Please check the examination details below before entering your candidate information

Candidate surname	Other names

Pearson Edexcel Level 3 GCE

Centre Number | Candidate Number

Time 2 hours

Paper reference **9EC0/02**

Economics A

Advanced
PAPER 2: The National and Global Economy

You do not need any other materials.

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.
- Good luck with your examination.

Turn over ▶

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Pearson

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 After the Global Financial Crisis of 2008, the US President introduced expansionary fiscal policies of $800 billion. The International Monetary Fund estimated that the multiplier at the time was approximately 1.5.

(Source adapted from: https://www.economist.com/the-economist-explains/2016/09/07/what-is-the-keynesian-multiplier)

(a) Which **one** of the following is a withdrawal from the circular flow of income?

(1)

☐ **A** Exports

☐ **B** Government spending

☐ **C** Investment

☐ **D** Taxation

(b) Calculate the total final increase in US aggregate demand as a result of the President's 'expansionary fiscal policies', assuming no other changes.

(2)

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(c) Explain the impact of annual fiscal deficits on the US national debt.

(2)

(Total for Question 1 = 5 marks)

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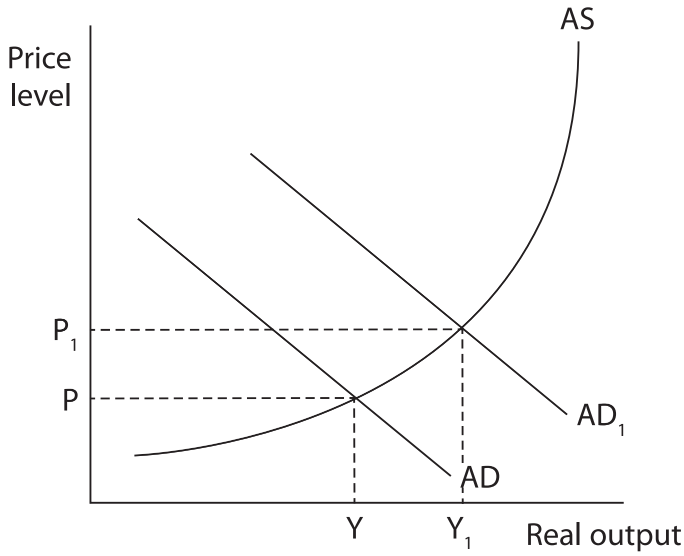
2 (a) Which **one** of the following diagrams illustrates the impact of an increase in net exports along a Keynesian long-run aggregate supply curve?

(1)

A



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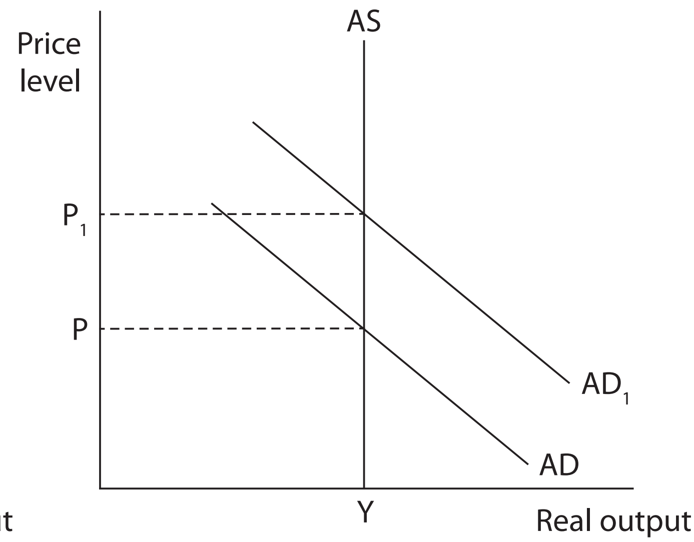

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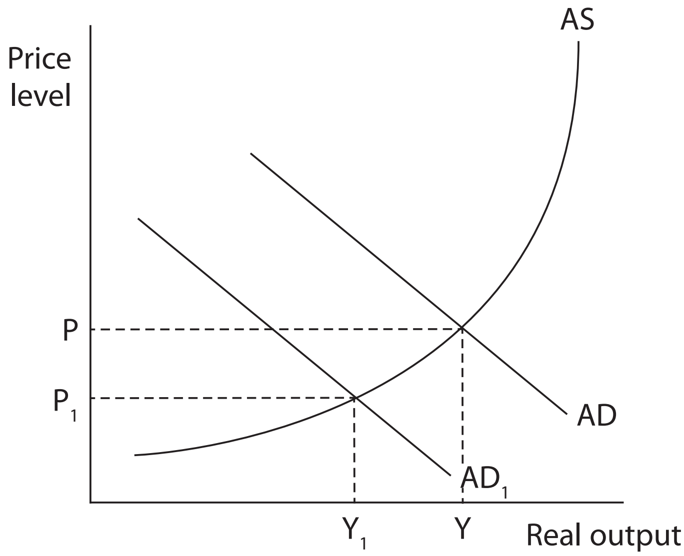

