



Oxford Cambridge and RSA

# Monday 09 November 2020 – Afternoon

## GCSE (9–1) Economics

### J205/02 National and International Economics

**Time allowed: 1 hour 30 minutes**

**You can use:**

- a scientific or graphical calculator



Please write clearly in black ink. **Do not write in the barcodes.**

Centre number

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Candidate number

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First name(s)

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Last name

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### 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 **24** pages.

### ADVICE

- Read each question carefully before you start your answer.

## 2

## SECTION A

Answer **all** the questions in this section.

**Write your answer for each question in the box provided.**

- 1 Dylan's job in the Welsh coalmine came to an end when the pit was closed. The kind of unemployment he experienced was

- A cyclical
- B frictional
- C seasonal
- D structural

Your answer

[1]

- 2 The table shows the growth rate of real GDP and nominal GDP in consecutive years in a country.

	Real GDP Growth (%)	Nominal GDP Growth (%)
Year 1	5	5
Year 2	4	8

What can be concluded from this table?

- A Real GDP fell in Year 2
- B There was no inflation in Year 1
- C There was no inflation in Year 2
- D There was no real output growth in Year 1

Your answer

[1]

- 3 Heidi earns £20 000 after all deductions. She has £50 000 in a bank account that pays no interest. This means

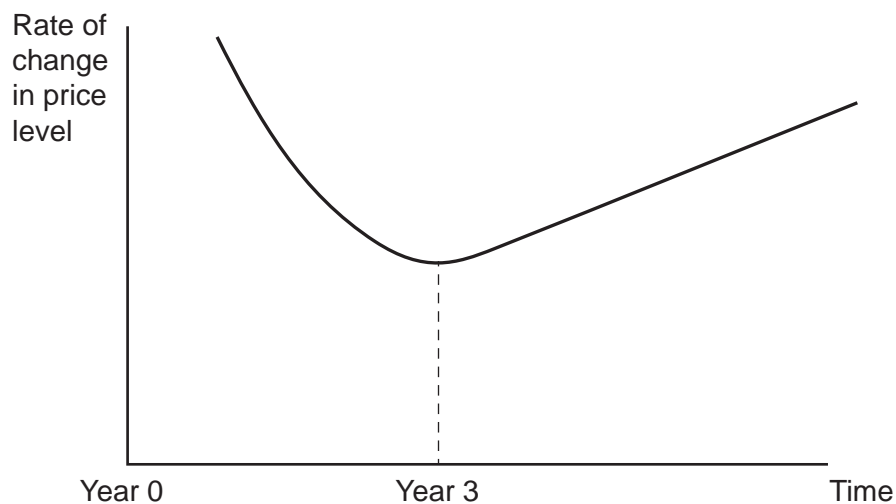
- A her income is £50 000 per year
- B her income is £70 000 per year
- C her wealth is £50 000
- D her wealth is £70 000

Your answer

[1]

3

- 4 The diagram shows some information on annual changes in the price level for a country.



It can be seen from the diagram that the country experienced inflation

- A in every year
- B only from Year 3 onwards
- C only until Year 3
- D that was negative up to Year 3 and positive afterwards

Your answer

[1]

- 5 Which of the following items is included in the calculation of the UK's Consumer Price Index (CPI)?

- A Government spending on education
- B The price of children's clothes
- C The price of a machine bought by a company
- D The price of exports

Your answer

[1]

4

6 Which of these is an example of a supply side policy?

- A Changing interest rates
- B Encouraging bank lending
- C Imposing taxes on imports
- D Lowering unemployment benefits

Your answer

☐

[1]

7 The table shows how the size of a country's real GDP has been changing over a four-year period.

Year	Real GDP (£ millions)
1	100
2	110
3	120
4	125

Which statement about the country must be true?

