Oxford Cambridge and RSA

Tuesday 21 May 2024 – Morning

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 | | | | | | Candidate number | | | | |

First name(s) _____

Last name _____

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 **24** pages.

ADVICE
- Read each question carefully before you start your answer.

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SECTION A

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

1 Which statement about GDP per capita is **not** correct?

A It calculates the output per head of a country's population

B It can be used to measure the standard of living between countries

C It represents the average income of each person in a country

D It shows a country is in recession if GDP per capita decreases

Your answer ☐ **[1]**

2 The UK uses CPI to measure inflation.

Which statement about CPI is correct?

A It does not include the prices of exports

B It measures the prices of all goods and services in the UK

C It only measures the prices of goods

D The letters CPI stand for customer price index

Your answer ☐ **[1]**

3 Which statement shows a negative externality affecting a worker in the car industry?

A A worker is retrained so they can use new machinery as part of their job

B A worker is unable to get to work due to train drivers being on strike

C A worker loses their job due to increased use of automation

D A worker takes time off to have medical tests provided by their employer

Your answer ☐ **[1]**

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4 If a country enters into a free trade agreement, it is most likely to lead to a decrease in the

A country's economic growth

B level of imports

C standard of living in other countries

D unemployment in the country

Your answer ☐ **[1]**

5 The table shows the rate of inflation for 2021 and 2022 in five countries.

	2021 (%)	**2022 (%)**
Country S	4.7	4.1
Country T	–2.4	–0.5
Country V	12.3	3.1
Country W	8.1	0.3
Country Z	8.1	–0.1

In which **two** countries did the general price level decrease between 2021 and 2022?

A Countries S and V

B Countries T and W

C Countries T and Z

D Countries W and Z

Your answer ☐ **[1]**

6 A current account surplus will **most** likely lead to

A a decrease in the country's debt

B a decrease in the exchange rate

C a decrease in the rate of inflation

D an increase in unemployment

Your answer ☐ **[1]**

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7 A country is experiencing structural problems which means overpriced and poor-quality goods being produced.

This will lead to

A a decision to reduce the amount of regulation in the market

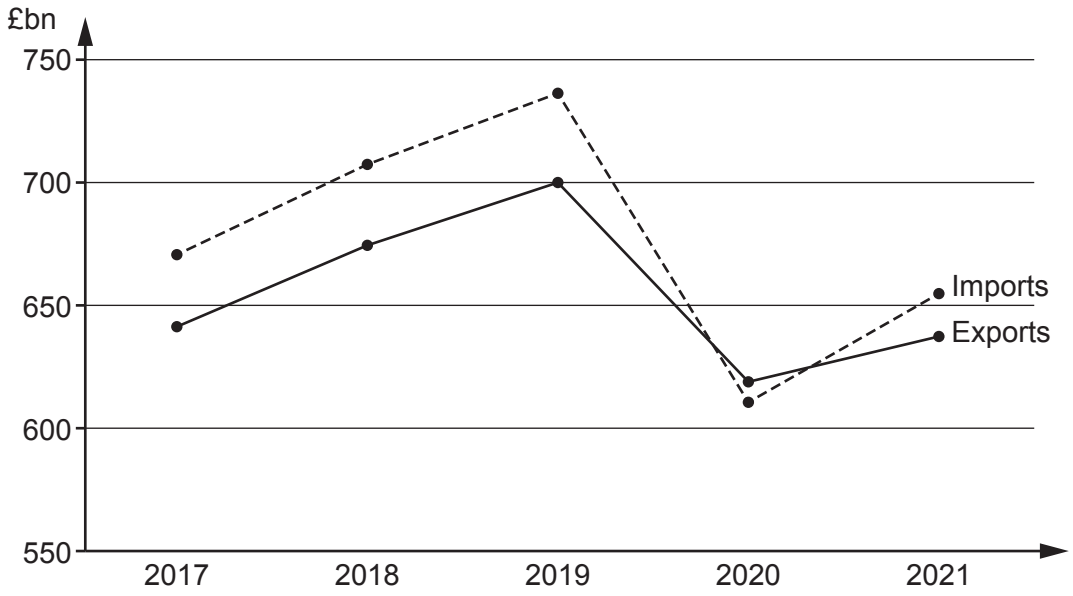
B a deficit of the balance of payments on current account

C an increase in the demand for the country's exports

D the country's central bank deciding to increase interest rates

Your answer ☐ **[1]**

8 The diagram shows import and export data for the UK from 2017 to 2021.



What does this diagram show?

A Exports decreased by more than imports between 2019 and 2020

B Exports increased by less than imports between 2020 and 2021

C The demand for UK exports was greater in 2021 than in 2018

D The UK's imports were always greater than its exports

Your answer ☐ **[1]**

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9 Education results in positive externalities being generated.
To ensure that these are internalised the UK government provides state education.

