

Friday 25 May 2012 – Morning

AS GCE ECONOMICS

F582/01 The National and International Economy

Candidates answer on the Question Paper.

OCR supplied materials:

None

Other materials required:

- Calculators may be used

Duration: 1 hour 30 minutes



Candidate forename		Candidate surname	
Centre number		Candidate number	

MODIFIED LANGUAGE

INSTRUCTIONS TO CANDIDATES

- Write your name, centre number and candidate number in the boxes above. Please write clearly and in capital letters.
- Use black ink. HB pencil may be used for graphs and diagrams only.
- Answer **all** the questions.
- Read each question carefully. Make sure you know what you have to do before starting your answer.
- Write your answer to each question in the space provided. If additional space is required, you should use the lined pages at the end of this booklet. The question number(s) must be clearly shown.
- Do **not** write in the bar codes.

INFORMATION FOR CANDIDATES

- The number of marks is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is **60**.
- Your quality of written communication will be taken into account when marking your answer to the question labelled with an asterisk (*).
- This document consists of **12** pages. Any blank pages are indicated.

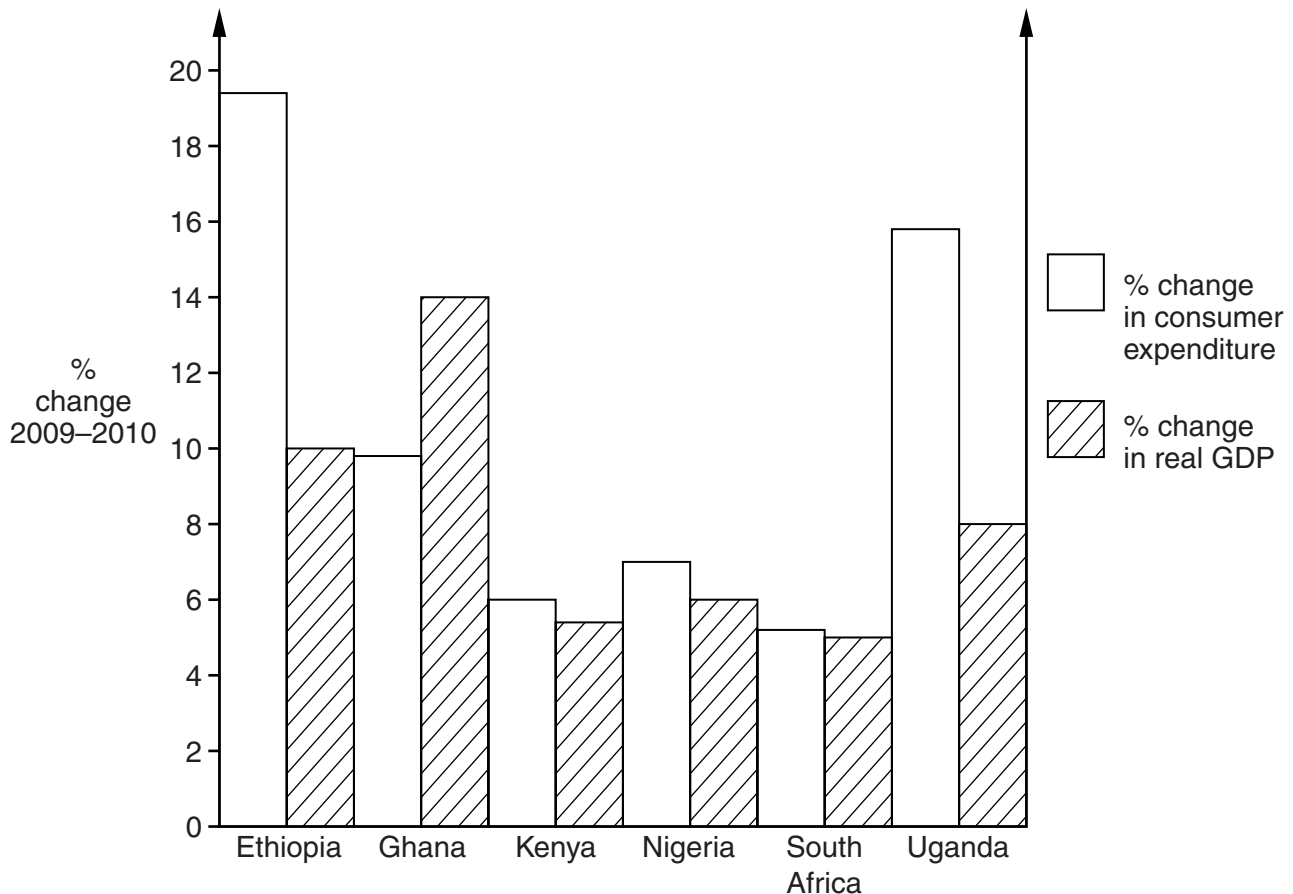


**A calculator may
be used for this
paper**

Africa – leading the world

Between 2000 and 2010 six of the world's ten fastest growing economies came from sub-Saharan Africa. The region is also predicted to provide seven of the top ten places in the next decade. A number of sub-Saharan African countries had impressive economic growth rates in 2010 – see Fig. 1.

Fig. 1 Changes in real GDP and consumer expenditure in selected sub-Saharan African countries 2009–2010



Although South Africa is the region's largest economy, accounting for 40 per cent of sub-Saharan Africa's total Gross Domestic Product (GDP), it is not yet in the top ten fastest growing economies. The South African Government has set itself a target of a 6 per cent annual economic growth rate for the period 2011–2015. The country does, however, face a number of challenges in achieving this objective.

One of the country's main economic problems is unemployment. It has one of the world's highest unemployment rates, which in 2010 reached 25 per cent, with 4.5m people officially registered as unemployed. The country has a relatively small informal sector (unrecorded economic activity) but a high number of discouraged workers, that is people who would like to work but think there is little point in registering as unemployed.

Forty three per cent of the country's 49m people live on US\$2 a day or less. Poverty arises not only because of unemployment but also because a relatively high number of unskilled workers are poorly paid. Poor educational standards mean that, whilst the country is experiencing high unemployment, it is also encountering skills shortages. The government spends 6 per cent of the country's GDP on education which is more than many countries, but over half of all students leave school without any qualifications and only 11 per cent go on to university.