- A Real GDP increased by more than money GDP between Year 1 and Year 4
- B Real GDP increased by 10 percent between Year 2 and Year 3
- C The greatest percentage increase in real GDP was between Year 1 and Year 2
- D There was an increase in GDP per capita between Year 3 and Year 4

Your answer

☐

[1]

8 A firm releases a harmful gas into the air. Which of these statements is correct?

- A Output of the good creates a negative externality
- B Output of the good is less than the optimum for society
- C The firm cannot be maximising profits
- D The government should subsidise the firm's production

Your answer

☐

[1]

5

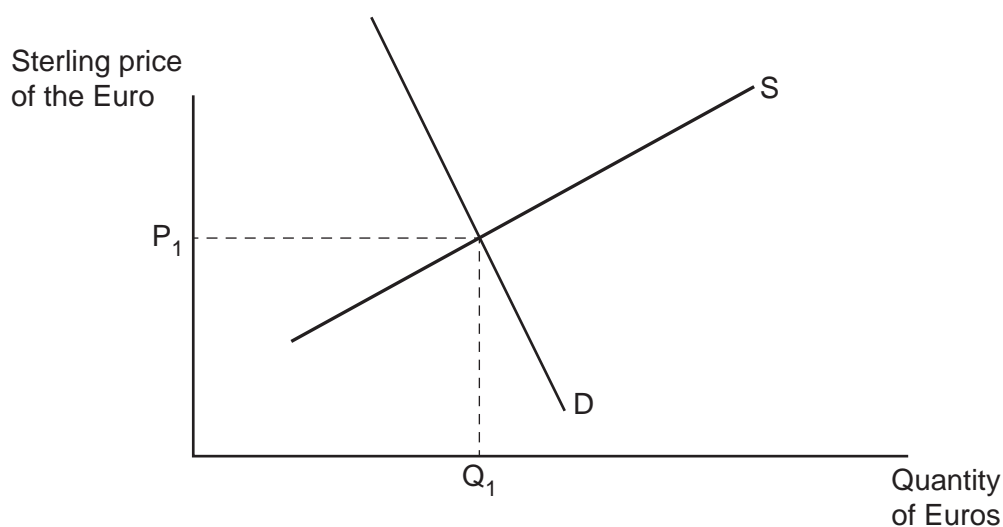
- 9 Which of the following is an example of a trade in goods in the UK balance of payments on current account?
- A A Japanese car company purchasing a factory in the UK
  - B A laptop imported into the UK from China
  - C A UK airline selling transport facilities to a firm in Dubai
  - D Money earned by a UK firm on investment in Australia

Your answer

☐

[1]

- 10 The diagram shows the supply and demand for the Euro expressed in Sterling (£).



If the UK increases its demand for imports from countries whose currency is the Euro, which of these will happen?

- A The demand curve will shift downwards to the left
- B The demand curve will shift upwards to the right
- C There will be no change in the position of either the supply curve or of the demand curve
- D The supply curve will shift upwards to the left

Your answer

☐

[1]

## 6

11 Rachel loses her job and receives unemployment benefit. As a result it is most likely that

- A the claimant count measure of unemployment falls
- B the claimant count measure of unemployment rises
- C the claimant count measure of unemployment is unaffected
- D the level of recorded national output will increase

Your answer

☐

[1]

12 The Bank of England has decided to raise interest rates in order to reduce inflation. As a result

- A borrowing by firms rises
- B external value of the UK pound (£) falls
- C government revenue falls
- D saving by households rises

Your answer

☐

[1]

13 Terry and June are planning a holiday to Canada. If the value of the UK pound (£) in terms of the Canadian dollar (\$) is £1 = \$1.75, how many dollars will they get if they exchange £500?

- A \$285.71
- B \$375.00
- C \$589.29
- D \$875.00

Your answer

☐

[1]

14 If the Swiss government allows the Swiss Franc to appreciate against the Euro, which of the following is **most** likely to happen?