What is an opportunity cost of this decision?

A The cost of paying teachers

B The excess demand for health services

C The money spent on producing examinations

D The need to ensure all children attend school

Your answer ☐ **[1]**

10 Why can the life expectancy of the population be used to help measure the development of a country?

A A larger number of people need to be educated so more teachers are required

B An improved life expectancy will encourage parents to have fewer children

C If people live longer there will be greater demand for health services

D It can help to indicate safety levels in a country are higher due to less conflict

Your answer ☐ **[1]**

11 Which of these is likely to cause a decrease in economic growth?

A A decrease in unemployment

B An increase in infrastructure investment

C Fewer workers coming from the EU

D More government spending on training

Your answer ☐ **[1]**

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12 Which of these is **not** included in the UK's balance of payments on current account?

A A Spanish firm buying land in the UK to build a factory

B A UK consumer spending money while on holiday in Greece

C Foreign aid money sent from the UK to a less developed country

D Interest earned by a UK individual from a bank account in France

Your answer ☐ **[1]**

13 A UK producer is currently buying raw materials from the USA for $28 000.
The value of the UK pound (£) in terms of the US Dollar ($) changes from £1 = $1.40 to £1 = $1.25.

What is the price that the UK producer will now have to pay for the raw materials?

A £2400

B £20 000

C £22 400

D £35 000

Your answer ☐ **[1]**

14 In the past 20 years there has been more free movement of goods and greater international interdependence.

What is this called?

A Globalisation

B International trade

C Specialisation

D Sustainability

Your answer ☐ **[1]**

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15 Indirect taxation is one policy a government can use to correct negative externalities.

This policy works through the

A demand curve shifting to the right as prices increase

B quantity sold decreasing as the demand curve shifts to the left

C supply curve shifting to the left leading to higher prices

D supply curve shifting to the right as supply decreases

Your answer ☐ **[1]**

16 A government intends to use information provision to encourage the consumption of a good which has a positive externality.

Why would a policy of information provision be **unsuccessful**?

A Demand is highly price elastic

B Supply is perfectly price inelastic

C There is a high level of internet use in the country

D There is excess supply of the good

Your answer ☐ **[1]**

17 A benefit for UK producers of international trade is

A an improvement in the current account

B an increase in imported goods and services

C greater variety of goods for consumers

D increased economies of scale in production

Your answer ☐ **[1]**

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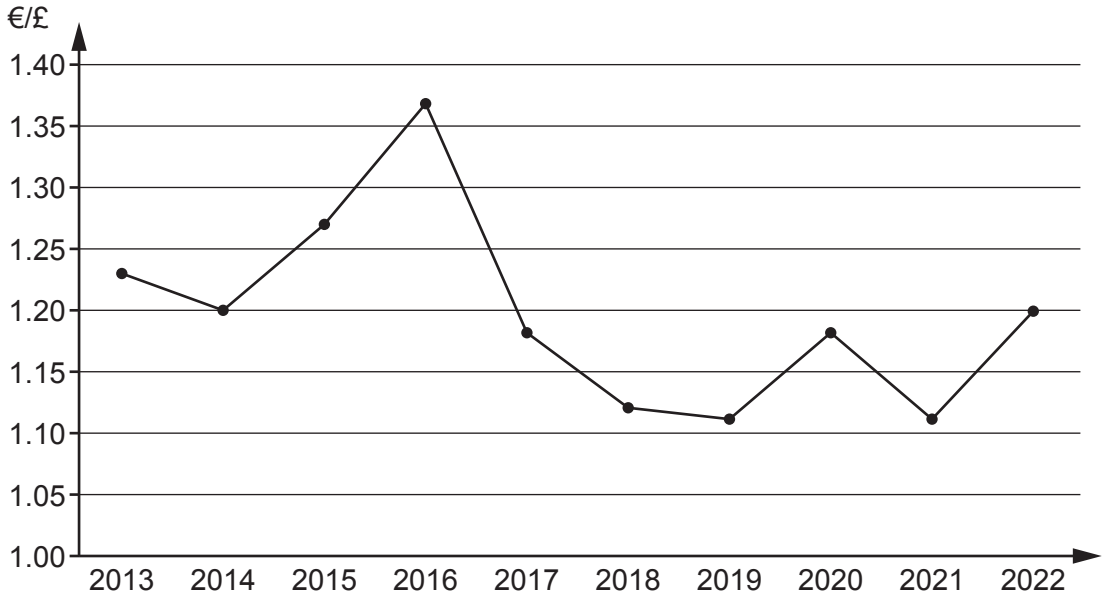
18 The diagram shows the value of the UK pound (£) in terms of the Euro (€) from 2013 to 2022.



Which statement is **most** likely to be correct?

