Thursday 11 June 2015 – Afternoon

A2 GCE ECONOMICS

F585/01 The Global Economy

INSTRUCTIONS TO CANDIDATES

• Refer to the Stimulus Material in the separate booklet. You must not bring your original copy into the examination.
• 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.
• The quality of your written communication will be taken into account in the marking of your answer to question 3. All answers should be in continuous prose.
• This document consists of 16 pages. Any blank pages are indicated.
1 (a) (i) Other than recovery, name two stages of the economic cycle.

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(ii) State and explain the likely impact of an economic recovery on unemployment.
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(b) Using a diagram, analyse how a rise in long term unemployment might impact on the future potential output of the UK economy.
(c) Comment on the effectiveness of both increasing tax allowances on investment and cutting corporation tax as a way of increasing the international competitiveness of the UK economy. [10]
2 (a) Using an example with which you are familiar, compare the level of economic integration between the European Union and one other regionally integrated area.
(b) Analyse the trade creation and trade diversion effects of a customs union.
(c) Comment on the extent to which the theory of comparative advantage explains the patterns of global trade in Figs 4.2, 4.3 and 4.4.
"As a number of countries have become more open to global economic forces over the past 20 years, the percentage of the developing world living in extreme poverty ... has been cut in half."

Discuss the extent to which globalisation has been largely beneficial to developing economies.