

Monday 6 June 2022 – Morning GCSE (9–1) Economics

J205/02 National and International Economics

Time allowed: 1 hour 30 minutes

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You can use:	
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Please write clearly in black ink. Do not write in the barcodes.								
Centre number					Candidate number			
First name(s)								
Last name								

INSTRUCTIONS

- Use black ink.
- Write your answer to each question in the space provided. If you need extra space use the lined pages at the end of this booklet. The question numbers must be clearly shown.
- · Answer all the questions.

INFORMATION

- The total mark for this paper is 80.
- The marks for each question are shown in brackets [].
- Quality of extended response will be assessed in questions marked with an asterisk (*).
- This document has 20 pages.

ADVICE

· Read each question carefully before you start your answer.

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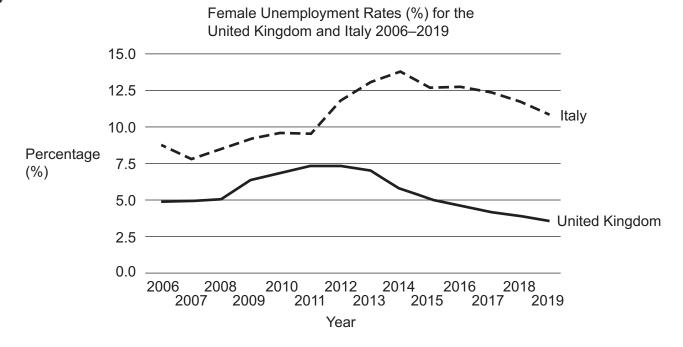
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SECTION A

Answer all the questions in this section.

Write your answer for each question in the box provided.

1	The	e claimant count is a method of measuring	
	Α	distribution of income	
	В	economic growth	
	С	inflation	
	D	unemployment	
	You	ır answer	[1]
2	Wh	ich of the following options only contains items classified as wealth?	
	Α	Interest, profit, shares	
	В	Profit, property, rent	
	С	Property, savings, shares	
	D	Rent, savings, state benefits	
	You	ır answer	[1]
3		ich of the following would not be a possible cause for an uneven distribution of income wireconomy?	thin
	Α	Age	
	В	Gender	
	С	Sustainability	
	D	Wealth	
	You	ır answer	[1]



The diagram shows the female unemployment rates in Italy and the UK. Which of the following statements **must** be true?

- A Fewer females were unemployed in the UK in 2019 than in 2006
- **B** More females were unemployed in Italy than in the UK between 2006 and 2019
- C The UK's female unemployment rate is always higher than Italy's
- **D** The UK's labour market for females has performed better than Italy's

Your answer		[1]
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- 5 The government recently reduced the level of state benefits to improve incentives for people to work. However, this policy has led to an increase in poverty among unemployed people. This is an example of which policy cost?
 - **A** Externalities
 - B Resistance to policies
 - C Time lags
 - **D** Unintended effects

Your answer [1]

ь		ch of the following is the most likely consequence for UK consumers of a fall in the hange rate?	UK
	Α	An increase in the rate of inflation	
	В	An increase in the standard of living	
	С	An increase in overseas tourism	
	D	An increase in unemployment	
	You	r answer	[1]
7	Whi	ch of the following would be classified as being unemployed?	
	Α	A father who chooses to stay at home to look after a child	
	В	A full-time student who sometimes works in a café	
	С	A pensioner who is looking for part-time work	
	D	A young adult who has just left university without a job	
	You	r answer	[1]
8	A bu	udget deficit means that	
	Α	imports into a country exceed its exports	
	В	tax revenue is less than government spending	
	С	the current account will be in surplus	
	D	the government has no money left to spend	
	You	r answer	[1]
9	Whi	ch of the following leads to a positive externality?	
	Α	A subsidy	
	В	A tax	
	С	A vaccination	
	D	An export	
	You	r answer	[1]

11

Taxable income	Tax rate
Up to £12500	0%
£12501 to £50000	20%
£50001 to £150000	40%

The table provides information about the UK's income tax system. Calculate the approximate percentage of taxable income paid in tax by someone earning £45 000.

Α	14%
В	20%
С	29%
D	72%
You	r answer [1]
	e lives in a UK seaside holiday resort. When the resort is busy, she works selling ice creams he seafront. The rest of the year she is unemployed. This type of unemployment is
Α	cyclical
В	frictional
С	seasonal
D	structural

12 The government decides to increase spending on public transport. Which of the following could be considered an opportunity cost of this decision?

