Week 50

A-Level Economics

Homework bundle for this week

本周作业合集

exercises.lol

Contents 目录

11. International economic issues (A Level)

Starter Quiz · 课前小测

A-Level Economics　　Name: ____________　　Score: ______

1. Internal balance refers to:
   - ☐ low inflation and low unemployment at home
   - ☐ a balanced government budget only
   - ☐ a current-account surplus
   - ☐ a fixed exchange rate

2. If 1 pound = 1.25 dollars, how many dollars is 400 pounds?

   ____

3. Economic development differs from economic growth because it focuses on:
   - ☐ living standards and quality of life, not just output
   - ☐ only the level of GDP
   - ☐ only exports
   - ☐ only the money supply

4. Many developing economies rely heavily on the:
   - ☐ primary sector (agriculture and raw materials)
   - ☐ financial services sector
   - ☐ high-tech sector
   - ☐ tourism sector only

5. Foreign direct investment by multinationals can bring a developing country:
   - ☐ capital, jobs and technology
   - ☐ only debt
   - ☐ lower exports
   - ☐ a smaller workforce

6. Which is a key driver of globalisation?
   - ☐ falling transport and communication costs
   - ☐ rising tariffs
   - ☐ closing borders
   - ☐ banning multinationals

7. A demand boost can improve internal balance (jobs) but worsen external balance (the trade deficit).

   ☐ True　☐ False

8. Economic growth can occur without development if the gains do not reach most people.

   ☐ True　☐ False

9. In a poverty trap, low incomes lead to low saving and investment, keeping incomes low.

   ☐ True　☐ False

10. High debt repayments can divert a developing country’s money away from health and education.

    ☐ True　☐ False

A-Level Economics

1. **low inflation and low unemployment at home**

   Internal balance = stable prices and full employment; external balance = a sustainable BoP.

2. **500**

   400 × 1.25 = 500 dollars.

3. **living standards and quality of life, not just output**

   Development is about welfare (health, education, choices), not just more output.

4. **primary sector (agriculture and raw materials)**

   Primary-product dependence (with volatile prices) is a common feature.

5. **capital, jobs and technology**

   FDI brings capital, employment and know-how — though profits may flow abroad.

6. **falling transport and communication costs**

   Cheaper transport/communication, trade liberalisation and MNCs drive integration.

7. **True**

   Higher demand raises imports, widening the current-account deficit.

8. **True**

   If growth is captured by a few, average welfare may barely improve.

9. **True**

   The self-reinforcing cycle that makes development hard to start.

10. **True**

    Servicing large debts crowds out spending on development priorities.

A-LEVEL ECONOMICS • EXERCISE SHEET

11.1 Policies to correct disequilibrium in the balance of payments

Name: ____________ Class: ________ Date: __________ **Total: 24 marks**

KEY WORDS expenditure-switching 支出转换 • marshall–lerner condition 马歇尔勒纳条件 • expenditure-reducing 支出减少 • j-curve effect J 曲线效应 • current account 经常账户

Objective

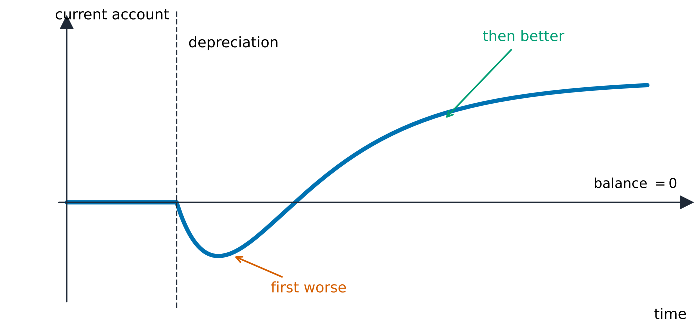
Build the skills to answer exam questions on **policies to correct a balance of payments disequilibrium** 纠正国际收支失衡 — **expenditure-reducing and expenditure-switching** 支出减少与支出转换 policies, the **Marshall–Lerner condition** 马歇尔勒纳条件, and the **J-curve** J 曲线.

You must be able to:

- describe expenditure-reducing and expenditure-switching policies
- state the Marshall–Lerner condition
- explain the J-curve effect

1 Worked examples

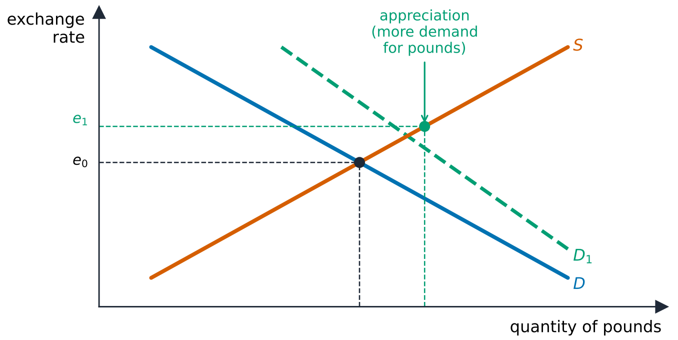
■ **Why a depreciation takes time to work**