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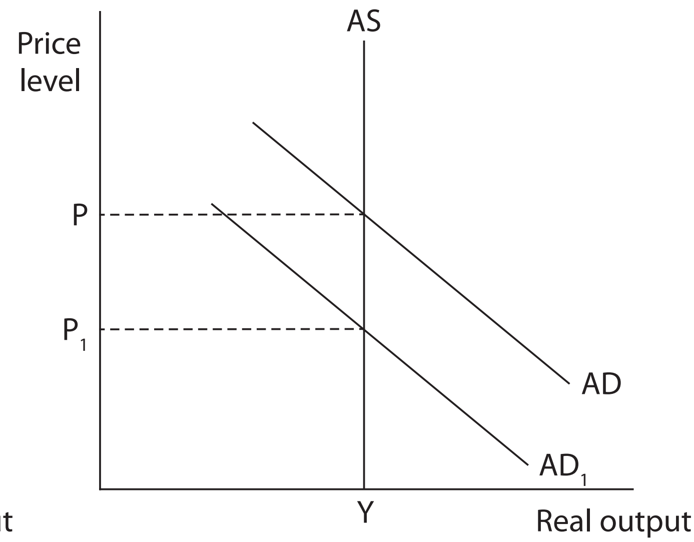

☒ **A**

☒ **B**

☒ **C**

☒ **D**

(b) Using the classical long-run aggregate supply curve, explain what will happen in the long run to real output if aggregate demand increases.

(2)

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(c) Explain the likely impact on aggregate demand of a fall in average house prices.

(2)

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(Total for Question 2 = 5 marks)

3 British pound to US dollar exchange rate (value of one pound in dollars), June 2017 to June 2019.

(Source adapted from: https://www.xe.com/currencycharts/?from=GBP&to=USD&view=2Y)

(a) Which **one** of the following has been the overall change in the British pound to US dollar exchange rate from 1st January 2018 to 1st January 2019?

(1)

☐ **A** Appreciation

☐ **B** Depreciation

☐ **C** Devaluation

☐ **D** Revaluation

(b) Explain the likely impact of the change in the exchange rate of the pound shown in the graph from 1st January 2018 to 1st January 2019 on the UK current account of the balance of payments.

(4)

(Total for Question 3 = 5 marks)

4 A number of business groups have signed an open letter to the UK Government asking it to commit to delivering the full High Speed 2 rail link. This will connect London to the northern cities of Manchester and Leeds at a cost of £56 billion and reduce journey times by as much as 50%.

(Source adapted from: https://www.theguardian.com/uk-news/2019/jun/22/business-heads-urge-next-pm-to-commit-to-finishing-hs2)

(a) Explain **one** likely impact of this project on aggregate supply in the UK.

(4)

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(b) Government spending on the High Speed 2 rail link is an example of which of the following?

(1)

☒ **A** Automatic stabilisers

☒ **B** Capital expenditure

☒ **C** Current expenditure

☒ **D** Transfer payments

(Total for Question 4 = 5 marks)

