

**OXFORD CAMBRIDGE AND RSA EXAMINATIONS
AS GCE**

F582/01

ECONOMICS

**The National and International
Economy**

TUESDAY 19 MAY 2015: Afternoon

**DURATION: 1 hour 30 minutes
plus your additional time allowance**

MODIFIED ENLARGED

Candidate forename		Candidate surname	
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Centre number						Candidate number				
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Candidates answer on the Question Paper.

OCR SUPPLIED MATERIALS:

None

OTHER MATERIALS REQUIRED:

Calculators may be used

A CALCULATOR MAY BE USED FOR THIS PAPER
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READ INSTRUCTIONS OVERLEAF

INSTRUCTIONS TO CANDIDATES

Write your name, centre number and candidate number in the boxes on the first page. Please write clearly and in capital letters.

Use black ink. HB pencil may be used for graphs and diagrams only.

Answer ALL the questions.

Read each question carefully. Make sure you know what you have to do before starting your answer.

Write your answer to each question in the space provided. If additional space is required, you should use the lined pages at the end of this booklet. The question number(s) must be clearly shown.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets [] at the end of each question or part question.

The total number of marks for this paper is 60.

The quality of your written communication will be taken into account in the marking of your answer to the question labelled with an asterisk (*).

Any blank pages are indicated.

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Challenging times for Argentina and the United States of America (USA)

Argentina's official statistical agency, INDEC, has been criticised for producing figures which understate the country's inflation rate. One organisation which claims that inflation in Argentina is often three times the official estimate is the Billion Prices Project (BPP). This organisation measures inflation by checking the prices of products sold online. It claims that in the USA the official inflation rate figure also underestimates inflation. 5

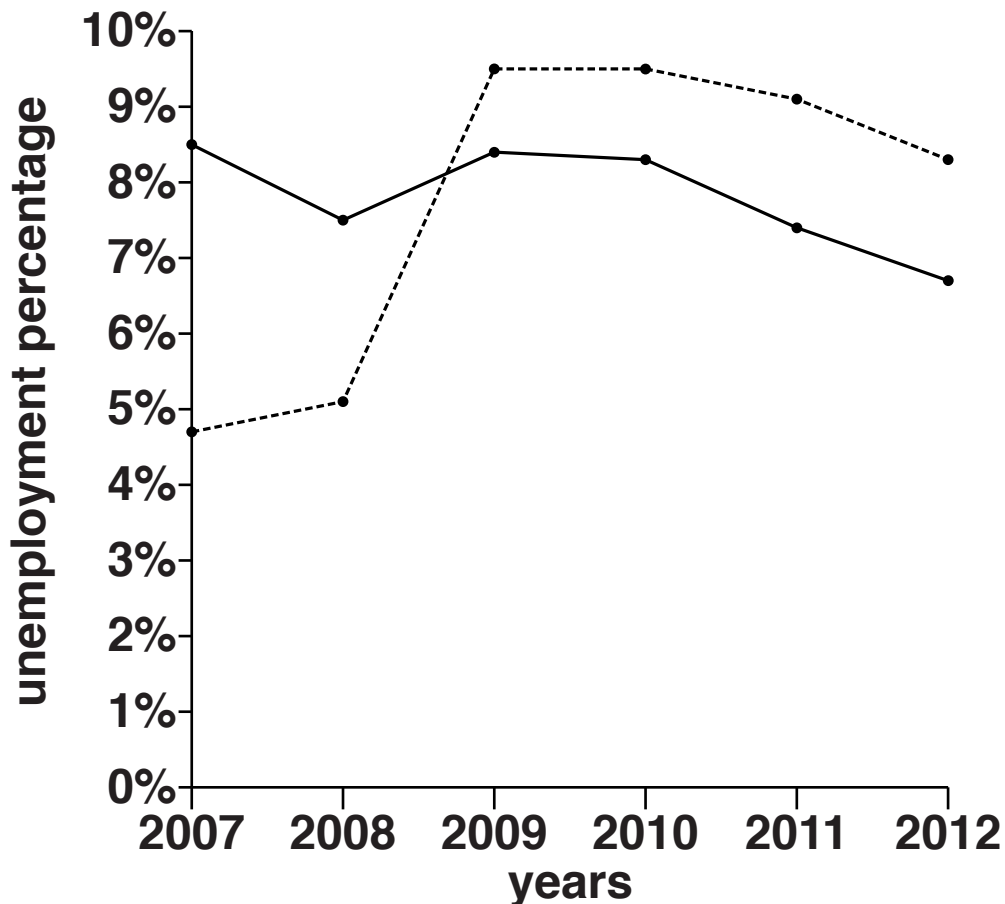
In 2011 the Argentine government fined three independent domestic economic agencies for publishing figures which disagreed with those of INDEC. The government has, however, responded more positively to the criticism by announcing that a new consumer prices index will be introduced. 10
The Argentine price level has been driven up in recent years by a number of factors. Higher wage rates have increased both costs of production and consumer spending. The government has also raised its spending. In 2011 spending on health care was equal to 9.5% of the country's real Gross Domestic Product (GDP) and spending on education was equal to 5.0%. 15
20