A There was a decrease in the demand for pounds between 2014 and 2016

B There was a decrease in the supply of pounds between 2013 and 2014

C There was a fall in the rate of inflation from 2016 to 2019

D There was a loss of confidence by investors in the UK economy after 2016

Your answer ☐ **[1]**

19 If a group of workers was awarded a 10% pay rise, but their productivity had increased by 6%, then the **most** likely result would be

A a fall in consumer confidence

B a fall in government tax revenue

C an increase in consumer debt

D an increase in cost-push inflation

Your answer ☐ **[1]**

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20 Permission was granted in 2022 for a major road to be rebuilt in Brazil's Amazon rainforest.

The rebuilt road will help the residents of the largest Amazon city, Manaus, to stay connected to the rest of Brazil throughout the year.

How is this an example of social sustainability?

A Residents of Manaus will have shorter travel times when visiting friends

B Road repairs will be less expensive for the government in the future

C The firms rebuilding the road will pay increased levels of taxation

D Vehicles will use less fuel as the roads are easier to drive on

Your answer ☐ **[1]**

Section B starts on the next page

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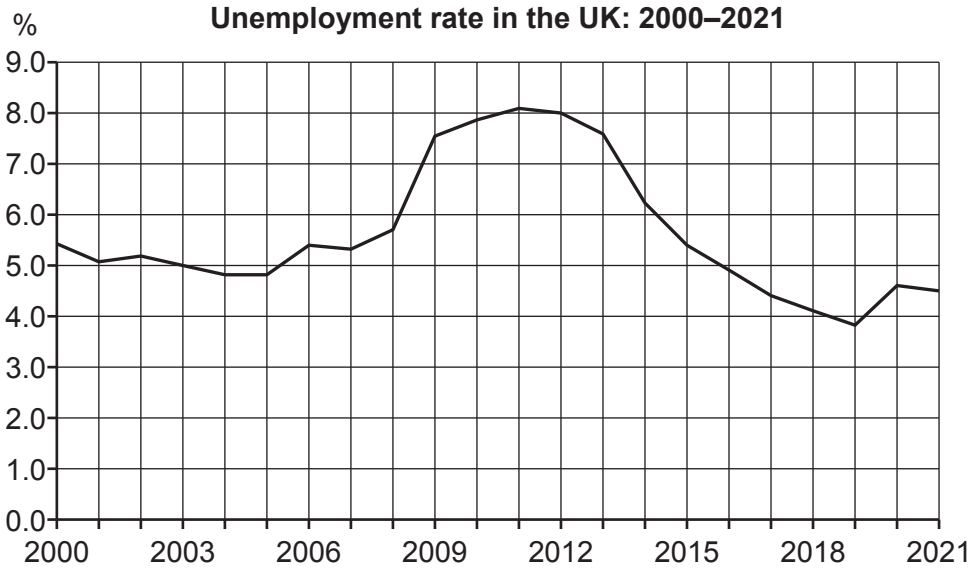
SECTION B

21
Extract 1
UK Employment and Unemployment



The unemployment rate has fluctuated with changes in economic growth.

Due to family demands, workers are often unable to move to another area to find work, leading to regional differences in unemployment. A lack of investment in manufacturing industries and in services reduces job opportunities, which results in long-term, structural unemployment and a fall in living standards. Depressed regions with high unemployment suffer from a lack of demand that leads to shops closing and more unemployment and economically inactive people. Both groups need to be supported with social security benefits.

As long as these unemployed people do not lose their skills, employers may be able to offer lower wages because of the surplus labour. To reduce unemployment the government may offer training in new technologies and better infrastructure, such as improved public transport.

Workforce data: 2022

	Economically active (thousands)	**Employed level** (thousands)	**Unemployed level** (thousands)	**Unemployment rate** (rate %)	**Economically inactive** (rate %)
England	28,781	27,736	1,045	3.63	21.2
North East	1,257	1,204	53	4.22	25.2
South East	4,751	4,608	143	3.01	19.4
Wales	1,502	1,448	55	3.65	24.9
Scotland	2,804	2,705	98	3.50	21.9
Northern Ireland	877	851	26	–	27.7

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(a) Using **Extract 1**, explain the trend in the UK unemployment rate between **2008** and **2011**.

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(b) Using **Extract 1**, calculate the unemployment rate in Northern Ireland.

Show your working.

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

Question continues on the next page

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(c) Using the information in **Extract 1**, analyse how the changes in the UK unemployment rate between **2011** and **2018** might have affected the government's budget.

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(d)

(i) Explain what is meant by structural unemployment.

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(ii) State **two** other types of unemployment.

1 .....

2 .....

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(iii)* Evaluate the consequences of unemployment for producers in the North East of England.