J-curve: after depreciation, CA first worse then better

Imports cost more at once, but trade volumes adjust only slowly

- **Expenditure-reducing** 支出减少: higher taxes/interest rates cut imports — but slow growth.
- **Expenditure-switching** 支出转换: a lower exchange rate (**depreciation** 贬值 / **devaluation** 法定贬值) makes exports cheaper, imports dearer.
- **Marshall–Lerner:** a lower rate helps only if $PED_{\text{exports}} + PED_{\text{imports}} > 1$.



floating: D and S set e · $D\uparrow \Rightarrow$ appreciate

Expenditure-switching works through the exchange rate — a lower rate makes exports cheaper

- **J-curve:** the current account first **worsens**, then improves as volumes adjust.

Answer shapes: AO1 + AO2 + AO3 (analysis) + AO4 (a supported judgement *in context*).

2 Practice

2.1 Define the term *expenditure-switching policy.* [2]

2.2 State the Marshall–Lerner condition. [2]

2.3 State what the J-curve shows happens just after a depreciation. [1]

3 Exam-style questions

3.1 A depreciation will improve the current account only if: [1]

- **A** the sum of the price elasticities of demand for exports and imports is less than 1
- **B** the sum of the price elasticities of demand for exports and imports is greater than 1
- **C** demand for both is perfectly inelastic
- **D** the exchange rate is fixed

3.2 Explain the J-curve effect of a depreciation on the current account. [6]

3.3 Discuss whether a depreciation of the currency is the best way to correct a current account deficit. [12]

Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

2.1 a policy that switches spending from imports to domestically produced goods, mainly by lowering the exchange rate (2 for a clear definition; 1 for a partial idea).

2.2 that the sum of the price elasticities of demand for exports and imports must be greater than one ($PED_X + PED_M > 1$) (2 for the condition; 1 for a partial idea).

2.3 the current account first gets worse (1).

3.1 B. The Marshall–Lerner condition requires the elasticities to sum to more than 1.

3.2 *[6]* AO1 1 + AO3 up to 5 — straight after a depreciation, import prices rise at once but trade volumes are slow to change (contracts, habits) → so the import bill rises and the current account first **worsens**; over time buyers switch to cheaper exports and away from dearer imports → volumes adjust → the current account improves, tracing a J.

3.3 *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **For:** a depreciation makes exports cheaper and imports dearer, improving the current account if Marshall–Lerner holds. **Against:** the J-curve means a short-run worsening, it can cause cost-push inflation (dearer imports), and it may invite retaliation. **Alternatives:** expenditure-reducing or supply-side policies. Judgement: a depreciation can work where demand is elastic, but only after a lag and at the cost of inflation — the best choice depends on elasticities and the cause of the deficit.

25 Which statement about the components of the balance of payments is correct?

A The current account consists of transactions in goods, services, investment income and remittances between countries.

B The current account consists of transactions in goods, services, and portfolio investment between countries.

C The financial account consists of transactions in financial assets, investment income and remittances between countries.

D The financial account consists of transactions in fixed assets, investment income and the balancing item between countries.

29 There is a rise in the domestic rate of interest in an economy. This economy has a fixed exchange rate.

What would be the impact on the current and financial accounts of the balance of payments?

	current account	financial account
A	improves	improves
B	improves	worsens
C	worsens	improves
D	worsens	worsens

18 A country with a managed exchange rate has a persistent deficit on the current account of the balance of payments. It devalues its currency to reduce this deficit.

Under which conditions will a devaluation help the government to achieve its four main macroeconomic objectives?

	Marshall–Lerner condition satisfied	level of employment
A	no	below full employment
B	no	full employment
C	yes	below full employment
D	yes	full employment

29 A country with fixed exchange rates faces a surplus on its current account.

Which policy is most desirable to maintain the fixed exchange rate?

A an increase in subsidies given to exporters

B the imposition of trade barriers on the import of non-essential goods

C the sale of foreign currencies in the foreign exchange market

D the use of expansionary monetary policy

A-LEVEL ECONOMICS • EXERCISE SHEET

11.2 Exchange rates

Name: ____________ Class: ________ Date: __________ **Total: 27 marks**

KEY WORDS revaluation 法定升值 • exchange rates 汇率 • devaluation 法定贬值 • nominal 名义 • real 实际

Objective

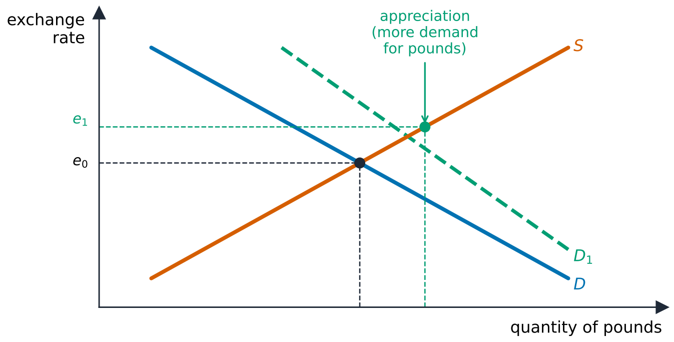
Build the skills to answer exam questions on **exchange rates** 汇率 at A Level — the **nominal, real and effective** 名义、实际、有效 exchange rate, the three systems, and **appreciation, depreciation, revaluation and devaluation** 升值、贬值、法定升值、法定贬值.

