

Thursday 26 May 2022 – Morning

AS Level in Economics

H060/02 Macroeconomics

Time allowed: 1 hour 30 minutes



You can use:

- a scientific or graph calculator



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

Centre number

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Candidate number

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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. You can use extra paper if you need to, but you must clearly show your candidate number, the centre number and the question numbers.
- Answer **all** the questions in Sections A and B and **one** question in Section C.

INFORMATION

- The total mark for this paper is **60**.
- 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 **16** pages.

ADVICE

- Read each question carefully before you start your answer.

SECTION A

Answer **all** the questions in this section.

Write your answer for each question in the box provided.

1 In the model of the circular flow of income, which of the following will cause national income to increase?

- A An increase in government spending
- B An increase in imports
- C An increase in savings
- D An increase in taxes

Your answer

[1]

2 What type of policy is deregulation?

- A Exchange rate
- B Fiscal
- C Monetary
- D Supply side

Your answer

[1]

3 Which of the following is a definition of hyperinflation?

- A Prices are constant
- B Prices are falling
- C Prices are rising at a slower rate than previously
- D Prices are rising excessively

Your answer

[1]

4 Which of the following may lead to a UK balance of payments current account deficit?

- A An appreciation of the UK pound
- B An increase in tariffs on UK imports
- C Lower UK inflation relative to other countries
- D Research and development subsidies for UK firms

Your answer

[1]

5 If government spending increases significantly during a recession, it may cause a:

- A capital account surplus
- B current account surplus
- C cyclical budget deficit
- D structural budget deficit

Your answer

[1]

- 6 The table shows the value of imports and exports for a country in 2019.

	£bn
Imports of goods	740
Imports of services	275
Exports of goods	545
Exports of services	950

What was the balance of trade in goods?

- A – £675 bn
- B – £195 bn
- C + £480 bn
- D + £1285 bn

Your answer

[1]

- 7 The UK government is planning to limit immigration. What impact may this have on the UK economy in the short-run?

- A Shift aggregate demand to the left
- B Shift aggregate demand to the right
- C Shift aggregate supply to the left
- D Shift aggregate supply to the right

Your answer

[1]

- 8 Which of the following is **most** likely to occur in the boom phase of the economic cycle?

- A GDP falls and unemployment increases
- B GDP increases slowly and unemployment falls
- C Investment expenditure and unemployment increase
- D Unemployment falls and asset values increase

Your answer

[1]

9 The table shows the tax paid by individuals at different levels of income.

Annual Income	Tax paid
£20 000	£2250
£25 000	£2500
£30 000	£3000
£35 000	£4500
£40 000	£7000

What is the marginal tax rate if an individual's annual income increases from £30 000 to £35 000?

- A 10%
- B 13%
- C 30%
- D 50%

Your answer

[1]

10 Which of the following is **not** a component of aggregate demand?

- A Consumption
- B Exports
- C Investment
- D Wealth

Your answer

[1]

11 The exchange rate at the start of 2020 was £1 = \$2. By the end of the year, the pound appreciated by 50% against the dollar. If a UK firm sells £10 000 of products to the USA, how many dollars will it receive after the currency appreciation?

- A \$10 000
- B \$15 000
- C \$20 000
- D \$30 000

Your answer

[1]

12 Which of the following is a component of the current account?

- A Foreign direct investment
- B Portfolio investment
- C Primary income
- D Reserve assets

Your answer

[1]

13 For a country, the CPI was 108 in 2018 and 120 in 2019. What was the inflation rate, to the nearest whole number, as measured by CPI in 2019?

- A -12%
- B +10%
- C +11%
- D +12%

Your answer

[1]

14 There is a sharp rise in unemployment in the economy. What will be the likely impact if automatic stabilisers already exist in the economy?

- A Aggregate demand will fall by less than it otherwise would have
- B Aggregate demand will fall by more than it otherwise would have
- C Aggregate demand will rise faster than it otherwise would have
- D Aggregate supply will fall faster than it otherwise would have

Your answer

[1]

15 The table shows the nominal GDP for a country.

Year	Nominal GDP (£m)
2019	1500
2020	1800
2021	2000

Between 2019 and 2020 the rate of inflation was 3%. What was the country's real GDP in 2020, at 2019 prices (to the nearest pound)?