- A The number of Swiss watches exported will fall
- B The price of Swiss chocolate in France will fall
- C The rate of interest in Switzerland will rise
- D There will be more German tourists in Switzerland

Your answer

☐

[1]

15 Monetary policy aims to:

- A control the total supply of money in the economy
- B create new money in order to control the economy
- C increase the supply of money available to consumers
- D increase the use of money as a medium of exchange

Your answer

[1]

16 Using the information in the table below, what is the value of Trevor's income?

	£
Earnings	30 000
New car	30 000
Savings	8000
Interest from savings	40
Rent from holiday home	5000
Pension contributions	7500
New ISA taken out	20 000

- A £100 540
- B £50 540
- C £35 040
- D £30 040

Your answer

[1]

17 A government decides to impose a tax on a product to reduce consumption. The effectiveness of this will be reduced if a characteristic of the product is

- A elastic supply
- B large opportunity costs
- C low average costs
- D price inelastic demand

Your answer

[1]

8

18 A government has decided to increase economic growth by budgeting for an excess of expenditure over revenue. One problem that this might cause could be a

- A balance of payments deficit
- B fall in total demand in the economy
- C lower indirect tax income
- D rise in unemployment

Your answer

☐

[1]

19 Penham Chemicals have decided to grow the business by taking part in international trade. The **most** likely benefit to them of doing this would be

- A access to free trade agreements
- B improved production and productivity
- C larger market for buying inputs
- D technological innovation

Your answer

☐

[1]

20 Which of the following is a consequence of inflation for consumers?

- A Fall in tax revenue
- B Increase in menu costs
- C Real incomes may fall
- D Savings increase in value

Your answer

☐

[1]



## SECTION B

Answer **all** the questions in this section.

21

The UK had a budget deficit in the period April to December 2018. During this time, the public sector borrowed £35.9 billion and central government spent £553.5 billion. Just below two-thirds of the money spent by the central government was spent on health, education and defence. Around one-third was spent on benefits, such as pensions, unemployment payments, child benefit and maternity pay. Since 2012, government spending on unemployment benefits has decreased every year.

A large part of government spending goes to the National Health Service (NHS). Because health is considered to be a good with positive externalities, its provision through markets would not be ideal. However, since 2012 there has been a policy to encourage private companies to provide some NHS services in order to improve efficiency and innovation.

Benefits and progressive income taxes are designed to reduce income inequalities, although there are some concerns that incentives might be negatively affected. The table below shows the tax rates for additional income falling **within** each band.

**UK Progressive Income Tax Rates**

Band	Taxable income	Tax rate
Personal Allowance	Up to £11 850	0%
Basic rate	£11 851 to £46 350	20%
Higher rate	£46 351 to £150 000	40%
Additional rate	Over £150 000	45%

**Extract 1: UK Public Sector Finances**

(a) Explain why the UK public sector had to borrow £35.9 billion.

.....

.....

.....

..... [2]

**(b)** Explain why government spending on unemployment benefits has been falling.

..... [2]

**(c)** Analyse how UK government spending on health could affect the economy.

..... [6]

- (d) (i) Using the table in **Extract 1** on page 9, calculate how much income tax is paid by someone earning £20 000. Show your working.

Answer ..... [2]

- (ii) Give **two** examples of positive externalities that arise from government spending.

Example 1

.....  
.....

Example 2

.....  
.....

[2]

- (iii)\* Evaluate the consequences of using taxes and other measures to redistribute income in the UK.

Use the information given in **Extract 1** on page 9 and your own knowledge.

[6]

The GDP growth rate is often used to measure economic growth. Higher GDP per capita indicates that on average people have improved living standards. Higher economic growth is, however, often accompanied by inflation and higher interest rates.

Concerns have recently been raised about the impact of economic growth on environmental sustainability because industrialisation and vehicles cause pollution and climate change. Therefore, some economists suggest that the focus of growth should be on renewable energy industries and improved rail transport.