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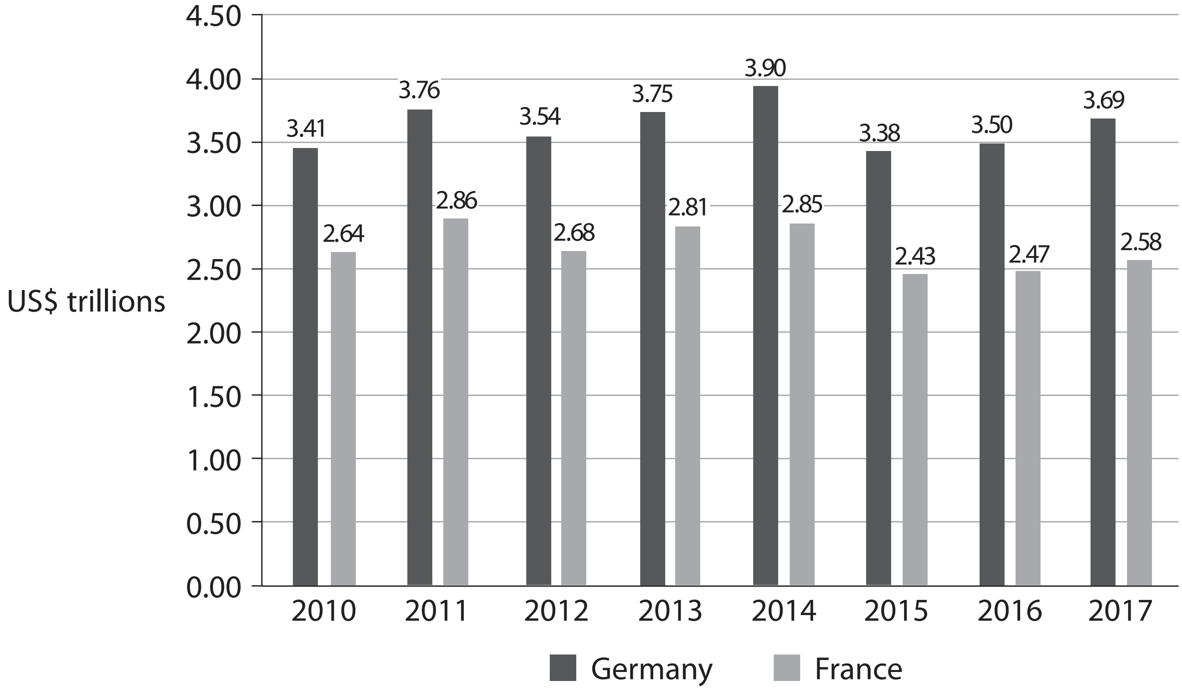
QUESTION 5 BEGINS ON THE NEXT PAGE.

5 GDP at Purchasing Power Parities, Germany and France (nominal, trillions of US dollars) 2010–2017.



(Source: https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?end=2017&locations=DE&start=1970&view=chart)

(a) From the data in the graph above, which **one** of the following may be deduced?

(1)

☒ **A** France's rate of inflation was lower than Germany's in 2017

☒ **B** Germany's GDP is smaller than France's in every year shown

☒ **C** In every year that France's GDP fell compared to the previous year, Germany's GDP did too

☒ **D** The GDP of both Germany and France fell between 2015 and 2016

(b) Calculate the percentage change in Germany's nominal GDP from 2016 to 2017.

(2)

(c) Explain **one** reason why Purchasing Power Parities are used.

(2)

(Total for Question 5 = 5 marks)

TOTAL FOR SECTION A = 25 MARKS

SECTION B

Read Figures 1, 2, and 3 and extracts A and B before answering Question 6.

