

14 Which statement about the quantity theory of money is correct?

- A It suggests changes in liquidity preference lead to proportional changes in the price level.
- B It suggests changes in the money supply lead to proportional changes in the price level.
- C It suggests changes in the price level lead to proportional changes in liquidity preference.
- D It suggests changes in the price level lead to proportional changes in the money supply.

20 What may prevent a government achieving a faster rate of growth of real GDP?

- A The multiplier has a small value.
- B The consumer price index is below its target set by the central bank.
- C The economy is operating on the vertical section of the long-run aggregate supply curve.
- D There is a large negative output gap in the economy.

23 A government is aiming to reduce the unemployment rate in its country from 10% to 5%.

What is a likely effect if this aim is achieved?

- A a decrease in interest rates
- B a slow down in the rate of economic growth
- C an increase in demand for exports
- D an increase in inflation

13 Which stage of the business (trade) cycle is most likely to be characterised by an increasing negative output gap?

- A boom
- B recession
- C recovery
- D trough

17 In a two-sector economy, autonomous consumer expenditure increases by \$100 billion, autonomous investment expenditure increases by \$200 billion, and the marginal propensity to consume is 0.5.

What will the increase in National Income be?

- A \$150 billion
- B \$300 billion
- C \$450 billion
- D \$600 billion

Resources in Brazil

Between 2000 and 2020, Brazilian GDP, measured in US dollars (\$), rose from \$1.19 trillion to \$1.89 trillion at constant prices (2015). In the same period GDP per head rose from \$6745 to \$8204 at constant prices (2015).

The strength of the Brazilian economy lies in the variety and quantity of its natural resources. For example, Brazil is one of the world's largest exporters of agricultural commodities, mainly soya and beef. There are also significant exports of minerals. Brazil is the second largest iron ore producer in the world and extracts 3.4% of the world's crude oil.

World agricultural markets are dominated by four large commodity traders that buy and sell products such as grain and soya. They have grown through both horizontal integration and vertical integration. These traders own many large farms, they process farm produce and transport it to trade on international markets. In addition to buying and selling, the traders provide seed and fertiliser to farmers and supply storage for their products. They use agricultural by-products to produce items like biofuel. These traders also provide financial services to these markets.

Commodity traders are very important to the development of complex global food markets. Food prices, access to scarce resources such as land and water, climate change and food security are all affected by the activities of traders. In Brazil, the output of 15000 farmers is purchased by a single trader.

In Brazil the development of agriculture, mining and oil extraction all contribute to environmental degradation. Both agriculture and mining have been accompanied by deforestation of the Amazon rainforest. Access roads to mining areas also lead to deforestation. Waste water from mining activity is frequently stored in reservoirs behind dams. On two occasions in the last 10 years these dams failed to hold back the water. This led to widespread flooding, the discharge of pollutants such as mercury into rivers, and deaths.

*Sources: The Guardian, 23 August 2022
Cereal Secrets, Oxfam Research Report, August 2012
oec.world/en/profile, August 2023*

- (a) Explain the significance of measuring GDP at constant prices. [3]
- (b) Explain **one** possible benefit of horizontal integration and **one** possible benefit of vertical integration. [4]
- (c) Describe how the market structure in which individual farmers operate is likely to differ from the market structure in which the commodity traders operate. [6]
- (d) Use the article to evaluate the impact of the development of the agricultural and mining industries on the standard of living in Brazil. [7]

Section B

Answer **one** question.

EITHER