4 Which combination gives correct examples of macroeconomics and microeconomics?

	macroeconomics	microeconomics
A	study of demand for a product	study of price of a product
B	study of behaviour of firms	study of individual behaviour
C	study of the economy as a whole	study of specific markets
D	study of the international economy	study of the national economy

11 The table shows the proportion of disposable income spent on three different goods by four different households.

Which household is likely to have the lowest income?

	food %	transport %	holidays %
A	50	15	5
B	35	18	10
C	30	20	15
D	20	25	20

28 An economy raises its tariffs on imported goods.

What is the most likely result?

A a fall in the rate of inflation

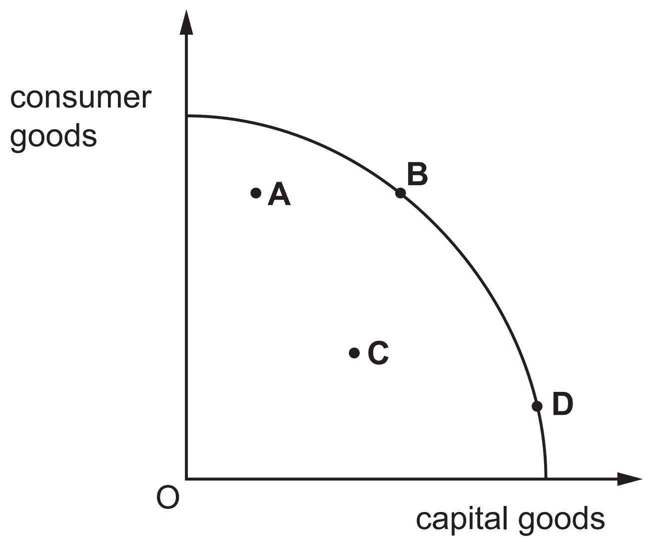
B an increase in consumer choice

C an increase in domestic production

D the current account of the balance of payments moves into a deficit

3 The diagram shows a production possibility curve (PPC).

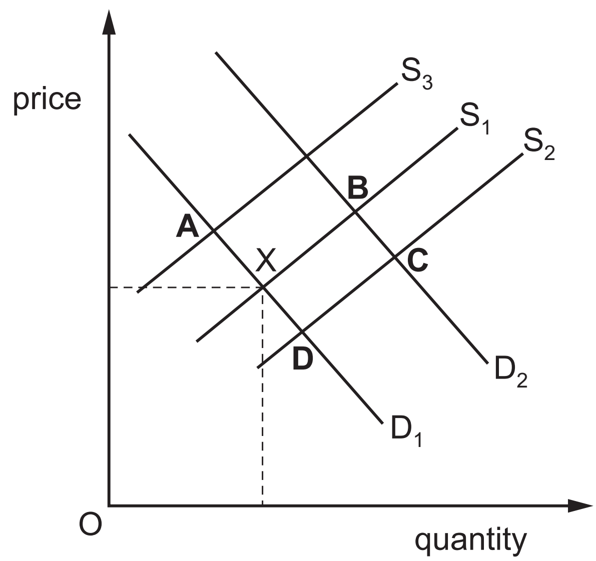
Which position is most likely to lead to the greatest outward shift of the PPC?



5 The diagram shows the market for fresh fish in the Caribbean with equilibrium point X.

A new type of fishing boat increases production, which reduces costs.

Which point represents the new equilibrium?



6 The table shows the market schedule for good X.

price	quantity supplied	quantity demanded
10	400	100
9	300	200
8	200	300
7	100	400

If the quantity supplied increases by 50% at each price, what will the equilibrium price and quantity be?

	price	quantity
A	10	100
B	9	200
C	8	300
D	7	400

Section A

Read the source material carefully before answering Question 1.

Source material: The Swiss economy

Switzerland fact file	**2022**
Population	8.7m
Inflation rate	3.5%
GDP	\$808bn
Financial sector contribution (as % of GDP)	9%
Current account surplus on the balance of payments	\$78bn

Although inflation in Switzerland in 2022 was above its target of 2%, it was below the inflation rate of other high-income economies, such as the US (9.1%), the UK (11.1%) and Germany (7.9%). Price levels are more stable because of a combination of microeconomic and macroeconomic policy measures. These include maximum prices, subsidies and a contractionary monetary policy.

To encourage the production of solar energy, the Swiss Government has provided more than \$500 million in subsidies to producers. This is part of the government's plan to move away from non-renewable sources of energy which are mainly imported. Overdependence on foreign markets could lead to the economy becoming more exposed to external shocks.

