



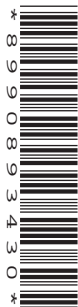
Oxford Cambridge and RSA

# Monday 22 November 2021 – 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
- an HB pencil



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. You can use an HB pencil, but only for graphs and diagrams.
- 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.

**2**  
**SECTION A**

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

Write your answer for each question in the box provided.

**1** The **best** way for a government to quickly increase economic growth is to

- A** boost private investment
- B** increase state spending on education
- C** raise corporation taxes
- D** sign a free trade agreement

Your answer

**[1]**

**2** Unemployment as a result of a long-term change in technology is called

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

Your answer

**[1]**

**3** Plumrith has a population of 1000 of whom 800 people are in the labour force and 200 people are unemployed. The unemployment rate is:

- A** 20%
- B** 25%
- C** 60%
- D** 80%

Your answer

**[1]**

## 3

4 The benefits of international trade are only fully achieved if there is

- A a constant exchange rate
- B free trade
- C globalisation
- D no opportunity cost

Your answer

☐

[1]

5 An increase in the level of unemployment benefit is most likely to

- A increase labour market flexibility
- B increase the quantity of labour supplied
- C reduce the quantity of labour supplied
- D stabilise the level of demand for goods and services

Your answer

☐

[1]

6 Which of the following is the **most** likely cost to central government of a high level of unemployment?

- A Encouraging the unemployed to move
- B Higher taxes for those in work
- C Increased spending on unemployment-related benefits
- D Lower living standards for the workforce

Your answer

☐

[1]

7 Government spending and taxation policy is known as

- A financial policy
- B fiscal policy
- C monetary policy
- D supply-side policy

Your answer

☐

[1]

4

- 8 Under which of the following circumstances would it be best to be a lender?
- A The nominal rate of interest is 0 percent and the inflation rate is 0 percent
  - B The nominal rate of interest is 2 percent and the inflation rate is 5 percent
  - C The nominal rate of interest is 5 percent and the inflation rate is 1 percent
  - D The nominal rate of interest is 7 percent and the inflation rate is 4 percent

Your answer

☐

[1]

- 9 Which of the following is an example of supply-side policy?
- A Lowering the rate of price rises
  - B National defence expenditure
  - C Raising interest rates
  - D Reducing direct taxes on workers

Your answer

☐

[1]

- 10 Which of the following will cause a country's exchange rate to fall? Increased
- A balance of payments surplus
  - B demand for its exports
  - C demand for its imports
  - D rate of interest

Your answer

☐

[1]

- 11 Which of the following is normally part of a country's GDP?
- A Domestic services performed within a family
  - B Household savings
  - C Interest rates
  - D Investment spending by firms

Your answer

☐

[1]

5

**12** Data is often presented in terms of nominal or real figures. The difference between them takes into account

- A** direct taxes
- B** the rate of inflation
- C** the rate of interest
- D** wider supply-side policy

Your answer

☐

[1]

**13** How does the consumer price index measure the rate of inflation?

- A** By using changes in the rate of growth of the money supply
- B** By using the increase in the annual GDP per capita figures
- C** Through a process of weighing a range of goods and services
- D** Through a survey of prices in a typical basket of goods and services

Your answer

☐

[1]

**14** James and Jane are returning from a holiday in Slovenia and want to convert their euros (€) into UK pounds (£). If the value of the UK pound in terms of the euro is £1 = €1.15, how many pounds will they get if they exchange €300?

- A** £260.87
- B** £298.65
- C** £302.94
- D** £345.00

Your answer

☐

[1]

**15** The Balance of Payments on the current account shows the balance of receipts and payments of

- A** a country's international banks
- B** a typical household
- C** foreign exchange by a country
- D** the government

Your answer

☐

[1]

6

16 Which of the following is likely to be the greatest benefit of globalisation to consumers in less developed countries?

