# OXFORD
## INTERNATIONAL AQA EXAMINATIONS

# INTERNATIONAL A-LEVEL
# ECONOMICS

## UNIT 4: ECONOMIC DEVELOPMENT AND THE GLOBAL ECONOMY

| Specimen 1 2019 | Morning | Time allowed: 2 hours |
|---|---|---|

**Materials**

For this paper you must have:
- the source booklet, provided as an insert (enclosed)
- a calculator, which you are expected to use where appropriate.

**Instructions**

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of the page.
- Answer **all** questions in **Sections A, B and C**.
- Answer **EITHER** Question 15 or Question 16 in **Section D**.
- You must answer the questions in the spaces provided.
- Do not write outside the box around each page or on blank pages.
- Do not write in the source booklet.
- If you need extra space for your answer(s), use the lined pages at the end of this book. Write the question number against your answer(s).
- All working must be shown.
- Do all rough work in this book. Cross through any work you do not want to be marked.

**Information**

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 90.
- You may use a bilingual dictionary for this exam.
- You may **not** use an English dictionary.

## Section A

Answer **all** questions in the spaces provided

Only **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD ● WRONG METHODS ⊗ ⊙ ⬳ ⍉

If you want to change your answer you must cross out your original answer as shown. ⊠

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown. ⊗

| 0 | 1 | Which one of the following is a feature of a customs union but not a free trade area?

**[1 mark]**

A    A common external tariff on imports    ⬭

B    Free movement of people between member countries    ⬭

C    Free trade between member countries    ⬭

D    Free trade with non-member countries    ⬭

| 0 | 2 | A country has a deficit on its balance of payments when

**[1 mark]**

A    government spending is greater than taxation.    ⬭

B    taxation is greater than government spending.    ⬭

C    the value of exports is greater than the value of imports.    ⬭

D    the value of imports is greater than the value of exports    ⬭

**0 3** The Human Development Index (HDI) and the Inequality-adjusted Human Development Index (IHDI) for two countries are shown in the table below.

|  | Country X | Country Y |
|---|---|---|
| **HDI** | 0.84 | 0.75 |
| **IHDI** | 0.73 | 0.70 |

From the information in the table, it can be concluded that country X has a

**[1 mark]**

A greater degree of inequality than Country Y. ⬭

B higher national income per head than Country Y. ⬭

C lower life expectancy than County Y. ⬭

D lower standard of living than Country Y. ⬭

**0 4** To reduce the risks that result from commercial banks borrowing short term and lending long term, the central bank could require commercial banks to

**[1 mark]**

A increase their capital ratio. ⬭

B increase their long-term lending. ⬭

C increase their short-term borrowing. ⬭

D reduce their cash ratio. ⬭

**Turn over for the next question**

| 0 | 5 | The following table shows the real GDP of an economy from 2015 to 2019.

| Year | 2015 | 2016 | 2017 | 2018 | 2019 |
|------|------|------|------|------|------|
| Real GDP ($bn) | 213 | 215 | 245 | 256 | 271 |

If the figures were converted to index form with 2016 as the base year, what would be the value of the index (to the nearest whole number) in 2019?

**[1 mark]**

A    124                                                      ⬭

B    125                                                      ⬭

C    126                                                      ⬭

D    127                                                      ⬭

| 0 | 6 | To promote economic development, the government of a country has helped firms increase exports. The value of the marginal propensity to consume in the country is 0.4. Which of the following changes in the country's national income would result from an increase in exports of £30bn?