		2015	2016	2017
UK	GDP (£ million)	2 055 991.7	2 095 791.4	2 133 246.4
	GDP growth rate (%)	2.3	1.9	1.8
	GDP per capita (£)	–	31 950.2	32 311.0
	Population	65 128 861	65 595 565	66 022 273

		2015	2016	2017
Uganda*	GDP growth rate (%)	5.2	4.7	4.0
	GDP per capita (£)	497.1	503.4	506.6

\* Uganda is a less developed economy, which has implications for its technology, education and life expectancy. Its economy is now benefiting from trade and from better communications and, therefore, is growing at a relatively high rate, because the economic structure is becoming less dependent on agriculture.

### Extract 2: GDP Data

(a) Explain what is meant by economic growth.

.....

.....

.....

..... [2]

(b) Calculate the UK's per capita GDP in 2015. Show your working.

Answer: ..... [2]

- (c)** Using the information in **Extract 2** on page 13, analyse the differences between Uganda's GDP per capita and the UK's GDP per capita from 2015 to 2017.

[6]

- (d) (i)** Explain how economic growth has an impact on the environment.

.....

.....

.....

.....

..... **[2]**

**(ii)** Explain why economic growth is often considered to be beneficial in the UK.

..... [2]

**(iii)\*** Evaluate the costs of economic growth in the UK.

Use the information given in **Extract 2** on page 13 and your own knowledge.

[6]

In 2017, following the depreciation of the British pound (£) in 2016, the deficit on the current account balance reduced. However, in 2018 the deficit grew in every quarter. The table below shows debit items increased, while the value of goods exports grew more slowly. UK exports faced growing competition from overseas manufacturers. In 2018, the £1.8 billion increase in the trade in goods deficit was caused mainly by imports from highly competitive Asian economies increasing more quickly than UK exports.

The UK has run an annual current account deficit since 1983. A current account deficit means the UK is a net borrower with the rest of the world. The UK must attract net financial inflows to finance its current account deficit, which can be achieved through selling its assets to overseas investors or borrowing from the rest of the world.

#### UK Current Account (Quarterly data)

	2018 Q2	2018 Q3
	£ million	£ million
Exports of goods	85 987	88 884
Exports of services	70 760	69 721
Imports of goods	120 560	123 880
Imports of services	43 195	43 508
<b>Total trade balance</b>	<b>- 7 008</b>	<b>-</b>
a. Investment income (net)	- 7 142	- 10 780
b. Other income (net)	- 328	- 325
<b>Total investment and other income (a + b)</b>	<b>- 7 470</b>	<b>- 11 105</b>
<b>Total transfers</b>	<b>- 5 476</b>	<b>- 6 634</b>
<b>Current balance</b>	<b>- 19 954</b>	<b>- 26 522</b>

Globalisation is demonstrated by the overall growth in trade and foreign investment. In 1983, UK exports plus imports amounted to just £159 565 million, while in 2017 the total was £1 257 706 million. Lower tariffs and expansion of free-trade areas and customs unions, which require less form filling and customs checks, have led to more competition, expanding markets and increased foreign investment. Because of this, competitive UK producers have been able to expand their sales. Improved communications, technological transfers and the development of supply chains across borders have also been contributing factors to global trade and investment growth.

#### Extract 3: UK Current Account



17

- (a) Using the data in **Extract 3** on page 16, calculate the **total trade balance** for **2018 Q3**. Show your working.

Answer: ..... [2]

- (b) Using the data in **Extract 3** on page 16, calculate the percentage change in exports of goods between **2018 Q2** and **2018 Q3**. Show your working.

Answer: ..... [2]

**(c)** Using **Extract 3**, on page 16, analyse the causes of the persistent current account deficit in the UK.

[6]

19

- (d) (i) Explain what is meant by a free trade agreement.

.....

.....

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..... [2]

- (ii) Explain **one** cost to producers of globalisation.

.....

.....

.....

..... [2]

- (iii)\*** Evaluate the benefits of globalisation to producers in the UK.

Use the information given in **Extract 3** on page 16 and your own knowledge.

..... [6]

**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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