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EDEXCEL INTERNATIONAL GCSE ECONOMICS: QUESTIONS BY TOPIC

Macroeconomic objectives (2.1.1)

International GCSE Economics · Paper 2: Macroeconomics and the Global Economy

205 questions · 713 marks · Mark schemes included

Past papers June 2019 - June 2025 · 6 specification sub-topics

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HOW TO USE THIS BOOKLET

Questions are grouped by specification sub-topic and run from the lowest to the highest mark tariff, then oldest paper first.
Click any row below to jump straight to that sub-topic or question.
On every question page, click ANSWER in the top-right corner to jump to its mark scheme; < QUESTION brings you back.
Whenever a question refers to an extract, figure or table, those exact pages are printed immediately before it ("extracts & data").
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Diagrams, graphs, tables and data are printed exactly as they appear in the original papers.

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QUESTIONS

205 questions · 713 marks · 6 sub-topics

SUB-TOPIC 2.1.1 (a)

ECONOMIC GROWTH

Sub-topic 2.1.1 (a) · 40 questions · 110 marks · lowest tariff first

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) In a recovery, a country's Gross Domestic Product (GDP)

(1)

- ☒ **A** rises
- ☒ **B** falls
- ☒ **C** stays the same
- ☒ **D** fluctuates

(b) A trade bloc is a group of countries that have

(1)

- ☒ **A** the same interest rate
- ☒ **B** common borders between members
- ☒ **C** the same currency
- ☒ **D** a reduction in trade barriers between members

(c) What is meant by the term multinational corporation (MNC)?

(2)

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2 (a) GDP per capita is a measure of a country's economic output that accounts for population.

If Sweden has a population of 10 million and a GDP of $511 bn (1bn = 1 000 000 000), then its GDP per capita is

(1)

- ☒ **A** $511
- ☒ **B** $5 110
- ☒ **C** $51 100
- ☒ **D** $511 000

(b) What is the name of the policy that focuses on interest rate changes?

(1)

- ☒ **A** Deregulation
- ☒ **B** Exchange rate
- ☒ **C** Monetary
- ☒ **D** Fiscal

(c) State **one** impact of a current account deficit.

(1)

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(d) What is meant by the term absolute poverty?

(2)

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(b) Which **one** of the following is likely to result from an increase in free trade?

(1)

- ☒ **A** Increased prices
- ☒ **B** Increased choice for consumers
- ☒ **C** Decrease in standards of living
- ☒ **D** Decrease in market opportunities for business

(c) State **one** macroeconomic objective.

(1)

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(d) What is meant by the term revaluation?

(2)

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Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) What type of unemployment is likely to be caused by generous welfare benefits?

(1)

- ☒ **A** Seasonal
- ☒ **B** Cyclical
- ☒ **C** Voluntary
- ☒ **D** Structural

(b) What name is given to the phase in the economic cycle when consumers start to regain confidence and economic activity is on the increase?

(1)

- ☒ **A** Boom
- ☒ **B** Downturn
- ☒ **C** Recession
- ☒ **D** Recovery

(c) What is meant by the term central bank?

(2)

2 In 2018, the Indonesian rupiah depreciated to its lowest levels since 1997 against other major currencies.

(a) This depreciation is likely to have caused

(1)

- ☒ **A** an increase in exports and a decrease in imports
- ☒ **B** a decrease in exports and a decrease in imports
- ☒ **C** an increase in exports and an increase in imports
- ☒ **D** a decrease in exports and an increase in imports

(b) Which of the following is used as a measure of economic growth?

(1)

- ☒ **A** ILO
- ☒ **B** CPI
- ☒ **C** GDP
- ☒ **D** FDI

(c) State **one** reason why a government wants to reduce poverty and inequality.

(1)

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(d) What is meant by the term infrastructure?

(2)

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2 (a) Globalisation results in increasing

(1)

- ☒ **A** levels of debt for all national economies
- ☒ **B** protectionism amongst national economies
- ☒ **C** amounts of legislation for national economies
- ☒ **D** integration and interdependence of national economies

(b) Which **one** of the following is a possible impact of economic growth?

(1)

- ☒ **A** An increase in unemployment
- ☒ **B** An increase in environmental damage
- ☒ **C** A reduction in investment
- ☒ **D** A reduction in tax revenues

(c) State **one** type of unemployment.

(1)

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(d) What is meant by the term recovery?

(2)

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2 (a) Money earned from foreign tourists visiting Canada is shown in Canada's current account on the balance of payments as:

(1)

- ☒ **A** visible exports
- ☒ **B** visible imports
- ☒ **C** invisible exports
- ☒ **D** invisible imports

(b) Which **one** of the following is likely to help protect the environment?

(1)

- ☒ **A** An increase in fines
- ☒ **B** An increase in pollution permits
- ☒ **C** A reduction in regulation
- ☒ **D** A reduction in the provision of parks

(c) State **one** possible disadvantage of economic growth.

(1)

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(d) What is meant by the term privatisation?

(2)

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Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) Which **one** of the following describes the recovery phase of the economic cycle?

(1)

☒ **A** GDP is growing at its fastest and business activity increases

☒ **B** GDP starts to rise and economic activity is on the increase

☒ **C** GDP is still growing but more slowly

☒ **D** GDP falls for two successive quarters

(b) Which **one** of the following is an example of frictional unemployment?

(1)

☒ **A** A bank cuts jobs during a global recession

☒ **B** Workers are unemployed whilst waiting to start a new job

☒ **C** Fewer workers are employed on fruit farms in the winter months

☒ **D** Factory workers lose their jobs as more machines are used

(c) What is meant by the term exports?

(2)

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2 (a) What is the main reason for a government to devalue its currency?

(1)

- ☒ **A** To increase the demand for its exports
- ☒ **B** To decrease the demand for its exports
- ☒ **C** To increase the demand for imports
- ☒ **D** To decrease foreign investment

(b) Which **one** of the following is the most likely reason for increased globalisation?

(1)

- ☒ **A** An increase in tariffs and quotas
- ☒ **B** An increase in the cost of transport
- ☒ **C** An increase in the significance of MNCs
- ☒ **D** An increase in the cost of communication

(c) State **one** possible macroeconomic objective for a government.

(1)

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(d) What is meant by the term seasonal unemployment?

(2)

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Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) Which **one** of the following is an advantage of multinational corporations (MNCs) operating in a country?

(1)

- ☒ **A** Avoiding paying taxes
- ☒ **B** Environmental damage
- ☒ **C** Developing skills
- ☒ **D** Moving profits abroad

(b) Which **one** of the following is a measurement of gross domestic product (GDP)?

(1)

- ☒ **A** Total value of goods and services traded within an economy
- ☒ **B** Total value of goods and services produced within an economy
- ☒ **C** Total value of goods and services exported by an economy
- ☒ **D** Total value of goods and services imported by an economy

(c) What is meant by the term the current account on the balance of payments?

(2)

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) Which **one** of the following is a reason why a government wants to reduce poverty and inequality?

(1)

- ☒ **A** It is a legal requirement
- ☒ **B** To increase the gap between rich and poor
- ☒ **C** For basic needs to be met
- ☒ **D** To increase relative poverty

(b) Which **one** of the following is a benefit of using gross domestic product (GDP) as a measure of growth?

(1)

- ☒ **A** It considers the distribution of income
- ☒ **B** It is an accurate measurement of all economic activity
- ☒ **C** It takes inflation into account
- ☒ **D** It is easy to compare economic growth between countries

(c) What is meant by the term deflation?

(2)

4 GDP per capita is a measure of a country's economic output that accounts for population. Figure 4 shows the population and gross domestic product (GDP) for Vietnam in 2016.

	2016
Population (million)	92.7
GDP (US$ million)	202 600

Figure 4

(Source: © 2018 The World Bank Group)

(a) Calculate, to two decimal places, the GDP per capita for Vietnam in 2016. You are advised to show your working.

(2)

The unemployment rate fell in Vietnam between 2015 and 2016 but in the same period the inflation rate increased.

(b) Analyse how a fall in unemployment may have caused an increase in Vietnam's inflation rate.

(6)

(d) Describe **one** impact of economic growth on the productive potential of a country.

(2)

Figure 1 shows the main components of Germany's current account in 2016.

	€ billion
Trade in goods (visibles)	+271.7
Trade in services (invisibles)	-22.4

Figure 1

(Source: Bundesbank)

(e) Using the data in Figure 1, calculate in € bn the current account balance for Germany in 2016.

(2)

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) What is calculated by using the consumer price index (CPI)?

(1)

- ☒ **A** Redistribution of income
- ☒ **B** Inflation rate
- ☒ **C** Economic growth
- ☒ **D** Exchange rate

(b) The sale or transfer of public sector assets to the private sector is known as

(1)

- ☒ **A** monetary policy
- ☒ **B** public expenditure
- ☒ **C** privatisation
- ☒ **D** fiscal policy

(c) What is meant by the term boom?

(2)

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) The International Labour Organisation (ILO) measures

(1)

- ☒ **A** inflation
- ☒ **B** unemployment
- ☒ **C** economic growth
- ☒ **D** government spending

(b) Which method of protection is used to reduce the price of exports?

(1)

- ☒ **A** Free trade
- ☒ **B** Tariffs
- ☒ **C** Subsidies
- ☒ **D** Quotas

(c) What is meant by the term gross domestic product (GDP)?

(2)

.....

.....

.....

.....

.....

.....

(d) Describe **one** positive impact of economic growth.

(2)

Consumer Price Index (CPI) was 120.4 in 2017 and it increased to 130.3 in 2018.

(e) Calculate, to two decimal places, the **rate of inflation** in 2018. You are advised to show your working.

(2)

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) Which type of unemployment occurs when the demand for a product is only at certain times of the year?

(1)

- ☒ **A** Structural
- ☒ **B** Cyclical
- ☒ **C** Seasonal
- ☒ **D** Voluntary

(b) Which **one** of the following terms refers to a tax on imported goods?

(1)

- ☒ **A** Subsidy
- ☒ **B** Tariff
- ☒ **C** Fine
- ☒ **D** Pollution permit

(c) What is meant by the term recession?

(2)

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) Which **one** of the following terms refers to a physical limit on the quantity of imported products allowed into a country?

(1)

- ☒ **A** Devaluation
- ☒ **B** Dumping
- ☒ **C** Public good
- ☒ **D** Quota

(b) Which **one** of the following names is given to the government policy that aims to increase the productive capacity of the economy?

(1)

- ☒ **A** Trade
- ☒ **B** Fiscal
- ☒ **C** Supply-side
- ☒ **D** Exchange rate

(c) What is meant by the term downturn?

(2)

2 (a) Globalisation results in increasing

(1)

- ☒ **A** levels of debt for all national economies
- ☒ **B** protectionism amongst national economies
- ☒ **C** amounts of legislation for national economies
- ☒ **D** integration and interdependence of national economies

(b) Which **one** of the following is a possible impact of economic growth?

(1)

- ☒ **A** An increase in unemployment
- ☒ **B** An increase in environmental damage
- ☒ **C** A reduction in investment
- ☒ **D** A reduction in tax revenues

(c) State **one** type of unemployment.

(1)

.....

.....

.....

(d) What is meant by the term recovery?

(2)

.....

.....

.....

.....

.....

.....

4 Figure 4 shows the change in gross domestic product (GDP) per capita for Vietnam.

	2018	2019
GDP per capita US$	2 590	2 715

Figure 4

(Source adapted from: https://www.ceicdata.com/en/indicator/vietnam/gdp-per-capita)

(a) Calculate, to two decimal places, the **percentage increase in GDP per capita** between 2018 and 2019. You are advised to show your working.

(2)

Figure 5 shows Vietnam's quarterly unemployment rate (%) 2017–2019.

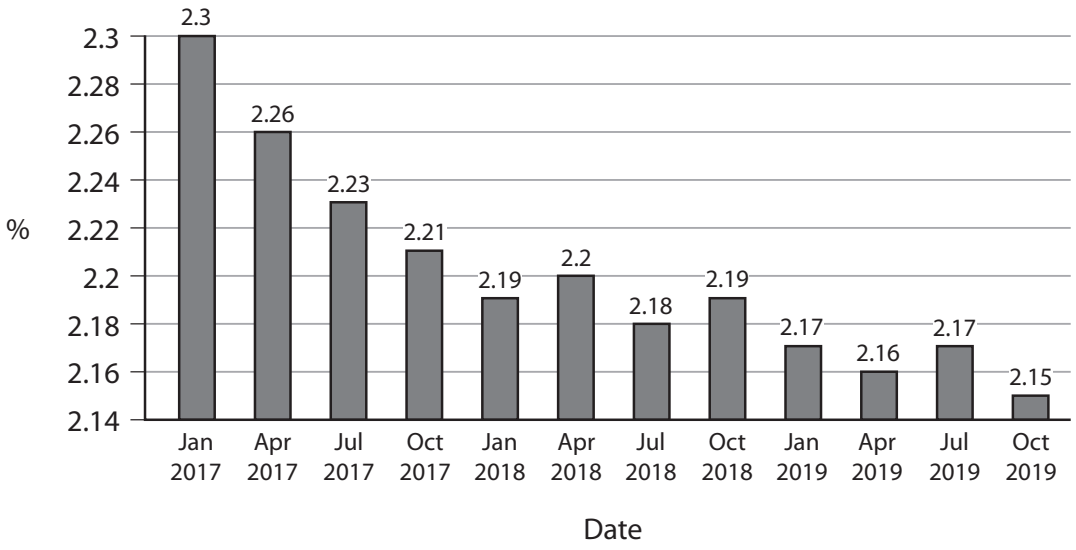


Figure 5

(Source: https://tradingeconomics.com/vietnam/unemployment-rate)

(b) With reference to the data above and your knowledge of economics, analyse the impact of falling unemployment rates on tax revenues for a country such as Vietnam.

(6)

(d) Describe **one** negative impact of economic growth.

(2)

(e) Calculate the **price in euros (€)** of a UK manufactured car priced at £15 000 when the exchange rate is £1 = €1.10. You are advised to show your working.

(2)

4 Figure 3 shows the gross domestic product (GDP) per capita for Egypt in 2019 and 2020.

	2019	2020
GDP per capita US$	3 043	3 561

Figure 3

(Source adapted from: https://www.statista.com/statistics/377353/gross-domestic-product-gdp-per-capita-in-egypt/)

(a) Calculate, to two decimal places, the **percentage change in GDP per capita** in Egypt between 2019 and 2020. You are advised to show your working.

(2)

Figure 4 shows the quarterly current account deficit (US$m) for Egypt from January 2018 until October 2020.

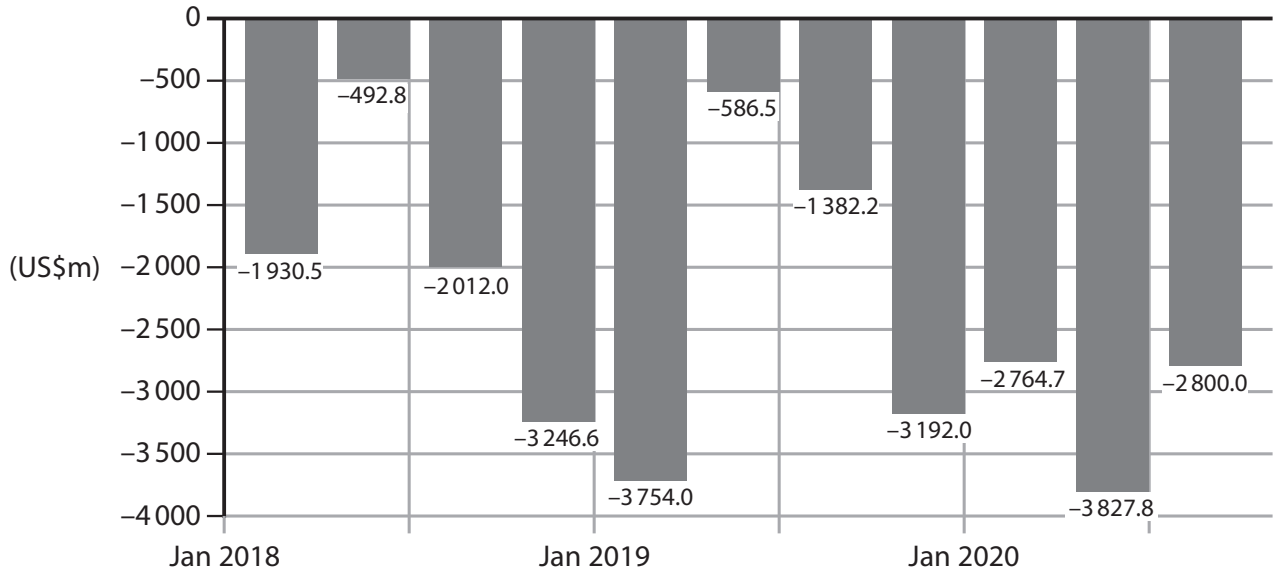


Figure 4

(Source adapted from: https://tradingeconomics.com/egypt/current-account)

(b) Analyse the possible impact on Egypt of having a continuous current account deficit.

(6)

4 Figure 5 shows the gross domestic product (GDP) for India in 2021 and 2022.

	2021	2022
GDP ($bn)	3 150.31	3 385.09

Figure 5

(a) Calculate, to two decimal places, the **percentage change in GDP** for India between 2021 and 2022. You are advised to show your working.

(2)

(d) Describe **one** impact of economic growth on the productive potential of a country.

(2)

Figure 1 shows the main components of Germany's current account in 2016.

	€ billion
Trade in goods (visibles)	+271.7
Trade in services (invisibles)	-22.4

Figure 1

(Source: Bundesbank)

(e) Using the data in Figure 1, calculate in € bn the current account balance for Germany in 2016.

(2)

(f) The UK exports goods to eurozone countries. Using the diagram below, draw the effects of an increase in exports from the UK to the eurozone on the exchange rate of the £. Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.

(3)

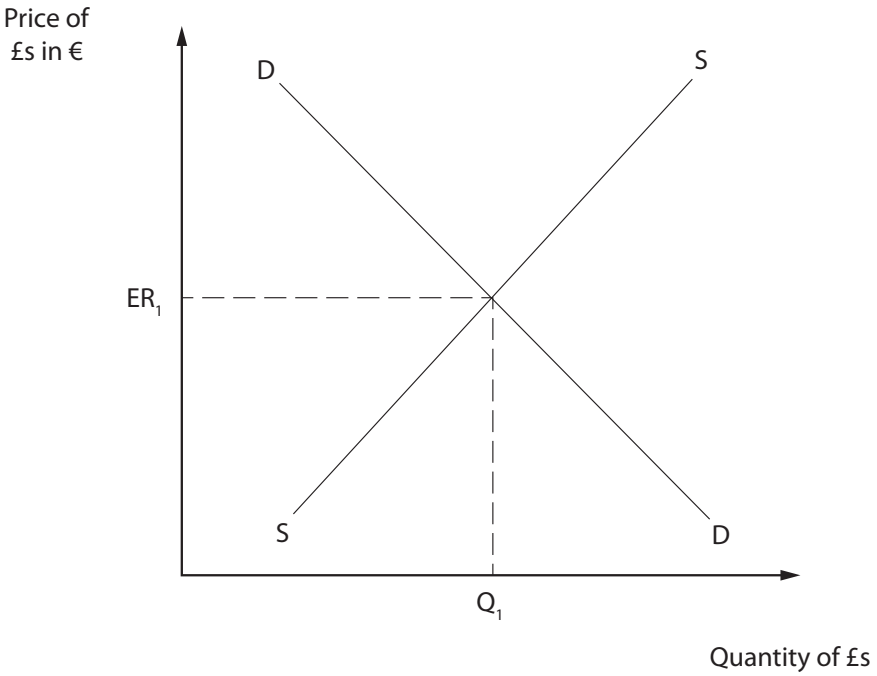


Figure 2

In September 2017, the growth rate of the gross domestic product (GDP) in the UK was 0.4%, a slight increase of 0.1% on the previous quarter.

(g) Explain **one** reason why economic growth is a key macroeconomic objective for a country such as the UK.

(3)

The Government of Singapore had a fiscal surplus of 1.3% of GDP in 2016 and it is expected to have a 0.4% of GDP surplus in 2017.

(h) Analyse the impact of a fiscal surplus on a country such as Singapore.

(6)

(Total for Question 1 = 20 marks)

In December 2017 the Thai baht appreciated to its highest value in 2 years against the US dollar. The Thai baht is predicted to continue its gradual appreciation in 2018.

(e) Explain **one** disadvantage of an appreciating currency for an economy such as Thailand.

(3)

President Xi Jinping of China has made environmental protection a priority. This is due to rising public concern over widespread environmental damage caused by years of uncontrolled economic growth.

(f) Explain **one** possible negative effect on the environment caused by the economic growth of a country such as China.

(3)

A new UK report identified the urgent need to reduce pollution from vehicles and provide more open spaces and parks.

Researchers looked at the impact on health when participants walked for two hours on London's busy Oxford Street. This was then compared to those walking in the nearby large open space of Hyde Park.

The results showed that people walking in the park performed better. The air pollution from vehicle fumes largely removed the health benefit from the exercise in Oxford Street. The report suggests that people should avoid walking in busy streets and should instead walk in parks or open spaces.

(Source: adapted from http://edition.cnn.com/2017/12/05/health/exercise-polluted-urban-streets-intl/index.html)

(g) With reference to the data above and your knowledge of economics, assess whether the government should provide more parks and open spaces.

(9)

A recent report estimates 23% of gross domestic product (GDP) in Greece is from revenue that goes unrecorded by the government.

(f) Explain **one** possible reason why a large percentage of Greece's GDP might be unrecorded.

(3)

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QUESTION 2(g) BEGINS ON PAGE 12

A new report from New Zealand Kiwifruit Growers Incorporated showed a serious shortage of seasonal workers. This could slow down the kiwifruit industry's predicted growth. The report showed that the industry will require an additional 7,000 seasonal workers if it is to double in size by 2027. Revenue from the sale of kiwifruits was predicted to increase from NZ$2.1bn in 2017 to NZ$4bn by 2027. At the start of the 2018 season, the industry was short of 1,200 workers with 70% of the crop still to be picked.

(Source adapted from: https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=12099643)

(g) With reference to the data above and your knowledge of economics, assess the ways a country such as New Zealand could reduce the shortage of seasonal workers.

(9)

(f) Using the diagram below draw and label the three stages of the economic cycle in the boxes on the diagram.

(3)

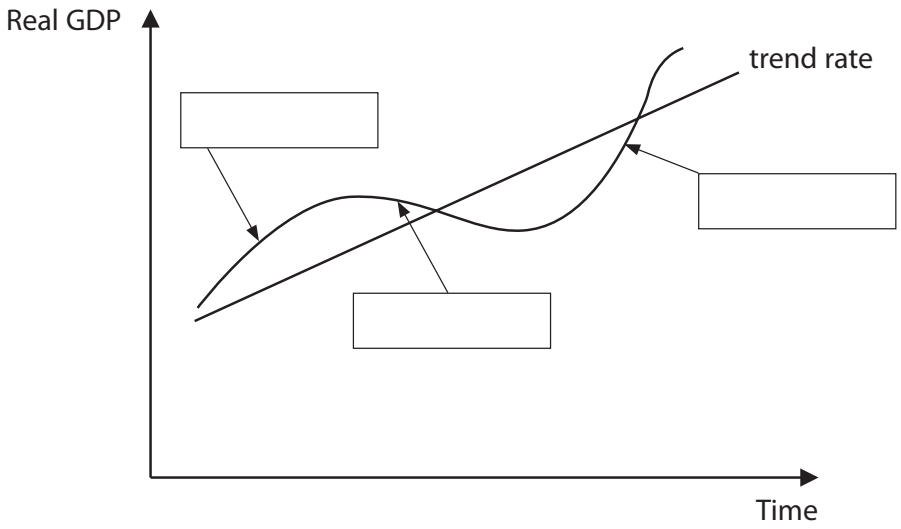


Figure 1

According to the US Labour Department, employees working in the public education sector are leaving their jobs at faster rates than ever recorded before.

(g) Explain **one** reason why some people in the education sector might choose to become voluntarily unemployed?

(3)

In December 2019, the USA imposed a 10% tariff on toys imported from China.

(f) Using the diagram below, draw the likely effect of the introduction of this tariff on the equilibrium price and quantity of toys imported from China. Label the new curve, the new equilibrium price and new equilibrium quantity.