South Africa's trade position, however, is looking more promising. South African firms are engaging more in international trade. The country's exports more than doubled between 1994 and 2010. Inflation has fallen and has become more stable but some economists suggest that a further reduction would help to reduce the country's trade in goods deficit and overall current account deficit.

25

The country also has relatively low levels of saving and investment. Low rates of interest have not stimulated investment significantly and this has led some economists to argue in favour of a cut in corporation tax, that is a tax on companies' profits. Others suggest the government should help to develop a stronger financial sector since a higher proportion of the country's population having bank accounts would provide more funds for investment. The ability of the South African Government to reduce taxation and promote the banking sector is, however, constrained by its budget deficit.

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There are a number of uncertainties facing the South African economy but many think it has the potential to join its neighbours in the top ten fastest growing economies.

Answer **all** questions.

- 1 (a) Define the term 'inflation'.

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..... [2]

- (b) State **three** costs of inflation.

1

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2

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3

..... [3]

- 2 Using information from the case study, calculate the size of South Africa's labour force in 2010.

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..... [2]

- 3 (a) Using information from the case study, analyse **two** reasons why the level of saving is low in South Africa.

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- (b) Comment on whether a cut in corporation tax will increase investment.

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- 4 (a) Trade in goods is one component of the current account of the balance of payments.

Identify **two** other components.

- 1
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2
..... [2]

- (b) Describe **two** advantages to firms of engaging in international trade.

- 1
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2
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..... [4]

- (c) Comment on whether a fall in a country's inflation rate will improve its current account position.

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..... [6]

- 5 (a) Explain the expected relationship between changes in consumer expenditure and real GDP.

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..... [2]

- (b) Using Fig. 1, describe the relationship between the percentage change in consumer expenditure and the change in real GDP in the group of countries shown.

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..... [3]

- 6 (a) Using information from the case study, explain **two** possible reasons why the South African Government aimed to increase the country's economic growth rate.

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- (b)* Discuss whether an increase in government spending on education will always increase a country's economic growth rate.

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If you use these lined pages you **must** write the question number next to your answer.

[illegible]

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