Argentina is Latin America's third largest economy in terms of real GDP. In 2011 Argentina's real GDP reached US\$450bn. Between 2007 and 2012 the country had an average annual economic growth rate of 6%. One benefit which can result from economic growth is lower unemployment. Fig. 1 compares the unemployment rates over the period 2007–12 in Argentina and the USA. 25
30

Fig. 1 – Unemployment rates for Argentina and the USA, 2007–12

KEY:

— Argentina USA



Both the Argentine and US governments would welcome a reduction in unemployment. As well as lower unemployment, economic growth may bring other benefits. These include higher investment and improved living standards. The level of investment fluctuates in both countries but living standards have risen and are likely to continue to rise. Life expectancy in 2011 was 76 years in Argentina and 80 years in the USA. It is forecast to rise in both countries.

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There is also the possibility that both countries will experience increasing deficits on the current account of their balance of payments. The USA has had a current account deficit for some time and Argentina moved from a surplus into a deficit in 2011. Both countries recently responded to their deficits by engaging in protectionism. Argentina now imposes both tariff and non-tariff measures on imports. For example in 2012, the Argentine government not only imposed a tax on books bought from foreign websites but also required the buyers to travel to the airport to pick up their books in person.

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Both Argentina and the USA face a number of challenges and there is some debate about what are the best economic policies for them to pursue. A number of economists are suggesting that a reduction in taxation would increase the economic growth rate of each country.

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Answer ALL questions.

1 (a) Define the term ‘price level’.

[2]

(b) Describe ONE reason why a consumer prices index may provide an inaccurate estimate of inflation.

[2]

2 (a) Using information in the case study:

- (i) calculate in US\$ by how much spending on health care exceeded spending on education in Argentina in 2011.**

[2]

(ii) explain TWO reasons why government spending in Argentina may increase in the future.

1 _____

2 _____

_____ **[4]**

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- 3 (a) Using Fig. 1, compare the trend in unemployment rates of Argentina and the USA between 2007 and 2012.**

[4]

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4 Explain why a government would want to prevent a decrease in aggregate supply.

[2]

5 (a) Define the term ‘protectionism’.

[2]

(b) State THREE non-tariff methods of protection.

1

2

3

[3]

6 (a) State THREE components of the current account of the balance of payments.

1 _____

2 _____

3 _____

_____ **[3]**

(b) Analyse TWO causes of an increase in a current account deficit of the balance of payments.

1 _____

2 _____

[6]

7* Discuss whether a reduction in taxation will always increase a country's economic growth rate. [18]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

END OF QUESTION PAPER

ADDITIONAL ANSWER SPACE

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

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