(3)

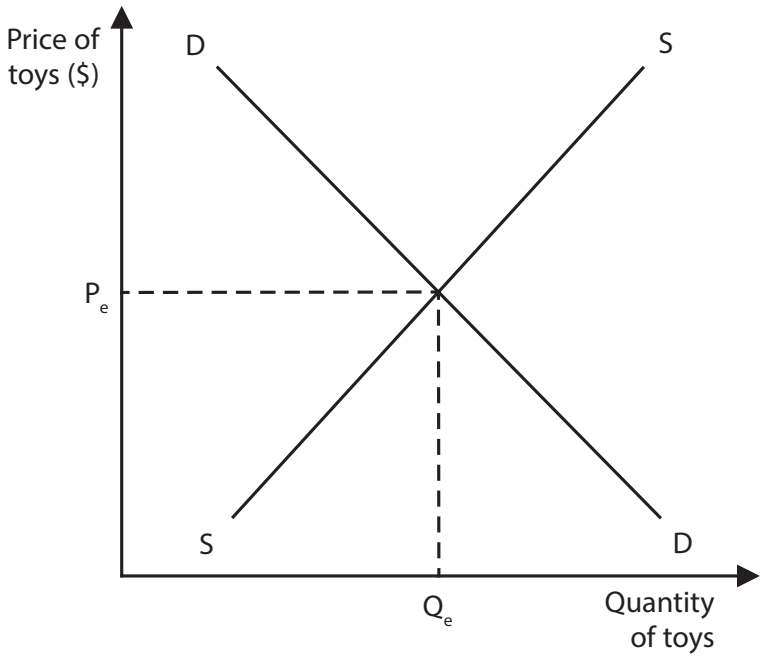


Figure 1

Economic growth in Malaysia increased to 4.9% between April and June 2019.

(g) Explain **one** disadvantage of economic growth for a country such as Malaysia.

(3)

Indonesia is one of the largest exporters of coal in the world. In 2020, the Indonesian Government started to deregulate the mining industry by removing some environmental controls.

(e) Explain **one** disadvantage of deregulation for a country such as Indonesia.

(3)

(f) Using the diagram below label the remaining three stages of the economic cycle in the boxes on the diagram.

(3)

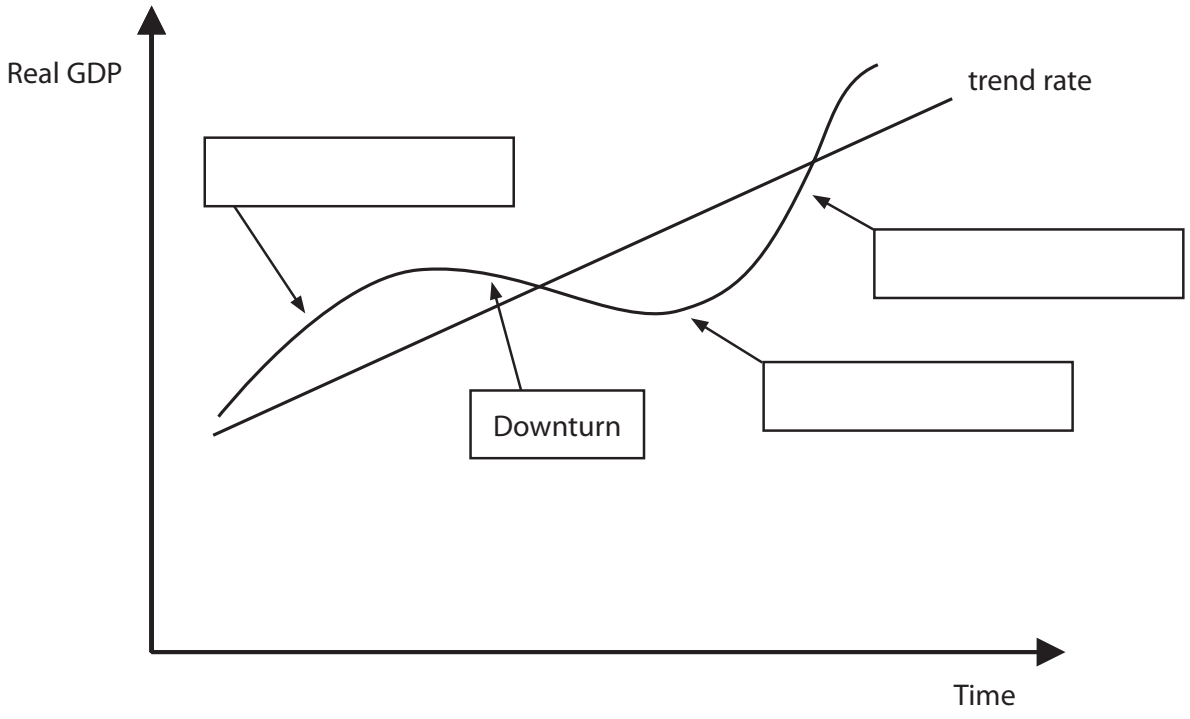


Figure 2

The local government in Alberta, Canada, is doubling its infrastructure budget for 2020–2021 to Canadian $1.9 bn to try to prevent job losses. Alberta had lost 117,000 jobs in March 2020, bringing the unemployment rate to 8.7%.

The additional funding will go towards repairing roads, bridges and upgrading technology in schools and universities.

(Source: https://edmontonjournal.com/news/politics/covid-19-jason-kenney-announces-infrastructure-spending-to-counter-job-losses/)

(g) With reference to the data above and your knowledge of economics, assess the effectiveness of infrastructure spending to reduce unemployment in a country such as Canada.

(9)

(f) Using the diagram below, label the remaining **three** stages of the economic cycle in the boxes on the diagram.

(3)

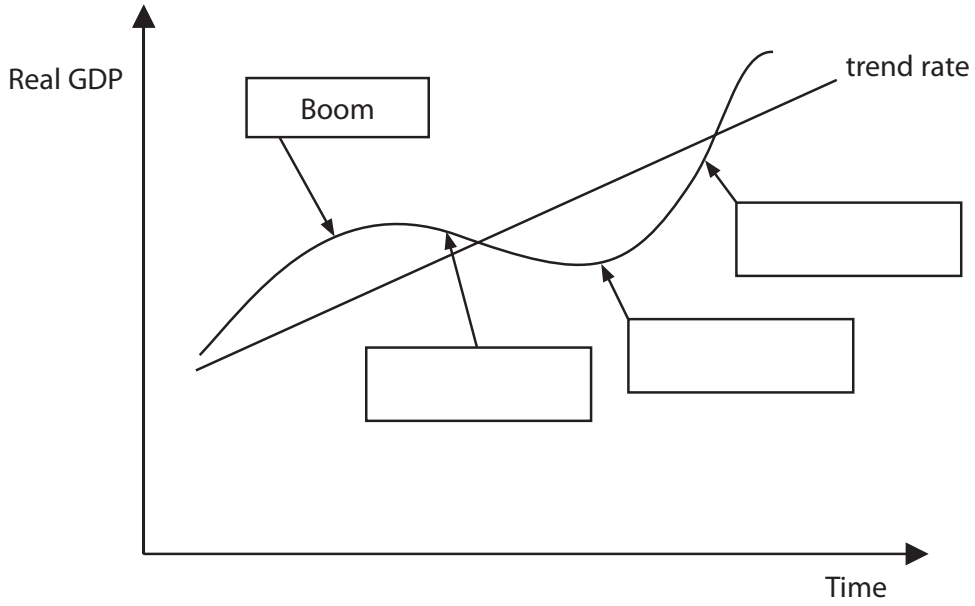


Figure 3

(f) Label the boxes in the diagram below with the three remaining stages of the economic cycle.

(3)

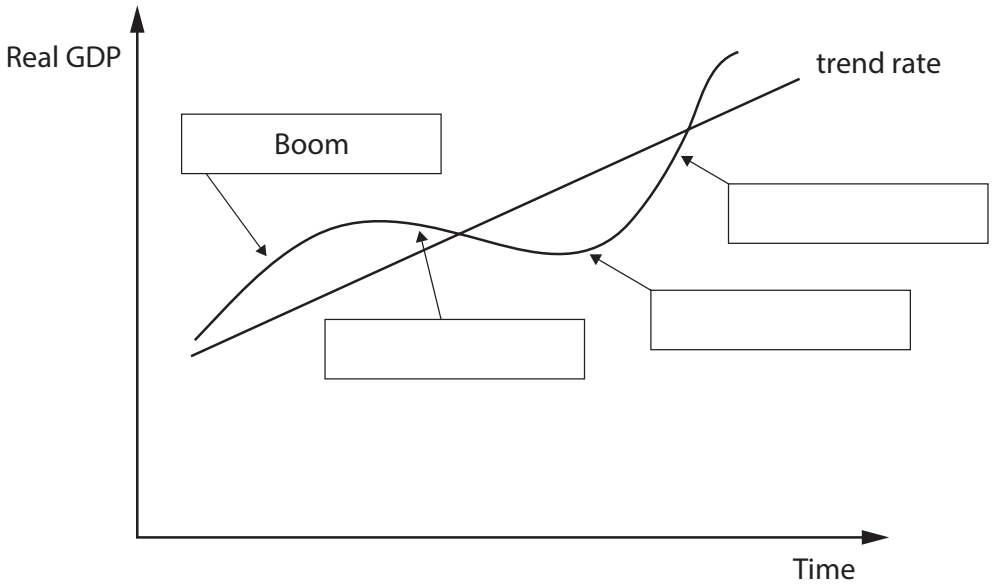


Figure 2

The Scottish Government is introducing a new benefit payment that will give 400,000 low income households £50 every winter towards their energy bills.

(g) Explain **one** reason why the Scottish Government gives benefit payments.

(3)

In 2022, Vietnam's economy grew by 8.02%, exceeding its annual target of 6.5%.

(e) Explain **one** reason why rapid economic growth may be harmful for an economy such as Vietnam.

(3)

The US has a progressive taxation system for income tax rates. In 2023, the income tax rates ranged from 10% for individuals on low incomes, up to 37% for those on the highest incomes.

(e) Explain **one** way progressive taxation can help to reduce poverty for a country such as the US.

(3)

(f) Using the diagram below, label the remaining three stages of the economic cycle in the boxes on the diagram.

(3)

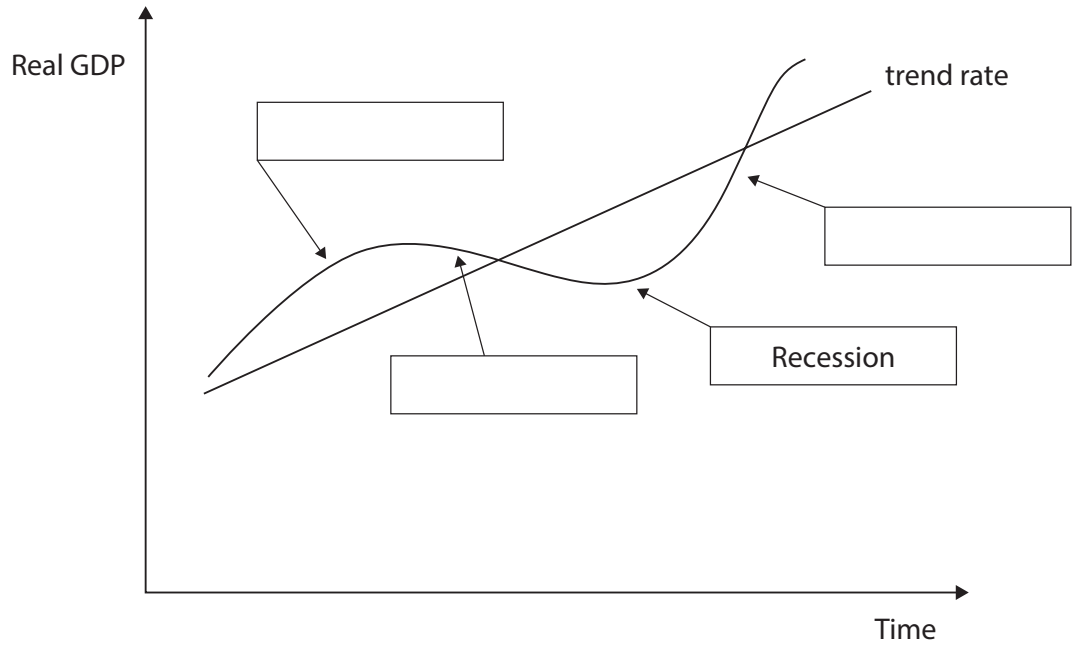


Figure 3

In 2022, President Biden introduced legislation to increase investment in green technology in the US. Subsidies of $369bn are given through grants, loans and tax credits to public and private firms.

These subsidies are to be used to increase battery, solar panel and wind turbine production in the US creating new factories and millions of new green jobs in the country.

There is widespread opinion amongst EU and UK politicians and business leaders that US subsidies will have a negative impact on their economies.

(g) With reference to the data above and your knowledge of economics, assess the possible benefits for the US of giving subsidies for green technology.

(9)

3 A government has a total expenditure of €700bn and a total revenue of €800bn.

(a) What is the fiscal deficit/surplus?

(1)

- ☒ **A** €1 500bn deficit
- ☒ **B** €100bn deficit
- ☒ **C** €1 500bn surplus
- ☒ **D** €100bn surplus

(b) Which **one** of the following is an example of a menu cost for Nike in its online shop during times of inflation?

(1)

- ☒ **A** The cost of raw materials for producing Nike shoes
- ☒ **B** The cost of updates to the website due to higher prices for shoes
- ☒ **C** The cost to consumers of looking for the lowest price of shoes
- ☒ **D** The cost of shipping and handling fees for online orders

(c) Using the diagram below label the remaining three stages of the economic cycle in the boxes on the diagram.

(3)

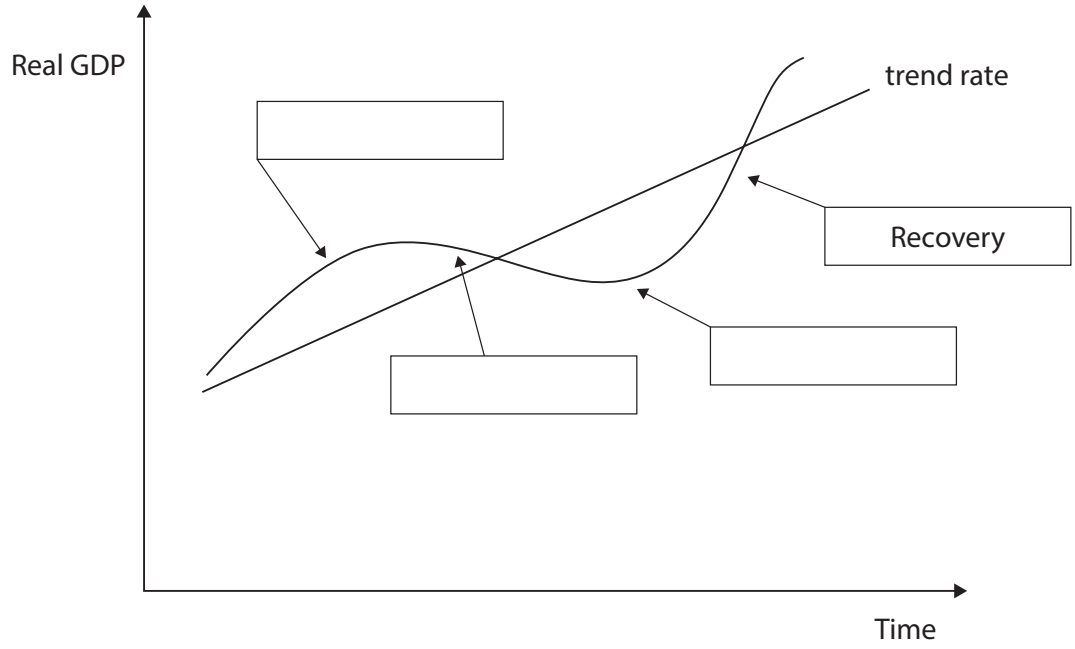


Figure 4

The largest manufacturer and exporter of clothing products is China, with 65% of the world's clothing being made there. The second largest country for clothing manufacturing is Bangladesh. Clothing exports make up nearly 85% of Bangladesh's total exports.

(d) With reference to the data above and your knowledge of economics, analyse the likely benefits of globalisation for clothing manufacturers.

(6)

(f) Using the diagram below, label the remaining three stages of the economic cycle in the boxes on the diagram.

(3)

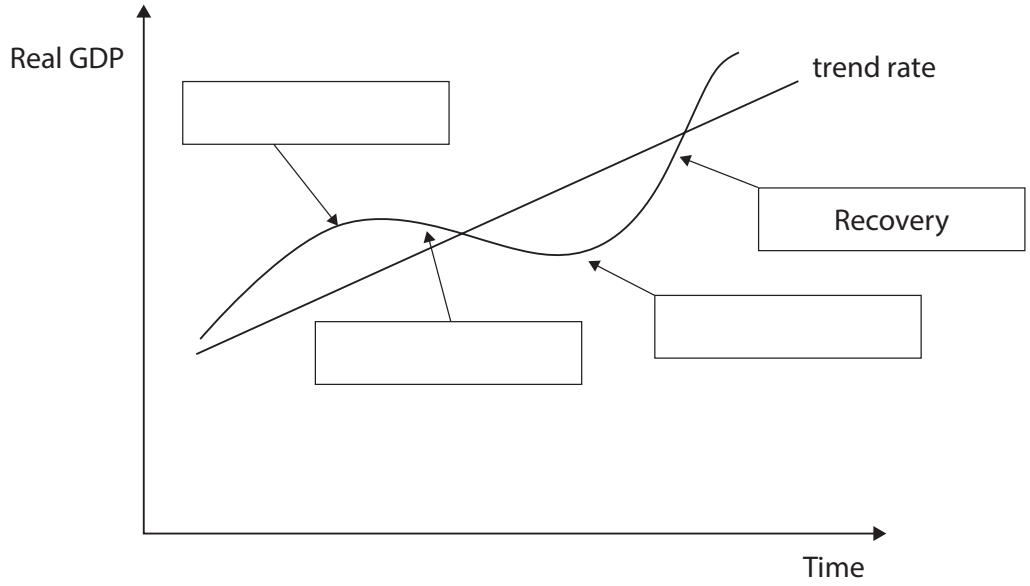


Figure 2

Bboxx, a firm that makes solar-powered stoves, received a $17m subsidy to reduce the price of its products. This subsidy will be used to encourage the use of solar-powered stoves in Rwanda where many households currently use firewood or coal to cook their meals.

More than 500,000 households in Rwanda will benefit from this subsidy programme. They will no longer have to burn firewood and coal, which create harmful and dangerous pollutants.

The subsidy programme is designed to reduce the percentage of households that use firewood for cooking from 80% in 2017 to 42% by 2024. This will reduce carbon emissions in Rwanda.

(g) With reference to the data above and your knowledge of economics, assess the possible benefits to the environment of providing subsidies for solar-powered stoves in Rwanda.

(9)

(d) Describe the impact on the demand for a currency after an increase in interest rates.

(2)

Figure 1 shows Canada's imports and exports for the year ending 2020.

	CAD$bn
Imports	561
Exports	524
Total Trade	1 085

Figure 1

(Source: https://www150.statcan.gc.ca/n1/daily-quotidien/210414/dq210414a-eng.htm)

(e) Using the data in Figure 1, calculate in CAD$bn the **current account** for Canada for the year ending 2020. You are advised to show your working.

(2)

(f) Label the boxes in the diagram below with the three remaining stages of the economic cycle.

(3)

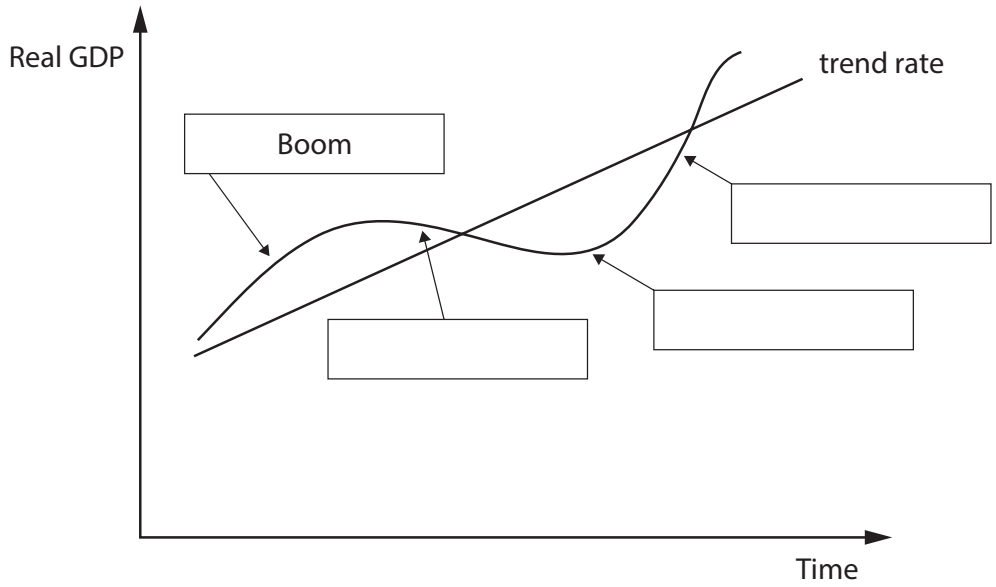


Figure 2

The Scottish Government is introducing a new benefit payment that will give 400,000 low income households £50 every winter towards their energy bills.

(g) Explain **one** reason why the Scottish Government gives benefit payments.

(3)

Singapore's gross domestic product (GDP) increased to 7.2% in 2021. This was mainly due to increased exports and an increase in consumer spending.

(h) With reference to the data above and your knowledge of economics, analyse the limitations of using GDP as a measure of economic growth for a country such as Singapore.

(6)

(Total for Question 1 = 20 marks)

In January 2024, China introduced a 6% tariff on coal from Russia, South Africa, Mongolia and the US.

(f) Using the diagram below, draw the effects of the introduction of the tariff on the equilibrium price and quantity of coal in China. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

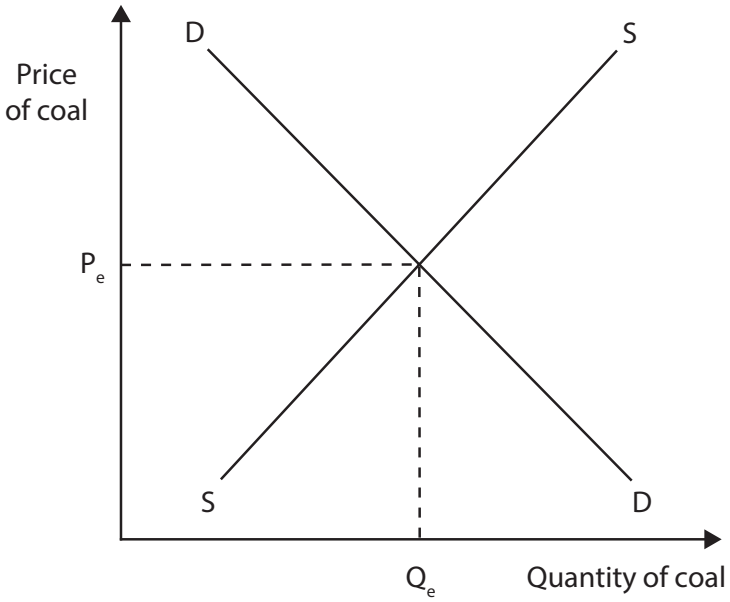


Figure 1

The UK Government allocates pollution permits to airlines such as easyJet and British Airways as part of its environmental strategy. The government reduces the total number of allocated pollution permits every year.

(g) Explain **one** possible benefit of using pollution permits to protect the environment for a country such as the UK.

(3)

India was the fastest growing economy in the G20 group of nations with rapid economic growth of 7.2% in 2023. India's gross domestic product (GDP) growth rate in 2024 was forecast to be 6.9%.

(h) With reference to the data above and your knowledge of economics, analyse the benefits of using GDP as a measure of economic growth for a country such as India.

(6)

(Total for Question 1 = 20 marks)

3 Figure 3 shows selected UK Government receipts from taxation in 2019.

	£bn
Sales tax (VAT)	186.3
Income tax	268.3
Tariffs	31.9
Business tax	53.4

Figure 3

(a) What is the total amount of revenue raised by indirect taxes?