- A A better infrastructure
- B A wider range of resources
- C Increased migration opportunities
- D Increased use of technology

Your answer

☐

[1]

17 Monetary policy is most likely to affect

- A real output and indirect taxes
- B the price level and indirect taxes
- C the price level and real output
- D the price level but **not** real output

Your answer

☐

[1]

18 The central bank decides to increase quantitative easing. The **most** likely effect on investment is that it would

- A decrease
- B fall at first and then increase
- C increase
- D remain constant

Your answer

☐

[1]

19 The table shows the rate of inflation for Country A for 2016–2020.

Year	Inflation rate %
2016	3.0
2017	2.0
2018	2.0
2019	1.5
2020	2.5

Which of the statements is correct? Prices

- A fell from 2016 to 2019 and then increased
- B rose only in 2020
- C rose throughout the period shown
- D were constant in 2017–2018

Your answer

☐

[1]

20 Which pair of events is most likely to happen as a result of a rise in the rate of interest?

- A Asset prices fall and savings by households rise
- B Borrowing by firms rises and savings by households fall
- C Consumer prices rise and asset prices fall
- D External value of the currency falls and borrowing rises

Your answer

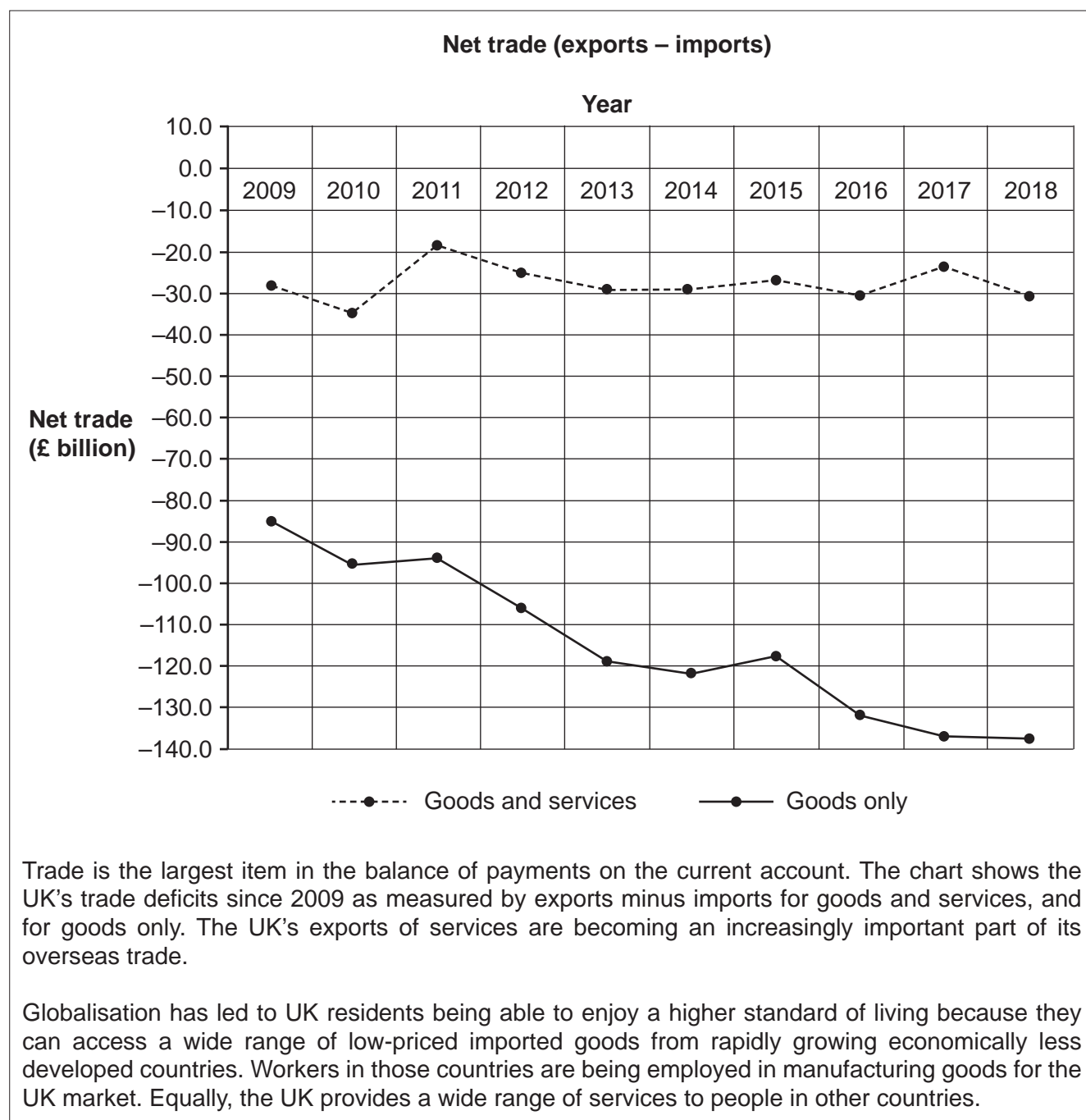
☐

[1]

## SECTION B

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

21



**Extract 1: UK Trade in the Current Account 2009–2018**

(a) Give **two** examples of services that the UK exports.