Switzerland's current account of the balance of payments has been in surplus from 2015 to 2022. Low inflation, along with the production of very high-quality products, may have contributed to this surplus. A strong currency has also kept the cost of imported raw materials low in Switzerland.

The Swiss franc is one of the more stable currencies in the world. During times of economic uncertainty, the Swiss franc usually strengthens. Fig. 1.1 shows global growth rate (% change in GDP) and the percentage change in the value of the Swiss franc, against the USD(\$), from 2018–2022.

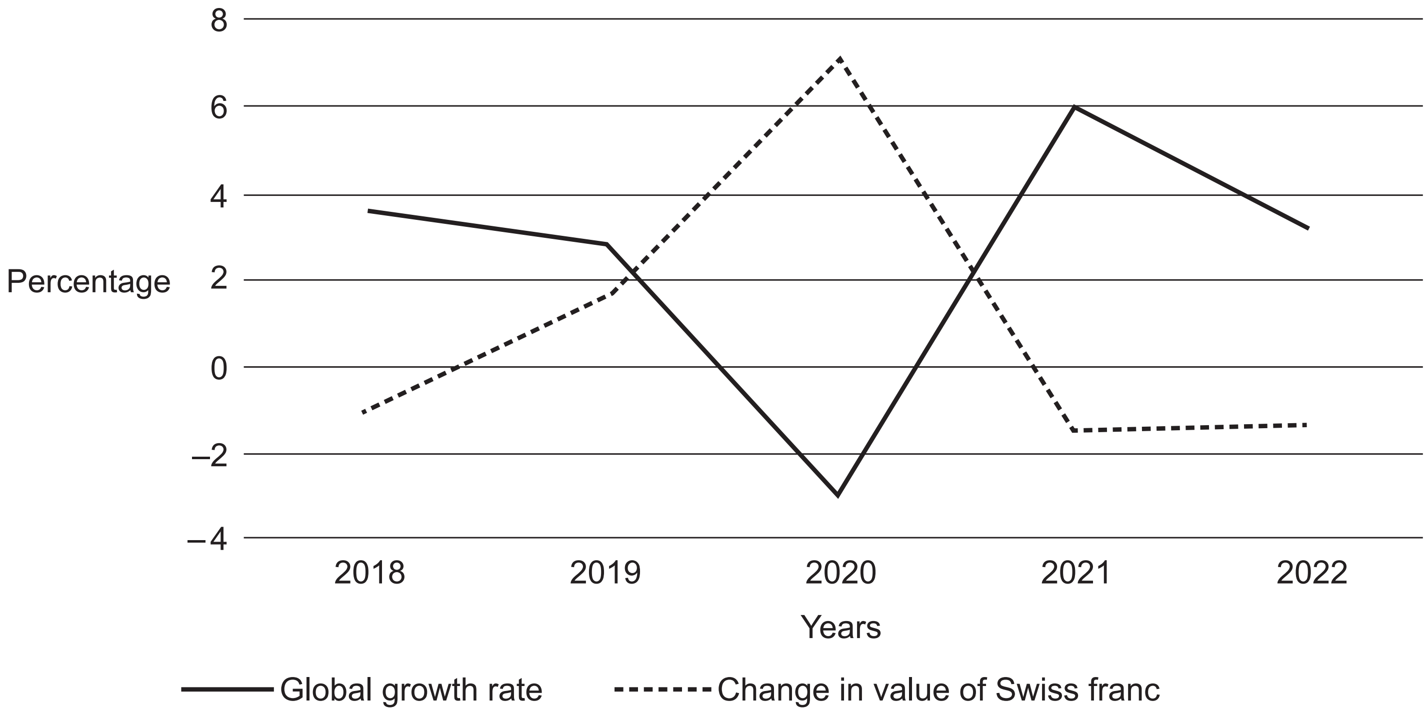


Fig. 1.1 Global growth rate (% change in GDP) and the percentage change in the value of the

Although inflation was not high compared to other countries, the Swiss central bank increased interest rates in 2022. This was done to reduce inflationary pressures. However, there was a risk that higher interest rates might increase unemployment.

The rise in interest rates affected some firms negatively. The Swiss Government had to organise a merger between the two largest banks in Switzerland. This was to avoid one of them collapsing which would have reduced confidence in the whole banking system. A merger might also have helped the merged bank to gain greater economies of scale. However, the merger resulted in some workers losing their jobs and gave the merged bank greater monopoly power.