(1)

- ☒ **A** £454.6bn
- ☒ **B** £321.7bn
- ☒ **C** £218.2bn
- ☒ **D** £85.3bn

(b) Member countries of a trading bloc agree to

(1)

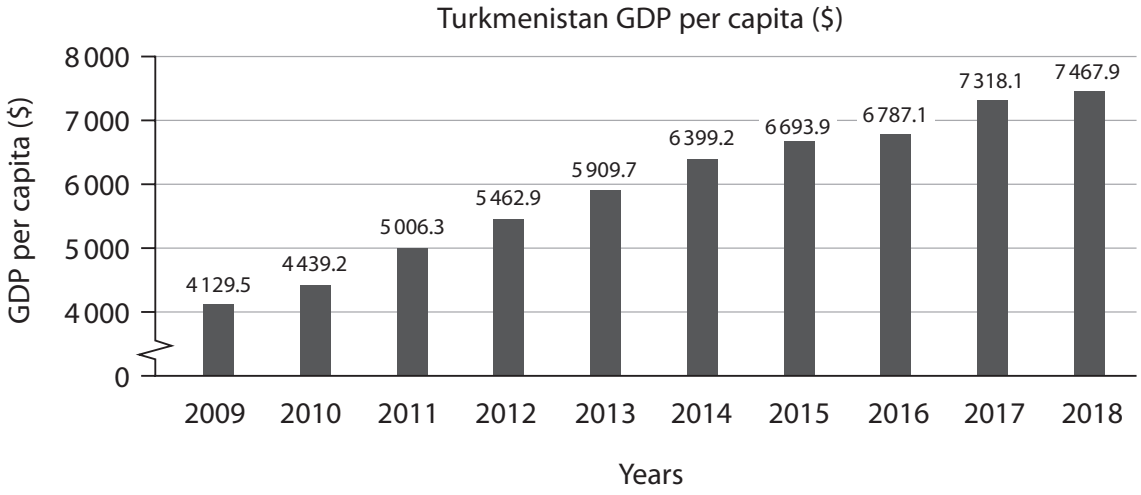
- ☒ **A** trade together with low or no barriers
- ☒ **B** have the same rate of income tax
- ☒ **C** only trade with members within the bloc
- ☒ **D** have common borders between members

Brazil currently only allows a quota of 600 million litres of ethanol per year to be imported from the US.

(c) Explain **one** advantage of using quotas for a country such as Brazil.

(3)

In recent years Turkmenistan has been one of the fastest growing economies. The most important sector of the economy is oil and natural gas extraction, which accounts for more than 60% of GDP. Although agriculture accounts for only 10% of GDP, it employs 50% of the labour force. Turkmenistan has seen annual GDP growth rates of 6.2%.



(Source adapted from: tradingeconomics.com)

Figure 4

(e) With reference to the data above and your knowledge of economics, assess the likely benefits of economic growth for a country such as Turkmenistan.

(9)

(Total for Question 3 = 20 marks)

3 Figure 3 shows selected UK Government receipts from taxation in 2019.

	£bn
Sales tax (VAT)	186.3
Income tax	268.3
Tariffs	31.9
Business tax	53.4

Figure 3

(a) What is the total amount of revenue raised by direct taxes?

(1)

- ☒ **A** £454.6bn
- ☒ **B** £321.7bn
- ☒ **C** £218.2bn
- ☒ **D** £85.3bn

(b) A government can try to stop its exchange rate from appreciating by

(1)

- ☒ **A** increasing interest rates
- ☒ **B** selling its reserves of foreign currency
- ☒ **C** buying its own currency
- ☒ **D** selling its own currency

Just 30 years ago, Ghana was in crisis with high levels of poverty and on the edge of economic collapse. The West African nation has made a significant recovery and was predicted to be the world's fastest growing economy in 2019.

The International Monetary Fund (IMF) estimates Ghana's Gross Domestic Product (GDP) growth rate of 8.8% will be double that of emerging economies, and well ahead of world growth rates. Ghana is one of the world's largest cocoa producers. Its growth is now being maintained by a different commodity, the extraction of crude oil.

(Source adapted from: https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/GHA)

(e) With reference to the data above and your knowledge of economics, assess the use of GDP as a measure of growth for a country such as Ghana.

(9)

(Total for Question 3 = 20 marks)

3 (a) Which **one** of the following is an example of foreign direct investment (FDI)?

(1)

- ☒ **A** A Japanese car company buying an Indonesian car company
- ☒ **B** An Indonesian supermarket buying produce from a farm in India
- ☒ **C** A Malaysian gift shop selling souvenirs to a Malaysian tourist
- ☒ **D** An Australian mining company selling coal to an Indonesian power station

The exchange rate between the US dollar ($) and the British pound (£) is $1 = £0.80

(b) How many US dollars ($) would it take to purchase £150?

(1)

- ☒ **A** $120.00
- ☒ **B** $150.80
- ☒ **C** $187.50
- ☒ **D** $230.00

The UK Government has removed the 12% import tariff on palm oil from Malaysia.

(c) Using the diagram below, draw the effects of the removal of the tariff on the equilibrium price and quantity of palm oil imported into the UK from Malaysia. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

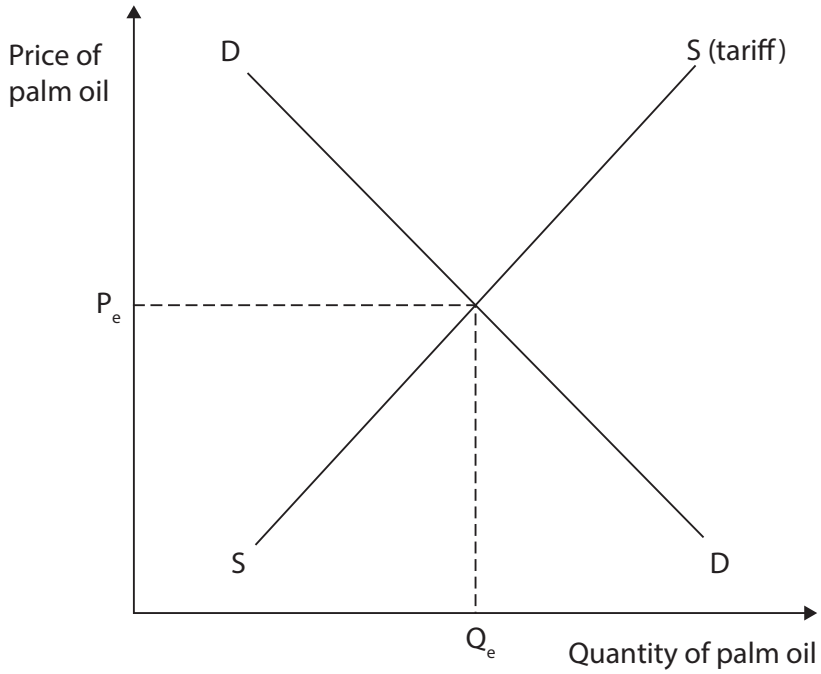


Figure 4

Germany's economy shrank more than expected in the fourth quarter of 2022. This raised doubts over the ability of Europe's biggest economy to avoid a recession and recover quickly from its energy crisis due to high gas and oil prices.

Record inflation rates of 10.4% caused reductions in German consumer spending and business investment in buildings and machinery. This led to a 0.4% decrease in gross domestic product (GDP) from the previous quarter.

The effects will be felt by consumers, workers, firms and the German Government.

(e) With reference to the data above and your knowledge of economics, assess how a recession may affect inflation in a country such as Germany.

(9)

(Total for Question 3 = 20 marks)

SUB-TOPIC 2.1.1 (b)

LOW AND STABLE INFLATION

Sub-topic 2.1.1 (b) · 33 questions · 101 marks · lowest tariff first

2 The price of a basket of goods and services used to calculate the Consumer Price Index (CPI) in an economy, rose from €1 250 to €1 300 in one year.

(a) What is the rate of inflation?

(1)

- ☒ **A** 0.96%
- ☒ **B** 1.04%
- ☒ **C** 4%
- ☒ **D** 5%

(b) What is the name of the term used to describe tax on income, wealth and profit?

(1)

- ☒ **A** Direct taxation
- ☒ **B** Value added tax
- ☒ **C** Excise duties
- ☒ **D** Indirect taxation

(c) State **one** way businesses can damage the environment.

(1)

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(d) What is meant by the term supply-side policy?

(2)

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Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) What is calculated by using the consumer price index (CPI)?

(1)

☒ **A** Redistribution of income

☒ **B** Inflation rate

☒ **C** Economic growth

☒ **D** Exchange rate

(b) The sale or transfer of public sector assets to the private sector is known as

(1)

☒ **A** monetary policy

☒ **B** public expenditure

☒ **C** privatisation

☒ **D** fiscal policy

(c) What is meant by the term boom?

(2)

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3 (a) Cost-push inflation is most likely to result from an increase in

(1)

- ☒ **A** the rate of income tax
- ☒ **B** productivity
- ☒ **C** wage rates
- ☒ **D** government spending

(b) Monetary policy would involve changes in which one of the following?

(1)

- ☒ **A** Government spending
- ☒ **B** Interest rates
- ☒ **C** Taxation
- ☒ **D** Balance of payments

The consumption of avocados in the US used to be restricted to the summer months when farmers in California harvested their crops. Now avocados are available all year and 90% are imported from Mexico.

(c) Explain **one** way globalisation has affected consumers in the US.

(3)

3 (a) Which **one** of the following is an example of deregulation?

(1)

- ☒ **A** Introducing a national minimum wage rate
- ☒ **B** More health and safety laws
- ☒ **C** Introducing licences for firms to operate
- ☒ **D** More firms allowed to enter a market

(b) Which **one** of the following is likely to cause cost-push inflation?

(1)

- ☒ **A** An improvement in productivity
- ☒ **B** An improvement in weather conditions
- ☒ **C** An increase in wage rates
- ☒ **D** An increase in the consumption of goods

2 (a) Which **one** of the following means having more of one thing but less of another thing?

(1)

- ☒ **A** Menu costs
- ☒ **B** Trade-off
- ☒ **C** Opportunity cost
- ☒ **D** Trading bloc

(b) Which **one** of the following is a role of a central bank?

(1)

- ☒ **A** Investing in firms
- ☒ **B** Raising taxes
- ☒ **C** Asset purchasing
- ☒ **D** Lending money to individuals

(c) State **one** type of inflation.

(1)

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(d) What is meant by the term fiscal surplus?

(2)

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3 (a) Which **one** of the following describes shoe leather costs?

(1)

- ☒ **A** The costs of raw materials used to make a good or service
- ☒ **B** The costs of communication used by a firm
- ☒ **C** The costs of searching for cheaper suppliers when inflation is high
- ☒ **D** The costs to firms of having to make repeated price changes

(b) Which **one** of the following may cause a current account surplus?

(1)

- ☒ **A** Lower priced foreign goods
- ☒ **B** Higher priced domestic goods
- ☒ **C** Lower import tariffs on foreign goods
- ☒ **D** Higher quality of domestic goods

3 (a) What was the rate of inflation if the consumer price index (CPI) of a country rose from 120 to 150?

(1)

- ☒ **A** 25%
- ☒ **B** 30%
- ☒ **C** 50%
- ☒ **D** 150%

(b) Which **one** of the following is an impact of globalisation?

(1)

- ☒ **A** Higher prices
- ☒ **B** Closing of traditional industries
- ☒ **C** Reduced choice
- ☒ **D** Increased cost of communication

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) Menu costs could be described as the costs of

(1)

- ☒ **A** searching for cheaper suppliers when inflation is high
- ☒ **B** paying workers for their labour
- ☒ **C** renting a factory
- ☒ **D** reprinting brochures when prices change

(b) Which **one** of the following is likely to cause demand pull inflation?

(1)

- ☒ **A** A decrease in productivity
- ☒ **B** A decrease in government spending
- ☒ **C** An increase in the consumption of goods
- ☒ **D** An increase in interest rates

(c) What is meant by the term imports?

(2)

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) Menu costs could be described as the costs of

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- ☒ **B** A decrease in government spending
- ☒ **C** An increase in the consumption of goods
- ☒ **D** An increase in interest rates

(c) What is meant by the term imports?

(2)

3 (a) What is the rate of inflation if the Consumer Price Index (CPI) in an economy increased from 1000 to 1050 in one year?

(1)

- ☒ **A** 0.95%
- ☒ **B** 1.05%
- ☒ **C** 4.76%
- ☒ **D** 5%

(b) Which **one** of the following terms means someone not having enough resources to meet all of their basic needs?

(1)

- ☒ **A** Income distribution
- ☒ **B** Relative poverty
- ☒ **C** Absolute poverty
- ☒ **D** Income inequality

In 2021, the US Government introduced a subsidy of $500 for each car manufactured in the US with a US-made battery.

(c) Explain **one** possible reason why the US Government introduced this subsidy.

(3)

3 A government has a total expenditure of €700bn and a total revenue of €800bn.

(a) What is the fiscal deficit/surplus?

(1)

- ☒ **A** €1 500bn deficit
- ☒ **B** €100bn deficit
- ☒ **C** €1 500bn surplus
- ☒ **D** €100bn surplus

(b) Which **one** of the following is an example of a menu cost for Nike in its online shop during times of inflation?

(1)

- ☒ **A** The cost of raw materials for producing Nike shoes
- ☒ **B** The cost of updates to the website due to higher prices for shoes
- ☒ **C** The cost to consumers of looking for the lowest price of shoes
- ☒ **D** The cost of shipping and handling fees for online orders

3 (a) Which **one** of the following is an advantage of a government giving subsidies to domestic producers?

(1)

- ☒ **A** Reduces government spending
- ☒ **B** Increases imports from other countries
- ☒ **C** Increases production of goods and services
- ☒ **D** Reduces trade disputes

The price of a basket of goods and services was £1 200. The consumer price index (CPI) increased from 120 to 130.

(b) Calculate the new price of the basket of goods and services.

(1)

- ☒ **A** £1 210
- ☒ **B** £1 300
- ☒ **C** £1 330
- ☒ **D** £1 450

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) Which **one** of the following is an example of seasonal unemployment?

(1)

- ☒ **A** A farm worker having no work due to automation
- ☒ **B** A construction worker not finding work during the monsoon period
- ☒ **C** A skilled worker unable to find employment due to a recession
- ☒ **D** A person choosing not to work and being paid welfare benefits

(b) Which **one** of the following is likely to cause cost-push inflation?

(1)

- ☒ **A** An increase in consumer demand for goods and services
- ☒ **B** A decrease in taxes on business profits
- ☒ **C** An increase in the prices of raw materials paid by producers
- ☒ **D** A decrease in interest rates set by the central bank

(c) What is meant by the term current account deficit?

(2)

(d) What is meant by the term shoe leather costs?

(2)

(e) Calculate **the price in Indian Rupees (INR)** of machinery which costs $150 000 when the exchange rate is $1 = 70.66 INR. You are advised to show your working.

(2)

(d) Describe **one** positive impact of economic growth.

(2)

Consumer Price Index (CPI) was 120.4 in 2017 and it increased to 130.3 in 2018.

(e) Calculate, to two decimal places, the **rate of inflation** in 2018. You are advised to show your working.

(2)

(d) Describe **one** impact that education may have on inequality and poverty.

(2)

The consumer price index (CPI) was 110.2 in 2019 and the base year was 100 in 2015.

(e) Calculate how much **inflation** there has been between 2015 and 2019. You are advised to show your working.

(2)

(d) What is meant by the term globalisation?

(2)

The consumer price index (CPI) was 105.4 in 2021 and it was 100 in the base year 2018.

(e) Calculate how much the **average price level** increased between 2018 and 2021.
You are advised to show your working.

(2)

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) Which **one** of the following is a reason why a government wants to reduce poverty and inequality?

(1)

- ☒ **A** It is a legal requirement
- ☒ **B** To increase the gap between rich and poor
- ☒ **C** For basic needs to be met
- ☒ **D** To increase relative poverty

(b) Which **one** of the following is a benefit of using gross domestic product (GDP) as a measure of growth?

(1)

- ☒ **A** It considers the distribution of income
- ☒ **B** It is an accurate measurement of all economic activity
- ☒ **C** It takes inflation into account
- ☒ **D** It is easy to compare economic growth between countries

(c) What is meant by the term deflation?

(2)

3 (a) A fiscal surplus occurs when

(1)

- ☒ **A** a country exports more than it imports
- ☒ **B** government revenue is greater than government expenditure
- ☒ **C** a country imports more than it exports
- ☒ **D** government expenditure is greater than government revenue

(b) In an exchange rate system without government intervention, a rise in the exchange rate is known as

(1)

- ☒ **A** appreciation
- ☒ **B** devaluation
- ☒ **C** depreciation
- ☒ **D** revaluation

The rate of inflation in Cyprus decreased from 3.1% in September to 3% in October.

(c) Explain **one** reason why low and stable inflation is a macroeconomic objective for a country such as Cyprus.

(3)

(f) Using the diagram below, draw the effect of the introduction of a new quota that is less than the original quota. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

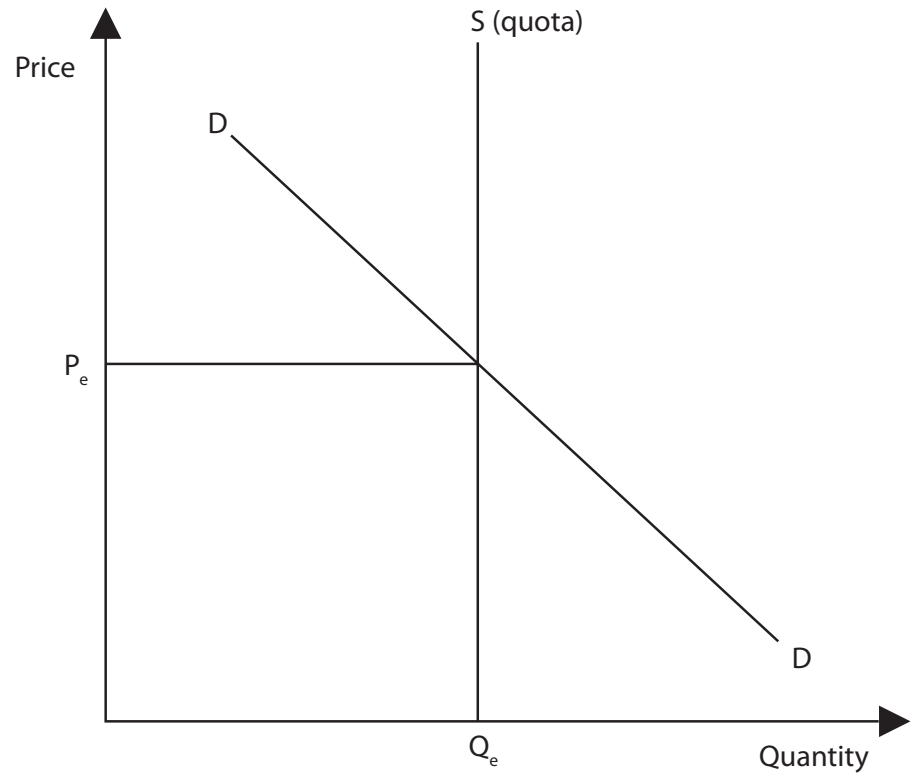


Figure 2

Mexico plans to increase the country's minimum wage by 16% to $5.10 a day.
Mexico's President promised further rises to keep up with the high rates of inflation.

(g) Explain the impact of high rates of inflation on wages in a country such as Mexico.

(3)

Nigeria's rate of inflation increased to 12.2% in February 2020. A rise in the price of food products, such as bread and meat, was the main reason for the increase.

(e) Explain **one** impact of rising inflation on shoe leather costs in Nigeria.

(3)

In December 2020, the European Union (EU) decreased the 8% import tariff on lobsters from the US.

(f) Using the diagram below, draw the effects of the decrease in the tariff on the equilibrium price and quantity of US lobster imports into the EU. Label the new curve, the new equilibrium price and new equilibrium quantity.

(3)

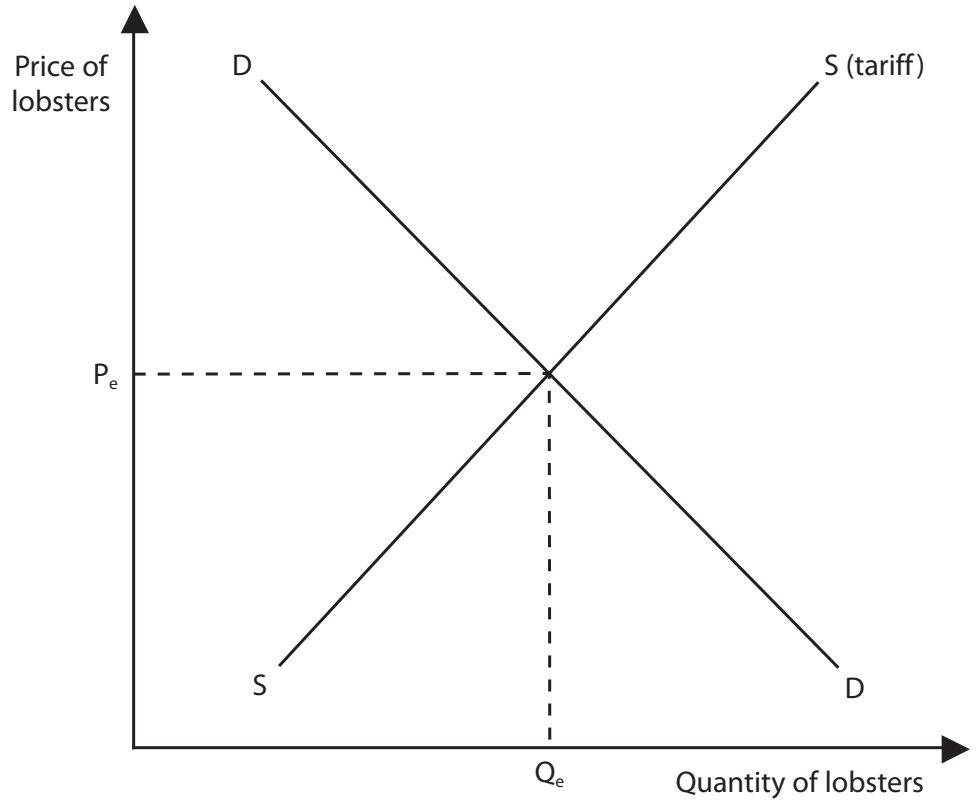


Figure 1

Mexico's annual inflation rate was 3.4% in 2020. The minimum wage was increased by 20% from 2019.

(g) Explain the impact of wages rising faster than inflation on a country such as Mexico.

(3)

Figure 1 shows the supply of and demand for UK pounds (£) in terms of US dollars ($) and the equilibrium exchange rate.

(f) Using the diagram below, draw the effects of a decrease in UK exports to the US on the equilibrium exchange rate of UK pounds (£). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.

(3)

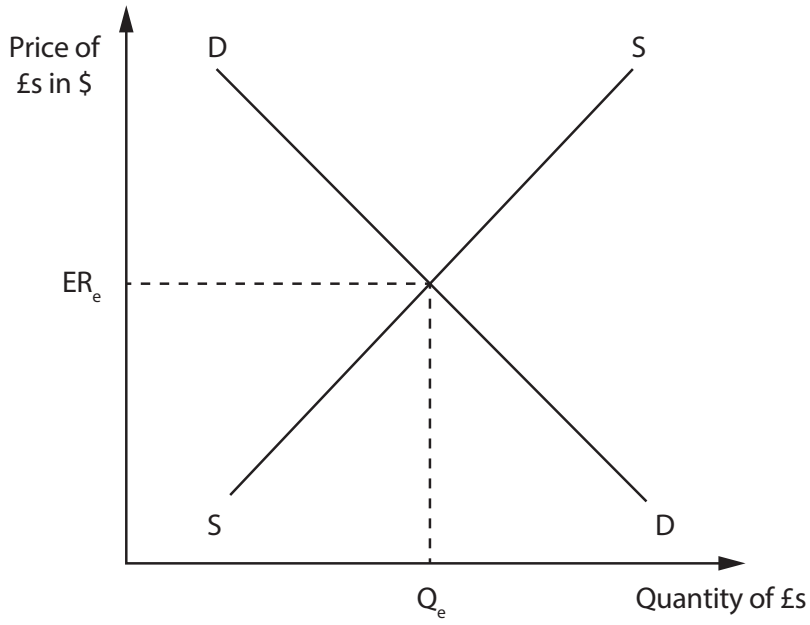


Figure 1

The UK's annual inflation rate was 5.1% in December 2021, its highest rate in a decade. The rise was due to higher prices for transport, food, clothing and footwear.

(g) Explain **one** effect of rising inflation on menu costs in the UK.

(3)

In December 2017, Argentina's Consumer Price Index (CPI) increased from 20.9% to 25%.