Example 1 .....

Example 2 .....

[2]



- (b)** Using the chart in **Extract 1** on page 8, state in which **year** the deficit in net trade of goods and services was at its:

1 Largest .....

2 Smallest .....

[2]

- (c)** Using the information in **Extract 1** on page 8, analyse why the deficit on trade in goods and services is not as large as the deficit on trade in goods only.

..... [6]

10

(d) (i) Explain **one** driving factor of globalisation.

.....

.....

.....

..... [2]

(ii) Explain **one** cost of globalisation on environmental sustainability in less developed countries.

.....

.....

.....

..... [2]

- (iii)\*** Evaluate whether globalisation is beneficial to workers in less developed countries that are exporting to the UK market.

Use the information given in **Extract 1** on page 8 and your own knowledge.

..... [6]

		2016	2017	2018
Botswana	GDP per capita (US\$)	7797	7859	8031
	carbon emissions (metric tons per capita)	2.86	3.35	3.19
USA	GDP per capita (US\$)	52 534	53 356	54 542
	carbon emissions (metric tons per capita)	15.56	15.81	16.14
Sweden	GDP per capita (US\$)	56 196	56 611	57 232
	carbon emissions (metric tons per capita)	4.54	4.55	4.47

GDP per capita is used to compare living standards or development levels between countries. Economic growth over time can be measured by rising GDP per capita. Higher living standards that result from economic growth often lead to increases in carbon emissions, because people travel more by car and use more electricity.

Climate change has been identified as a negative externality that arises from the carbon emitted as a result of energy production and consumption. Despite the associated opportunity costs, most countries have pledged to reduce emissions. Governments and firms, therefore, are investing in alternative renewable energy sources in order to reduce the burning of fossil fuels. Also, governments are imposing taxes on petrol and on electricity production; the taxes provide an economic incentive for firms and consumers to reduce their energy consumption.

### Extract 2: Economic Growth and Carbon Emissions

- (a) Explain what is meant by GDP per capita.

.....

.....

.....

..... [2]

- (b) Using the table in **Extract 2** calculate the difference in **2018** in GDP per capita in Sweden and Botswana. Show your working.

Answer: ..... [2]

- (c)** Using **Extract 2** on page 12, analyse the argument that as countries become more developed with higher living standards their carbon emissions increase.

..... [6]

[6]

- (d) (i)** Give **two** examples of additional costs households may have to pay as a result of policies to reduce carbon emissions.

Example 1 .....

Example 2 .....

[2]

- (ii) Explain an opportunity cost of a government's increased investment in renewable energy sources.

..... [2]

. [2]

- (iii)\* Evaluate whether government policies to correct negative externalities would benefit consumers.

Use the information given in **Extract 2** on page 12 and your own knowledge.

[6]

	Income share held by richest 10% (%)	Income share held by poorest 10% (%)		Government spending on education per secondary student (% of GDP per capita)
Argentina	30.3	1.8		21.8
Finland	22.4	3.9		25.8
UK	25.4	2.9		23.1
USA	30.6	1.7		22.1

Income share is the percentage of income that goes to subgroups, ranked from the richest 10% of the population to the poorest 10%. If income were distributed perfectly equally then all the figures in the first two columns of the table would be 10 (%).

Income shares do not take account of differences in wealth, which includes savings and property ownership. However, income that is generated by wealth does appear in the income share data.

Government spending on education is a supply-side policy which aims to increase GDP per capita and improve equality of opportunities.

### Extract 3: Data on Household Income Shares and Spending on Education in 2015

- (a) Using the table in **Extract 3**, explain which of the four countries has the **most** equal income distribution.

.....

.....

.....

..... [2]

- (b) Apart from wages, state **two** other sources of income.

1 .....

2 ..... [2]

**(c)** Analyse the causes of differences in the distribution of income.

..... [6]

**(d) (i)** Using the table in **Extract 3** on page 15, explain the impact of government spending on education in Argentina and Finland on their related income shares.

..... [2]

(ii) Explain **one** way in which spending on education could improve a country's GDP per capita.

..... [2]



- (iii)\*** Evaluate the benefits of supply-side policies for the income distribution of an economy.

Use the information given in **Extract 3** on page 15 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).

[illegible]



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