You must be able to:

- distinguish nominal, real and trade-weighted (effective) exchange rates
- describe floating, fixed and managed systems
- analyse the effects of a change in the exchange rate

1 Worked examples

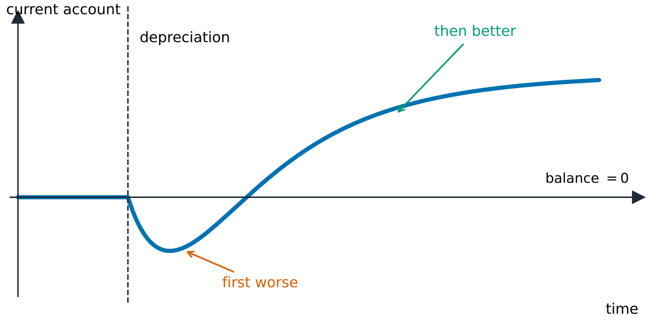
■ Measuring and changing the rate



floating: D and S set e · $D\uparrow \Rightarrow$ appreciate

More demand for the currency raises its value — an appreciation

- **Nominal** 名义: the everyday market rate. **Real** 实际: adjusted for price differences (true competitiveness). **Effective/trade-weighted** 有效: an average against all trading partners.
- **Systems:** floating, fixed, managed.
- Floating: **appreciation** 升值 / **depreciation** 贬值. Fixed: **revaluation** 法定升值 / **devaluation** 法定贬值.



J-curve: after depreciation, CA first worse then better

A rate change takes time to bite: the J-curve traces the trade balance afterward

Answer shapes: an **Explain [up to 8]** answer may use a currency diagram (AO3); **Discuss [12]** adds a judgement (AO4).

2 Practice

2.1 State the difference between the *nominal* and the *real* exchange rate. [2]

2.2 Define the term *effective (trade-weighted) exchange rate.* [2]

2.3 State the difference between a *depreciation* and a *devaluation.* [2]

3 Exam-style questions

3.1 Under a **fixed** exchange-rate system, a deliberate fall in the currency's value is a: [1]

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

3.2 Using a currency demand and supply diagram, explain how a fall in demand for a country's exports affects its floating exchange rate. [8]

3.3 Discuss whether a fixed exchange rate is better than a floating exchange rate. [12]

Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

2.1 the nominal rate is the everyday market rate between two currencies; the real rate adjusts it for differences in prices, showing true competitiveness (2 for a clear difference; 1 for a partial idea).

2.2 an average of a currency's value against all its trading partners, weighted by how much trade is done with each (2 for a clear definition; 1 for a partial idea).

2.3 a depreciation is a fall in value under a floating system (set by the market); a devaluation is a deliberate fall under a fixed system (set by the central bank) (2 for a clear difference; 1 for a partial idea).

3.1 C. A deliberate fall under a fixed system is a devaluation.

3.2 *[8]* AO1 1 + **AO3 diagram up to 4** (demand for the currency shifts left, rate falls) + AO2/AO3 up to 3 — fewer exports sold means foreigners need less of the currency → demand for it shifts left → with supply unchanged the exchange rate falls (a depreciation).

3.3 *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **Fixed:** gives certainty for traders and investors and disciplines inflation — but needs large reserves and removes monetary independence. **Floating:** adjusts automatically and frees monetary policy — but can be volatile and speculative. Judgement: neither is always better — a fixed rate suits a country seeking stability and credibility, a floating rate one wanting policy freedom; it depends on the economy's needs.

27 What occurs in a monetary union?

A Countries have the same currency.

B Countries use the same fiscal policy.

C Countries have the same domestic rates of sales tax.

D The government budget in each country is balanced.

28 What is the main role of the World Bank?

A to ensure that exchange rate systems are working efficiently

B to help countries enter international markets where trade barriers exist

C to offer short-term assistance to countries with balance of payments problems

D to provide low-interest loans to developing countries for infrastructure projects

30 As a member of the European Union, Greece must trade at the same exchange rate, tied to the euro, as stronger economies such as Germany. Greece has a persistent balance of payments deficit.

How would changing to a floating exchange rate help Greece?

A Exchange rates will be less volatile which encourages international investment.

B Its currency should be less open to attacks by international speculators.