(d) Analyse the possible impact of high inflation on consumers in a country such as Argentina.

(6)



Figure 3

In 2017, unemployment in South Africa reached its highest level in 13 years at 27.7%. Concerns have been expressed about the very high levels of youth unemployment and the social problems this might cause. Statistics show that 39% of all unemployed South Africans have never worked before and for young people this figure is even higher, at 60.3%.

(e) With reference to the data above and your knowledge of economics, assess the impact of high rates of unemployment on a country such as South Africa.

(9)

4 Zhang Li had 8 000 Yuan (¥) in her savings account. The annual interest rate for this savings account was 2.25%.

(a) Calculate how much **interest, in Yuan (¥)**, Zhang Li received in one year. You are advised to show your working.

(2)

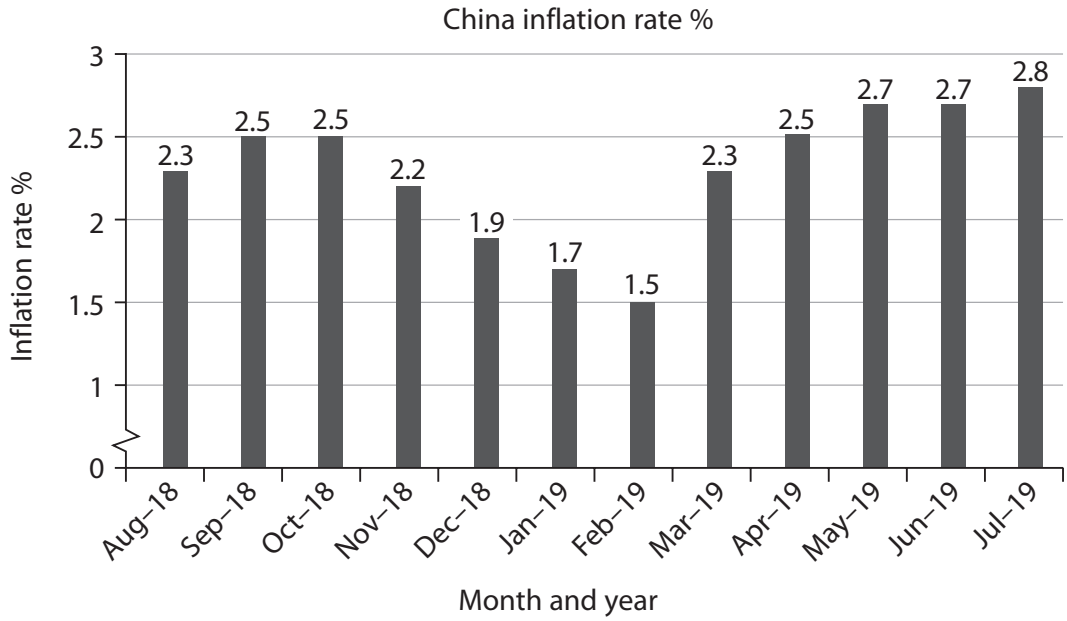
In July 2019, China's annual inflation rate increased to 2.8%. This was the highest rate since February 2018.

(b) With reference to the data above and your knowledge of economics, analyse the impact of inflation on individuals in a country such as China.

(6)

Since March 2019 the overall inflation rate for China has been above 2%. In July 2019, China's food prices increased by 9.1% from the previous year. In particular, meat prices rose by 27% due to the spread of infectious animal diseases. At the same time fresh fruit prices rose by 39.1% as the Chinese fruit supply had been affected by severe weather.

China's central bank is called the People's Bank of China (PBOC). The PBOC has the responsibility of maintaining price stability and promoting growth through the management of monetary policy.



(Source adapted from: tradingeconomics.com)

Figure 5

(c) With reference to the data above and your knowledge of economics, evaluate the effectiveness of monetary policy in controlling inflation in a country such as China.

(12)

In 2020, the Kazakhstan Government introduced quotas of 200,000 tonnes on imported wheat and 70,000 tonnes on imported flour.

(c) Explain **one** possible reason why the Kazakhstan Government introduced quotas on imports of wheat and flour.

(3)

In February 2020, Singapore experienced deflation for the first time since January 2010. This was mainly caused by a decline in the price of airfares and holidays due to the government lockdown.

(d) With reference to the data above and your knowledge of economics, analyse the impact of deflation on consumer confidence in a country such as Singapore.

(6)

The UK has a benefits payment called Universal Credit. It is a payment to help with living costs if a person is on low income or out of work.

	Monthly standard allowance (£)
Single adult aged under 25 years	342.72
Single adult aged over 25 years	409.89
A couple/two adults both aged under 25 years	488.59
A couple/two adults both aged over 25 years	594.04

Figure 3

(Source adapted from: https://www.gov.uk/universal-credit/what-youll-get)

(e) With reference to the data above and your knowledge of economics, assess the advantages of using benefit payments to redistribute income in a country such as the UK.

(9)

In Mexico the minimum wage was increased by 15% to 141.7 pesos (US $7.15) in 2021. Nearly 11 million workers in Mexico are paid the minimum wage.

(b) Analyse the impact of increasing wages on inflation in Mexico.

(6)

In December 2020, Mexico had its biggest fall in GDP for nearly 100 years. Its GDP fell by 9.3% compared to 2019. Inflation was at 3.3% and had exceeded its target rate of 3% in August and October 2020.

Mexico's central bank kept its interest rate at 4.25% in December 2020. This followed 11 reductions in interest rates and the central bank said it needed time to assess the country's economic situation.

Mexican Interest Rate (%)

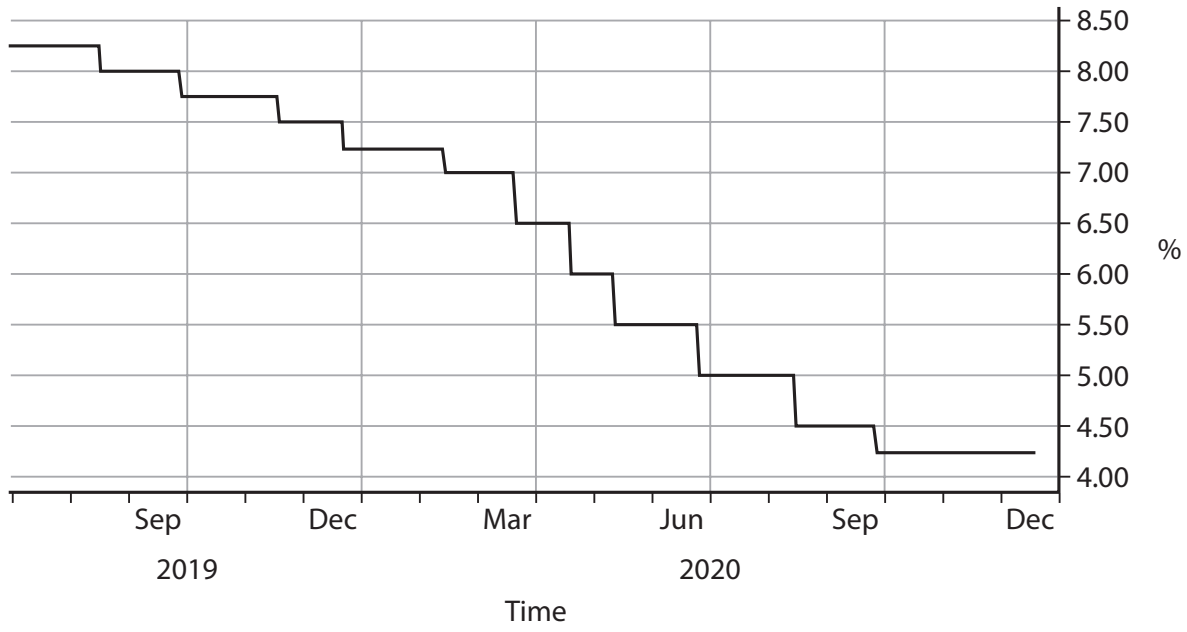


Figure 5

(Source adapted from: https://www.bloomberg.com/news/articles/2020-12-17/mexico-holds-key-interest-rate-despite-abrupt-inflation-slowdown)

(c) With reference to the data above and your knowledge of economics, evaluate the effectiveness of monetary policy in increasing total output in a country such as Mexico.

(12)

In January 2023, China introduced a tariff on imports of large tyres.

(f) Using the diagram below, draw the effects of the introduction of the tariff on the equilibrium price and quantity of large tyres. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

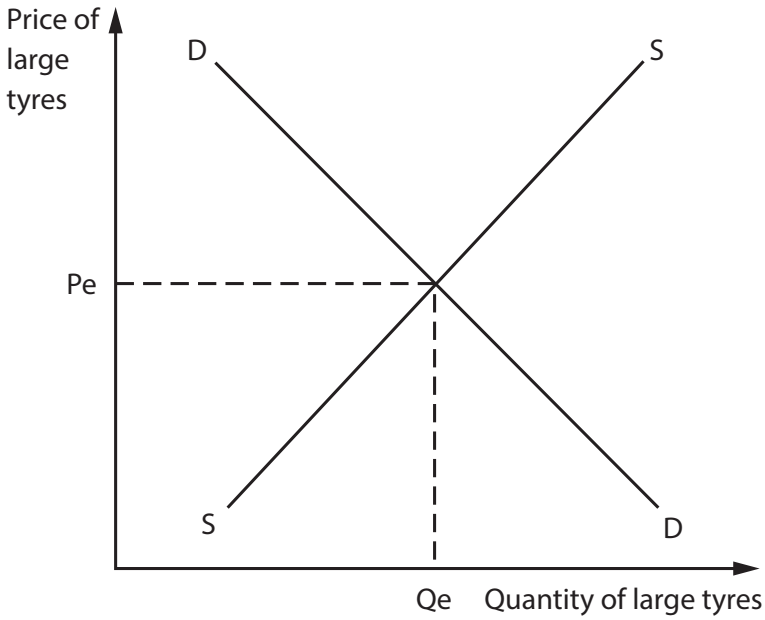


Figure 1

In January 2023, China and Ecuador announced they would be signing a free trade agreement after a year of negotiations. The deal is expected to boost Ecuador's exports of shrimp, bananas, flowers, cocoa and coffee to China.

(g) Explain **one** advantage of free trade for businesses in Ecuador.

(3)

Inflation in Germany reached a record annual rate of 10.4% in October 2022. It is predicted to remain high for another two years.

(h) With reference to the data above and your knowledge of economics, analyse the impact of high rates of inflation on consumer confidence in a country such as Germany.

(6)

(Total for Question 1 = 20 marks)

4 Figure 5 shows the government revenue and expenditure for Canada in 2021–2022.

	Canadian dollars CAD$bn
Total revenue	38.815
Total expenditure	35.897

Figure 5

(a) Calculate the **fiscal deficit or surplus** in CAD$bn for Canada in 2021–2022.
You are advised to show your working.

(2)

In April 2023, the inflation rate in Canada fell to 5.2%. The Governor of the Bank of Canada, Tiff Macklem, said, "Interest rates may have to stay at 4.5% to ensure inflation declines to the Bank of Canada's 2% target".

(b) With reference to the data above and your knowledge of economics, analyse the relationship between inflation and interest rates for a country such as Canada.

(6)

In March 2023, the unemployment rate in Canada stayed at 5% for the fourth consecutive month. There are one million job vacancies and the country is suffering from structural unemployment. A quarter of these job vacancies are for low skilled jobs.

To address these skills shortages, the Canadian Government is launching several new education and training programmes.

- **Skills for success**: Helping Canadians at all ability levels improve their foundation and transferable skills, such as digital skills.
- **Financial support for adult learners**: $815m over five years which covers up to 50% of training fees.
- **Labour mobility improvements**: $595m over six years to make it more affordable to travel to where the jobs are.

(c) With reference to the data above and your knowledge of economics, evaluate the possible advantages of using education and training to reduce structural unemployment for a country such as Canada.

(12)

(d) Describe the impact of a reduction in the cost of communication on globalisation.

(2)

Figure 1 shows imports and exports for a country in $bn.

	$bn
Exports of goods	100
Exports of services	26
Imports of goods	87
Imports of services	16

Figure 1

(e) Calculate the **invisible trade balance** in $bn for the country. You are advised to show your working.

(2)

In August 2024, India removed a tariff on imports of tomatoes from Nepal.

(f) Using the diagram below, draw the effects of the removal of the tariff on the equilibrium price and quantity of tomatoes in India. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

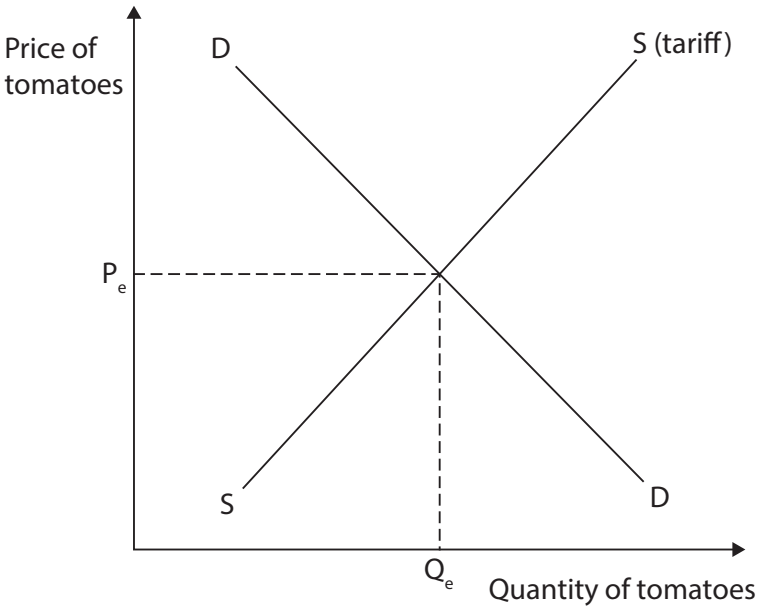


Figure 2

In Singapore, the government fined a construction company $1m for breaking safety laws that led to the death of a worker. The company had failed to provide adequate safety equipment and training for its workers.

(g) Explain **one** reason why governments use fines.

(3)

Annual inflation in Türkiye was 73.5% in May 2023, the highest rate since 1998.
This was mainly caused by an annual increase of 152.7% in energy prices.

(h) With reference to the data above and your knowledge of economics, analyse how high levels of cost-push inflation affect business confidence in a country such as Türkiye.

(6)

(Total for Question 1 = 20 marks)

Data from China revealed that the unemployment rate for young people aged 16 to 24 was 14.9% in December 2023. The number of new graduates significantly exceeded the available jobs, most of which were in lower-skilled sectors.

(c) Explain **one** reason why some people might suffer from structural unemployment in a country such as China.

(3)

Owners of small firms in the UK are very unhappy with another rise in inflation. The consumer price index (CPI) increased from 3.9% in November to 4% in December 2023.

(d) With reference to the data above and your knowledge of economics, analyse the possible impact of rising inflation on menu costs for small firms in the UK.

(6)

In 2025, the Government of Italy is to reduce income tax rates for some income tax payers. The higher rate of income tax is to remain the same. The Italian Treasury said that the scheme is 'aimed at simplifying and reducing the tax burden, encouraging investment and recruitment'.

	2024	2025
Up to €8 500	0%	0%
€8 501–€28 000	25%	23%
€28 001–€50 000	35%	33%
€50 001+	43%	43%

Figure 4

(e) With reference to the data above and your knowledge of economics, assess whether lower income tax rates will encourage more people to work in a country such as Italy.

(9)

3 (a) Which **one** of the following is a feature of being a member of a trading bloc?

(1)

- ☒ **A** Higher tariffs on exports to other members within the bloc
- ☒ **B** Slower delivery times for goods within the bloc
- ☒ **C** Can only trade with members within the bloc
- ☒ **D** Access to a larger market within the bloc

Figure 3 shows imports and exports for a country in $bn.

	$bn
Exports of goods	300
Exports of services	80
Imports of goods	240
Imports of services	50

Figure 3

(b) What is the **visible trade balance** in $bn for the country?

(1)

- ☒ **A** $30bn
- ☒ **B** $60bn
- ☒ **C** $90bn
- ☒ **D** $250bn

The fiscal deficit of the US is expected to increase from $1.6tn to $2.6tn over the next 10 years.

(c) Explain **one** possible disadvantage of having a fiscal deficit for a country such as the US.

(3)

Consumers in the UK are very unhappy with another rise in inflation. The consumer price index (CPI) was 3.9% in November and increased to 4% in December 2023.

(d) With reference to the data above and your knowledge of economics, analyse the possible impact of rising inflation on shoe leather costs for consumers in the UK.

(6)

Gross domestic product (GDP) growth in France is forecast to remain low over the next two years. Consumer spending is expected to improve as inflation reduces. However, a weak outlook for the German economy, France's main trade partner, and low growth in China are expected to limit any increases in growth.

As a result, unemployment levels are expected to remain high. The interest rate in France (as set by the European Central Bank) was 4.5% in December 2023, but may change in the future.

France	December 2023
GDP growth rate	1%
Inflation	5.8%
Unemployment	7.2%

Figure 4

(e) With reference to the data above and your knowledge of economics, assess how effective monetary policy might be in decreasing unemployment for a country such as France.

(9)

Turkey's inflation rate (%)

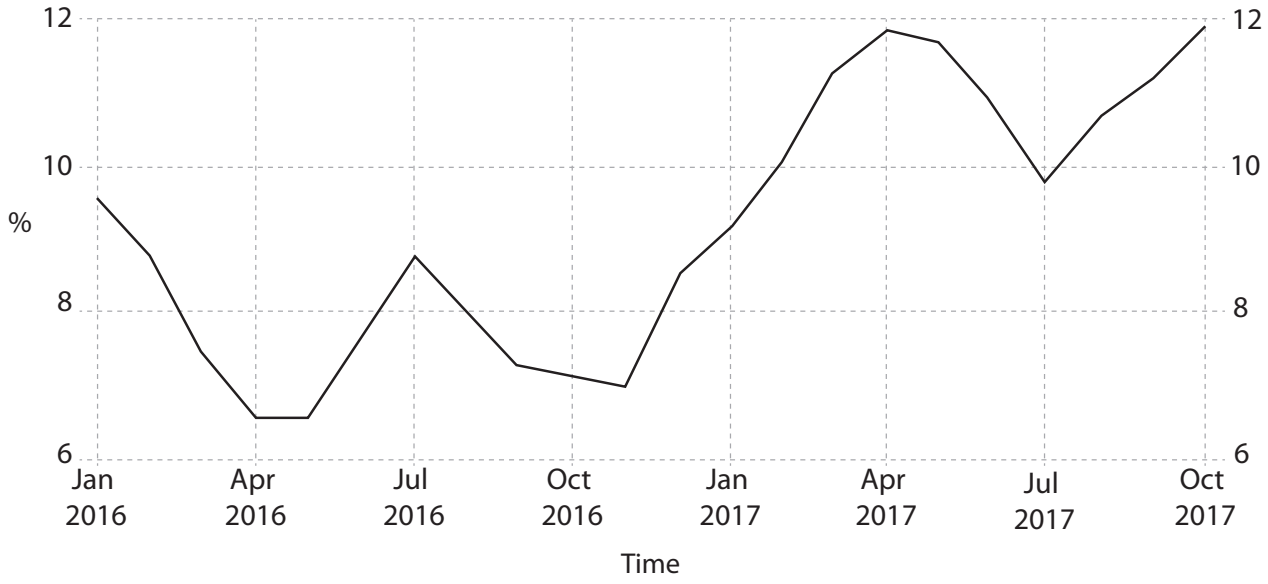


Figure 3

Inflation remains a major problem for Turkey's economy. Annual inflation in Turkey increased to 11.9% in October 2017. The highest price rises were for transportation, which rose by 16.79% and food, which increased by 12.74%.

(e) With reference to the data above and your knowledge of economics, assess the impact of inflation on a country such as Turkey.

(9)

(Total for Question 3 = 20 marks)

SUB-TOPIC 2.1.1 (c)

REDUCTION IN UNEMPLOYMENT

Sub-topic 2.1.1 (c) · 41 questions · 140 marks · lowest tariff first

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) The increased integration and interdependence of economies is known as

(1)

- ☒ **A** privatisation
- ☒ **B** specialisation
- ☒ **C** protectionism
- ☒ **D** globalisation

(b) What is the main cause of frictional unemployment?

(1)

- ☒ **A** People choosing not to work
- ☒ **B** People having the wrong skills
- ☒ **C** People changing jobs
- ☒ **D** People employed at certain times of the year

(c) What is meant by the term interest rate?

(2)

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) The International Labour Organisation (ILO) measures

(1)

- ☒ **A** inflation
- ☒ **B** unemployment
- ☒ **C** economic growth
- ☒ **D** government spending

(b) Which method of protection is used to reduce the price of exports?

(1)

- ☒ **A** Free trade
- ☒ **B** Tariffs
- ☒ **C** Subsidies
- ☒ **D** Quotas

(c) What is meant by the term gross domestic product (GDP)?

(2)

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Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) What type of unemployment is likely to be caused by generous welfare benefits?

(1)

- ☒ **A** Seasonal
- ☒ **B** Cyclical
- ☒ **C** Voluntary
- ☒ **D** Structural

(b) What name is given to the phase in the economic cycle when consumers start to regain confidence and economic activity is on the increase?

(1)

- ☒ **A** Boom
- ☒ **B** Downturn
- ☒ **C** Recession
- ☒ **D** Recovery

(c) What is meant by the term central bank?

(2)

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) Which type of unemployment occurs when the demand for a product is only at certain times of the year?

(1)

- ☒ **A** Structural
- ☒ **B** Cyclical
- ☒ **C** Seasonal
- ☒ **D** Voluntary

(b) Which **one** of the following terms refers to a tax on imported goods?

(1)

- ☒ **A** Subsidy
- ☒ **B** Tariff
- ☒ **C** Fine
- ☒ **D** Pollution permit

(c) What is meant by the term recession?

(2)

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2 (a) Globalisation results in increasing

(1)

- ☒ **A** levels of debt for all national economies
- ☒ **B** protectionism amongst national economies
- ☒ **C** amounts of legislation for national economies
- ☒ **D** integration and interdependence of national economies

(b) Which **one** of the following is a possible impact of economic growth?

(1)

- ☒ **A** An increase in unemployment
- ☒ **B** An increase in environmental damage
- ☒ **C** A reduction in investment
- ☒ **D** A reduction in tax revenues

(c) State **one** type of unemployment.

(1)

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(d) What is meant by the term recovery?

(2)

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Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) Which **one** of the following is an example of cyclical unemployment?

(1)

- ☒ **A** Factory workers lose their jobs as more machines are used
- ☒ **B** Hotels employ fewer workers in the winter months
- ☒ **C** Workers are waiting to start a new job
- ☒ **D** An airline cuts jobs during a global recession

(b) A decrease in the exchange rate caused by government intervention is known as

(1)

- ☒ **A** depreciation
- ☒ **B** devaluation
- ☒ **C** revaluation
- ☒ **D** appreciation

(c) What is meant by the term exports?

(2)

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) What does the International Labour Organisation (ILO) measure?

(1)

- ☒ **A** Economic growth
- ☒ **B** Unemployment
- ☒ **C** Government spending
- ☒ **D** Inflation

(b) Which **one** of the following is considered to be a progressive tax in the UK?

(1)

- ☒ **A** Income tax
- ☒ **B** Value added tax (VAT)
- ☒ **C** Excise duties
- ☒ **D** Import tariff

(c) What is meant by the term deregulation?

(2)

2 (a) Which type of unemployment would result from the permanent closure of a coal mine?

(1)

- ☒ **A** Seasonal
- ☒ **B** Voluntary
- ☒ **C** Structural
- ☒ **D** Cyclical

(b) What would be the annual amount of interest earned on £7 000 of savings if the interest rate was 3% per annum?

(1)

- ☒ **A** £21
- ☒ **B** £210
- ☒ **C** £2 333
- ☒ **D** £7 210

(c) State **one** advantage of free trade.

(1)

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(d) What is meant by the term pollution permits?

(2)

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Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) Which **one** of the following describes the recovery phase of the economic cycle?

(1)

- ☒ **A** GDP is growing at its fastest and business activity increases
- ☒ **B** GDP starts to rise and economic activity is on the increase
- ☒ **C** GDP is still growing but more slowly
- ☒ **D** GDP falls for two successive quarters

(b) Which **one** of the following is an example of frictional unemployment?

(1)

- ☒ **A** A bank cuts jobs during a global recession
- ☒ **B** Workers are unemployed whilst waiting to start a new job
- ☒ **C** Fewer workers are employed on fruit farms in the winter months
- ☒ **D** Factory workers lose their jobs as more machines are used

(c) What is meant by the term exports?

