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.
- Answer **all** questions.
- Answer the questions in the spaces provided
  – *there may be more space than you need*.
- Calculators may be used.
- You are advised to **show all your working out** with **your answer clearly identified** at the **end of your solution.**

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets
  – *use this as a guide as to how much time to spend on each question.*

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over

Pearson

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 ⊠.

1 (a) International trade that takes place with no restrictions is known as

(1)

⊠ **A** globalisation

⊠ **B** protectionism

⊠ **C** free trade

⊠ **D** Foreign Direct Investment

(b) What is the name given to a country's exports and imports of services?

(1)

⊠ **A** Visible trade

⊠ **B** Invisible trade

⊠ **C** Transfer payments

⊠ **D** The balance of payments

(c) What is meant by the term unemployment?

(2)

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(d) What is meant by the term trade-off?

(2)

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(e) Calculate, to **two** decimal places, the **rate of unemployment** for a country which has a labour force of 72 million of which 8 million are unemployed. You are advised to show your working.

(2)

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(f) Using the diagram below, draw the effects of the introduction of a tariff on the equilibrium price and quantity of a good. Label the new curve, the new equilibrium price and quantity.

(3)

Figure 1

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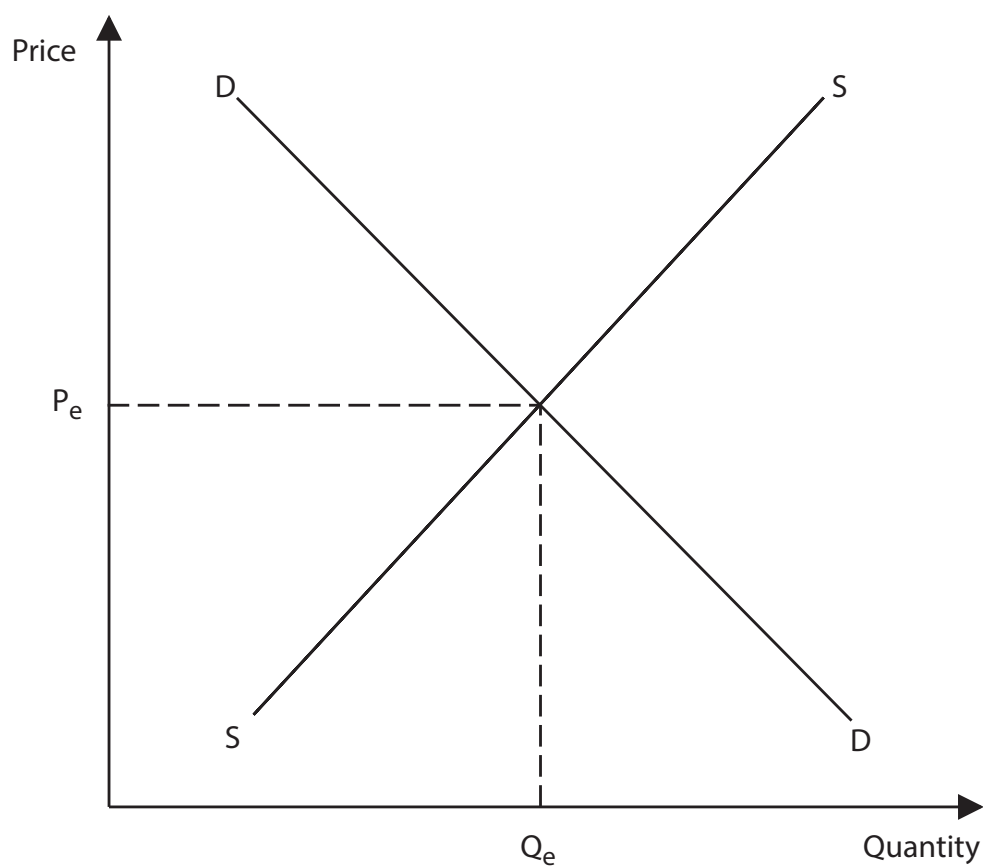
In November 2018, Mexico's current account deficit increased to $5.082bn.

(g) Explain **one** reason why the quality of domestic goods might have resulted in this increase in the current account deficit for Mexico.

(3)

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Australia has referred India to the World Trade Organization (WTO) because of the $725m subsidies it pays to its sugar cane farmers.

(h) Analyse why the Indian Government might have given subsidies to its sugar cane farmers.

(6)

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(Total for Question 1 = 20 marks)

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QUESTION 2 BEGINS ON PAGE 8.