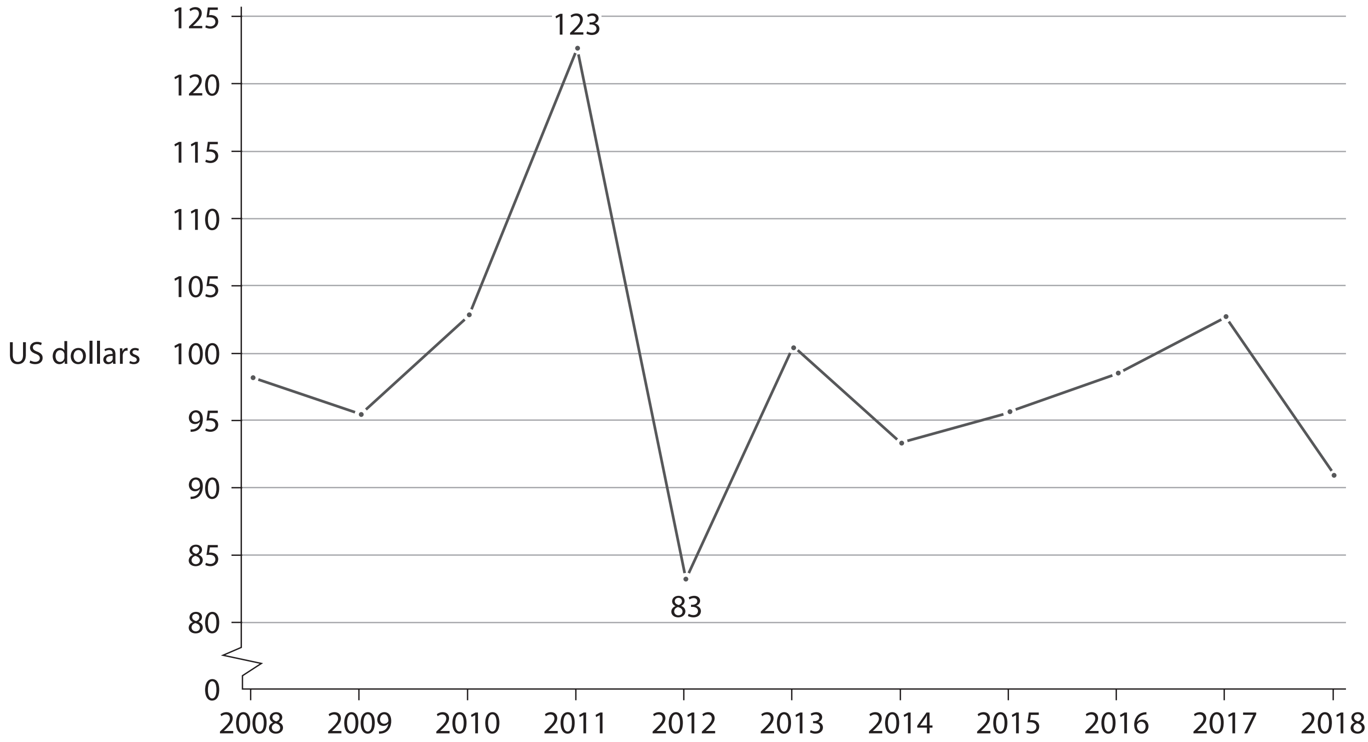
Write your answers in the spaces provided.

You are advised to spend 1 hour on this section.

Question 6

Trade and aid in Rwanda

Figure 1: Aid funding received by Rwanda (per capita, US dollars), 2008 to 2018



(Source adapted from: data.worldbank.org)