**[1 mark]**

A    £12bn                                                    ⬭

B    £42bn                                                    ⬭

C    £50bn                                                    ⬭
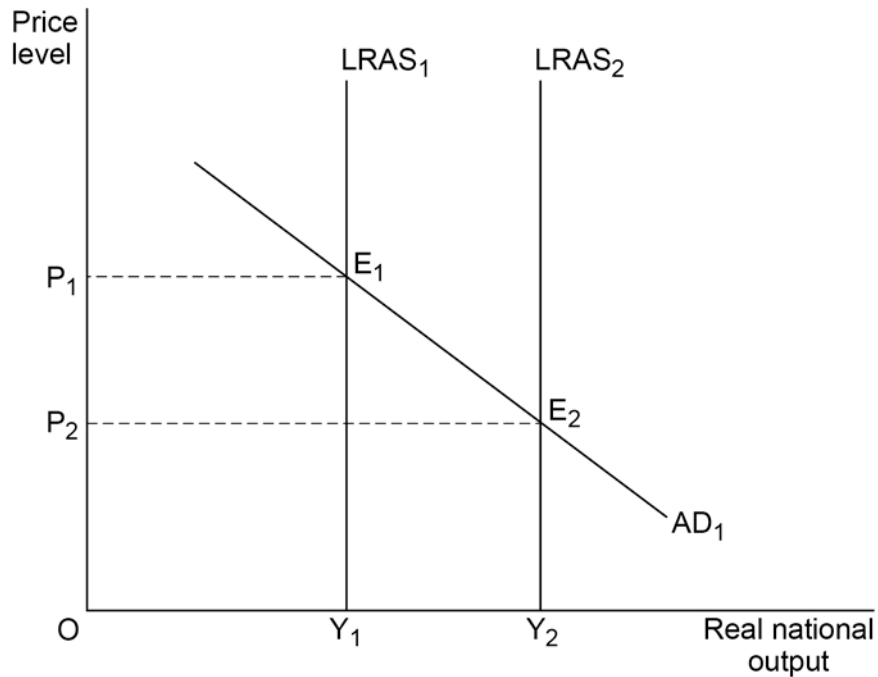
D    £75bn                                                    ⬭

**0 7** The diagram below shows the aggregate demand (AD) curve and two long-run aggregate supply (LRAS) curves for an economy. The economy's initial equilibrium is at $E_1$.



Other things being equal, which one of the following is most likely to move the economy from its initial equilibrium at $E_1$ to a new equilibrium at $E_2$?

**[1 mark]**

A   An increase in household consumption ⬭

B   An increase in labour productivity ⬭

C   An increase in exports ⬭

D   A fall in world commodity prices ⬭

**Turn over for the next question**

**Turn over ▶**

| 0 | 8 |

The table below shows the index of export prices and the index of import prices for an economy from 2015 to 2019.

| Year | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Index of export prices | 115 | 105 | 100 | 120 | 110 |
| Index of import prices | 124 | 108 | 100 | 108 | 105 |

Which one of the following is correct? The country's terms of trade

**[1 mark]**

**A**    deteriorated between 2016 and 2017    ⬭
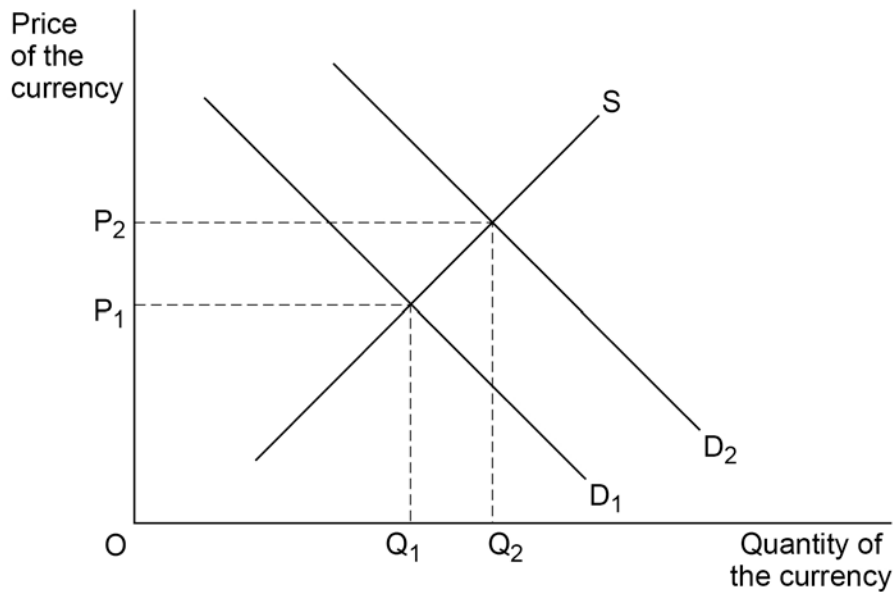
**B**    deteriorated between 2017 and 2018    ⬭