C Its currency would be allowed to depreciate which will make its exports more competitive.

D The value of its exports and imports will automatically balance.

A-Level Economics: **w25 32**

25 What is a trade-weighted exchange rate?

A the price of one currency against a basket of other currencies

B the price of one currency in terms of another

C the price of one currency in terms of its real purchasing power

D the price of one currency being determined by state intervention

27 What is a protectionist policy a government may use to reduce the deficit on the balance of payments of the current account?

A revaluation of the exchange rate

B increase in the rate of income tax

C increase in the rate of interest

D introduction of import quotas

20 Which macroeconomic policy is most likely to be used as a long-run means of reducing inflationary pressures?

A exchange rate policy

B fiscal policy

C supply-side policy

D monetary policy

25 A central bank officially lowers the price of its currency relative to an agreed rate in terms of other currencies.

What type of central bank policy is this?

A appreciation

B depreciation

C devaluation

D revaluation

A-LEVEL ECONOMICS • EXERCISE SHEET

11.3 Economic development

Name: ________ Class: ________ Date: ________ **Total: 25 marks**

KEY WORDS economic development 经济发展 • economic growth 经济增长 • human development index 人类发展指数 • growth and development 增长与发展 • life expectancy 预期寿命

Objective

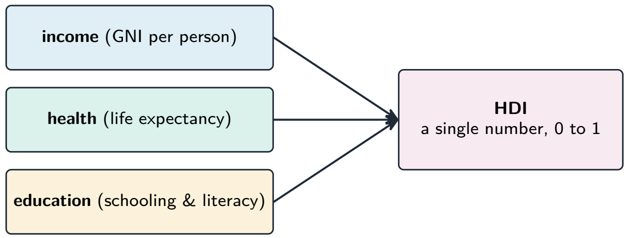
Build the skills to answer exam questions on **economic development** 经济发展 — the difference between **growth and development** 增长与发展, and the **Human Development Index** 人类发展指数 (HDI).

You must be able to:

- distinguish economic growth from economic development
- explain the three components of the HDI
- analyse the limits of GDP and HDI as measures of development

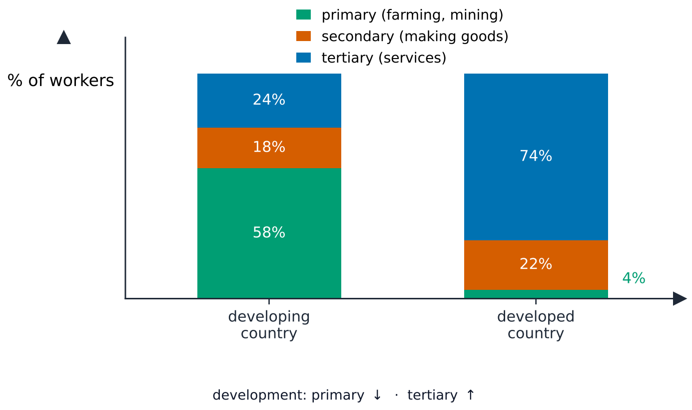
1 Worked examples

■ Measuring development



Development is wider than income — it includes health and education

- **Economic growth** 经济增长: a rise in real output. **Economic development** 经济发展: wider — health, education, freedom and living standards.
- **HDI** 人类发展指数 (0 to 1) combines: income (**GNI per person**), health (**life expectancy** 预期寿命), education (schooling and **literacy** 识字率).
- A country can grow without developing if the extra income goes to a few.



Development changes the employment structure — fewer in farming, more in services

Answer shapes: AO1 + AO2 + AO3 (analysis) + AO4 (a supported judgement *in context*).

2 Practice

2.1 State the difference between economic growth and economic development. [2]

2.2 State the three components of the HDI. [3]

2.3 State one limitation of using GDP per capita to measure development. [1]

3 Exam-style questions

3.1 Which is **not** a component of the Human Development Index? [1]

- **A** GNI per person
- **B** life expectancy at birth
- **C** the inflation rate
- **D** years of schooling

3.2 Explain why the HDI is a better measure of development than GDP per capita alone. [6]

3.3 Discuss whether a country can experience economic growth without economic development. [12]

Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

2.1 growth is a rise in real output; development is wider, covering living standards — health, education and freedom — not just income (2 for a clear difference; 1 for a partial idea).

2.2 income (GNI per person); health (life expectancy); education (schooling/literacy) (1 + 1 + 1).

2.3 any one of: it ignores income distribution, the informal economy, health and education, and the environment (1).

3.1 C. The inflation rate is not part of the HDI.

3.2 *[6]* AO1 1 + AO3 up to 5 — GDP per capita measures only average income, which can hide poor health, low schooling and inequality; the HDI adds life expectancy and education → it captures the wider quality of life → so two countries with the same income can have very different HDIs.

