y
2016	100	100
2017	102	104
2018	101	103
2019	105	107

From **Table 1** it can be concluded that real GDP per head

A grew at the same rate between 2018 and 2019 in both countries. ⬭

B grew every year throughout the period in both countries. ⬭

C rose faster in Country X between 2017 and 2019. ⬭

D was higher in Country Y than in Country X from 2017 to 2019. ⬭

[1 mark]

0 8 Nominal GDP for an economy fell from £318 billion to £310 billion. Average prices also fell over the same period. It can be concluded that

A deflation resulted in a recession. ⬭

B output fell, but by less than £8billion. ⬭

C real GDP was lower at the end of the period. ⬭

D real incomes may have risen or fallen. ⬭

[1 mark]

Turn over for the next question

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0 9 An economy has a positive output gap and the government decides to increase interest rates. Which one of the following outcomes is most likely to result from the higher interest rates?

	Investment	Output gap	Savings	
A	Decrease	Decrease	Increase	⬭
B	Decrease	Increase	Decrease	⬭
C	Increase	Decrease	Decrease	⬭
D	Increase	Increase	Increase	⬭

[1 mark]

1 0 Faster growth in national income caused investment in an economy to increase. This means that the increase in investment resulted from

A an increase in spare capacity. ⬭

B lower interest rates. ⬭

C the action of the accelerator. ⬭

D the action of the multiplier. ⬭

[1 mark]

1 1 An indirect tax is a tax levied on

A firms' profits. ⬭

B income. ⬭

C savings. ⬭

D spending. ⬭

[1 mark]

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1 2 The Bank of England decides to raise interest rates to bring inflation back to its target rate. This policy is less likely to be effective if at the same time

A firms' profits and investment fall. ⬭

B income tax rates are reduced. ⬭

C labour productivity grows more quickly. ⬭

D other countries reduce their demand for UK exports. ⬭

[1 mark]

Turn over for the next question

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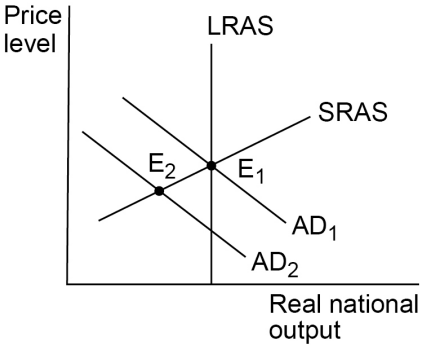
1 3 A small island economy suffers extensive damage from a hurricane. The following diagrams show aggregate demand (AD), short-run aggregate supply (SRAS) and long-run aggregate supply (LRAS) for the economy. Equilibrium before the hurricane is at E_1.

Which one of the following diagrams shows the most likely position of E_2, the equilibrium reached after the hurricane?

[1 mark]

A



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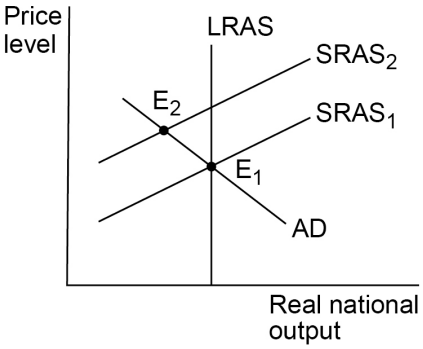

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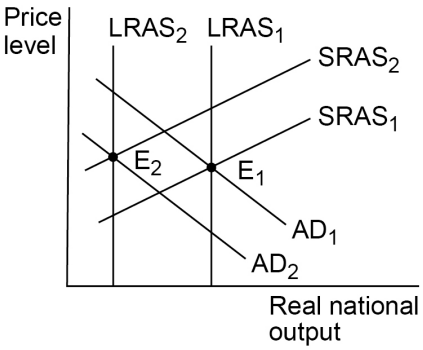