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

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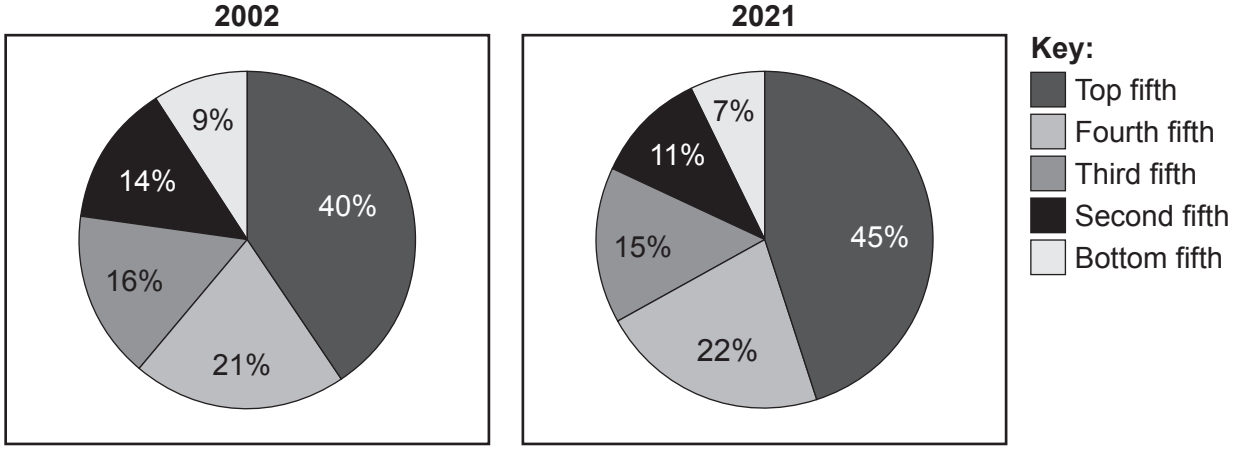
22
Extract 2
Income Distribution and Taxes in Indonesia

Distribution of net income in Indonesia



Governments often use direct taxes not only to increase revenue, but also to redistribute income and wealth. Progressive income taxes charge a higher tax rate on higher incomes, while other taxes reduce increases in wealth. The distribution of wealth is more unequal than income. Holding wealth in the form of savings or other assets, such as houses, contributes to a more unequal income distribution, because of interest payments and capital gains. Wide differences in income and wealth are often associated with issues such as inequality of opportunities.

Income taxes can be used for public services and for providing social security benefits. Taxation is also used in both fiscal and supply side policies. A change in taxation policy affects disposable income and business profits, which results in a significant impact on economic growth and on inflation.

(a) Using **Extract 2**, calculate the percentage of total net income in **2021** that is received by the richest 40% of the Indonesian population.
Show your working.

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

(b) Using **Extract 2**, explain how the distribution of income in Indonesia has changed from **2002** to **2021**.

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(c) Using the information in **Extract 2**, analyse how a decrease in direct taxes can affect the Indonesian economy.

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(i) Other than income tax, state **two** types of direct taxes.

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(ii) Explain how a progressive income tax system redistributes income.

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(iii)* Evaluate whether raising income tax on the richest 20% of the population in Indonesia would have a purely beneficial effect for the lower paid.

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

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23
Extract 3
Economic Policies and the Value of the Pound

Supply side spending (selected items) (£ billion)			
Government spending	**2001–02**	**2011–12**	**2021–22**
General public services	**44.0**	**76.8**	**108.6**
Health (NHS)	**59.8**	**121.3**	**216.8**
Education	**51.2**	**86.5**	**100.3**
..... *Sum of excluded items*	*155.0*	*284.6*	*425.7*
Total government spending	**384.0**	**675.5**	**952.3**

Government spending on education and health provision allows workers to become more productive, potentially increasing economic output.

When tax revenue does not increase at the same pace as government spending, the government must borrow to cover its deficit. When government borrowing increases, interest rates may rise. Monetary policy uses interest rates to affect economic growth through their effect on borrowing for investment and consumption.

When interest rates in the UK are higher than overseas, the international value of the pound increases, which may adversely affect UK exports, but should lower the inflation rate.

(a) Using **Extract 3**, calculate the average amount, in £ billions, spent each year on total government spending over the period shown in the table.

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

(b) Explain how an increase in spending on education can lead to a rise in the rate of economic growth.

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(c) Using the information in **Extract 3**, analyse how a cut in interest rates can affect UK economic growth.

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(d)

(i) Other than economic growth, state **two** economic objectives that monetary policy can achieve.

1 .....

2 .....
[2]

(ii) Explain how higher interest rates in the UK may lead to the international value of the pound increasing.

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(iii)* Evaluate the extent to which a rise in the foreign exchange value of the pound could affect UK consumers and producers.

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

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END OF QUESTION PAPER

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EXTRA ANSWER SPACE

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