3.3 *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **Yes:** if growth's gains go to a small elite, or come from resource extraction that harms health and the environment, incomes rise but living standards do not improve. **But:** growth usually raises tax revenue and incomes that *can* fund health and education, supporting development. Judgement: growth without development is possible if gains are unevenly shared, but well-managed growth normally enables development — it depends on how the income is distributed and used.

24 What does the Kuznets curve show about the relationship between economic development and inequality?

A the Gini coefficient initially falls as countries develop from low to high income levels

B the Gini coefficient initially rises as countries develop from low to high income levels

C there is always a negative relationship between GDP per capita and the Gini coefficient

D there is always a positive relationship between GDP per capita and the Gini coefficient

A-Level Economics: **w25 32**

24 Which statement is correct?

A Economic development is necessary for economic growth.

B Economic growth and economic development are directly proportional.

C Economic growth enables economic development.

D Economic growth is always sustainable.

A-LEVEL ECONOMICS • EXERCISE SHEET

11.4 Characteristics of countries at different levels of development

Name: ____________ Class: ________ Date: __________ **Total: 25 marks**

KEY WORDS employment structure 就业结构 • economic development 经济发展 • primary 第一产业 • developing 发展中国家 • secondary 第二产业

Objective

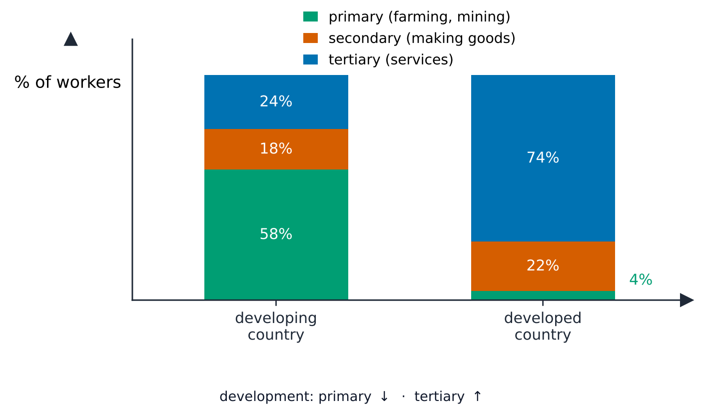
Build the skills to answer exam questions on the **characteristics of countries at different levels of development 不同发展水平国家的特征** — how **developed and developing 发达与发展中** countries differ, and the **employment structure 就业结构** (primary, secondary, tertiary).

You must be able to:

- compare developed and developing countries
- explain how the employment structure changes as a country develops
- analyse the factors that shape development

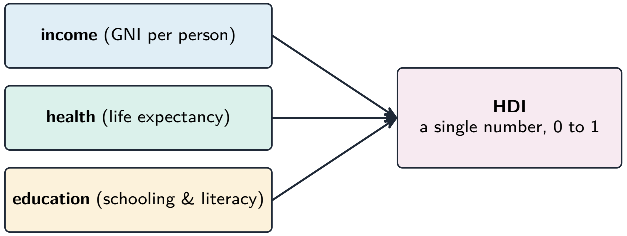
1 Worked examples

■ **Employment structure and development**



Primary (farming) → secondary (manufacturing) → tertiary (services)

- **Developed** 发达国家: high income, low birth rate, high life expectancy, few in farming.
- **Developing** 发展中国家: low income, often high birth rate, lower life expectancy, many in farming.
- **Employment structure** 就业结构 shifts: **primary** 第一产业 → **secondary** 第二产业 → **tertiary** 第三产业.



HDI puts a number on "different levels of development" — income, health and education together

Answer shapes: AO1 + AO2 + AO3 (analysis) + AO4 (a supported judgement *in context*).

2 Practice

2.1 State two ways a developed country differs from a developing country. [2]

2.2 Name the three employment sectors. [3]

2.3 State the direction in which the employment structure shifts as a country develops. [1]

3 Exam-style questions

3.1 As a country develops, the share of workers in the **primary** sector usually: [1]

- **A** rises
- **B** falls
- **C** stays the same
- **D** becomes the largest sector

3.2 Explain why a developing country often has a large share of workers in the primary sector. [6]

3.3 Discuss the most important factors that determine a country's level of economic development. [12]

Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

2.1 any two contrasts of: income per person (high vs low); birth rate (low vs high); life expectancy (high vs lower); share in farming (small vs large) (1 + 1).

2.2 primary; secondary; tertiary (1 + 1 + 1).

2.3 out of the primary sector and into the secondary and then tertiary sectors (1).

3.1 B. The primary-sector share falls as a country develops.

3.2 *[6]* AO1 1 + AO3 up to 5 — a developing country has low capital and few manufacturing or service industries, so most people work in farming and mining (the primary sector) → low productivity and incomes → as investment, skills and industry grow, workers move into secondary and tertiary jobs.