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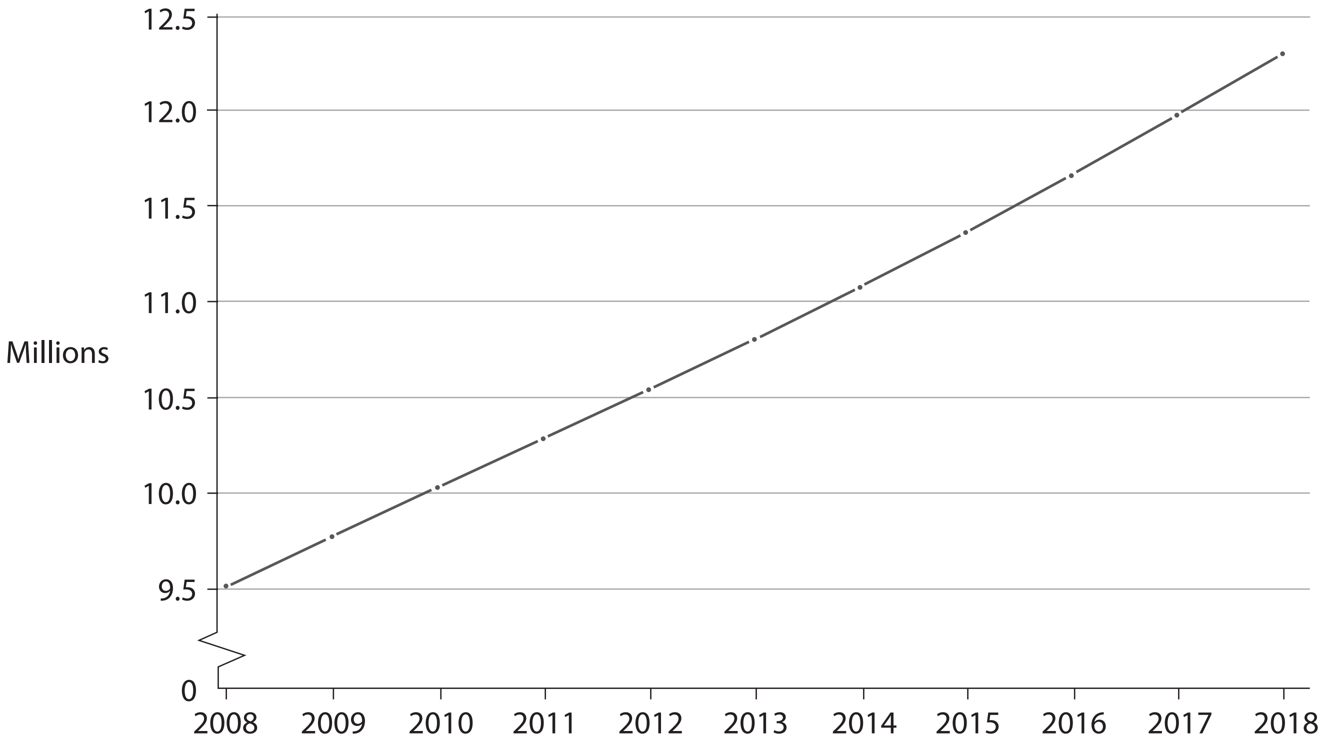
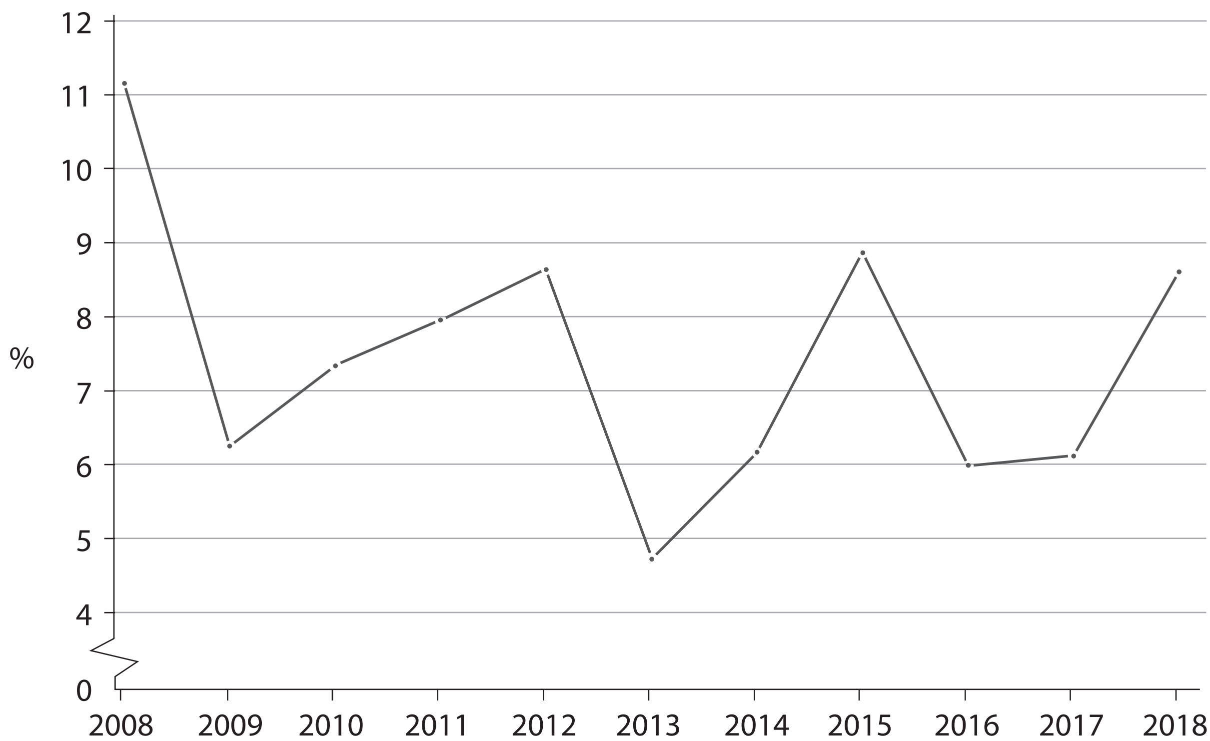
Figure 2: Population of Rwanda (millions), 2008 to 2018



(Source adapted from: https://tradingeconomics.com/rwanda/population)

Figure 3: Rwanda real GDP annual percentage growth rate, 2008 to 2018



(Source adapted from: African Development Bank Statistics accessed April 2020)

Extract A

Rwandan tariffs on imports of used clothing

In a market in Kigali, Rwanda's capital, an auction is under way. Sellers offer crumpled T-shirts and faded jeans; traders argue over the best picks. Everything is second-hand. A Tommy Hilfiger shirt sells for 5 000 Rwandan francs ($5.82); a plain one for a tenth of that. Afterwards, a trader sorts through the purchases he will resell in his home village. The logos hint at their previous lives: Kent State University, a rotary club in Pennsylvania, Number One Dad.