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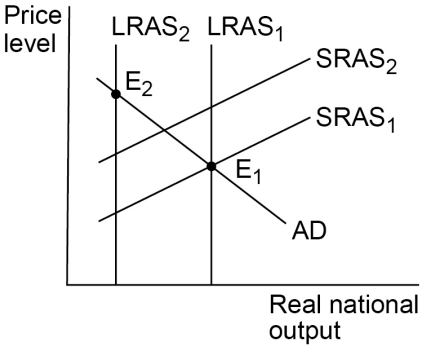

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1 4 Which one of the following is an example of expansionary fiscal policy?
A reduction in the

A budget deficit. ⬭

B budget surplus. ⬭

C trade deficit. ⬭

D trade surplus. ⬭

[1 mark]

1 5 **Table 2** shows the components of aggregate demand in an economy which is in equilibrium.

Table 2

	£ billion
Consumer expenditure	1000
Investment	200
Government expenditure	350
Exports	150
Imports	200

If imports increase to £230 billion and the multiplier is 1.5, then the new level of national income would be

A £1155 billion ⬭

B £1455 billion ⬭

C £1545 billion ⬭

D £1845 billion ⬭

[1 mark]

Turn over for the next question

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1 6 A government cuts the rate of corporation tax from 30% to 15%.
This policy is most likely intended to

A decrease the level of savings. ⬭

B improve labour mobility. ⬭

C reduce investment from overseas companies. ⬭

D stimulate supply-side improvements. ⬭

[1 mark]

1 7 An economy has a deficit on the current account of its balance of payments.
Which one of the following sets of circumstances is most likely to cause the deficit to increase?

A A depreciating exchange rate and lower unemployment ⬭

B Better supply-side policies and lower interest rates ⬭

C Expansionary fiscal policy and a stronger exchange rate ⬭

D Increased labour productivity and lower interest rates ⬭

[1 mark]

1 8 An economy experiencing a high rate of short-run economic growth is likely to have an increase in

A firms' spare capacity. ⬭

B job vacancies. ⬭

C spending on unemployment benefits. ⬭

D the real value of money. ⬭

[1 mark]

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1 9 In the short run, an increase in government borrowing is most likely to result in lower

A consumer expenditure. ⬭

B government expenditure. ⬭

C national debt. ⬭

D unemployment. ⬭

[1 mark]

2 0 A government wanting to use monetary policy to reduce deflation could decrease the

A exchange rate. ⬭

B minimum wage. ⬭

C money supply. ⬭

D rate of indirect tax. ⬭

[1 mark]

20

END OF SECTION A

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Section B

Look at the Insert 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 23 to 32 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**

ECONOMIC GROWTH

Use the Insert 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 'price stability' **Extract B** (line 3).

[3 marks]

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2 2 If UK GDP was equal to £2073 billion in 2017, use **Extract A** to calculate, to the **nearest billion**, the value of UK GDP in 2018.

[4 marks]

Turn over for the next question

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2 3 Use **Extract A** to identify **two** significant points of comparison between the growth rates of the UK and Germany over the period shown.

[4 marks]