3.3 *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **Factors:** savings and investment, education and health (human capital), infrastructure, stable government and rule of law, and access to world markets. **Evaluation:** they interact — investment needs stable government; education raises the return on investment. Judgement: no single factor is decisive; human capital and stable institutions are often the most important, but the key factor depends on the country's starting point.

30 What is **not** a characteristic of an emerging economy?

A an agricultural sector with a growing % of GDP

B high birth rates

C high potential for growth

D increasing access to education

A-Level Economics: **w25 33**

28 Which variable is included in the calculation of **both** the Human Development Index (HDI) and the Multidimensional Poverty Index (MPI)?

A child mortality rate

B gross national income (GNI) per capita

C life expectancy at birth

D years of schooling

A-LEVEL ECONOMICS • EXERCISE SHEET

11.5 Relationship between countries at different levels of development

Name: ________ Class: ________ Date: ________ **Total: 24 marks**

KEY WORDS foreign direct investment 外国直接投资 • migration 移民 • remittances 侨汇 • debt 债务 • aid 援助

Objective

Build the skills to answer exam questions on the **relationship between countries at different levels of development** 不同发展水平国家间的关系 — **trade, aid, debt, foreign direct investment** 贸易、援助、债务、外国直接投资 (FDI), and **migration** 移民.

You must be able to:

- describe how trade, aid, debt, FDI and migration link rich and poor countries
- explain the benefits and costs of each link
- analyse the best way to support a developing country

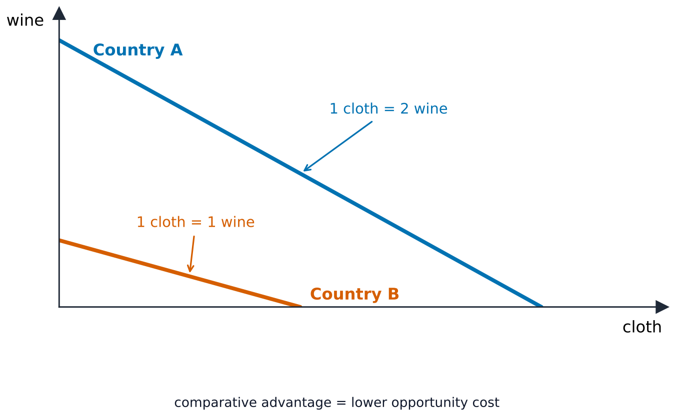
1 Worked examples

■ **Links between rich and poor countries**

Each link has a good and a bad side

- **Trade:** raises incomes, but reliance on a few **primary exports** with swinging prices is risky.

- **Aid 援助**: funds schools/roads, but may create dependency.
- **Debt 债务**: pays for development, but repayment drains budgets.
- **FDI 外国直接投资**: brings money, jobs and technology, but profits may flow abroad.
- **Migration 移民**: brings **remittances 侨汇**, but can drain skilled workers (a "brain drain").



Trade between rich and poor countries rests on comparative advantage — the basis of the gains and the risks

Answer shapes: AO1 + AO2 + AO3 (analysis) + AO4 (a supported judgement *in context*).

2 Practice

2.1 Define the term *foreign direct investment (FDI).* [2]

2.2 Define the term *remittances.* [2]

2.3 State one drawback to a developing country of relying on foreign aid. [1]

3 Exam-style questions

3.1 A possible drawback to a developing country of foreign direct investment is that: [1]

- **A** it brings in no new technology
- **B** profits may flow back to the foreign company abroad
- **C** it always reduces employment
- **D** it lowers the country's exports

3.2 Explain two ways foreign direct investment can help a developing country. [6]

3.3 Discuss whether foreign aid is the best way to support development in a poor country. [12]

Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

2.1 investment by a firm from one country in productive operations (factories, businesses) in another country (2 for a clear definition; 1 for a partial idea).

2.2 money sent home by workers who have migrated abroad (2 for a clear definition; 1 for a partial idea).

2.3 any one of: it can create dependency; it may be wasted or misused; it can come with conditions (1).

3.1 B. A drawback of FDI is that profits may flow back to the foreign firm abroad.

3.2 *[6]* For **each** of two ways: AO1 1 + AO3 up to 2 — e.g. *jobs and income*: a multinational builds a factory → creates jobs → raises incomes and tax revenue. *Technology transfer*: it brings modern methods and training → local productivity rises → the economy can grow faster. Maximum 3 each.

3.3 *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **For aid:** funds schools, hospitals and infrastructure a poor country cannot afford, and can relieve emergencies. **Against:** it may create dependency, be wasted by corruption, or come with strings; trade, FDI and debt relief may do more for self-sustaining growth. Judgement: aid helps most when targeted at health, education and infrastructure and combined with trade and investment — no single channel is best; it depends on the country's needs and governance.