These auctions were once twice as busy, but in 2016 Rwanda's government increased import tariffs on a kilo of used clothes from $0.20 to $2.50. Now many traders struggle to make a profit. The traders are not the only ones who are unhappy. Exporters in the US claim the tariffs are costing jobs there. In March, the US President warned that he would suspend Rwanda's tariff-free access to US markets for its clothing exports after 60 days if it did not remove the tariff.

Globally, about $4 billion of used clothes crossed borders in 2016. The share from China and South Korea is growing, but 70% still come from Europe and North America. Many go to Asia and eastern Europe, but Africa remains the largest market. The trade enables poor people to afford clothes and creates retail jobs. However, governments worry that the trade undercuts their own clothing manufacturers.

Second-hand imports of clothing now dominate African markets. Researchers at the Overseas Development Institute, a British think-tank, estimate that Tanzania imports 540 million used items of clothing and 180 million new ones each year, while producing fewer than 20 million itself. African manufacturing is weak for many reasons, from ineffective privatisations to collapsing infrastructure. But second-hand clothing imports are a major factor: it is estimated that they accounted for half of the fall in employment in the African clothing industry between 1981 and 2000.

For example, a clothing factory in Kigali is operating at only 40% of capacity and employs 600 workers, down from 1 100 in the 1990s. It is hard to compete, says Ritesh Patel, its manager, when a used imported T-shirt sells for the price of a bottle of water. Instead, the company specialises in uniforms for police, soldiers and security guards, which cannot be bought second-hand.

The threatened suspension of tariff-free access to the US market would hurt Rwanda, but not very much. Last year Rwanda sold just $1.5 million of clothing to the US. Nor, with about 12 million people, is Rwanda a big market for US exports.

(Source adapted from: https://www.economist.com/finance-and-economics/2018/05/31/rwanda-refuses-to-remove-tariffs-on-imports-of-used-clothing)

Extract B

Development in Rwanda

Rwanda's strong economic growth has been accompanied by substantial improvements in living standards, with a two-thirds drop in child mortality and near-universal primary school enrolment. A strong focus on policies to encourage industrialisation and poverty reduction initiatives have contributed to significant improvements in access to services and human development indicators. Absolute poverty declined from 59% to 39% of the population between 2001 and 2014 but was almost stagnant between 2014 and 2017. The official inequality measure, the Gini index, declined from 0.52 in 2006 to 0.43 in 2017.

(Source adapted from: https://www.worldbank.org/en/country/rwanda/overview)

6 (a) Using the data in Figures 1 and 2, calculate the change in the level of total aid funding to Rwanda between 2011 and 2012.

(5)

(b) With reference to the information provided, examine **two** likely benefits for the Rwandan economy of the growth in the country's population.

(8)

(c) With reference to the information provided, assess the likely impact on the Rwandan economy of the change in aid received between 2017 and 2018.

(10)

(d) Discuss the likely impact on Rwandan consumers and clothing manufacturers of the increase in the tariff on imports of second-hand clothes. Use an appropriate diagram to support your answer.

(12)

(e) Discuss policies, other than import tariffs, that the Rwandan government could use to develop its manufacturing industries.

(15)

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(10)

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(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 answer in the space provided.

You are advised to spend 30 minutes on this section.

EITHER

7 The European Central Bank introduced a new round of quantitative easing (QE) in March 2020, purchasing up to €750 billion of assets. The objective of this QE was to reduce the serious risks to the effectiveness of monetary policy resulting from a significant recession. The European Central Bank's target for inflation remains at 'below but close to 2%'.

(Source adapted from: https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200318_1~3949d6f266.en.html)

Evaluate the effectiveness of quantitative easing during 'a significant recession'.

(Total for Question 7 = 25 marks)

OR

8 It has been estimated that if climate change led to the world's temperature rising 2.5 °C compared to the temperature in 2010, then global GDP per capita would be 15% lower by 2100. If temperatures rise by 4 °C compared to the temperature in 2010, then by 2100 global GDP per capita would decline by more than 30%.

(Source adapted from: https://www.nature.com/articles/s41586-018-0071-9)

Evaluate the potential trade-offs between environmental protection and other macroeconomic objectives.

(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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