Comparison 1 _____

Extra space _____

Comparison 2 _____

Extra space _____

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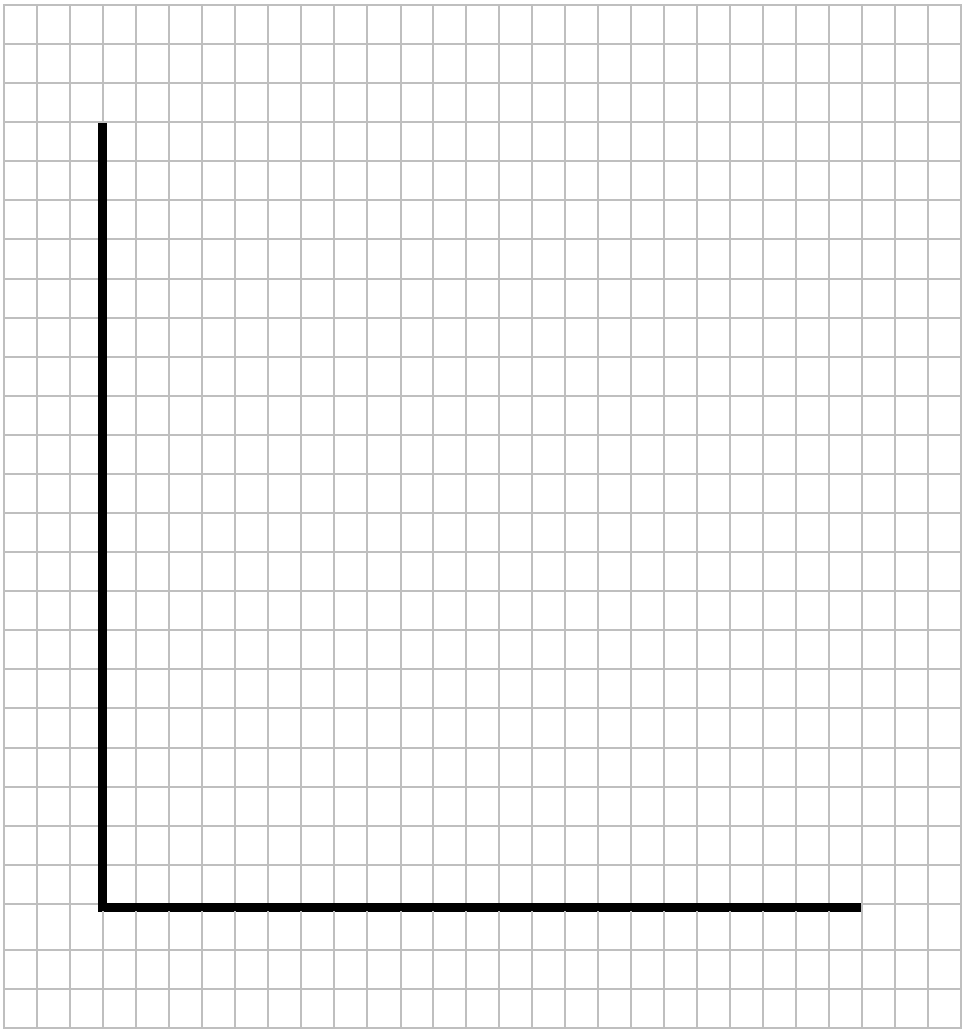
2 4 **Extract C** (lines 16–17) states: 'An increase in the funds available for education and training should help to improve factor mobility'.

Draw an AD/AS diagram to show the long-run impact of improved factor mobility on the price level and national income.

[4 marks]



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2 5 **Extract B** (line 2) states: '…there were signs that economies were in the midst of a global slowdown'.

Explain how a global slowdown can affect employment in the UK.

[10 marks]

Extra space

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2 6 **Extract C** (lines 2–4) states: '…the Prime Minister, Boris Johnson, had promised to make the 2020s a "decade of prosperity and opportunity". If this is to be achieved, it will be essential to find ways to boost both short-run and long-run growth'.

Use the extracts and your knowledge of economics to evaluate different policies that can be used to increase the long-run rate of growth of the UK economy.

[25 marks]

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

OR

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

GOVERNMENT SPENDING AND TAXATION

Use the Insert 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 'unemployment rate' **Extract E** (line 18).

[3 marks]

2 8 If the government allocated £275 billion to social security spending in 2018–19, use **Extract D** to calculate, to the **nearest billion**, the total amount of government spending in 2018–19.

[4 marks]

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2 9 Use **Extract D** to identify **two** significant points of comparison regarding the composition of government spending between 1997–98 and 2018–19.