**C**    improved between 2015 and 2016    ⬭

**D**    improved between 2018 and 2019    ⬭

**0 9** The diagram below shows the supply curve (S) for a currency on the foreign exchange market and two demand curves (D) for the currency. The initial price of the country's currency is $P_1$.



Other things being equal, which one of the following events is most likely to increase the demand for the country's currency and raise its price from $P_1$ to $P_2$?

**[1 mark]**

A   An increase in foreign direct investment in the country ☐

B   An increase in spending on imports ☐

C   An increase in the country's budget deficit ☐

D   The country's central bank reducing interest rates ☐

**1 0** Which one of the following is a market-based strategy to promote development?

**[1 mark]**

A   A managed exchange rate ☐

B   An increase in public ownership of businesses ☐

C   Government spending on infrastructure ☐

D   Trade liberalisation ☐

**Turn over ▶**

**Section B**

Answer **all** questions in the spaces provided

| 1 | 1 | The model of comparative advantage explains why specialisation and trade can lead to an increase in output. The data below show the number of tables and chairs that can be produced by countries A and B with one bundle of resources.

|  | Tables |  | Chairs |
|---|---|---|---|
| Country A | 1 | or | 2 |
| Country B | 2 | or | 8 |

| 1 | 1 | . | 1 | Define 'comparative advantage'.

**[2 marks]**

| 1 | 1 | . | 2 | If the two countries agree a terms of trade whereby 1 table is exchanged for 3 chairs, using the figures, explain why country B will benefit from trade.

**[4 marks]**

_____

_____

_____

_____

**1 1 . 3** If each country has 10 bundles of resources that can be used to produce either chairs or tables, draw a diagram that shows the production possibility boundary for each country. The diagram must be labelled to show the maximum number of chairs and tables that could be produced by each country if they use all their resources to make **either** chairs **or** tables.

**[4 marks]**

**Turn over for Section C**

# Section C

Look at the source booklet and answer **all** questions in the spaces provided

Do **not** write in the source booklet

| 1 | 2 | | **Extract B** (lines 14-15) states: 'Its floating exchange rate helps to preserve its competitiveness in foreign trade'. |