A A decrease in direct taxation

Your answer

B A decrease in spending on education

C A decrease in the budget deficit

D A decrease in unemployment

Your answer	[1]
our unowo.	1.1

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[1]

13		e of the driving factors of globalisation is improvements in transportation. Which of the follow lains this driving factor?	ing
	Α	Container ships have reduced average costs	
	В	Improved environmental sustainability	
	С	Increased use of call centres	
	D	Lower tariff barriers on imports	
	You	ır answer	[1]
14	Whi	ich of the following is a cost of development for workers in a less developed country?	
	Α	Increased foreign investment	
	В	Increased use of machinery	
	С	Less choice of domestic brands	
	D	Migration of skilled workers	
	You	ır answer	[1]
15		ere is an increase in the rate of taxation on interest earned from savings. Which of the followings likely to happen?	ing
	Α	Capital expenditure will increase	
	В	Income distribution will improve	
	С	Individuals will save more	
	D	Workers will move abroad	
	You	ır answer	[1]

Date	Exchange rate (£1)
1 st January 2016	\$1.47
1 st January 2017	\$1.23
1 st January 2018	\$1.35
1 st January 2019	\$1.27
1 st January 2020	\$1.33

The table shows the exchange rate of the UK pound (£) against the US dollar (\$). Which of the following statements is correct?

_	_ , ,						10047
Α	Exports from	the UK to	the US beca	me more ex	xpensive be	tween 2016	and 2017

	В	Exports from the UK to the US became more expensive between 2019 and 2020	
	С	Exports from the US to the UK became less expensive between 2018 and 2019	
	D	Exports from the US to the UK became more expensive between 2017 and 2018	
	You	r answer	[1]
17	Incr	eased GDP per capita is used to show improved development of a country because	
	Α	it means there will no longer be any need for state provision	
	В	markets will have become more competitive	
	С	more opportunities for work are likely to exist	
	D	no other measure of development is available	
	You	r answer	[1]

18 Which of the following is a possible cost if a government increases taxation to reduce a negative externality?

- A A decrease in government revenue
- **B** An increase in government revenue
- **C** Growth in unofficial markets
- **D** Less spending on healthcare

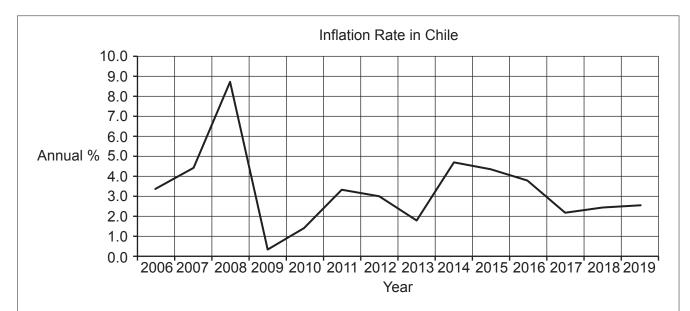
our answer	[1]
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19	vvn	ich of the following is not a policy to correct an externality?	
	Α	Free trade agreement	
	В	Legislation	
	С	Regulation	
	D	State provision	
	You	r answer [1]
20		government is concerned about the level of monopoly power in the UK social media industry policy introduced to reduce this monopoly power would be an example of	/.
	Α	fiscal policy	
	В	monetary policy	
	С	supply side policy	
	D	trade policy	
	You	r answer [1]

SECTION B

Answer all the questions in this section.

21 Extract 1 Inflation and Monetary Policy



The inflation rate is the percentage change in the consumer price index (CPI), which is an indexed measure of expenditure on a basket of goods. Unexpected inflation causes falls in real interest rates and real wages. A zero rate of inflation (complete price stability) usually occurs when an economy is not growing, which is likely to increase unemployment. Recently governments have become worried that inflation rates could become persistently negative, which would raise the real value of government debt above its nominal value.

Monetary policy is used to stabilise the rate of inflation in Chile. When inflation is more than 1% beyond its target rate the Central Bank of Chile (CBoC) adjusts interest rates to change the level of borrowing and total spending in the economy. The money supply can also be changed by the CBoC. If the rate of inflation is expected to fall below zero, then the CBoC can adopt quantitative easing, which provides more funds to banks for lending to consumers and firms.

(2)	Lleina the	chart in	Extract 1	on nage 0	etata in	which vear
171	LISING INE	CHAIL III	EXICACI	OH DAGE 9	SIZIE III	William Vear

1	prices were at their lowest level	
- 1	DITCES WELE ALTHEIL TOWEST IEVEL.	

2 the CPI was at its lowest level.

