**The City School**

**North Nazimabad Boys Campus**

**11 Assignment**

1In 2013 the Argentinian Government was trying to stop the fall in the international value of the

Argentinian peso, by imposing quotas. The depreciation of the peso was unexpected as the

country was experiencing a rising current account surplus on its balance of payments. Usually

such a change in the current account would lead to an appreciation.

**(a)** Define ‘quota’. [2]

**(b)** Explain the structure of the current account of the balance of payments. [4]

**(c)** Analyse why it would be expected that a rising current account surplus would lead to an

appreciation in the country’s foreign exchange rate. [6]

**(d)** Discuss whether a government should try to prevent a depreciation in the country’s currency.

[8]

2The Netherlands is a country with a high Human Development Index (HDI) ranking and a high

Gross Domestic Product (GDP). A recession in 2012 resulted in a fall in consumer expenditure.

This caused a gap between government spending and tax revenue. In order to close the gap,

the Netherlands’ Government cut its spending. It might have used monetary policy to increase

economic growth and raise tax revenue

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**(a)** Identify **two** influences on the amount households spend. [2]

**(b)** Explain why tax revenue may fall during a recession. [4]

**(c)** Analyse how a cut in government spending may reduce a country’s HDI ranking. [6]

**(d)** Discuss whether use of monetary policy will increase economic growth. [8]

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