| 1 | 2 | . | 1 | Explain why the value of the Brazilian Real is likely to affect Brazil's balance of trade in goods and services.
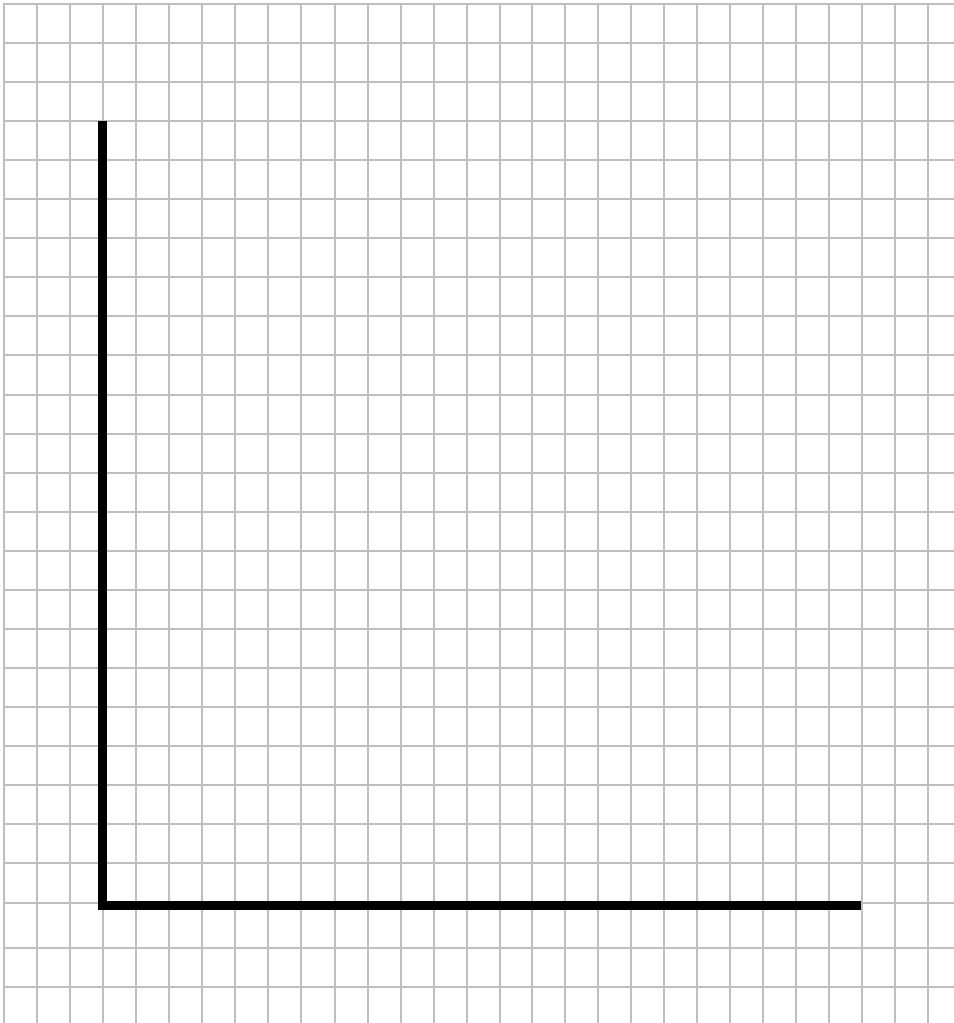
**[4 marks]**

**1 2 . 2** To what extent do the data suggest that the value of the Real has affected Brazil's balance of trade in goods and services between 2012 and 2018? Use the data in **Extract A** to support your answer.

**[4 marks]**

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

**Turn over for the next question**

**1 3**     **Extract B** (line 8) states: 'Investment in Brazil has remained low'.

Explain factors that may have affected the level of investment in Brazil in recent years.

**[12 marks]**

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

**1 4**      **Extract C** (lines 5-6) states: 'since 2015, the pace of poverty and inequality reduction has stagnated'.

Evaluate policies the Brazilian government might adopt to develop its economy to improve the wellbeing of its people.

**[25 marks]**

**Section D**

Answer **either** Question 15 or Question 16.

Fill in the circle below to indicate which optional question you have answered.

Question | 1 | 5 | ○          Question | 1 | 6 | ○

CORRECT METHOD  ⬤          WRONG METHODS  ✖ ◉ ⬱ ⬦

| 1 | 5 | Copper mining is vital for the health of Zambia's economy; it accounts for 85% of the country's exports. Concerns remain that the economy is not diversified enough to cope with a collapse in the world market price of copper.

Assess the effects of fluctuations in the price of a primary commodity, such as copper, for the economy of a country that derives a high proportion of its export earnings from the sale of a single primary commodity.

**[25 marks]**

**OR**

| 1 | 6 | Globalisation of the world economy has resulted from improvements in transport and communication, leading to the growth in world trade, international capital flows and migration.

Discuss the costs and benefits of globalisation for a country of your choice.

**[25 marks]**

_____

_____

_____

_____

_____

_____

_____

_____

_____

**Turn over ▶**

**END OF QUESTIONS**

| Question number | Additional page, if required. Write the question numbers in the left-hand margin. |
|---|---|
| | |

| Question number | Additional page, if required.<br>Write the question numbers in the left-hand margin. |
|---|---|
| | |