2 Figure 2 shows the rates of taxation in the UK in 2018.

Income per year (£)	Tax rate (%)
0 to 11 850	0
11 851 to 46 350	20
46 351 to 150 000	40
150 000 upwards	45

Figure 2

(a) This is an example of what type of taxation system?

(1)

☒ **A** Indirect

☒ **B** Progressive

☒ **C** Regressive

☒ **D** Value added

(b) To improve the standard of living, which **one** of the following is a government likely to reduce?

(1)

☒ **A** Welfare payments

☒ **B** Subsidies for housing

☒ **C** Education

☒ **D** Indirect taxes

(c) State **one** method of government intervention that should lead to the protection of the environment.

(1)

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(d) What is meant by the term relative poverty?

(2)

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In Manchester, UK, over 350,000 motorists have been issued with parking fines of £30.
This gave the local government of Manchester additional revenue of £10.4m in one year.

(e) Explain **one** advantage for a local government, such as Manchester, of issuing
parking fines.

(3)

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A recent report estimates 23% of gross domestic product (GDP) in Greece is from revenue that goes unrecorded by the government.

(f) Explain **one** possible reason why a large percentage of Greece's GDP might be unrecorded.

(3)

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QUESTION 2(g) BEGINS ON PAGE 12

P 5 8 3 8 4 A 0 1 1 2 4

A new report from New Zealand Kiwifruit Growers Incorporated showed a serious shortage of seasonal workers. This could slow down the kiwifruit industry's predicted growth. The report showed that the industry will require an additional 7,000 seasonal workers if it is to double in size by 2027. Revenue from the sale of kiwifruits was predicted to increase from NZ$2.1bn in 2017 to NZ$4bn by 2027. At the start of the 2018 season, the industry was short of 1,200 workers with 70% of the crop still to be picked.

(Source adapted from: https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=12099643)

(g) With reference to the data above and your knowledge of economics, assess the ways a country such as New Zealand could reduce the shortage of seasonal workers.

(9)

(Total for Question 2 = 20 marks)

P 5 8 3 8 4 A 0 1 3 2 4

3 (a) A fiscal surplus occurs when

(1)

- ☒ **A** a country exports more than it imports
- ☒ **B** government revenue is greater than government expenditure
- ☒ **C** a country imports more than it exports
- ☒ **D** government expenditure is greater than government revenue

(b) In an exchange rate system without government intervention, a rise in the exchange rate is known as

(1)

- ☒ **A** appreciation
- ☒ **B** devaluation
- ☒ **C** depreciation
- ☒ **D** revaluation

The rate of inflation in Cyprus decreased from 3.1% in September to 3% in October.

(c) Explain **one** reason why low and stable inflation is a macroeconomic objective for a country such as Cyprus.

(3)

In November 2018, the South African Monetary Policy Committee decided to increase interest rates by 0.25% to 6.75%. This decision affected the currency of South Africa, the Rand.

(d) Analyse the likely impact of an increase in interest rates on the currency of South Africa.

(6)

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QUESTION 3(e) BEGINS ON PAGE 18

US President Donald Trump introduced lower business taxes in the hope of making the US more competitive globally. In 2017, business taxes in the US were 35% and a new lower rate of 21% was introduced in 2018. Donald Trump has plans to lower this to 15% in the future.

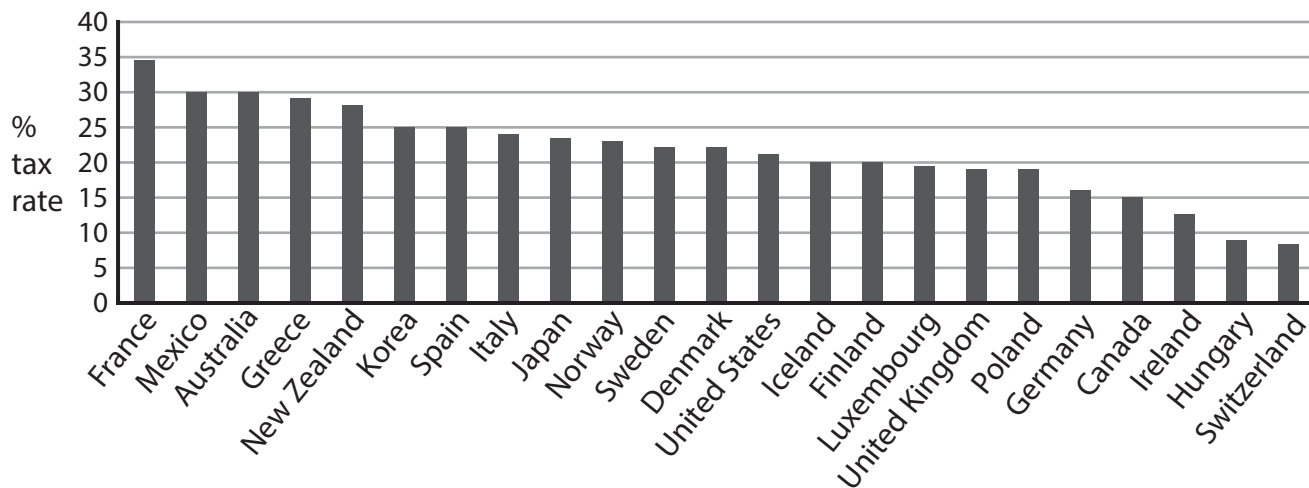**Business tax rates for selected OECD* countries 2018 (%)**