(2)

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3 (a) A decrease in unemployment is likely to result in

(1)

- ☒ **A** a decrease in tax revenues
- ☒ **B** a decrease in economic growth
- ☒ **C** an increase in inflation
- ☒ **D** an increase in relative poverty

(b) Which **one** of the following is a possible disadvantage of Foreign Direct Investment (FDI)?

(1)

- ☒ **A** Increased level of skills
- ☒ **B** Greater environmental damage
- ☒ **C** Higher employment levels
- ☒ **D** Faster economic growth

In December 2021, the US current account deficit increased to $214.8bn. This was the largest deficit since 2006.

(c) Explain **one** reason why an increase in the quality of foreign goods may have resulted in a negative impact on the US current account.

(3)

2 (a) What is the likely impact of lower transport and communication costs on an economy?

(1)

- ☒ **A** Increased unemployment
- ☒ **B** Decreased international trade
- ☒ **C** Increased economic growth
- ☒ **D** Decreased consumer spending

(b) Which **one** of the following types of unemployment is caused by changes in the business cycle?

(1)

- ☒ **A** Structural
- ☒ **B** Seasonal
- ☒ **C** Frictional
- ☒ **D** Cyclical

(c) State **one** possible impact of a current account deficit.

(1)

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(d) What is meant by the term fines?

(2)

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Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) Which **one** of the following is a disadvantage of multinational corporations (MNCs) operating in a country?

(1)

- ☒ **A** Developing capital
- ☒ **B** Investing in infrastructure
- ☒ **C** Creating jobs
- ☒ **D** Environmental damage

(b) Which **one** of the following describes voluntary unemployment?

(1)

- ☒ **A** Unemployment caused by a lack of demand for a particular skill
- ☒ **B** Unemployment caused by changes in the business cycle
- ☒ **C** Unemployment caused by individuals choosing not to work
- ☒ **D** Unemployment caused by seasonal fluctuations in the demand for labour

(c) What is meant by the term monetary policy?

(2)

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2 (a) Which **one** of the following is the calculation for the rate of unemployment in a country?

(1)

- ☒ **A** Total labour force/Total population × 100
- ☒ **B** Number of unemployed/Total labour force × 100
- ☒ **C** Number of employed/Total labour force × 100
- ☒ **D** Total unemployment/Total population × 100

(b) Which **one** of the following describes a role of the World Trade Organization (WTO)?

(1)

- ☒ **A** Help with trade negotiations
- ☒ **B** Regulates multinational corporations
- ☒ **C** Provides financial assistance to developing countries
- ☒ **D** Stabilises exchange rates

(c) State **one** possible reason for a current account surplus.

(1)

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(d) What is meant by the term relative poverty?

(2)

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Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) Which **one** of the following is the most likely reason for increased globalisation?

(1)

- ☒ **A** Higher number of tariffs and quotas
- ☒ **B** Lower transportation costs
- ☒ **C** Reduced significance of multinational corporations
- ☒ **D** Increased communication costs

(b) What is likely to happen if a government successfully reduces unemployment?

(1)

- ☒ **A** Inflation might rise as more people have money to spend
- ☒ **B** More people working leads to lower overall economic growth
- ☒ **C** Inflation decreases because people have less money to spend
- ☒ **D** Government spending on benefits would increase

(c) What is meant by the term trading bloc?

(2)

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) Which **one** of the following is an example of seasonal unemployment?

(1)

- ☒ **A** A farm worker having no work due to automation
- ☒ **B** A construction worker not finding work during the monsoon period
- ☒ **C** A skilled worker unable to find employment due to a recession
- ☒ **D** A person choosing not to work and being paid welfare benefits

(b) Which **one** of the following is likely to cause cost-push inflation?

(1)

- ☒ **A** An increase in consumer demand for goods and services
- ☒ **B** A decrease in taxes on business profits
- ☒ **C** An increase in the prices of raw materials paid by producers
- ☒ **D** A decrease in interest rates set by the central bank

(c) What is meant by the term current account deficit?

(2)

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) International trade that takes place with no restrictions is known as

(1)

☒ **A** globalisation

☒ **B** protectionism

☒ **C** free trade

☒ **D** Foreign Direct Investment

(b) What is the name given to a country's exports and imports of services?

(1)

☒ **A** Visible trade

☒ **B** Invisible trade

☒ **C** Transfer payments

☒ **D** The balance of payments

(c) What is meant by the term unemployment?

(2)

(d) What is meant by the term trade-off?

(2)

(e) Calculate, to **two** decimal places, the **rate of unemployment** for a country which has a labour force of 72 million of which 8 million are unemployed. You are advised to show your working.

(2)

4 Figure 2 shows the UK's unemployment rates for 16–64 year olds in different regional areas in December 2018.

UK regions	Unemployment rate (%)
The North of England	4.8
The Midlands	4.6
East England	4.3
London and South East	2.9
South West England	3.0

Figure 2

(Source: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/regionallabourmarket/latest)

(a) Calculate, to **two** decimal places, the **average rate of unemployment** in the UK in December 2018. You are advised to show your working.

(2)

4 Figure 4 shows labour force information for Mexico in the third quarter of 2020.

Labour force	51,011,033
Number of unemployed	2,769,491

Figure 4

(Source adapted from: https://tradingeconomics.com/mexico/unemployed-persons)

(a) Calculate, to two decimal places, the **rate of unemployment** for Mexico in the third quarter of 2020. You are advised to show your working.

(2)

4 Figure 4 shows data on the number of people in the labour force in the Netherlands in December 2021.

Labour force	9,210,000
Unemployed	251,000

Figure 4

(Source: https://tradingeconomics.com/netherlands/unemployment-rate)

(a) Calculate, to two decimal places, the **rate of unemployment** in the Netherlands in December 2021. You are advised to show your working.

(2)

Figure 5 shows the rate of inflation (%) for the Netherlands from January 2021 until November 2021.

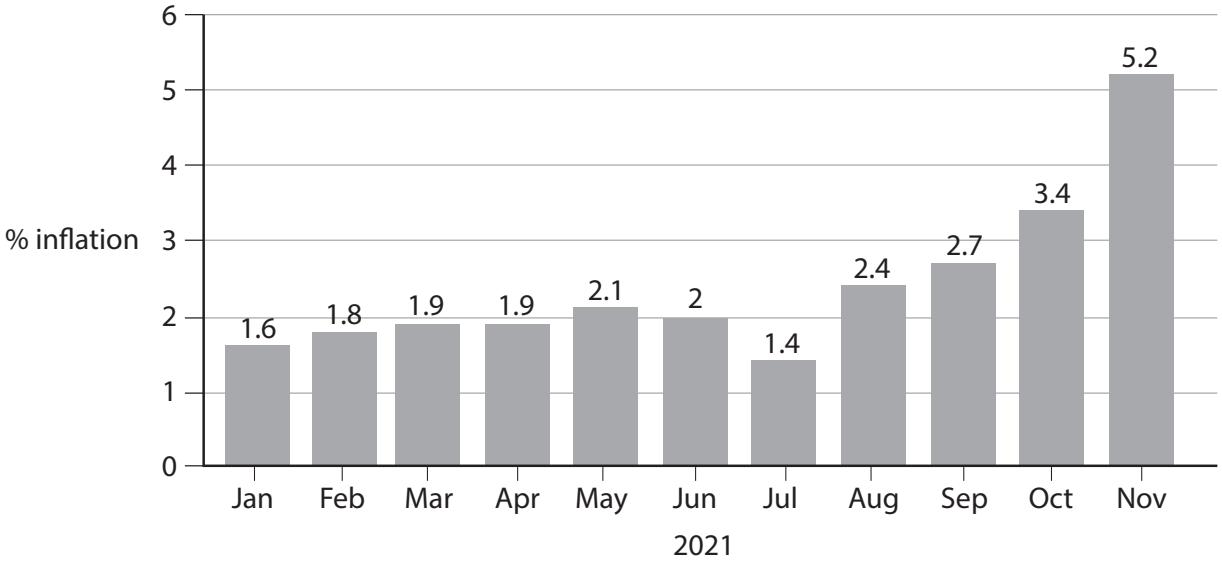


Figure 5

(Source: https://tradingeconomics.com/netherlands/inflation-cpi)

(b) With reference to the data above and your knowledge of economics, analyse the possible impact of rising inflation on exports for a country such as the Netherlands.

(6)

(d) Describe **one** role of the World Trade Organization (WTO).

(2)

A country has a labour force of 34 million people of which 32 million people are employed.

(e) Calculate, to two decimal places, the **rate of unemployment**. You are advised to show your working.

(2)

2 (a) What is the main reason for a government to devalue its currency?

(1)

- ☒ **A** To increase the demand for its exports
- ☒ **B** To decrease the demand for its exports
- ☒ **C** To increase the demand for imports
- ☒ **D** To decrease foreign investment

(b) Which **one** of the following is the most likely reason for increased globalisation?

(1)

- ☒ **A** An increase in tariffs and quotas
- ☒ **B** An increase in the cost of transport
- ☒ **C** An increase in the significance of MNCs
- ☒ **D** An increase in the cost of communication

(c) State **one** possible macroeconomic objective for a government.

(1)

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(d) What is meant by the term seasonal unemployment?

(2)

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(f) Using the diagram below draw and label the three stages of the economic cycle in the boxes on the diagram.

(3)

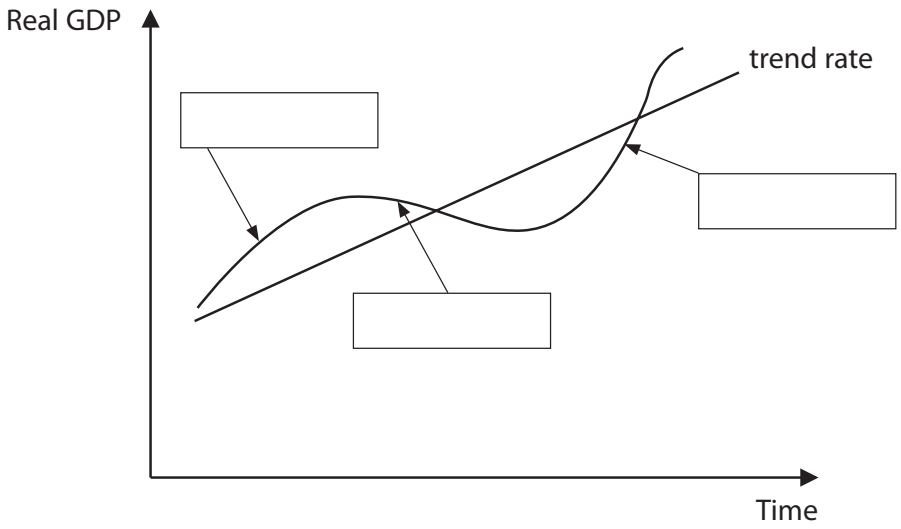


Figure 1

According to the US Labour Department, employees working in the public education sector are leaving their jobs at faster rates than ever recorded before.

(g) Explain **one** reason why some people in the education sector might choose to become voluntarily unemployed?

(3)

In 2018 the average number of job seekers in Germany decreased by 0.5% to 5.2% and was lower than at any time since 1991.

(e) Explain **one** impact of falling unemployment rates on tax revenue for a country such as Germany.

(3)

In December 2018, consumers in the UK were warned to avoid some imported plastic toys because they contained banned chemicals. Many were being sold through online marketplaces.

(f) Explain **one** reason why UK consumers need protecting from some imported goods.

(3)

In the first quarter of 2019 the unemployment rate in Argentina increased by 1% to 10.1%. This was the highest level in 13 years.

(e) Explain **one** impact of rising unemployment on consumer confidence for a country such as Argentina.

(3)

Approximately 12% of goods traded globally are via international e-commerce. Tens of millions of small and mid-size firms worldwide have become exporters by joining e-commerce marketplaces such as Alibaba and Amazon.

(f) Explain **one** reason why the reduced cost of communication has helped to increase globalisation.

(3)

In December 2019 the unemployment rate in Venezuela was approximately 44%. This was much higher than the previous December's figure of 35%.

(e) Explain **one** impact of increasing unemployment rates on business confidence in a country such as Venezuela.

(3)

By volume, 90% of world trade of goods are transported by sea in containers. There are 5,000 container ships in the world and the largest carries more than 20,000 containers. It now costs only $0.05 to ship a t-shirt across the world from low-cost countries such as Vietnam.

(f) Explain **one** reason why the reduced cost of transport has helped to increase globalisation.

(3)

In May 2020, China introduced a tariff of 80% on Australian barley.

(f) Using the diagram below, draw the effects of the introduction of a tariff on the equilibrium price and quantity of Australian barley. Label the new curve, the new equilibrium price and new equilibrium quantity.

(3)

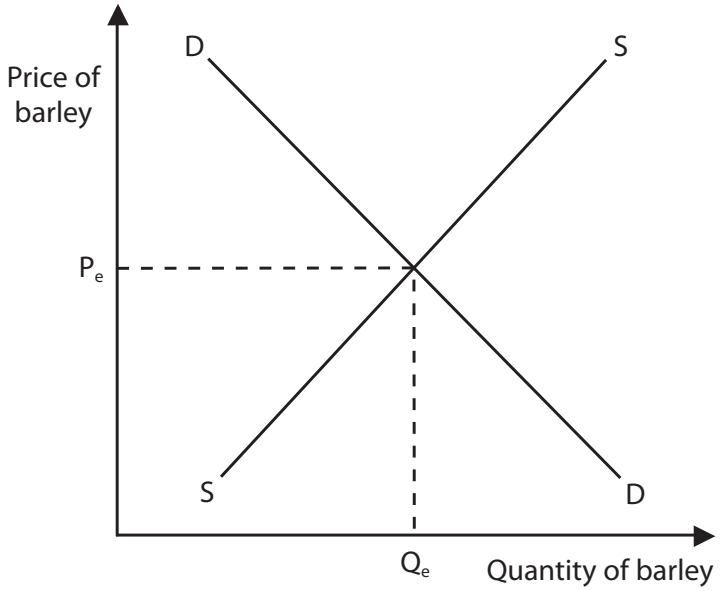


Figure 2

Tourism is a major sector in the French economy. It employs around 2 million people, both directly and indirectly.

(g) Explain **one** reason why some people in the tourism sector might suffer from seasonal unemployment in a country such as France.

(3)

3 (a) What was the rate of inflation if the consumer price index (CPI) of a country rose from 120 to 150?

(1)

- ☒ **A** 25%
- ☒ **B** 30%
- ☒ **C** 50%
- ☒ **D** 150%

(b) Which **one** of the following is an impact of globalisation?

(1)

- ☒ **A** Higher prices
- ☒ **B** Closing of traditional industries
- ☒ **C** Reduced choice
- ☒ **D** Increased cost of communication

In December 2020, the UK unemployment rate was 5.1%. This was an increase of 1.3% from September 2020.

(c) Explain **one** likely impact on UK tax revenue from rising unemployment rates.

(3)

Lithium is used in batteries to power various electrical and electronic goods including mobile phones and electric cars. Lithium has to be mined from the ground and large deposits are found in countries such as Chile. Lithium mining uses a lot of water – approximately 2 million litres per tonne of lithium.

(d) Analyse how business activity can damage the environment in a country such as Chile.

(6)

3 (a) Which **one** of the following is an advantage of pollution permits?

(1)

- ☒ **A** They encourage unlimited industrial emissions
- ☒ **B** They reduce overall pollution by setting emission limits
- ☒ **C** They allow firms to ignore environmental regulations
- ☒ **D** They discourage investment in green technologies

An economy has a national output of €300bn and its current account deficit is €15bn.

(b) What is the current account deficit as a percentage of national output?

(1)

- ☒ **A** 0.05%
- ☒ **B** 2.85%
- ☒ **C** 5%
- ☒ **D** 20%

Data from China revealed that the unemployment rate for young people aged 16 to 24 was 14.9% in December 2023. The number of new graduates significantly exceeded the available jobs, most of which were in lower-skilled sectors.

(c) Explain **one** reason why some people might suffer from structural unemployment in a country such as China.

(3)

(d) Analyse the possible impact of unemployment on an economy.

(6)

Turkey's inflation rate (%)

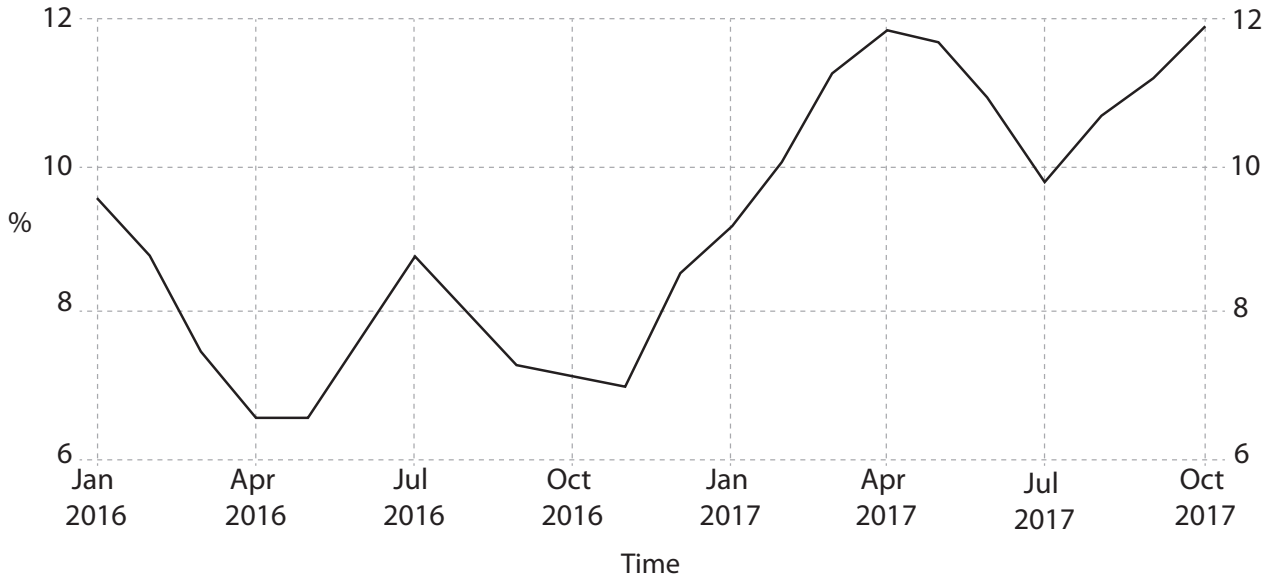


Figure 3

Inflation remains a major problem for Turkey's economy. Annual inflation in Turkey increased to 11.9% in October 2017. The highest price rises were for transportation, which rose by 16.79% and food, which increased by 12.74%.

(e) With reference to the data above and your knowledge of economics, assess the impact of inflation on a country such as Turkey.

(9)

4 Figure 2 shows the UK's unemployment rates for 16–64 year olds in different regional areas in December 2018.

UK regions	Unemployment rate (%)
The North of England	4.8
The Midlands	4.6
East England	4.3
London and South East	2.9
South West England	3.0

Figure 2

(Source: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/regionallabourmarket/latest)

(a) Calculate, to **two** decimal places, the **average rate of unemployment** in the UK in December 2018. You are advised to show your working.

(2)

(b) With reference to the data in **Figure 2** and your knowledge of economics, analyse **one** possible reason why rates of unemployment vary in the different regional areas of the UK.

(6)

A report by accountancy firm PwC said that the UK could boost its GDP by around £40bn a year if it reduces the number of young people who are not in education, employment or training. The UK only ranks 19th out of 35 countries on this latest report, with Germany performing the best in the EU.

John Hawksworth, chief economist at PwC UK, comments, "Employers need to work with universities, schools and other educational providers to ensure young people have the skills they need for the age of automation. They also need to help in retraining older workers to adapt to these new technologies".

(c) With reference to the data above and your knowledge of economics, evaluate whether an increase in education and training is the most effective way to reduce unemployment for a country such as the UK.

(12)

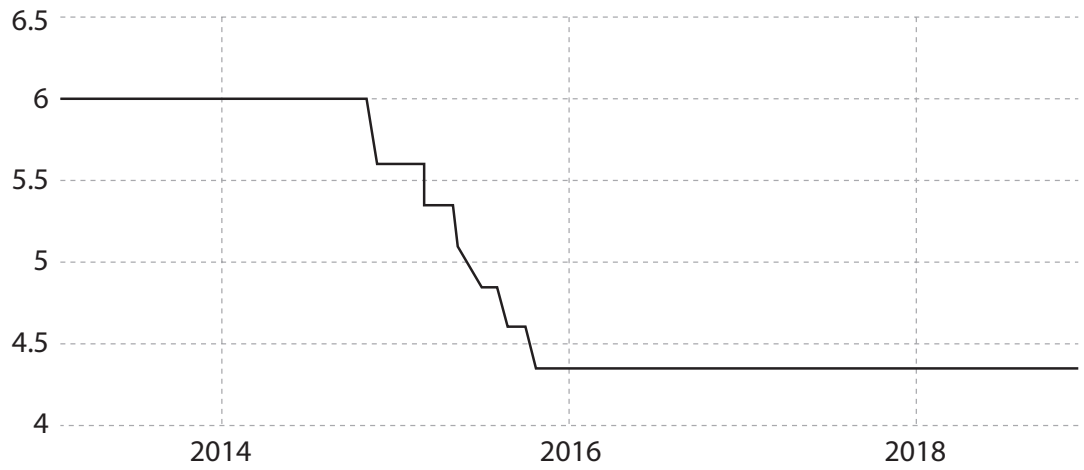
In 2018, Italy entered a recession after the country's manufacturing sector decreased for the third month in a row. Gross domestic product (GDP) fell by 0.1% from July to September.

(d) Analyse the impact on unemployment of a recession in a country such as Italy.

(6)

China's central bank has recently eased monetary policy due to slowing in economic growth. This included bringing down interest rates to 4.35%.

China Interest Rate (%)



(Source adapted from: https://tradingeconomics.com/china/interest-rate)

Figure 2

(e) With reference to the data above and your knowledge of economics, assess the likely effectiveness of monetary policy in increasing economic growth for a country such as China.

(9)

4 Figure 4 shows the $618 bn spent by India on existing infrastructure projects in 2019.

Existing infrastructure projects	$bn
Renewable energy	200
Railways	147
Roads and highways	109
Metro rail	109
Smart cities	32
Airports and ports	21
Total	**618**

Figure 4

(Source adapted from: https://www.businessinsider.in/Nearly-half-of-Narendra-Modis-1-4-trillion-new-infrastructure-promise-may-be-already-approved-projects/Existing-promises/slideshow/68795905.cms)

(a) Calculate, to two decimal places, **the percentage** of spending on all existing infrastructure projects that was spent on renewable energy in India in 2019. You are advised to show your working.

(2)

Figure 5 shows the average unemployment rate (%) in India between 2016 and April 2020.

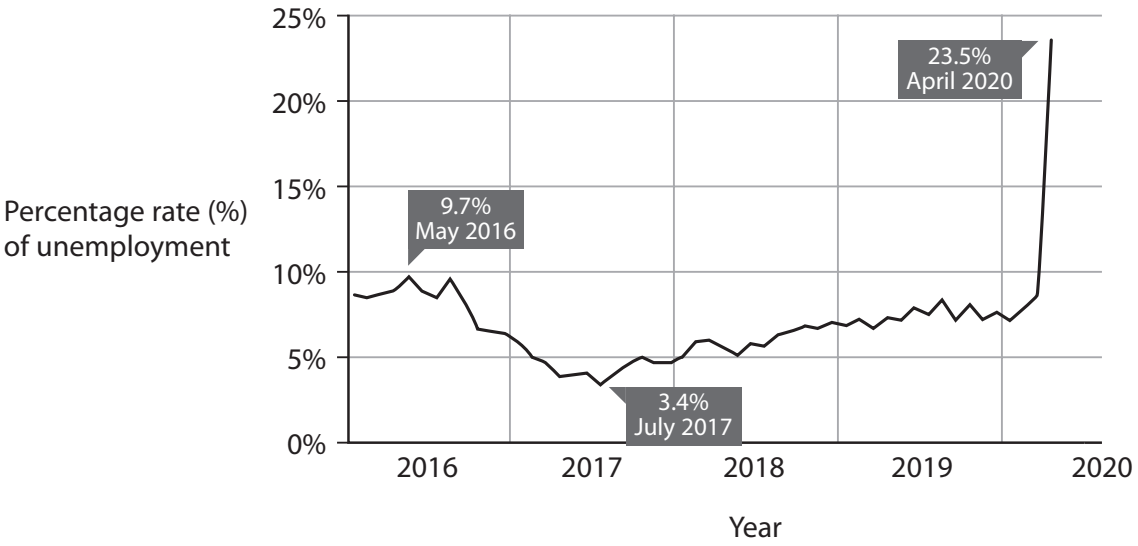


Figure 5

(Source adapted from: https://www.statista.com/chart/20014/unemployment-rate-india/)

(b) With reference to the data above and your knowledge of economics, analyse the impact of rising unemployment rates on business confidence for a country such as India.