[2]

,	Using Extract 1 on page 9, explain what happened to the purchasing power of money Chile between 2007 and mid-2009.
)	Using the information in Extract 1 on page 9, analyse how monetary policy was used in Ch in 2014 to protect savers and consumers.
)	(i) State two causes of inflation.
	1
	2

(ii)	In 2019, the inflation rate in Chile was 2.6% and the nominal rate of interest on government debt was 1.6%. Calculate the real rate of interest being paid by the government. Show your working.
	Answer[2]
(iii)*	Evaluate the consequences of inflation for the government.
	Use the information given in Extract 1 on page 9 and your own knowledge.
	[6]

22 Extract 2
Determinants of Economic Growth and Fiscal Policy

		2010	2015	2019
	Females in the workforce (% aged 15–64)	61.2	59.8	59.8
Burkina	Females enrolled in university (% of relevant age group)	2.3	3.5	5.1
Faso	Males enrolled in university (% of relevant age group)	4.8	6.6	9.0
	GDP per capita growth (annual %)	5.2	0.9	2.7
	Females in the workforce (% aged 15–64)	69.8	69.1	68.5
China	Females enrolled in university (% of relevant age group)	25.0	50.2	59.5
China	Males enrolled in university (% of relevant age group)	23.5	42.3	48.7
	GDP per capita growth (annual %)	10.1	6.5	5.7

The proportion of people, especially females, who have a university education varies considerably across different countries. Knowledge and training improve labour productivity. Education is, therefore, a significant determinant of economic growth. Another important determinant is the size of the workforce. Consequently, when there are more educated women in the workforce, economic growth is higher. Percentage gains in real GDP measure economic growth. GDP per capita is an approximate measure of the average income in a country.

Average years in education is one of the factors that is used to measure social and economic development. Another important factor is life expectancy, which reflects how healthy a country's population is. When development economists measure social and economic development, they find that the index for China is almost twice that for Burkina Faso.

Using the table in Extract 2 on page 12, state two trends in university enrolment in Burking Faso and China between 2010 and 2019.	а
[2	<u>'</u>]

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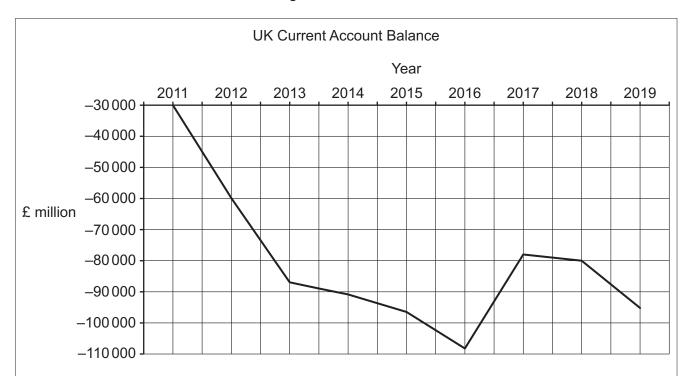
billion. Calculate its GDP per capita in 2019. Show your working.

(b) In 2019, the population of Burkina Faso reached 20.3 million and GDP amounted to US\$15.7

	Answer[2]
(c)	Using the information in Extract 2 on page 12, analyse how education is one of the factors determining economic growth in Burkina Faso and China.
	[6]

(d) (i)	In addition to spending on education and healthcare, state two other ways in which a government could increase the rate of economic growth.
	1
	2 [2]
(ii)	Explain one way in which government spending on healthcare directly benefits the economy.
	[2]
(iii)*	Evaluate the extent to which economic growth brings social and economic benefits to a less developed economy.
	Use the information given in Extract 2 on page 12 and your own knowledge.
	[e]

23 Extract 3
Current Account Balance and Exchange Rate



Since trade is the major component of the current account, a wider deficit is primarily due to either imports rising or exports falling. As a result, there will be a shift in the demand or supply of the UK's currency (the pound £), which will change its exchange rate.

Current Account Balance (% of GDP)

Year	2011	2015	2019
UK	-1.76	-4.90	-3.78
USA	-2.87	-2.24	-2.33
Germany	6.20	8.59	7.15

The table shows that the UK's current account deficit is persistent and also represents a relatively high proportion of GDP. The deficit reflects the fact that British consumers can choose to buy imported goods at relatively low prices. On the other hand, British producers face competition in the global market both when attempting to produce goods for export and when competing with imported goods. Consequently, a trade deficit results in output being lower and unemployment being higher than when there is a surplus. Such global competition does mean, however, that scarce resources are being used more efficiently.

(a)	between 2011 and 2019.
(b)	Using the table in Extract 3 on page 15, explain how Germany's current account position differs from that of the UK and the USA.
	[2]
(c)	Analyse, with the use of a demand and supply diagram, how the widening in the UK's curren account deficit between 2011 and 2013 could have changed the exchange rate for the pound (£) against the US dollar (\$).
	16

Apart from lower prices, state two other benefits that imports bring to consumers.	(1)	(a)	
1			
2 [2]			
The chart in Extract 3 on page 15 shows that the UK's current account deficit increased from £30000m in 2011 to £80000m in 2018. Calculate the percentage change in the deficit between 2011 and 2018.	(ii)	(ii)	
Answer [2]			

(iii)*	Evaluate the extent to which the UK government should try to eliminate the current account deficit.				
	Use the information given in Extract 3 on page 15 and your own knowledge.				

END OF QUESTION PAPER

ADDITIONAL ANSWER SPACE

If additional space is required, you should use the following lined page(s). The question number(s) must be clearly shown in the margin(s).		

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