26 The United Nations gives aid to a developing country so it can purchase vaccinations manufactured in India.

How is this aid characterised?

	characteristic 1	characteristic 2
A	bilateral	tied
B	bilateral	untied
C	multilateral	tied
D	multilateral	untied

27 A low-income country receives aid from a high-income country.

When will this aid give maximum benefit in the long term to the low-income country?

	type of aid	purpose of the aid
A	grant	purchase of agricultural machinery
B	grant	payment of food subsidies
C	loan	purchase of agricultural machinery
D	loan	payment of food subsidies

1 **Working overseas**

Many low-income countries have large proportions of the population below the World Bank's absolute poverty level of $2.15 per day (United States dollars, 2022). One way in which these countries try to reduce their poverty is by the migration of workers to richer countries. The migrants send a portion of their incomes, known as remittances, back home to support their families.

These overseas workers are a link between migration and development. The flow of remittance money is greater than the foreign direct investment and official development aid received by middle-income and low-income countries. Total remittances received by those countries in 2022 was $650 billion, of which 45% ($293 billion) was received by only five countries.

About 50% of migrants from low-income countries went to high-income countries.

Migrants can find their incomes increase significantly. A nurse may make seven times more in Australia than in the Philippines, adjusted for purchasing power parity (PPP).

Unlike official aid, remittances flow directly to their receivers and are a stable source of income. They can buy extra food and they may provide savings for the receiver. They may reduce child labour in disadvantaged families and allow for higher spending on education through higher enrolments and more years of completed schooling.

Migration can reduce unemployment and raise wages in home countries. Migration may lead to larger benefits for the home country by increasing the rates of return on human capital caused by the creation of better, more productive, and higher paying jobs.

When the flow of migrants goes to a host country whose population is ageing, it may reduce the average age of the population. This can lead to an increase in the size of the labour force, reduce the age dependency ratio and make a positive tax contribution. The migrants increase the demand for host country output and may utilise housing in less popular areas. Those with a high level of education make an even more significant contribution to economic output.

Sources: The Guardian*, 23 August 2023*
asia.nikkei.com, 3 March 2023
imf.org, March 2020

(a) Explain what is meant by absolute poverty. [2]

(b) Explain, with the aid of a diagram, how the migration of workers from a low-income country is likely to affect wages in the low-income country. [5]

(c) The article states: 'Total remittances received by those countries in 2022 was $650 billion.'

Analyse how this is likely to benefit the migrants' home economies. [6]

(d) Consider if the article contains sufficient information to support the view that migrants have only a beneficial economic impact on the host country. [7]

Section B

Answer **one** question.

EITHER

A-LEVEL ECONOMICS • EXERCISE SHEET

11.6 Globalisation

Name: ____________ Class: ________ Date: __________ **Total: 24 marks**

KEY WORDS globalisation 全球化 • trade bloc 贸易集团 • free trade 自由贸易 • developing country 发展中国家

Objective

Build the skills to answer exam questions on **globalisation 全球化** — its causes, **trade blocs 贸易集团**, and the benefits and costs for developed and developing economies.

You must be able to:

- define globalisation and its causes
- explain what a trade bloc is
- analyse the benefits and costs of globalisation

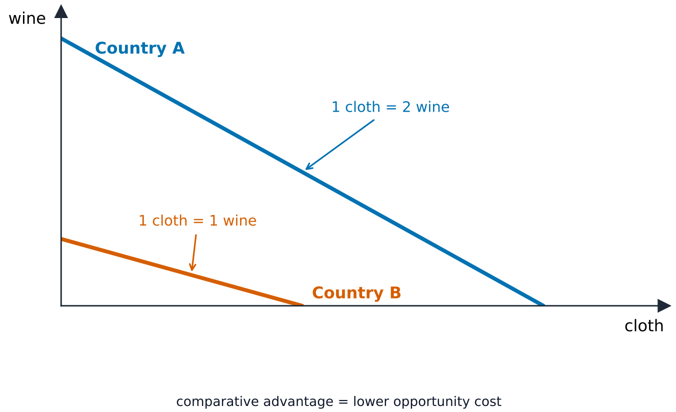
1 Worked examples

■ A connected world

The world acts more like one market

- **Globalisation 全球化:** growing links between countries in trade, money, technology and people.
- **Causes:** cheaper transport and communication, **free trade 自由贸易** agreements, multinational firms.

- **Trade bloc 贸易集团:** a group that trades freely among themselves (e.g. the EU).
- **Benefits:** lower prices, more choice, faster growth, technology transfer. **Costs:** lost jobs, a wider rich–poor gap, more pollution.



Globalisation lets countries specialise by comparative advantage on a world scale

Answer shapes: AO1 + AO2 + AO3 (analysis) + AO4 (a supported judgement *in context*).

2 Practice

2.1 Define the term *globalisation*. [2]

2.2 Define the term *trade bloc*. [2]

2.3 State one cause of globalisation. [1]

3 Exam-style questions

3.1 Which is a **benefit** of globalisation? [1]

- **A** the loss of some domestic jobs to cheaper countries
- **B** lower prices and more choice for consumers
- **C** more pollution and use of resources
- **D** a wider gap between rich and poor

3.2 Explain two benefits of globalisation for a developing country. [6]

3.3 Discuss whether globalisation benefits developing countries more than developed countries. [12]

Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

2.1 the growing economic links between countries — in trade, money, technology and people — so the world acts more like one market (2 for a clear definition; 1 for a partial idea).