(6)

The growth of India's gross domestic product (GDP) slowed to 4.5% in the quarter ending September 2019, the lowest point for 6 years. The fiscal deficit was 3.4% of GDP and was estimated to increase to 3.7% by 2020. This came at a time when the Prime Minister, Narendra Modi, announced plans to spend $1.5 trillion on infrastructure. The expenditure on these projects is expected to be 1.1% of GDP by 2025.

"Building new roads, rail links, airports and other social and economic infrastructure such as smart cities is essential for attracting investments and making India a $5 trillion economy," said Finance Minister Nirmala Sitharaman.

This spending on infrastructure will be a huge opportunity for Indian construction, road and cement companies such as GMR Group, Dilip Buildcon and Ultratech. Domestic steel prices are predicted to increase due to the higher demand from infrastructure projects.

Source adapted from: https://www.bloomberg.com/news/articles/2019-12-31/india-plans-1-5-trillion-infrastructure-spending-to-spur-growth

(c) With reference to the data above and your knowledge of economics, evaluate the effectiveness of spending on infrastructure to increase total output in a country such as India.

(12)

4 Figure 4 shows the change in gross domestic product (GDP) per capita for Vietnam.

	2018	2019
GDP per capita US$	2 590	2 715

Figure 4

(Source adapted from: https://www.ceicdata.com/en/indicator/vietnam/gdp-per-capita)

(a) Calculate, to two decimal places, the **percentage increase in GDP per capita** between 2018 and 2019. You are advised to show your working.

(2)

Figure 5 shows Vietnam's quarterly unemployment rate (%) 2017–2019.

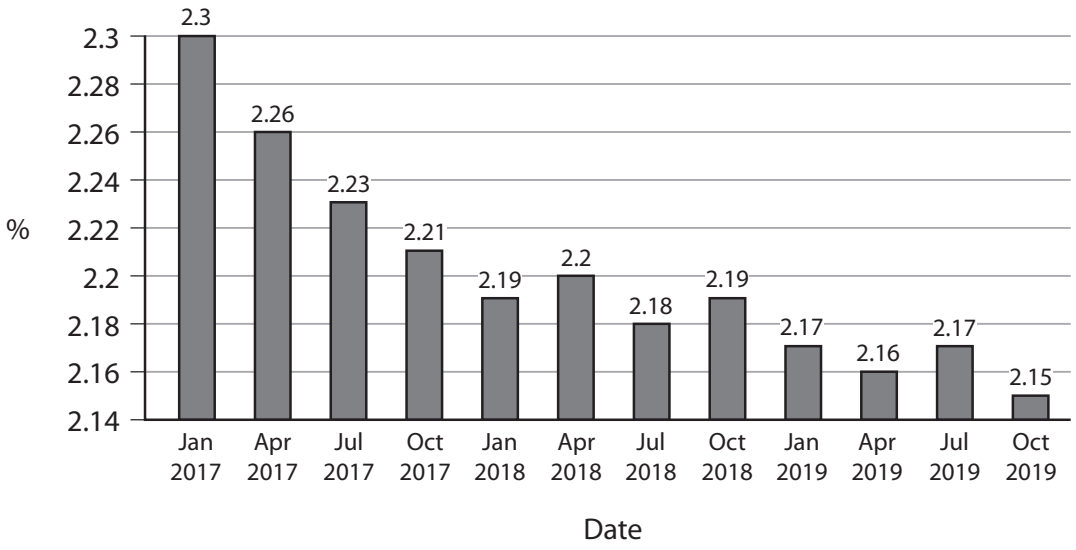


Figure 5

(Source: https://tradingeconomics.com/vietnam/unemployment-rate)

(b) With reference to the data above and your knowledge of economics, analyse the impact of falling unemployment rates on tax revenues for a country such as Vietnam.

(6)

Vietnam is struggling with high levels of air pollution. Its two biggest cities, Hanoi and Ho Chi Minh City, are now among the 15 most polluted cities in Southeast Asia. Air pollution is particularly harmful to human health causing diseases including strokes, heart disease and respiratory infections. Up to 60,000 deaths in Vietnam in 2018 were related to air pollution. On average, poor air quality reduces life expectancy by one year and costs the country about 5% of GDP per year.

Among the main causes of this pollution is transportation. Vietnam now has 3.6 million automobiles and 58 million motorbikes, mostly found in big cities. Many of these vehicles are old, with limited emission control technology. They cause daily traffic jams and are responsible for a large amount of air pollution.

The Vietnamese Government is considering whether to increase the environmental tax on petrol and diesel by 33%. The proposed tax will generate $2.4 bn each year, an annual increase of $650.2 m from current tax revenues on fuels.

(Source adapted from: https://thediplomat.com/2020/03/vietnams-big-air-pollution-challenge/)

(c) With reference to the data above and your knowledge of economics, evaluate the effectiveness of increasing taxation on petrol and diesel to protect the environment in a country such as Vietnam.

(12)

(d) Describe **one** impact on consumers of an increase in interest rates.

(2)

Figure 1 shows imports and exports for a country in €bn.

	€bn
Exports of goods	150
Exports of services	40
Imports of goods	120
Imports of services	30

Figure 1

(e) Calculate the **visible trade balance** in €bn for the country. You are advised to show your working.

(2)

In 2024, France announced a €4bn subsidy package to support the production of hydrogen.

(f) Using the diagram below, draw the effects of the introduction of the subsidy on the equilibrium price and quantity of hydrogen in France. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

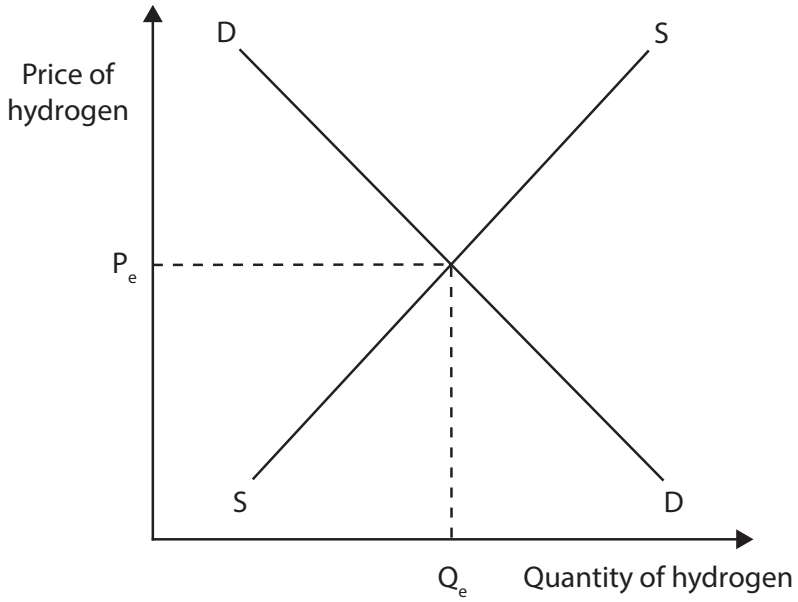


Figure 2

In December 2023, Portugal reported a fiscal surplus of €6.2bn, which was €3.4bn higher than 12 months before.

(g) Explain **one** possible benefit of a fiscal surplus for a country such as Portugal.

(3)

In February 2024, the Greek Prime Minister Kyriakos Mitsotakis said that the Greek economy was entering the recovery phase of the economic cycle.

(h) With reference to the data above and your knowledge of economics, analyse the impact of a recovery on unemployment for a country such as Greece.

(6)

(Total for Question 1 = 20 marks)



Figure 3

In 2017, unemployment in South Africa reached its highest level in 13 years at 27.7%. Concerns have been expressed about the very high levels of youth unemployment and the social problems this might cause. Statistics show that 39% of all unemployed South Africans have never worked before and for young people this figure is even higher, at 60.3%.

(e) With reference to the data above and your knowledge of economics, assess the impact of high rates of unemployment on a country such as South Africa.

(9)

(Total for Question 3 = 20 marks)

2 Figure 2 shows the rates of taxation in the UK in 2018.

Income per year (£)	Tax rate (%)
0 to 11 850	0
11 851 to 46 350	20
46 351 to 150 000	40
150 000 upwards	45

Figure 2

(a) This is an example of what type of taxation system?

(1)

☒ **A** Indirect

☒ **B** Progressive

☒ **C** Regressive

☒ **D** Value added

(b) To improve the standard of living, which **one** of the following is a government likely to reduce?

(1)

☒ **A** Welfare payments

☒ **B** Subsidies for housing

☒ **C** Education

☒ **D** Indirect taxes

(c) State **one** method of government intervention that should lead to the protection of the environment.

(1)

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QUESTION 2(g) BEGINS ON PAGE 12

A new report from New Zealand Kiwifruit Growers Incorporated showed a serious shortage of seasonal workers. This could slow down the kiwifruit industry's predicted growth. The report showed that the industry will require an additional 7,000 seasonal workers if it is to double in size by 2027. Revenue from the sale of kiwifruits was predicted to increase from NZ$2.1bn in 2017 to NZ$4bn by 2027. At the start of the 2018 season, the industry was short of 1,200 workers with 70% of the crop still to be picked.

(Source adapted from: https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=12099643)

(g) With reference to the data above and your knowledge of economics, assess the ways a country such as New Zealand could reduce the shortage of seasonal workers.

(9)

(Total for Question 2 = 20 marks)

Figures from the Office for National Statistics (ONS) showed that the unemployment rate in the North East of England increased to 5.3% in the three months to the end of October 2021.

Output fell significantly in this area of England and business confidence was severely harmed. There was some positive news with the number of people claiming unemployment benefits in the North East of England falling by around 3,500 to 87,780.

(Source: https://www.chroniclelive.co.uk/news/news-opinion/unemployment-rises-north-east-concerns-22452309)

(e) With reference to the data above and your knowledge of economics, assess the impact of rising unemployment rates in the North East of England.

(9)

(Total for Question 3 = 20 marks)

In November 2022, the unemployment rate in Australia was 3.4%. The number of unemployed fell by 7,400 to 491,700. Employment increased by 64,000 to a new record of 13.77 million.

Unemployment remains at a near 50-year low as the recovering Australian economy faces a labour shortage. This is caused by a lack of migration and fewer short-term visa holders.

Australian Unemployment Rate (%) in 2022

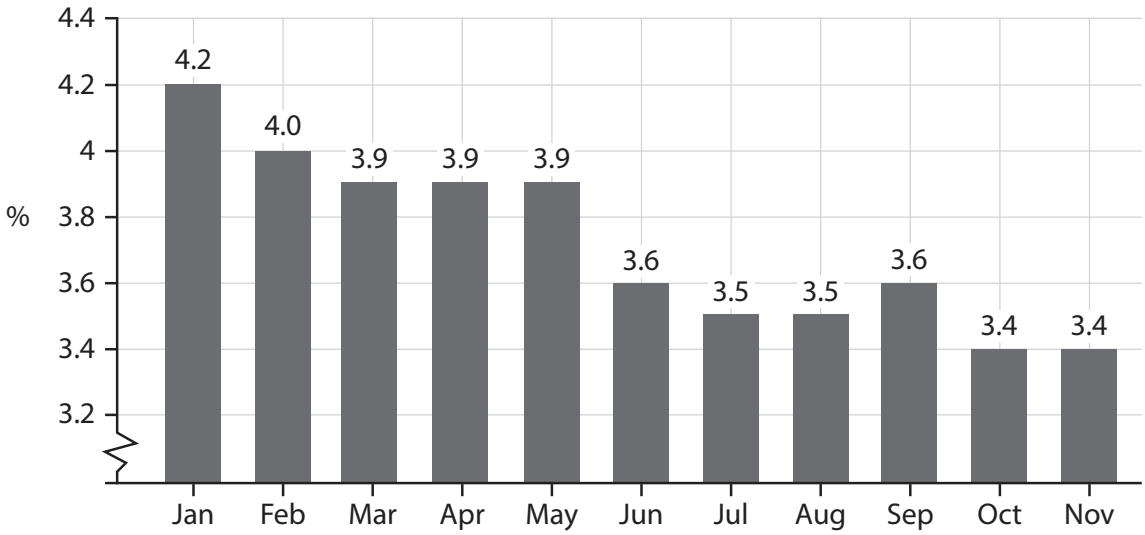


Figure 4

(e) With reference to the data above and your knowledge of economics, assess the possible benefits of low unemployment rates on tax revenues for a country such as Australia.

(9)

(Total for Question 3 = 20 marks)

Figure 3 shows the supply of and demand for UK pounds (£), as well as the equilibrium exchange rate against the euro (€). UK interest rates increased from 4% to 4.25% in March 2023.

(f) Using the diagram below, draw the likely effect of this rise in UK interest rates on the equilibrium exchange rate of the UK pound (£) against the euro (€). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.

(3)

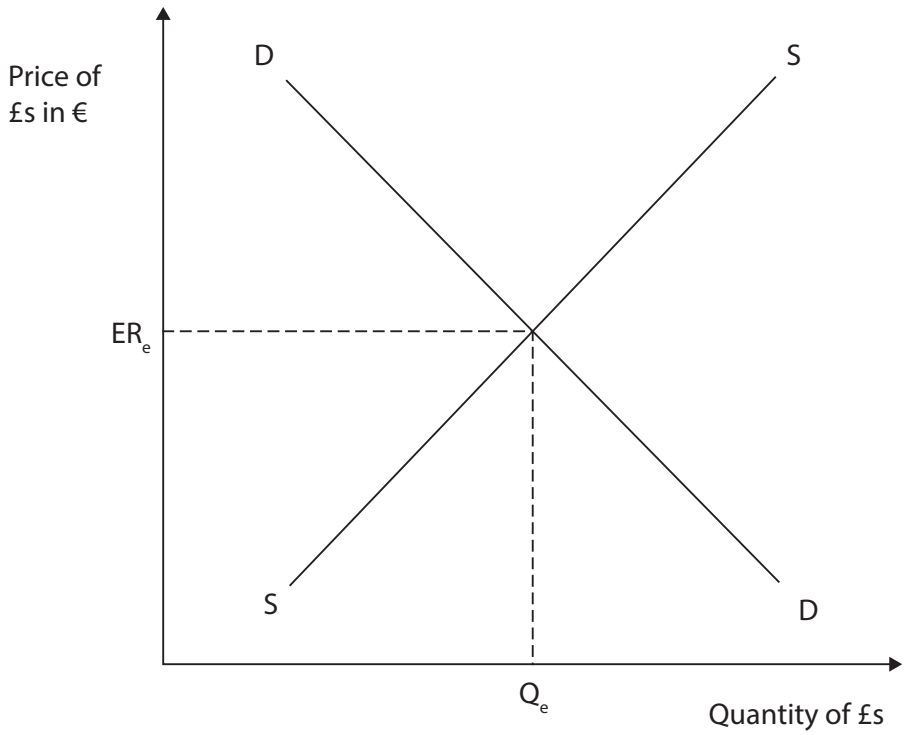


Figure 3

The Chinese economy only grew by 3% in 2022. However, in 2023 exports increased by 14.8% compared to the previous year, suggesting that China would achieve its growth target of 5%.

By March 2023, China was experiencing an economic recovery with the services and construction sectors reaching a 12-year high.

However, China's export recovery is expected to be temporary. This is because of possible weaker global demand due to interest rate rises in many economies.

(g) With reference to the data above and your knowledge of economics, assess how a recovery may affect unemployment for a country such as China.

(9)

(Total for Question 2 = 20 marks)

Figure 3 shows the supply of and demand for UK pounds (£) and the equilibrium exchange rate against the US dollar ($).

(f) Using the diagram below, draw the likely effect of a decrease in imports from the US on the equilibrium exchange rate of the UK pound (£) against the US dollar ($). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.

(3)

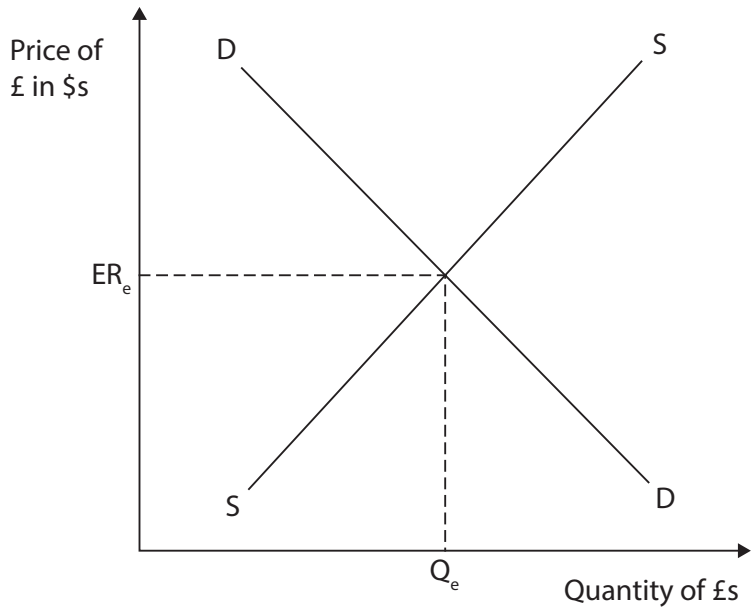


Figure 3

ChatGPT is the latest example of artificial intelligence (AI)* technology. There are increased concerns that AI will cause the loss of jobs for millions of workers. This includes Wall Street traders, salespeople, writers of basic computer code and journalists.

IBM has stopped recruiting for 7,800 jobs that could be eventually replaced by AI. British Telecom (BT) predicted that AI would replace 10,000 jobs by 2030.

**The use of computer systems to perform tasks normally undertaken by humans.*

(g) With reference to the data above and your knowledge of economics, assess the possible impact of the introduction of AI on the levels of structural unemployment.

(9)

(Total for Question 2 = 20 marks)

SUB-TOPIC 2.1.1 (d)

BALANCE OF PAYMENTS ON CURRENT ACCOUNT

Sub-topic 2.1.1 (d) · 33 questions · 78 marks · lowest tariff first

3 (a) What is the name given to a country's exports and imports of physical goods?

(1)

- ☒ **A** Trade in goods
- ☒ **B** Income flows
- ☒ **C** Trade in services
- ☒ **D** Transfer payments

(b) What term refers to a firm or country selling an export below the cost of production?

(1)

- ☒ **A** Quotas
- ☒ **B** Dumping
- ☒ **C** Deregulation
- ☒ **D** Tariffs

(c) Explain **one** method of government intervention that could be used to protect the environment.

(3)

2 (a) GDP per capita is a measure of a country's economic output that accounts for population.

If Sweden has a population of 10 million and a GDP of $511 bn (1bn = 1 000 000 000), then its GDP per capita is

(1)

- ☒ **A** $511
- ☒ **B** $5 110
- ☒ **C** $51 100
- ☒ **D** $511 000

(b) What is the name of the policy that focuses on interest rate changes?

(1)

- ☒ **A** Deregulation
- ☒ **B** Exchange rate
- ☒ **C** Monetary
- ☒ **D** Fiscal

(c) State **one** impact of a current account deficit.

(1)

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(d) What is meant by the term absolute poverty?

(2)

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3 (a) Kenyans who holiday in South Africa would be shown on the Kenyan current account as

(1)

- ☒ **A** an invisible import
- ☒ **B** a visible export
- ☒ **C** a visible import
- ☒ **D** an invisible export

(b) Which **one** of the following is an example of an indirect tax?

(1)

- ☒ **A** Inheritance tax
- ☒ **B** Income tax
- ☒ **C** Business tax
- ☒ **D** Value added tax

(c) Explain **one** way a government could reduce inequality and poverty.

(3)

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) International trade that takes place with no restrictions is known as

(1)

☒ **A** globalisation

☒ **B** protectionism

☒ **C** free trade

☒ **D** Foreign Direct Investment

(b) What is the name given to a country's exports and imports of services?

(1)

☒ **A** Visible trade

☒ **B** Invisible trade

☒ **C** Transfer payments

☒ **D** The balance of payments

(c) What is meant by the term unemployment?

(2)

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2 (a) An appreciation in a country's exchange rate is most likely to lead to which **one** of the following?

(1)

- ☒ **A** An increase in exports and a decrease in imports
- ☒ **B** A decrease in exports and a decrease in imports
- ☒ **C** An increase in exports and an increase in imports
- ☒ **D** A decrease in exports and an increase in imports

(b) Which **one** of the following is likely to result in poverty?

(1)

- ☒ **A** High literacy rates
- ☒ **B** Low GDP per capita
- ☒ **C** Low rates of tax
- ☒ **D** High employment rates

(c) State **one** effect on the balance of payments of improved quality of foreign goods.

(1)

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(d) What is meant by the term free trade?

(2)

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2 (a) A depreciation in a country's exchange rate is most likely to lead to which **one** of the following?

(1)

- ☒ **A** Lower inflation
- ☒ **B** Higher exports
- ☒ **C** Increased unemployment
- ☒ **D** Increased budget surplus

(b) Which **one** of the following terms may refer to someone having a lower standard of living in comparison to the average person in society?

(1)

- ☒ **A** Absolute poverty
- ☒ **B** Income distribution
- ☒ **C** Relative poverty
- ☒ **D** Poverty trap

(c) State **one** effect on the balance of payments of improved quality of domestic goods.

(1)

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(d) What is meant by the term fiscal policy?

(2)

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3 (a) Which **one** of the following describes shoe leather costs?

(1)

- ☒ **A** The costs of raw materials used to make a good or service
- ☒ **B** The costs of communication used by a firm
- ☒ **C** The costs of searching for cheaper suppliers when inflation is high
- ☒ **D** The costs to firms of having to make repeated price changes

(b) Which **one** of the following may cause a current account surplus?

(1)

- ☒ **A** Lower priced foreign goods
- ☒ **B** Higher priced domestic goods
- ☒ **C** Lower import tariffs on foreign goods
- ☒ **D** Higher quality of domestic goods

2 (a) Money earned from foreign tourists visiting Canada is shown in Canada's current account on the balance of payments as:

(1)

- ☒ **A** visible exports
- ☒ **B** visible imports
- ☒ **C** invisible exports
- ☒ **D** invisible imports

(b) Which **one** of the following is likely to help protect the environment?

(1)

- ☒ **A** An increase in fines
- ☒ **B** An increase in pollution permits
- ☒ **C** A reduction in regulation
- ☒ **D** A reduction in the provision of parks

(c) State **one** possible disadvantage of economic growth.

(1)

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(d) What is meant by the term privatisation?

(2)

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2 (a) What is the likely impact of lower transport and communication costs on an economy?

(1)

- ☒ **A** Increased unemployment
- ☒ **B** Decreased international trade
- ☒ **C** Increased economic growth
- ☒ **D** Decreased consumer spending

(b) Which **one** of the following types of unemployment is caused by changes in the business cycle?

(1)

- ☒ **A** Structural
- ☒ **B** Seasonal
- ☒ **C** Frictional
- ☒ **D** Cyclical

(c) State **one** possible impact of a current account deficit.

(1)

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(d) What is meant by the term fines?

(2)

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2 (a) Which **one** of the following is the calculation for the rate of unemployment in a country?

(1)

- ☒ **A** Total labour force/Total population × 100
- ☒ **B** Number of unemployed/Total labour force × 100
- ☒ **C** Number of employed/Total labour force × 100
- ☒ **D** Total unemployment/Total population × 100

(b) Which **one** of the following describes a role of the World Trade Organization (WTO)?

(1)

- ☒ **A** Help with trade negotiations
- ☒ **B** Regulates multinational corporations
- ☒ **C** Provides financial assistance to developing countries
- ☒ **D** Stabilises exchange rates

(c) State **one** possible reason for a current account surplus.

(1)

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(d) What is meant by the term relative poverty?

(2)

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3 (a) Which **one** of the following is an advantage of pollution permits?

(1)

- ☒ **A** They encourage unlimited industrial emissions
- ☒ **B** They reduce overall pollution by setting emission limits
- ☒ **C** They allow firms to ignore environmental regulations
- ☒ **D** They discourage investment in green technologies

An economy has a national output of €300bn and its current account deficit is €15bn.