[4 marks]

Comparison 1

Extra space

Comparison 2

Extra space

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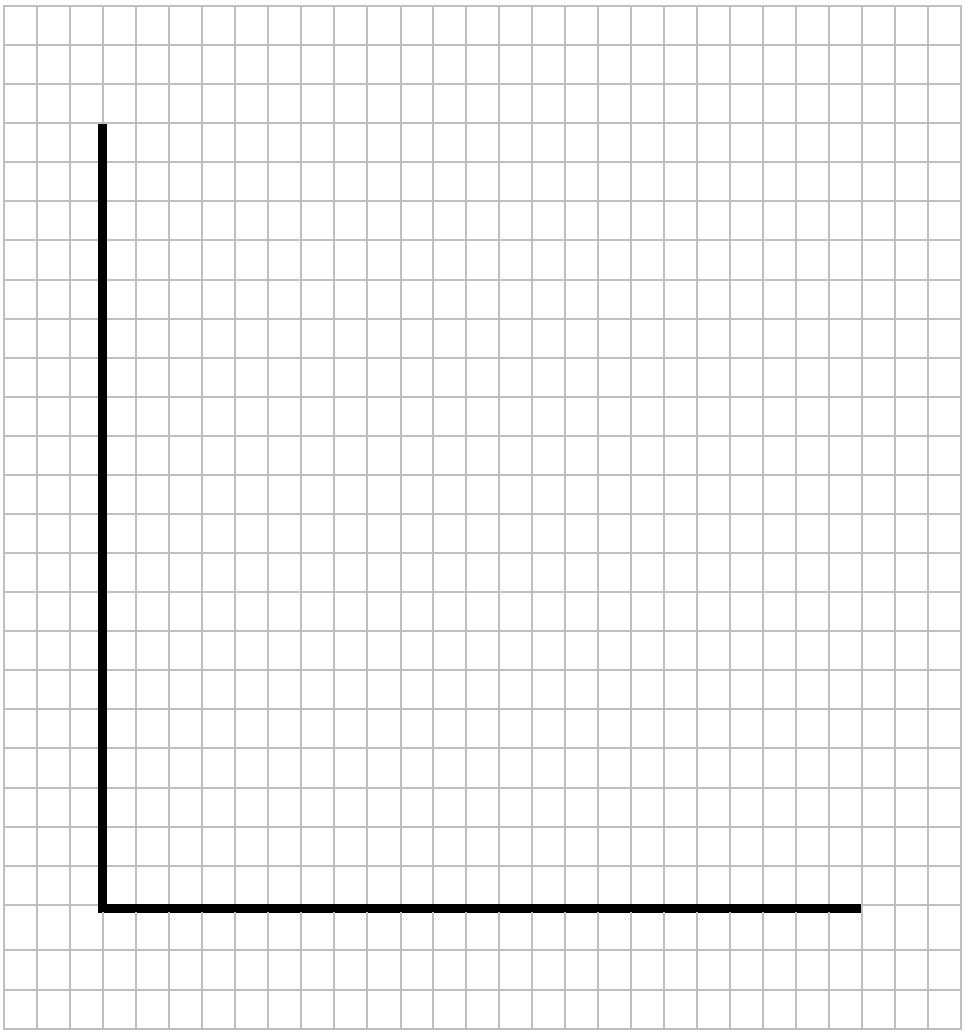
3 0 **Extract E** (line 15) states: 'Government spending acts as an injection into the circular flow of income'.

Draw an AD/AS diagram to show the effect of an increase in injections on the price level and national income.

[4 marks]



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3 1 **Extract F** (lines 1–2 and 8) states: 'As part of fiscal policy, government spending can be used to allocate resources to different regions and sectors of the economy and consequently, change the pattern of economic activity...Taxation also has a role to play in affecting the pattern of activity'.

Explain ways in which a government can use fiscal policy to affect the **pattern** of economic activity.

[10 marks]

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3 2 **Extract E** (lines 4–6) states: '…the report suggested that significant increases in spending would be required to help improve the wellbeing of the UK population'.

Use the extracts and your knowledge of economics to assess the view that a long-term, significant increase in government spending would be beneficial for the UK economy.

[25 marks]

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END OF QUESTIONS

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