2.2 a group of countries that agree to trade freely among themselves (e.g. with no tariffs), such as the European Union (2 for a clear definition; 1 for a partial idea).

2.3 any one of: cheaper transport and communication; free-trade agreements; the spread of multinational firms (1).

3.1 B. Lower prices and more choice are a benefit of globalisation.

3.2 *[6]* For **each** of two benefits: AO1 1 + AO3 up to 2 — e.g. *larger markets*: firms can export to the world → higher sales and economies of scale → faster growth. *Technology and investment*: FDI and trade bring modern methods → higher productivity → industrialisation. Maximum 3 each.

3.3 *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **Developing gains:** access to large markets, FDI, technology, and a route out of poverty through industrialisation. **Developed gains:** cheaper imports, larger markets and profits for multinationals. **Costs (both):** lost jobs, inequality, pollution, and powerful firms avoiding tax. Judgement: both gain, but unevenly — developing countries can gain most *if* they industrialise and share the gains, yet they are also more exposed to volatile prices and exploitation; it depends on each country's policies.

14 The unemployment rate in an economy may continue to rise even after the economy has recovered from a recession.

Which explanation for this trend is **not** correct?

A Many foreign businesses have moved out of the country.

B The government has abolished the national minimum wage.

C An increase in net migration of low-skilled workers.

D Workers lose skills, making them less employable.

A-Level Economics: **w25 33**

24 What is **not** a likely feature of a customs union?

A common external tariffs with non-member nations

B elimination of tariffs between member nations

C elimination of quotas between member nations

D shared common currency among member nations

A-Level Economics: **w25 34**

30 Which criticism of foreign direct investment (FDI) is **least** valid?

A It encourages competition, reduces prices and forces the less efficient domestic firms to leave the market.

B It brings workers from its own country and provides only low paying jobs to low skilled local workers.

C It is usually withdrawn quickly in case of a global crisis, making developing countries more vulnerable to global shocks.

D Its actions often result in environmental degradation, and over exploitation of natural resources.

1 **Inequality and globalisation**

A government commission published a report saying that global poverty and inequality were worsening and there was a risk that the gap between the rich and the poor would increase.

But, according to a newspaper, a lot of what is said about inequality is wrong. It overlooks the fact that the past 50 years saw a period of dramatic reduction in global inequality. The normal measurement of relative inequality is the Gini coefficient. The figure for global inequality in 1975 was 0.75, in 2020 it was 0.72 and in 2022 it was 0.67.

It is important to understand this trend rather than make the mistake of the commission.

The fall in global inequality should not come as a surprise. For about two hundred years the benefits of industrialisation went mainly to countries in Europe and North America. Income inequality between these countries and poorer countries worsened. The spread of globalisation in recent decades has meant this difference has lessened. Countries such as China and India have benefited from large increases in per capita (average) income, as shown in Table 1.1.

Table 1.1 Per capita (average) income and Gini coefficient for China and India 1990 and 2016

	Per capita (average) income (US$)		Gini coefficient	
	1990	2016	1990	2016
China	<1 000	>13 000	0.32	0.38
India	<1 200	>7 000	0.32	0.36

With such an increase in per capita incomes maybe some level of inequality does not matter. Indeed, it might be a necessary condition for economic growth. Instead of concentrating on eliminating inequality perhaps the focus should be on the absolute position of the poorest.

If the attention is on the relief of poverty rather than the wealth of the richest, improvements can be seen. Life expectancy has increased, most noticeably by ten years in the past two decades in the poorest region of sub-Saharan Africa. Literacy rates have also increased. Those in absolute poverty across the world have fallen from more than a third to under a tenth of the world's population. And all this while the world's population has increased.

Critics of globalisation and foreign direct investment (FDI) by multinational companies point to the possible negative environmental effects, the weakening of individual cultures and the reliance on international financial institutions that can fail. They also claim there can be exploitation of workers leading to greater wage inequality and possible increases in domestic unemployment as cheaper goods are imported.

Source: The Times*, 23 August 2021*

(a) The article refers to the Gini coefficient. With the help of a diagram explain the link between a Gini coefficient and a Lorenz curve. [5]

(b) **(i)** Distinguish between equity and equality. [2]

(ii) 'But, according to a newspaper, a lot of what is said about inequality is wrong.'

Analyse whether there is a conflict between what the newspaper wrote about changes in equality and Table 1.1. [5]

(c) With reference to the article, explain the idea of globalisation and assess whether there is enough evidence to conclude that globalisation has a net benefit for everyone. [8]

Section B

Answer **one** question.

EITHER