

**OXFORD**

INTERNATIONAL  
AQA EXAMINATIONS

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# **INTERNATIONAL AS**

## **ECONOMICS**

UNIT 2: THE NATIONAL ECONOMY IN A GLOBAL ENVIRONMENT

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### **SPECIMEN 1**

#### **Source Booklet**

Extract A: Selected economic indicators and economies in selected years, 2009 to 2017

Extract B: Changes in the world economy

Extract C: Conflict between objectives?

Do not write in this source booklet.

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**Extract A: Selected economic indicators and economies in selected years, 2009 to 2017**

Year	Brazil		France		World
	Inflation (%)	Unemployment (%)	Inflation (%)	Unemployment (%)	GDP growth (%)
2009	4.9	8.5	0.1	8.7	-1.7
2011	6.6	6.9	2.1	8.8	3.2
2013	6.2	7.0	0.9	9.9	2.7
2015	9.0	8.4	0.0	10.4	2.9
2017	3.4	12.8	1.0	9.4	3.2

Note: All figures are rounded

Source: World Bank, May 2019

**Extract B: Changes in the world economy**

The first 20 years of the 21 <sup>st</sup> century have brought significant changes to countries around the world. There have been persistently high economic growth rates in many developing countries but for the world as a whole, there have been fluctuations in growth, as would be expected in different phases of the economic cycle.	1 5
The global recession of 2009 led to slower or negative growth for a considerable time in a variety of economies. This was the worst recession for 80 years, both in terms of the number of countries affected and the fall in world real GDP per head. However, averages often hide considerable differences. For example, in 2009, some of the former Russian republics, such as Estonia and the Ukraine suffered falls in GDP of over 14%. In contrast, some countries experienced very high rates of growth, such as Afghanistan at 21.4% and Zimbabwe at 12%.	10
The continued economic growth in China and India in recent years, together with their large populations, is leading to a rise in their importance in world markets. Lower labour costs in such countries have encouraged foreign firms to locate factories and offices here, leaving other economies to adapt to the changing patterns of production and trade.	15
It has also been a time of rapid changes in technology, increasing productivity and reducing costs. This has helped many countries keep inflation low. For example, the widespread use of the internet has been significant through its impact on competition.	20

Source: News reports, 2019

**Extract C: Conflict between objectives?**

Objectives of governments' macroeconomic policy include economic growth, price stability, unemployment and the balance of payments. However, the importance attached to each objective is likely to change over time according to priorities and the problems the country is experiencing. For example, as countries develop and incomes rise, people may place more importance on the environment.	1  5
Countries with relatively low income per head are most likely to focus on policies to increase economic growth, while many high-income countries, at least for many years, have considered keeping inflation low and stable to be the key to success. This is based on the view that low inflation is necessary to achieve sustained, stable economic growth and low unemployment.	10
However, there is also the possibility of trade-offs arising, at least in the short run, when attempting to achieve different macroeconomic objectives, for example low inflation and economic growth. Although Zambia more than halved their inflation rate between 2009 and 2017, from 13.4% to 6.6%, their growth rate also fell from 9.2% to 3.4%.	15
The global recession caused widespread cyclical unemployment, which resulted in many developed countries running much larger budget deficits. Many people feared that the subsequent cuts in government spending to reduce the deficits would lead to aggregate demand falling. However, record low interest rates, supported by unconventional measures, such as quantitative easing, helped to maintain spending. This expansionary monetary policy led some economists to predict an unwelcome rise in inflation but this has not happened.	20
Unemployment, whether short-term or long-term, has a number of causes. If the unemployment is due to supply-side factors, appropriate policies to reduce unemployment may help the government to achieve its other macroeconomic objectives as well, including lower inflation.	25

Source: News reports, 2019

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