- A £1456 m
- B £1545 m
- C £1748 m
- D £1854 m

Your answer

[1]

SECTION B

Answer **all** the questions in this section.

Japan's GDP shrinks dramatically at the end of 2019

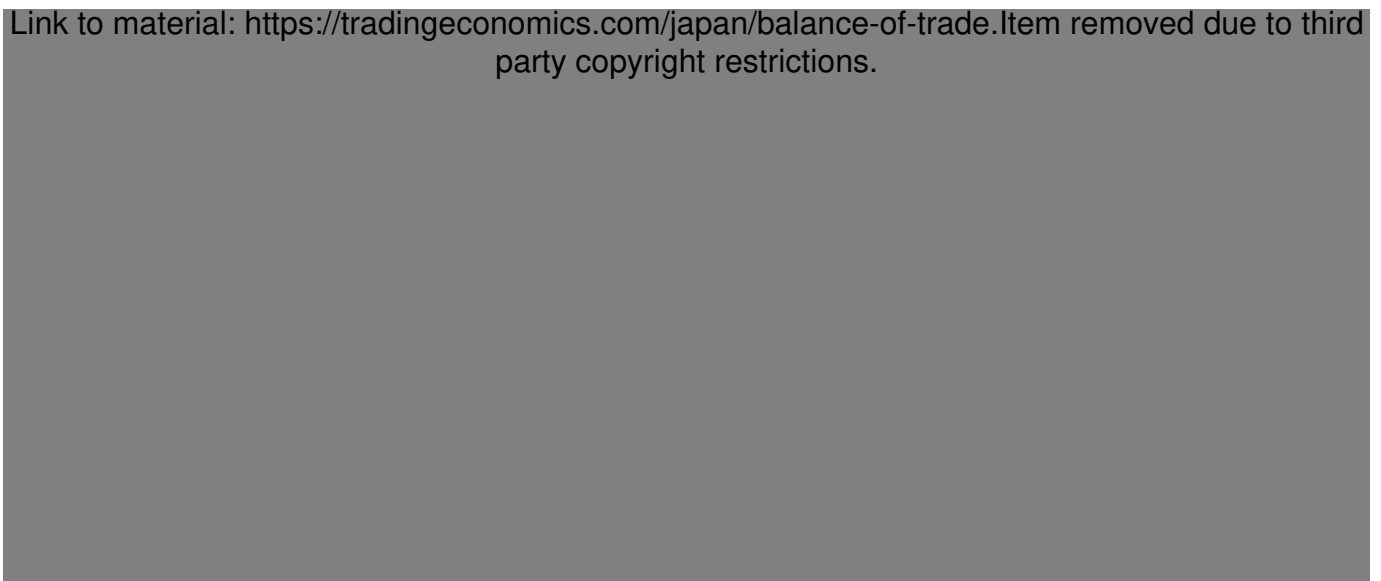
Link to material: <https://www.economist.com/finance-and-economics/2020/02/17/japans-gdp-shrinks-dramatically-after-a-tax-rise-and-a-typhoon>. Item removed due to third party copyright restrictions.

Source: Adapted from The Economist

Fig. 1

Japan's Unemployment Rate 2015–2020

Link to material: <https://tradingeconomics.com/japan/balance-of-trade>. Item removed due to third party copyright restrictions.




Source: Trading Economics

Fig. 2

Japan's Interest Rate 2010–2020

Link to material: <https://tradingeconomics.com/japan/balance-of-trade>. Item removed due to third party copyright restrictions.



Source: Trading Economics

16 (a) (i) Using **Fig. 1**, explain how the unemployment rate changed in Japan between 2015 and 2020.

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..... [2]

(ii) **Line 29** refers to "...unfilled jobs in IT related occupations."

Explain **one** supply side policy the Japanese government could implement to reduce the number of unfilled jobs.

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..... [2]

(b) (i) Using **Fig. 2**, state what has happened to Japan's interest rate between 2017 and 2019.

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..... [1]

(ii) **Other than interest rates**, explain **one** expansionary monetary policy that Japan's central bank could use.

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..... [2]

(c) The case study refers to the Tokyo Olympics (lines 19–20).

Using a diagram, explain what impact holding the Olympics is likely to have on economic growth in Japan.

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..... [4]

(d) Using information from the case study, explain how the change in consumption tax (value added tax) may have affected unemployment in Japan in 2014.

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..... [4]

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