Figure 3

*OECD: Organisation for Economic Cooperation and Development.

(Source: https://stats.oecd.org/index.aspx?DataSetCode=TABLE_II1)

(e) With reference to the data above and your knowledge of economics, assess the likely effectiveness of lower business taxes in stimulating investment in a country such as the US.

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(Total for Question 3 = 20 marks)

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4 Figure 4 shows Kenya's interest rate (%) from January to October 2018.

Figure 4

(Source: https://tradingeconomics.com/kenya/interest-rate)
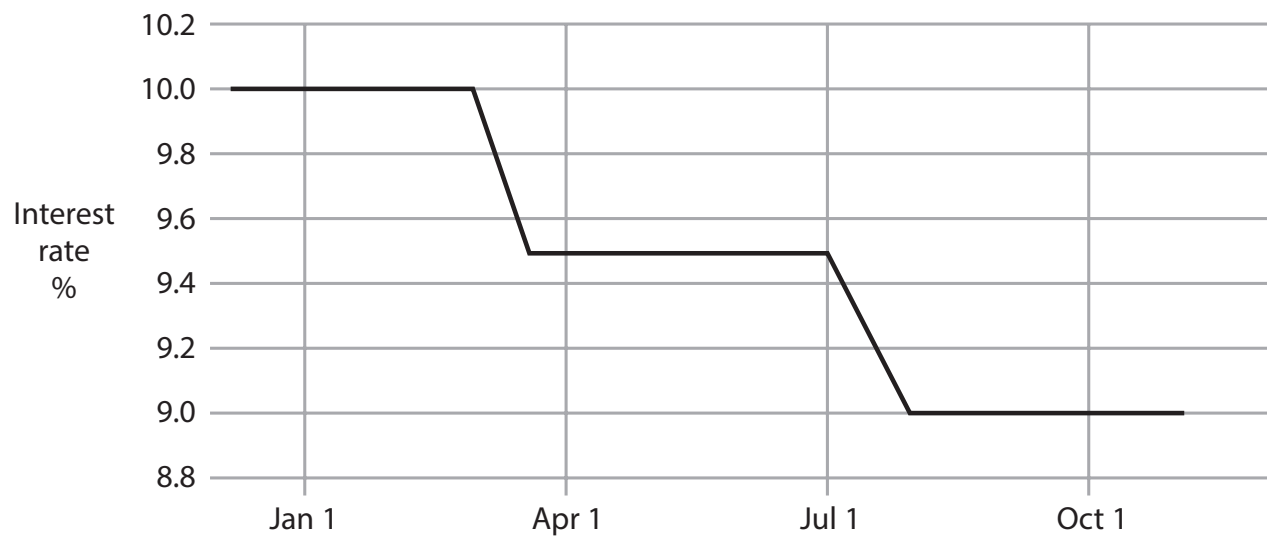
(a) Calculate the **percentage change** in Kenya's interest rate between January and October 2018. You are advised to show your working.

(2)

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The annual rate of inflation in Kenya was 5.7% in September 2018 and fell to 5.53% in October 2018.

(b) Analyse how monetary policy could be used to further reduce the rate of inflation in Kenya.

(6)

Kenya is the third largest exporter of cut flowers in the world, accounting for 1.3% of its GDP. Kenya's main airport has a terminal dedicated especially to the transport of flowers and vegetables.

The Kenyan flower industry has created many employment opportunities. Around 100,000 people are employed directly on the flower farms and over 500,000 people benefit indirectly from this industry.

Over half of Kenya's 127 flower farms are concentrated around Lake Naivasha due to the large amount of water needed to grow the flowers. Some environmental campaigners have expressed concerns over the impact that the flower industry could have on the lake.

(c) With reference to the data above and your knowledge of economics, evaluate the likely benefits for Kenya of the globalisation of its flower industry.

(12)

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

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