(b) What is the current account deficit as a percentage of national output?

(1)

- ☒ **A** 0.05%
- ☒ **B** 2.85%
- ☒ **C** 5%
- ☒ **D** 20%

3 (a) Which **one** of the following is a feature of being a member of a trading bloc?

(1)

- ☒ **A** Higher tariffs on exports to other members within the bloc
- ☒ **B** Slower delivery times for goods within the bloc
- ☒ **C** Can only trade with members within the bloc
- ☒ **D** Access to a larger market within the bloc

Figure 3 shows imports and exports for a country in $bn.

	$bn
Exports of goods	300
Exports of services	80
Imports of goods	240
Imports of services	50

Figure 3

(b) What is the **visible trade balance** in $bn for the country?

(1)

- ☒ **A** $30bn
- ☒ **B** $60bn
- ☒ **C** $90bn
- ☒ **D** $250bn

(d) Describe **one** impact of economic growth on the productive potential of a country.

(2)

Figure 1 shows the main components of Germany's current account in 2016.

	€ billion
Trade in goods (visibles)	+271.7
Trade in services (invisibles)	-22.4

Figure 1

(Source: Bundesbank)

(e) Using the data in Figure 1, calculate in € bn the current account balance for Germany in 2016.

(2)

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) A firm is described as a multinational corporation (MNC) if it

(1)

- ☒ **A** has shareholders in many countries
- ☒ **B** exports goods to other countries
- ☒ **C** is owned by the government
- ☒ **D** operates in more than one country

(b) An increase in which **one** of the following would be most likely to encourage saving?

(1)

- ☒ **A** Interest rate
- ☒ **B** Income tax rate
- ☒ **C** Exchange rate
- ☒ **D** Indirect tax rate

(c) What is meant by the term imports?

(2)

(d) Describe **one** reason why governments make benefit payments.

(2)

Figure 1 shows the UK's imports and exports for the year ending July 2019.

	£bn
Imports	689.9
Exports	646.7
Total UK trade	1 336.6

Figure 1

(Source: Department for International Trade: UK Trade in Numbers September 2019)

(e) Using the data in Figure 1, calculate in £bn, **the current account** for the UK year ending July 2019. You are advised to show your working.

(2)

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) Which **one** of the following is an example of cyclical unemployment?

(1)

- ☒ **A** Factory workers lose their jobs as more machines are used
- ☒ **B** Hotels employ fewer workers in the winter months
- ☒ **C** Workers are waiting to start a new job
- ☒ **D** An airline cuts jobs during a global recession

(b) A decrease in the exchange rate caused by government intervention is known as

(1)

- ☒ **A** depreciation
- ☒ **B** devaluation
- ☒ **C** revaluation
- ☒ **D** appreciation

(c) What is meant by the term exports?

(2)

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Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) Which **one** of the following describes the recovery phase of the economic cycle?

(1)

- ☒ **A** GDP is growing at its fastest and business activity increases
- ☒ **B** GDP starts to rise and economic activity is on the increase
- ☒ **C** GDP is still growing but more slowly
- ☒ **D** GDP falls for two successive quarters

(b) Which **one** of the following is an example of frictional unemployment?

(1)

- ☒ **A** A bank cuts jobs during a global recession
- ☒ **B** Workers are unemployed whilst waiting to start a new job
- ☒ **C** Fewer workers are employed on fruit farms in the winter months
- ☒ **D** Factory workers lose their jobs as more machines are used

(c) What is meant by the term exports?

(2)

2 (a) Fiscal policy would involve a change in which **one** of the following?

(1)

- ☒ **A** Exchange rates
- ☒ **B** Interest rates
- ☒ **C** Production rates
- ☒ **D** Tax rates

(b) A savings account has €5 000 in it at the start of the year. If the interest rate is 2%, what is the total amount in the account at the end of the year?

(1)

- ☒ **A** €100
- ☒ **B** €2 500
- ☒ **C** €4 900
- ☒ **D** €5 100

(c) State **one** role of a central bank.

(1)

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(d) What is meant by the term current account surplus?

(2)

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Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) Menu costs could be described as the costs of

(1)

- ☒ **A** searching for cheaper suppliers when inflation is high
- ☒ **B** paying workers for their labour
- ☒ **C** renting a factory
- ☒ **D** reprinting brochures when prices change

(b) Which **one** of the following is likely to cause demand pull inflation?

(1)

- ☒ **A** A decrease in productivity
- ☒ **B** A decrease in government spending
- ☒ **C** An increase in the consumption of goods
- ☒ **D** An increase in interest rates

(c) What is meant by the term imports?

(2)

(d) Describe the impact on the demand for a currency after an increase in interest rates.

(2)

Figure 1 shows Canada's imports and exports for the year ending 2020.

	CAD$bn
Imports	561
Exports	524
Total Trade	1 085

Figure 1

(Source: https://www150.statcan.gc.ca/n1/daily-quotidien/210414/dq210414a-eng.htm)

(e) Using the data in Figure 1, calculate in CAD$bn the **current account** for Canada for the year ending 2020. You are advised to show your working.

(2)

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) Which **one** of the following is an advantage of multinational corporations (MNCs) operating in a country?

(1)

- ☒ **A** Avoiding paying taxes
- ☒ **B** Environmental damage
- ☒ **C** Developing skills
- ☒ **D** Moving profits abroad

(b) Which **one** of the following is a measurement of gross domestic product (GDP)?

(1)

- ☒ **A** Total value of goods and services traded within an economy
- ☒ **B** Total value of goods and services produced within an economy
- ☒ **C** Total value of goods and services exported by an economy
- ☒ **D** Total value of goods and services imported by an economy

(c) What is meant by the term the current account on the balance of payments?

(2)

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(d) Describe the impact of a reduction in the cost of communication on globalisation.

(2)

Figure 1 shows imports and exports for a country in $bn.

	$bn
Exports of goods	100
Exports of services	26
Imports of goods	87
Imports of services	16

Figure 1

(e) Calculate the **invisible trade balance** in $bn for the country. You are advised to show your working.

(2)

(d) Describe **one** impact on consumers of an increase in interest rates.

(2)

Figure 1 shows imports and exports for a country in €bn.

	€bn
Exports of goods	150
Exports of services	40
Imports of goods	120
Imports of services	30

Figure 1

(e) Calculate the **visible trade balance** in €bn for the country. You are advised to show your working.

(2)

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) Which **one** of the following is an example of seasonal unemployment?

(1)

- ☒ **A** A farm worker having no work due to automation
- ☒ **B** A construction worker not finding work during the monsoon period
- ☒ **C** A skilled worker unable to find employment due to a recession
- ☒ **D** A person choosing not to work and being paid welfare benefits

(b) Which **one** of the following is likely to cause cost-push inflation?

(1)

- ☒ **A** An increase in consumer demand for goods and services
- ☒ **B** A decrease in taxes on business profits
- ☒ **C** An increase in the prices of raw materials paid by producers
- ☒ **D** A decrease in interest rates set by the central bank

(c) What is meant by the term current account deficit?

(2)

(f) Using the diagram below, draw the effects of the introduction of a tariff on the equilibrium price and quantity of a good. Label the new curve, the new equilibrium price and quantity.

(3)

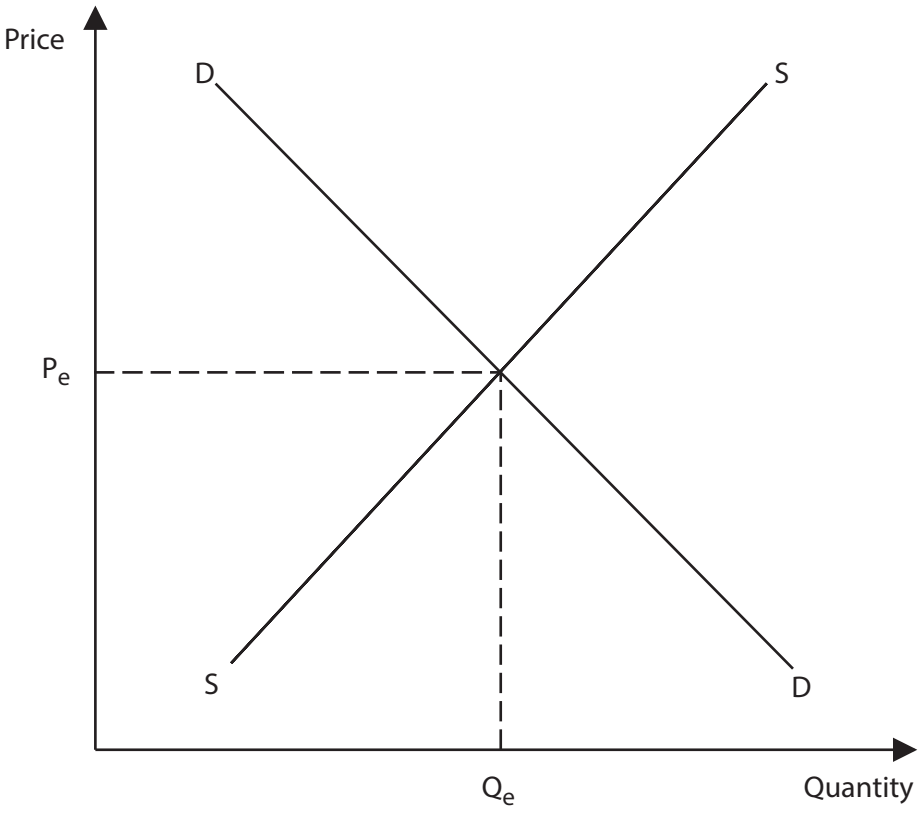


Figure 1

In November 2018, Mexico's current account deficit increased to $5.082bn.

(g) Explain **one** reason why the quality of domestic goods might have resulted in this increase in the current account deficit for Mexico.

(3)

In December 2019, the UK and the European Union (EU) negotiated North Sea fishing quotas for 2020. It was agreed to increase the fishing quota for haddock by 30%.

(f) Using the diagram below, draw the effects of the introduction of the new quota on the equilibrium price and quantity of haddock. Label the new curve, the new equilibrium price and new equilibrium quantity.

(3)

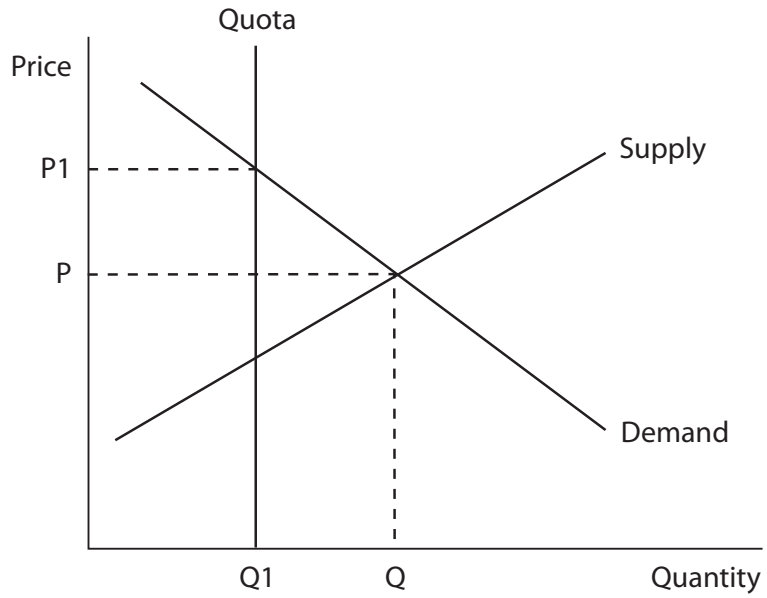


Figure 2

Norway had a current account surplus of 19.07bn Norwegian Krone (NOK) in the fourth quarter of 2019.

(g) Explain **one** possible reason why a country such as Norway had a current account surplus.

(3)

3 (a) Which **one** of the following is an example of Foreign Direct Investment (FDI)?

(1)

- ☒ **A** An Indian garment factory selling clothes to the UK
- ☒ **B** The Indian Government investing in the Indian rail network
- ☒ **C** The construction of a factory in India by a Chinese firm
- ☒ **D** An Indian supermarket opening new stores in India

(b) If the exchange rate changes from £1 = $1.40 to £1 = $1.30 then

(1)

- ☒ **A** the UK pound (£) has appreciated against the US dollar ($)
- ☒ **B** US holidays will be cheaper for UK tourists
- ☒ **C** US exports to the UK will be cheaper
- ☒ **D** UK exports to the US will be cheaper

In November 2020, Pakistan recorded a current account surplus of $1.64bn. This was its fifth consecutive current account surplus.

(c) Explain **one** reason why an improvement in the quality of domestic goods may have resulted in a positive impact on Pakistan's current account.

(3)

3 (a) A decrease in unemployment is likely to result in

(1)

- ☒ **A** a decrease in tax revenues
- ☒ **B** a decrease in economic growth
- ☒ **C** an increase in inflation
- ☒ **D** an increase in relative poverty

(b) Which **one** of the following is a possible disadvantage of Foreign Direct Investment (FDI)?

(1)

- ☒ **A** Increased level of skills
- ☒ **B** Greater environmental damage
- ☒ **C** Higher employment levels
- ☒ **D** Faster economic growth

In December 2021, the US current account deficit increased to $214.8bn. This was the largest deficit since 2006.

(c) Explain **one** reason why an increase in the quality of foreign goods may have resulted in a negative impact on the US current account.

(3)

3 (a) How many UK pounds (£) can be bought with $50 if the exchange rate is $1 = £0.75?

(1)

- ☒ **A** £25
- ☒ **B** £37.50
- ☒ **C** £66.66
- ☒ **D** £75

Many governments provide parks.

(b) Which **one** of the following is a reason for this provision?

(1)

- ☒ **A** To reduce the number of tourists
- ☒ **B** To reduce property values in the area
- ☒ **C** To reduce damage to the environment
- ☒ **D** To reduce space for leisure and recreation

South Korea had a current account surplus of $880m in October 2022.

(c) Explain **one** reason why an increase in the price of imports may have had a positive impact on South Korea's current account.

(3)

Current account balance for China 2015-2017 in US$bn

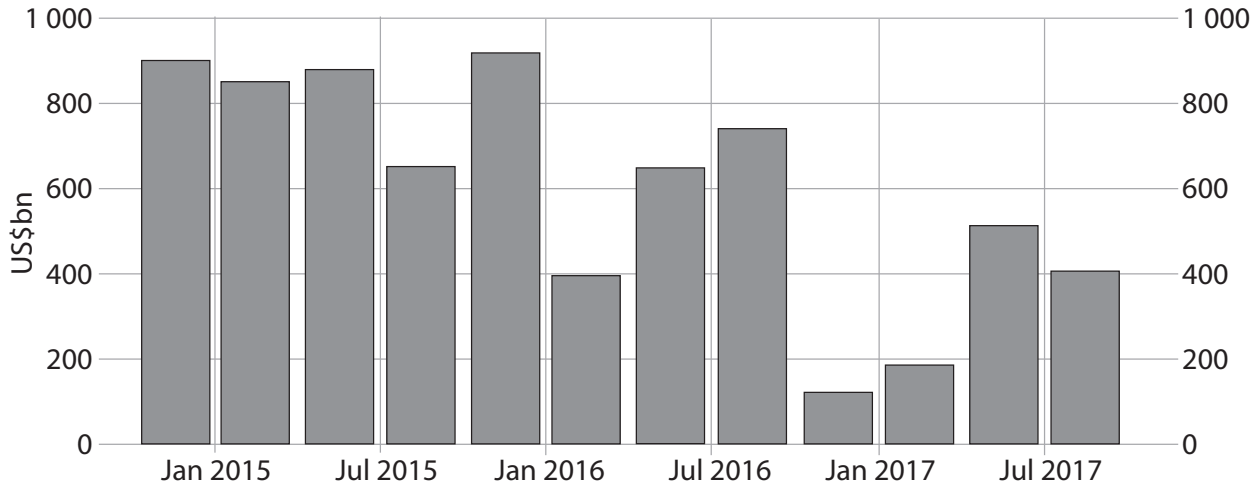


Figure 5

(Source: adapted from https://tradingeconomics.com/china/current-account)

(b) Analyse the benefits of a current account surplus for a country such as China.

(6)

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Following a trip to Asia in 2017 by US President Donald Trump, China has reduced tariffs from 17.3% to 7.7% on over 200 consumer products. These include pharmaceuticals, food, health supplements and clothing.

Many multinational corporations may have major financial gains. Nestle's sales could increase by 15% or $18.7bn because of the reduction in tariffs. Procter & Gamble, will also benefit from tariff reductions on items ranging from shampoos to electronic toothbrushes.

(c) With reference to the data above and your knowledge of economics, evaluate the possible benefits of reducing the level of tariffs on imported goods and services to China.

(12)

(d) Describe **one** advantage of free trade for consumers.

(2)

Figure 1 shows the income tax rates for the UK in 2020–2021. Sofia earns £35 000 as a teacher. This means Sofia only pays 20% tax on £22 500 of her salary.

Taxable income	Tax rate (%)
0 to £12 500	0%
£12 501 to £50 000	20%
£50 001 to £150 000	40%
Over £150 000	45%

Figure 1

(Source: https://www.gov.uk/income-tax-rates)

(e) Calculate the **net pay** in £ for Sofia. You are advised to show your working.

(2)

In May 2020, China introduced a tariff of 80% on Australian barley.

(f) Using the diagram below, draw the effects of the introduction of a tariff on the equilibrium price and quantity of Australian barley. Label the new curve, the new equilibrium price and new equilibrium quantity.

(3)

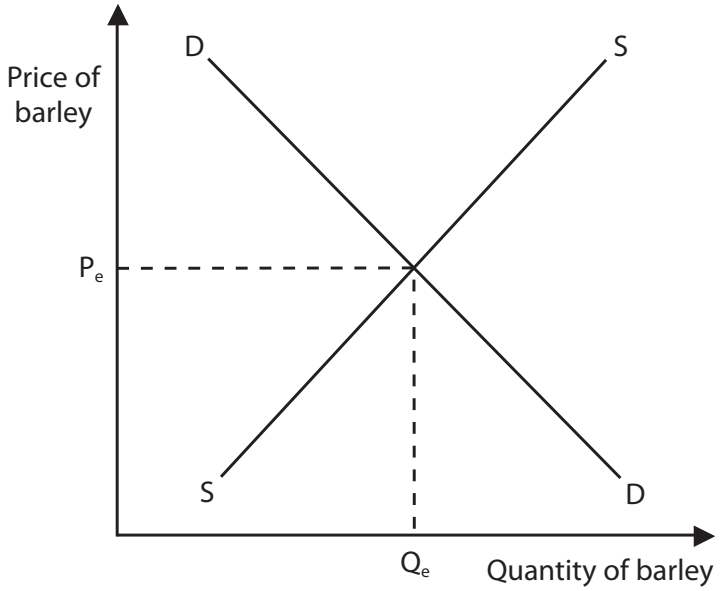


Figure 2

Tourism is a major sector in the French economy. It employs around 2 million people, both directly and indirectly.

(g) Explain **one** reason why some people in the tourism sector might suffer from seasonal unemployment in a country such as France.

(3)

In December 2020, Australia had a current account surplus of $18.1bn, a rise of $4.4bn on the previous quarter.

(h) Analyse the benefits of a current account surplus for a country such as Australia.

(6)

(Total for Question 1 = 20 marks)

Figure 4 shows the quarterly current account deficit (US$m) for Egypt from January 2018 until October 2020.

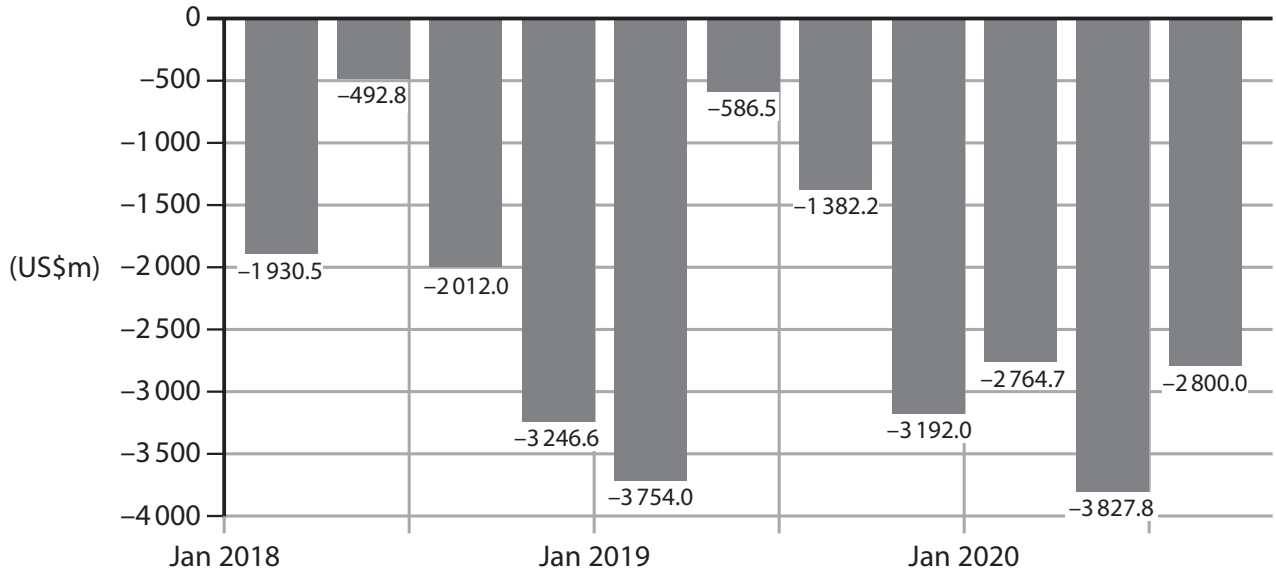


Figure 4

(Source adapted from: https://tradingeconomics.com/egypt/current-account)

(b) Analyse the possible impact on Egypt of having a continuous current account deficit.

(6)

The Egyptian economy is expected to grow between 2.8% and 4% in the financial year 2020–2021. Even higher levels of economic growth are forecast for the following year.

Unemployment rates have fallen to 7.3% in the third quarter of 2020 from 7.8% in 2019. Egypt's annual inflation rate increased to 6.3% in 2020, up from 2.7% in 2019.

(Source adapted from: https://www.arabnews.com/node/1770221/business-economy)

(c) With reference to the data above and your knowledge of economics, evaluate the extent to which fiscal policy can be used to control inflation in a country such as Egypt.

(12)

Indonesia's Economic Minister Darmin Nasution said that the current account deficit would reach 3% of gross domestic product (GDP) by the end of 2018.

"Yes, it is a bit high, but nothing to worry about. The deficit in 2014 was even higher," said Darmin Nasution.

Meanwhile, senior economist Faisal Basri called on the government to take the growing current account deficit as a serious matter because it could have negative effects on the economy.

(e) With reference to the data above and your knowledge of economics, assess the impact of a current account deficit for a country such as Indonesia.

(9)

(Total for Question 3 = 20 marks)

SUB-TOPIC 2.1.1 (e)

PROTECTION OF THE ENVIRONMENT

Sub-topic 2.1.1 (e) · 33 questions · 194 marks · lowest tariff first

2 The price of a basket of goods and services used to calculate the Consumer Price Index (CPI) in an economy, rose from €1 250 to €1 300 in one year.

(a) What is the rate of inflation?

(1)

- ☒ **A** 0.96%
- ☒ **B** 1.04%
- ☒ **C** 4%
- ☒ **D** 5%

(b) What is the name of the term used to describe tax on income, wealth and profit?

(1)

- ☒ **A** Direct taxation
- ☒ **B** Value added tax
- ☒ **C** Excise duties
- ☒ **D** Indirect taxation

(c) State **one** way businesses can damage the environment.

(1)

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(d) What is meant by the term supply-side policy?

(2)

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2 Figure 2 shows the rates of taxation in the UK in 2018.

Income per year (£)	Tax rate (%)
0 to 11 850	0
11 851 to 46 350	20
46 351 to 150 000	40
150 000 upwards	45

Figure 2

(a) This is an example of what type of taxation system?

(1)

☒ **A** Indirect

☒ **B** Progressive

☒ **C** Regressive

☒ **D** Value added

(b) To improve the standard of living, which **one** of the following is a government likely to reduce?

(1)

☒ **A** Welfare payments

☒ **B** Subsidies for housing

☒ **C** Education

☒ **D** Indirect taxes

(c) State **one** method of government intervention that should lead to the protection of the environment.

