Oxford Cambridge and RSA

Monday 20 May 2024 – Afternoon

A Level Economics

H460/02 Macroeconomics

Time allowed: 2 hours

You can use:
- a scientific or graphical calculator

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

Centre number | | | | | | Candidate number | | | | |

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. If you need extra space use the lined pages at the end of this booklet. The question numbers must be clearly shown.
- Answer **all** the questions in Section A, **one** question in Section B and **one** question in Section C.

INFORMATION
- The total mark for this paper is **80**.
- 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 **20** pages.

ADVICE
- Read each question carefully before you start your answer.

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Section A

Read the stimulus material and answer **all** the parts of Question 1.

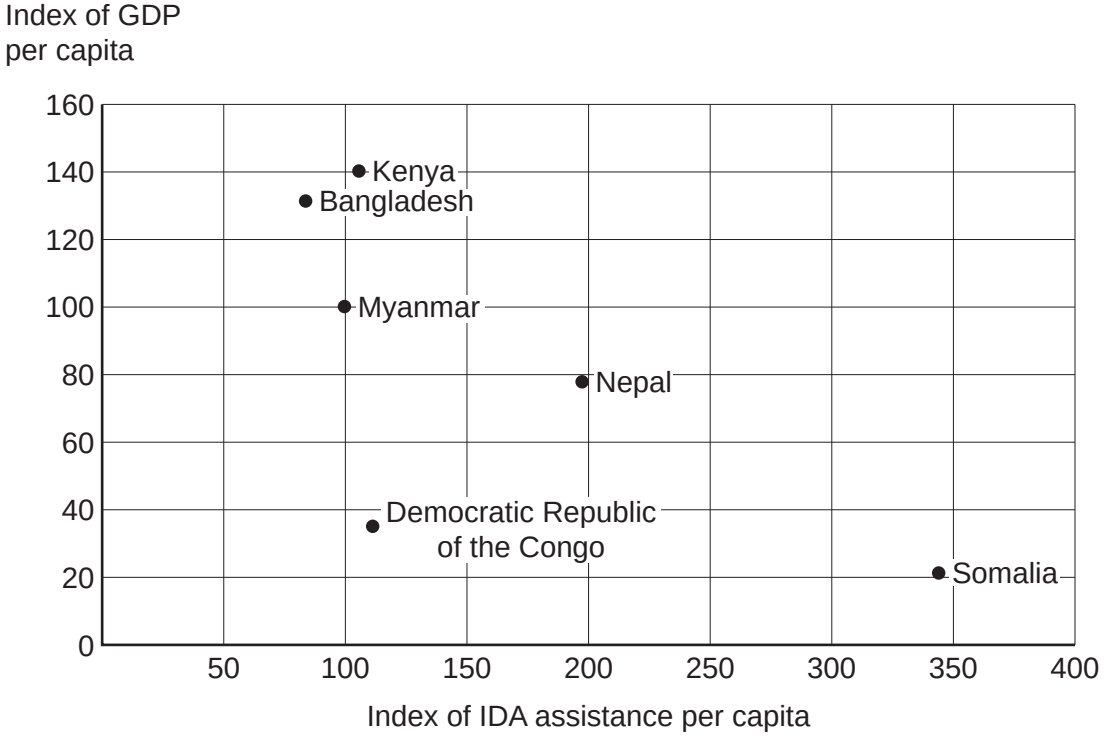
Changing economic conditions in Kenya

At the start of the 2010s, Kenya experienced high and unstable inflation. The inflation rate peaked at 14.2% in 2011. This rapid rise in the price level reduced the amount of goods and services that Kenyans' households disposable income could buy. It also reduced the international competitiveness of the country's products, decreasing net exports.

At the end of the 2010s, Kenya's inflation rate was lower and more stable. It was 5.2% in 2019 and 5.4% in 2020. The country's relative export prices had also fallen. In 2019, Kenya's export price index was 146.2 and its import price index was 215.0.

Kenya's economic growth rate and its government's attempts to raise the living standards of its citizens have been restricted by poor infrastructure. The country has received financial assistance from the International Development Association (IDA). This part of the World Bank is the world's largest multilateral source of concessionary financing for low- and lower middle-income countries. It provides development loans, grants and guarantees to these countries to help them increase their economic growth and development. In 2020, the IDA lent $306 billion to 76 countries Fig. 1 shows the IDA assistance per capita received by six of those countries and their GDP per capita in 2020 expressed in terms of index figures.

Fig. 1
Index figures for the IDA assistance per capita and GDP per capita 2020



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The Kenyan government has raised its spending on education in recent years. Education can have an impact on life expectancy. Table 1 shows mean years of schooling and life expectancy in the six countries shown in Fig. 1.