Answer all parts of Question 1. Refer to the source material in your answers.

1 **(a)** Calculate the total financial sector contribution (in $) to Switzerland's GDP. [1]

(b) Identify **two** microeconomic policy measures. [2]

(c) Explain **one** reason why overdependence on foreign markets is a disadvantage to the Swiss economy. [2]

(d) Draw a demand and supply diagram to show how a subsidy to solar energy producers would affect the market for solar energy. [4]

(e) Explain **two** reasons why Switzerland had a current account surplus. [4]

(f) Analyse the relationship between the global GDP growth rate and the change in the value of the Swiss franc. [5]

(g) Discuss whether or not an increase in interest rates will harm the Swiss economy. [6]

(h) Discuss whether or not a bank merger will benefit Swiss consumers and workers. [6]

Section B

Answer any **three** questions.

Each question is introduced by stimulus material. In your answers you may refer to the material and/or other examples you have studied.

5 Street vendors mostly operate outside of the formal economy to avoid government regulation. However, many are now entering the formal economy. This has led to more government revenue, increased productivity and higher economic growth. Some governments plan to take measures to increase the number of firms in the economy.

(a) Identify **two** reasons why workers may choose to work in the formal economy. [2]

(b) Explain **two** effects of economic growth on a country's population. [4]

(c) Analyse how government regulation can reduce market failure. [6]

(d) Discuss whether or not an increase in the number of firms will benefit an economy. [8]

Section A

Read the source material carefully before answering Question 1.

Source material: Changes in the Malawian economy

Malawi fact file	**2022**
Population	22m
Percentage of population with access to electricity	15%
Deficit on the current account of the balance of payments	12.9% of GDP

Malawi is a low-income East African country. It is often affected by natural disasters including droughts, floods and storms. In January 2022, Malawi was hit by Storm Ana. This damaged agricultural crops, factories, forests and power stations.

More than three-quarters of Malawi's labour force are employed in agriculture. Two of the country's main crops are tea and sugar. The quantity of tea offered for sale is affected by weather conditions, government subsidies and the price of fertilisers. The global market for sugar has been affected by health reports which identified the possible harmful effects of consuming too much sugar.

Three of the priorities of the Malawian Government are to develop new industries, raise education standards and develop more sustainable sources of energy. The proportion of Malawian children who finish their primary education (5–11 years of age) is relatively low. Table 1.1 shows GDP per head and the percentage of children who complete primary education in selected countries in 2022.

Table 1.1 GDP per head and the percentage of children who complete primary education in selected countries in 2022

Country	**GDP per head ($)**	**Children who complete primary education (%)**
Malawi	650	35
Mauritania	2200	70
Namibia	4900	78
Senegal	1640	60
South Africa	7060	99
Uganda	890	22

Only a small proportion of Malawi's population has access to electricity. Most households rely on wood and charcoal for cooking and heating. Using wood as a fuel contributes to the destruction of the country's forests and reduces air quality. The country does, however, get 3000 hours of sunshine a year. This means it could develop solar energy. There would be an initial cost to install solar panels and to reduce the risk of storm damage. Solar energy plants (also known as solar farms) can take up a large area and create visual pollution. However, a successful solar energy industry could decrease Malawi's imports of fuel and might affect its exchange rate.

Malawi's foreign exchange rate fell in 2022. The country's currency, the kwacha, bought fewer US dollars. This depreciation affected Malawi's current account of the balance of payment, its inflation rate and its economic growth rate. Some economists suggested that the Malawian Government should stop the kwacha falling further in value.

Answer all parts of Question 1. Refer to the source material in your answers.

1 **(a)** Calculate the number of Malawians who had access to electricity in 2022. [1]

(b) Identify **two** capital goods used in Malawi. [2]

(c) Explain what is likely to have happened to Malawi's production possibility curve (PPC) in January 2022. [2]

(d) Explain **two** reasons why the supply of Malawian tea may increase. [4]

(e) Draw a demand and supply diagram to show the effect of a report stating the health risks of consuming sugar on the market for sugar. [4]

(f) Analyse the relationship between GDP per head and the percentage of children who complete primary education. [5]

(g) Discuss whether or not Malawi should develop a solar energy industry. [6]

(h) Discuss whether or not a government should try to stop its country's foreign exchange rate falling in value. [6]

Section B

Answer any **three** questions.

Each question is introduced by stimulus material. In your answer you may refer to this material and/or to other examples that you have studied.