Table 1
Mean years of schooling and life expectancy 2019

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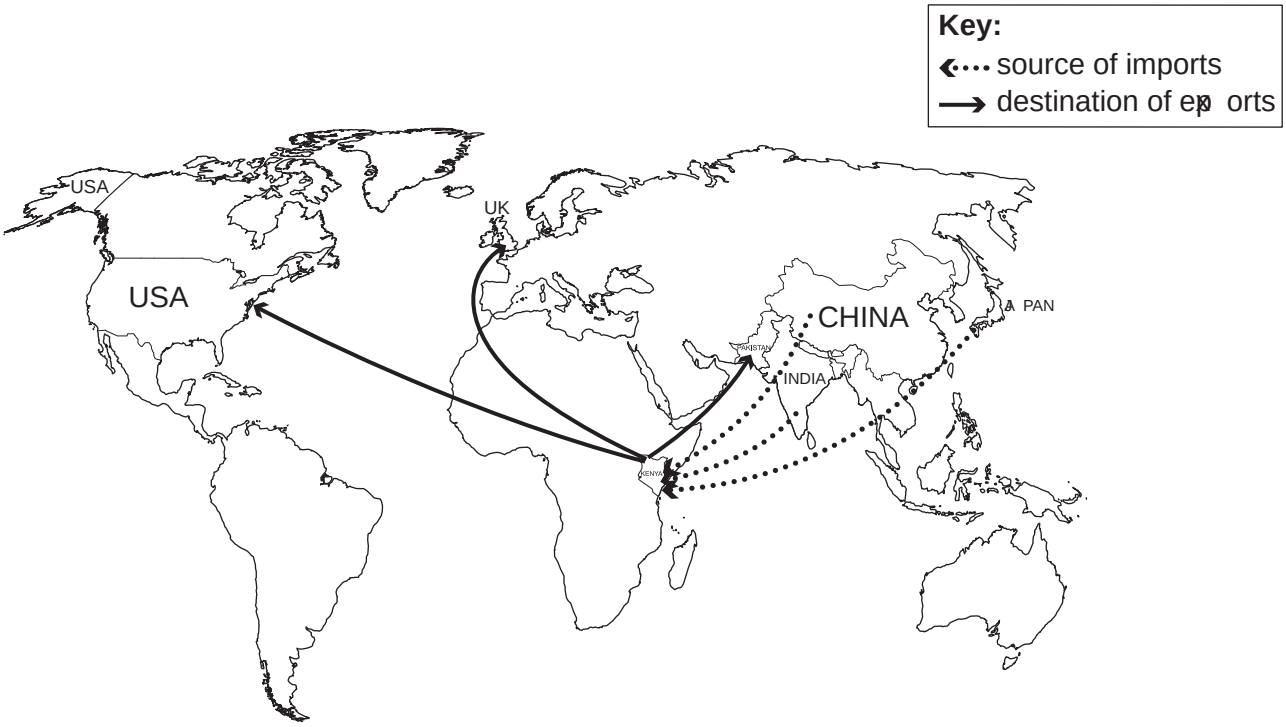
As well as increases in spending on education, the Kenyan government has spent more on health care, infrastructure projects and subsidies given to farmers and tourist firms. It is expected that this increase in government spending will affect Kenya's international trade position. However, it is uncertain whether it will reduce or increase Kenya's government budget deficit.

Kenya's main exports include tea and cut flowers. Fig. 2 shows Kenya's main trading partners.

Fig. 2
Kenya's main trading partners 2020



Kenyans are affected by opportunities and challenges created by globalisation. In recent years, the prices of some products bought by Kenyans have fallen and their quality has increased. The gap between the pay of skilled and unskilled workers in the country has widened. Unemployment is high in the country although some Kenyans have gained employment in foreign multinational companies operating in Kenya.

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(a) Using information from the stimulus material, identify **two** components of Kenya's aggregate demand.

Component 1 .....

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Component 2 .....

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[2]

(b) Using information from the stimulus material, calculate to one decimal place Kenya's terms of trade in 2019.

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..... **[1]**

(c) Explain if the relationship in **Fig. 1** between IDA assistance per capita and GDP per capita is the expected one.

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..... **[3]**

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(d) Using **Table 1**, explain the relationship between mean years of schooling and life expectancy.

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..... **[4]**

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(e) Using information from the stimulus material, evaluate whether the increase in Kenya's government spending is likely to increase the government's budget deficit.

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(f)* Using information from the stimulus material, evaluate whether Kenyans are likely to benefit from globalisation. **[12]**

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Section B

Answer Question **2 or** Question **3**.

2* Finland and the Philippines are experiencing rapid advances in technology.
In 2021, they both had an unemployment rate of 8.7%.

Evaluate, with the use of an appropriate diagram(s), whether advances in technology will help a government to achieve its macroeconomic policy objectives. **[25]**

OR

3* In recent years, household and business surveys have revealed improved economic expectations in many African countries.

Evaluate, with the use of an appropriate diagram(s), whether improved economic expectations will benefit an economy. **[25]**

Question No. .....

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Section C

Answer Question **4 or** Question **5**.

4* Nearly half of South Africa's population was considered to be living in poverty in 2021. The South African government uses fiscal policy measures to reduce poverty.

Evaluate whether fiscal policy can reduce poverty. **[25]**

OR

5* In 2021, the Economic Affairs Committee of the House of Lords in the UK published a report which questioned whether the Bank of England was addicted to using quantitative easing as a monetary policy measure.

Evaluate whether quantitative easing is an effective monetary policy measure. **[25]**

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END OF QUESTION PAPER

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EXTRA ANSWER SPACE

If you need extra space use these lined pages. You must write the question numbers clearly in the margin.

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