(1)

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2 (a) Money earned from foreign tourists visiting Canada is shown in Canada's current account on the balance of payments as:

(1)

- ☒ **A** visible exports
- ☒ **B** visible imports
- ☒ **C** invisible exports
- ☒ **D** invisible imports

(b) Which **one** of the following is likely to help protect the environment?

(1)

- ☒ **A** An increase in fines
- ☒ **B** An increase in pollution permits
- ☒ **C** A reduction in regulation
- ☒ **D** A reduction in the provision of parks

(c) State **one** possible disadvantage of economic growth.

(1)

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(d) What is meant by the term privatisation?

(2)

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3 (a) How many UK pounds (£) can be bought with $50 if the exchange rate is $1 = £0.75?

(1)

- ☒ **A** £25
- ☒ **B** £37.50
- ☒ **C** £66.66
- ☒ **D** £75

Many governments provide parks.

(b) Which **one** of the following is a reason for this provision?

(1)

- ☒ **A** To reduce the number of tourists
- ☒ **B** To reduce property values in the area
- ☒ **C** To reduce damage to the environment
- ☒ **D** To reduce space for leisure and recreation

South Korea had a current account surplus of $880m in October 2022.

(c) Explain **one** reason why an increase in the price of imports may have had a positive impact on South Korea's current account.

(3)

3 (a) Which **one** of the following is an advantage of pollution permits?

(1)

- ☒ **A** They encourage unlimited industrial emissions
- ☒ **B** They reduce overall pollution by setting emission limits
- ☒ **C** They allow firms to ignore environmental regulations
- ☒ **D** They discourage investment in green technologies

An economy has a national output of €300bn and its current account deficit is €15bn.

(b) What is the current account deficit as a percentage of national output?

(1)

- ☒ **A** 0.05%
- ☒ **B** 2.85%
- ☒ **C** 5%
- ☒ **D** 20%

2 (a) Which type of unemployment would result from the permanent closure of a coal mine?

(1)

- ☒ **A** Seasonal
- ☒ **B** Voluntary
- ☒ **C** Structural
- ☒ **D** Cyclical

(b) What would be the annual amount of interest earned on £7 000 of savings if the interest rate was 3% per annum?

(1)

- ☒ **A** £21
- ☒ **B** £210
- ☒ **C** £2 333
- ☒ **D** £7 210

(c) State **one** advantage of free trade.

(1)

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(d) What is meant by the term pollution permits?

(2)

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(d) Describe **one** way business activity can damage the environment.

(2)

Figure 1 shows selected UK Government receipts from taxation in February 2023.

	£bn
Income tax	20.0
Sales tax (VAT/GST)	14.3
Business tax	7.6
Excise duties	3.7
Customs duties	0.4

Figure 1

(e) Calculate the **total amount of revenue** in £bn raised by direct taxes in February 2023. You are advised to show your working.

(2)

4 Figure 5 shows the number of single-use plastic bags sold by the main retailers in the UK in 2021 and 2023.

Year	Number sold
2021	197 million
2023	133 million

Figure 5

(a) Calculate, to two decimal places, the **percentage decrease** in the number of single-use plastic bags sold in the UK between 2021 and 2023. You are advised to show your working.

(2)

From food to clothes, supply chains have harmful impacts on the environment. In 2023, the supply of consumer goods and services was the largest single contributor to UK emissions at 26% of the annual total; the UK energy sector was second highest at 17%.

(b) With reference to the data above and your knowledge of economics, analyse how business activity can damage the environment in a country such as the UK.

(6)

3 (a) What is the name given to a country's exports and imports of physical goods?

(1)

- ☒ **A** Trade in goods
- ☒ **B** Income flows
- ☒ **C** Trade in services
- ☒ **D** Transfer payments

(b) What term refers to a firm or country selling an export below the cost of production?

(1)

- ☒ **A** Quotas
- ☒ **B** Dumping
- ☒ **C** Deregulation
- ☒ **D** Tariffs

(c) Explain **one** method of government intervention that could be used to protect the environment.

(3)

In 2019, Hungary introduced a subsidy on new cars for families with three or more children.

(f) Using the diagram below, draw the likely effects of the introduction of a subsidy on the equilibrium price and quantity of new cars for families with three or more children. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

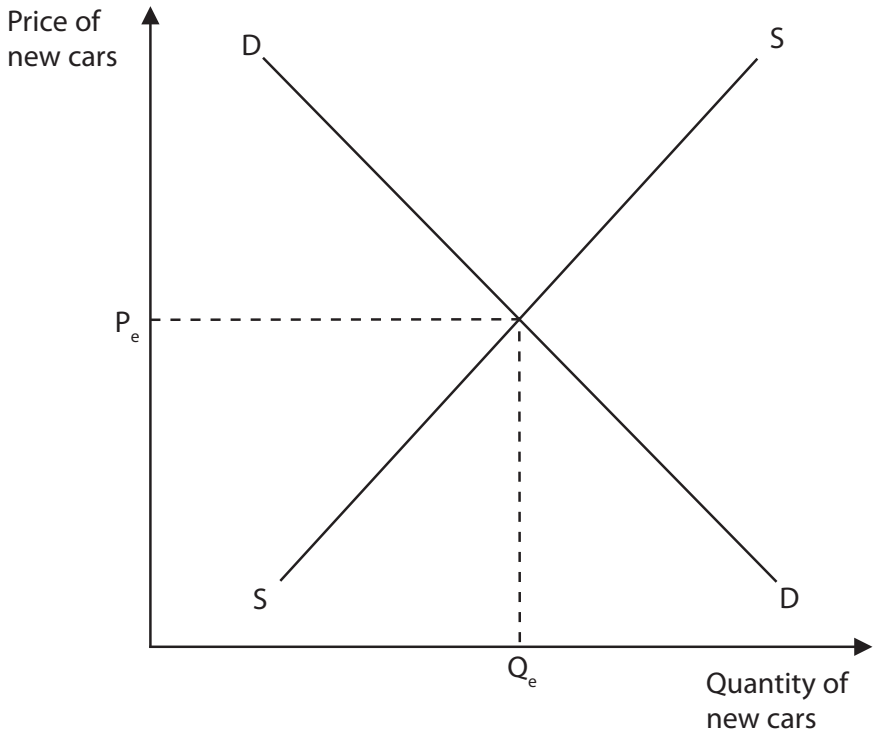


Figure 2

The UK has 13 national parks with the Lake District National Park being the largest and most popular. It had over 19.17 million visitors in 2018. Woodland covers over 12% of the national park.

(g) Explain **one** benefit to the UK Government of providing parks.

(3)

3 (a) Which **one** of the following is an example of deregulation?

(1)

- ☒ **A** Introducing a national minimum wage rate
- ☒ **B** More health and safety laws
- ☒ **C** Introducing licences for firms to operate
- ☒ **D** More firms allowed to enter a market

(b) Which **one** of the following is likely to cause cost-push inflation?

(1)

- ☒ **A** An improvement in productivity
- ☒ **B** An improvement in weather conditions
- ☒ **C** An increase in wage rates
- ☒ **D** An increase in the consumption of goods

The UK Government gives subsidies to firms in the renewable energy market that provide wind and solar energy.

(c) Explain **one** reason why the UK Government gives subsidies to firms in the renewable energy market.

(3)

In 2020, the UK Government introduced subsidies for firms that provide renewable energy.

(f) Using the diagram below, draw the effects of the introduction of a subsidy on the equilibrium price and quantity of renewable energy. Label the new curve, the new equilibrium price and new equilibrium quantity.

(3)

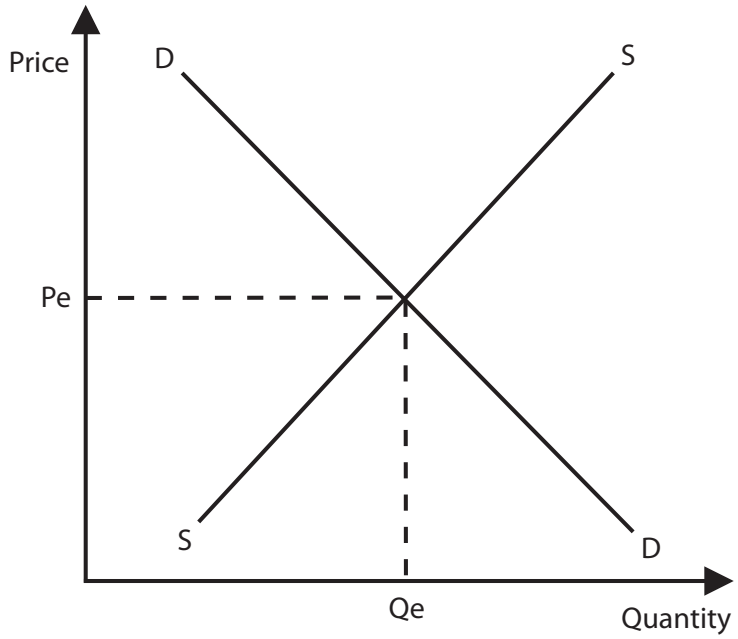


Figure 1

In March 2020, the Bank of England reduced interest rates from 0.75% to 0.10%. This decision affected the UK pound (£).

(g) Explain the likely impact of a decrease in UK interest rates on the UK pound (£).

(3)

An airport is a key part of most large urban areas. They are usually found on the edge of cities and are often surrounded by houses.

(e) Explain **one** way an airport can cause damage to the environment.

(3)

In 2021, the Canadian Government introduced subsidies for the purchase of electric vehicles.

(f) Using the diagram below, draw the effects of the introduction of a subsidy on the equilibrium price and quantity of electric vehicles. Label the new curve, the new equilibrium price and new equilibrium quantity.

(3)

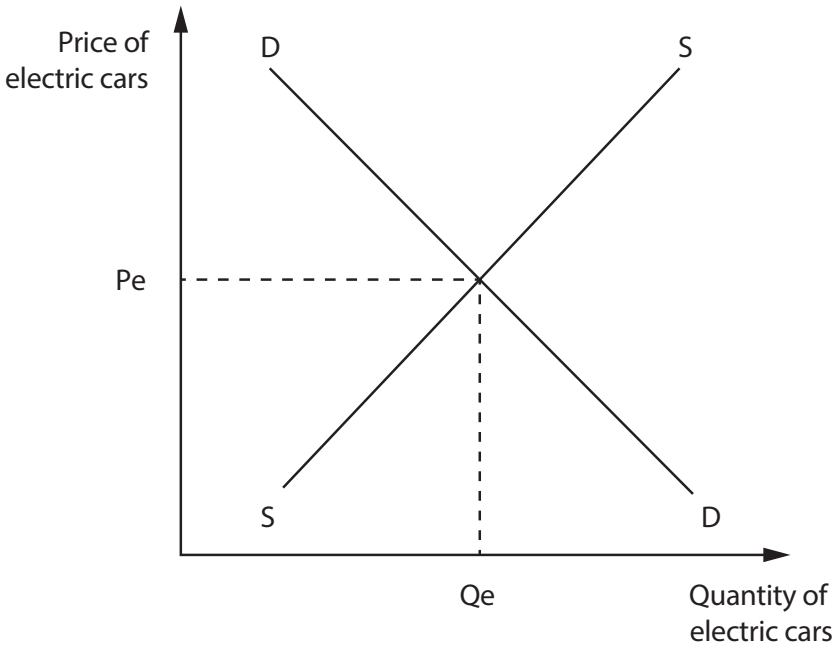


Figure 2

In 2022, the UK Government announced plans to spend over £130bn to improve the economic infrastructure of the country. This included £5.7bn for eight city regions in order to improve transport links between the cities. In addition, £5bn has been allocated to provide super-fast broadband in hard-to-reach areas of the UK.

(Source: https://www.gov.uk/government/news/levelling-up-boost-for-yorkshire-as-new-national-infrastructure-commission-site-announced-in-leeds)

(g) With reference to the data above and your knowledge of economics, assess the impact of infrastructure spending on the productive potential of a country such as the UK.

(9)

In 2024, France announced a €4bn subsidy package to support the production of hydrogen.

(f) Using the diagram below, draw the effects of the introduction of the subsidy on the equilibrium price and quantity of hydrogen in France. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

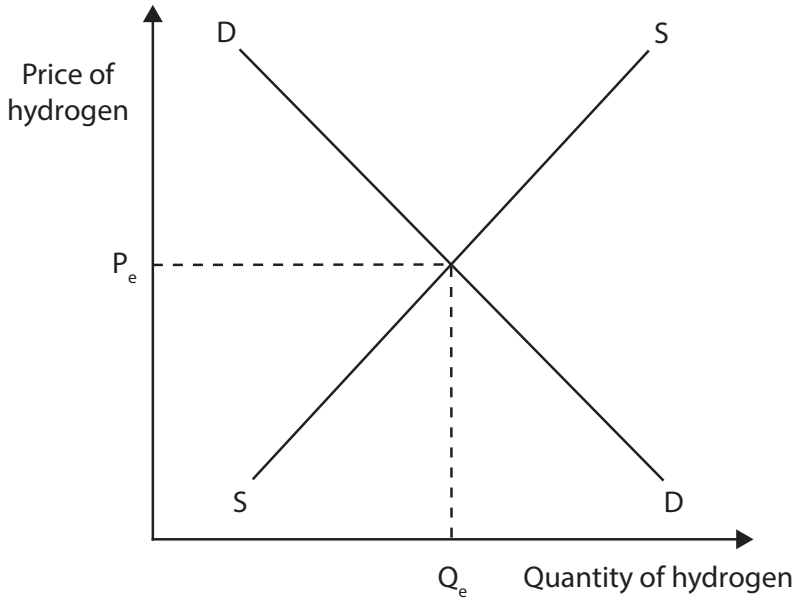


Figure 2

In January 2024, China introduced a 6% tariff on coal from Russia, South Africa, Mongolia and the US.

(f) Using the diagram below, draw the effects of the introduction of the tariff on the equilibrium price and quantity of coal in China. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

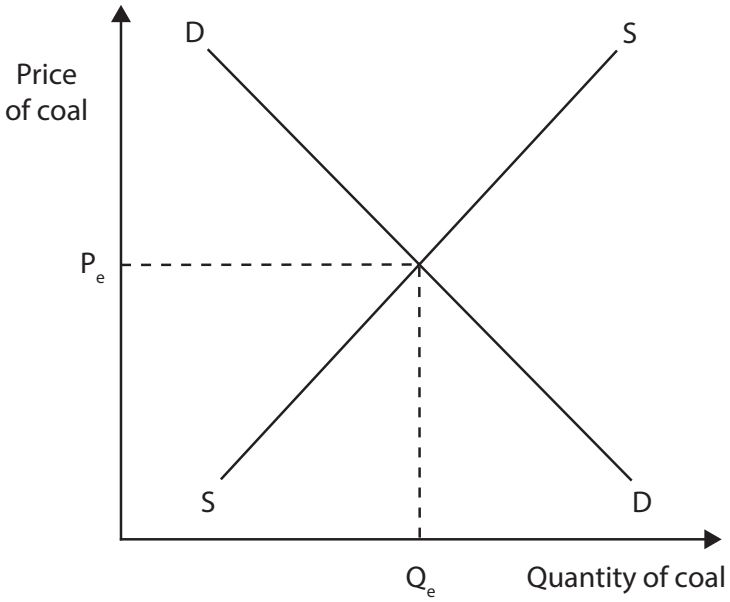


Figure 1

The UK Government allocates pollution permits to airlines such as easyJet and British Airways as part of its environmental strategy. The government reduces the total number of allocated pollution permits every year.

(g) Explain **one** possible benefit of using pollution permits to protect the environment for a country such as the UK.

(3)

3 Figure 3 shows selected UK Government receipts from taxation in 2019.

	£bn
Sales tax (VAT)	186.3
Income tax	268.3
Tariffs	31.9
Business tax	53.4

Figure 3

(a) What is the total amount of revenue raised by direct taxes?

(1)

- ☒ **A** £454.6bn
- ☒ **B** £321.7bn
- ☒ **C** £218.2bn
- ☒ **D** £85.3bn

(b) A government can try to stop its exchange rate from appreciating by

(1)

- ☒ **A** increasing interest rates
- ☒ **B** selling its reserves of foreign currency
- ☒ **C** buying its own currency
- ☒ **D** selling its own currency

The Government of Bangladesh provides subsidies of between 2% and 4% on the export of clothing. In 2019, it introduced additional subsidies of up to 10% for the export of 10 new products including home appliances.

(c) Explain **one** advantage of using subsidies for a country such as Bangladesh.

(3)

A UK environmental group has called for tough action to tackle air pollution, particularly from road transport. It wants the UK Government to impose higher taxation on petrol and diesel fuel for cars and trucks.

(d) With reference to the data above and your knowledge of economics, analyse the advantages of using taxation to help protect the environment in a country such as the UK.

(6)

Just 30 years ago, Ghana was in crisis with high levels of poverty and on the edge of economic collapse. The West African nation has made a significant recovery and was predicted to be the world's fastest growing economy in 2019.

The International Monetary Fund (IMF) estimates Ghana's Gross Domestic Product (GDP) growth rate of 8.8% will be double that of emerging economies, and well ahead of world growth rates. Ghana is one of the world's largest cocoa producers. Its growth is now being maintained by a different commodity, the extraction of crude oil.

(Source adapted from: https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/GHA)

(e) With reference to the data above and your knowledge of economics, assess the use of GDP as a measure of growth for a country such as Ghana.

(9)

Lithium is used in batteries to power various electrical and electronic goods including mobile phones and electric cars. Lithium has to be mined from the ground and large deposits are found in countries such as Chile. Lithium mining uses a lot of water – approximately 2 million litres per tonne of lithium.

(d) Analyse how business activity can damage the environment in a country such as Chile.

(6)

The number of unemployed people in Spain reached 4 million in February 2021. This was a rise of 44,436 people from the previous month and was the highest level since May 2016. This was the fifth monthly increase in unemployment. The sectors most affected included tourism and commerce. The only sector that made a recovery was construction.

(e) With reference to the data above and your knowledge of economics, assess the likely benefits of lowering taxes to reduce unemployment for a country such as Spain.

(9)

In March 2023, as part of its supply-side policy, the Italian Government announced business taxes would be reduced from 27% to 24% in January 2024.

(c) Explain the likely impact on productivity of this change in business taxes for a country such as Italy.

(3)

The Clean Air Act (CAA) is an important regulation that sets standards for air quality in the US. The CAA regulates emissions from cars, trucks and buses.

(d) With reference to the data above and your knowledge of economics, analyse how regulations can help to protect the environment in a country such as the US.

(6)

Australia has a progressive income tax system. Individuals are allowed to earn $18 200 before paying any tax. The rate of tax payable increases as income gets higher.
In recent years, income tax has been the fastest growing source of government revenue in Australia.

Australian Government revenue 2022–2023

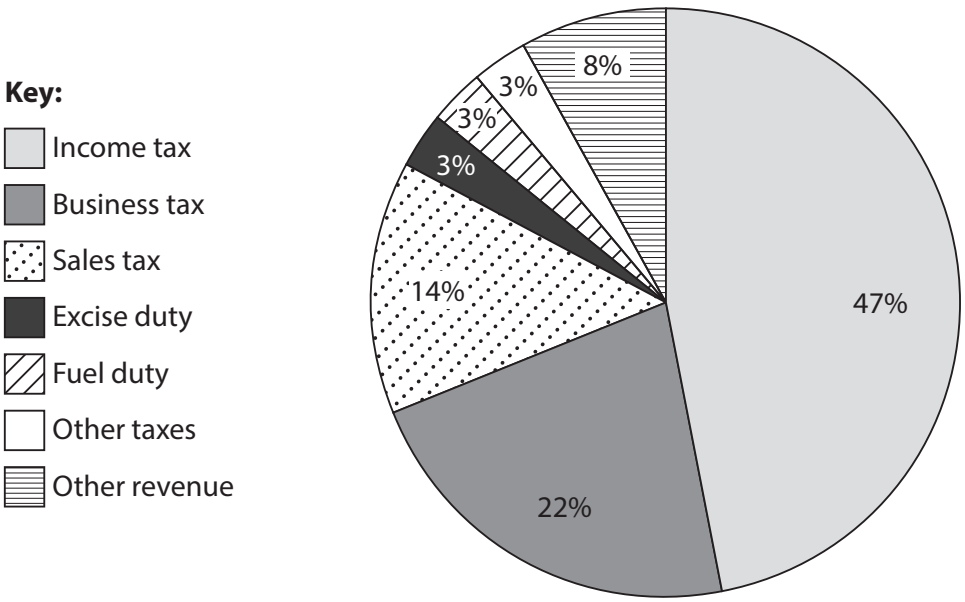


Figure 4

(e) With reference to the data above and your knowledge of economics, assess whether income tax is a reliable source of government revenue for a country such as Australia.

(9)

4 Figure 5 shows the number of single-use plastic bags sold by the main retailers in the UK in 2021 and 2023.

Year	Number sold
2021	197 million
2023	133 million

Figure 5

(a) Calculate, to two decimal places, the **percentage decrease** in the number of single-use plastic bags sold in the UK between 2021 and 2023. You are advised to show your working.

(2)

From food to clothes, supply chains have harmful impacts on the environment. In 2023, the supply of consumer goods and services was the largest single contributor to UK emissions at 26% of the annual total; the UK energy sector was second highest at 17%.

(b) With reference to the data above and your knowledge of economics, analyse how business activity can damage the environment in a country such as the UK.

(6)

In October 2023, the UK Government introduced more regulations to tackle the problem of litter and to protect the environment from a range of single-use plastic items.

No firm in the food industry will now be able to sell single-use plastic cutlery, polystyrene cups, plastic plates and food containers in England.

Research shows people across England use 2.7 billion items of mostly plastic single-use cutlery and 721 million single-use plates every year, but only 10% of these are recycled.

Plastic pollution takes hundreds of years to break down and causes serious damage to oceans, rivers and land. It is a source of greenhouse gas emissions, from its production and manufacture to the way it is disposed of.

(c) With reference to the data above and your knowledge of economics, evaluate the possible advantages of using regulation to protect the environment for a country such as the UK.

(12)

A new UK report identified the urgent need to reduce pollution from vehicles and provide more open spaces and parks.

Researchers looked at the impact on health when participants walked for two hours on London's busy Oxford Street. This was then compared to those walking in the nearby large open space of Hyde Park.

The results showed that people walking in the park performed better. The air pollution from vehicle fumes largely removed the health benefit from the exercise in Oxford Street. The report suggests that people should avoid walking in busy streets and should instead walk in parks or open spaces.

(Source: adapted from http://edition.cnn.com/2017/12/05/health/exercise-polluted-urban-streets-intl/index.html)

(g) With reference to the data above and your knowledge of economics, assess whether the government should provide more parks and open spaces.

(9)

(Total for Question 2 = 20 marks)

In Western Australia, single-use plastic bags were banned in July 2018 but fines were not enforced. However, from 2019, under new regulations, any shops providing customers with the banned plastic bags may face prosecution, with fines of up to AUS$5 000. The government is relying on shoppers to report retailers that break the rules.

The Environment Minister Stephen Dawson said the ban is well supported by the community. He said "Taking plastic bags out of litter is a significant step towards protecting our environment".

(e) With reference to the data above and your knowledge of economics, assess the likely effectiveness of regulation to protect the environment in a country such as Australia.

(9)

(Total for Question 3 = 20 marks)

In 2019, Germany was considering increasing the tax on meat to protect the environment and improve animal welfare. Currently meat in Germany has a reduced tax rate of 7%. Some political groups are arguing that this should increase to the standard 19%. According to United Nations research, methane from animals accounts for 14.5% of greenhouse gas emissions – more than the direct emissions from transport.

(Source adapted from: https://www.independent.co.uk/environment/german-meat-tax-environment-animal-welfare-a9045271.html)

(g) With reference to the data above and your knowledge of economics, assess the use of taxation to protect the environment in a country such as Germany.

(9)

(Total for Question 2 = 20 marks)

More than 125 million tonnes of poisonous gases pollute the US state of Colorado's air every year. US Government records show that 46 million tonnes, or 36% of the total air pollution, comes from 119 large industrial polluters. These include 35 power stations. More than half the electricity in Colorado is still generated from burning coal despite 10 years of government efforts to encourage producers to switch to clean energy.

(e) With reference to the data above and your knowledge of economics, assess the effectiveness of pollution permits in protecting the environment for a country such as the US.

(9)

(Total for Question 3 = 20 marks)

China announced that in 2021 it would increase its import quota for crude oil by 20%.

(f) Using the diagram below, draw the effect of the introduction of the new quota. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

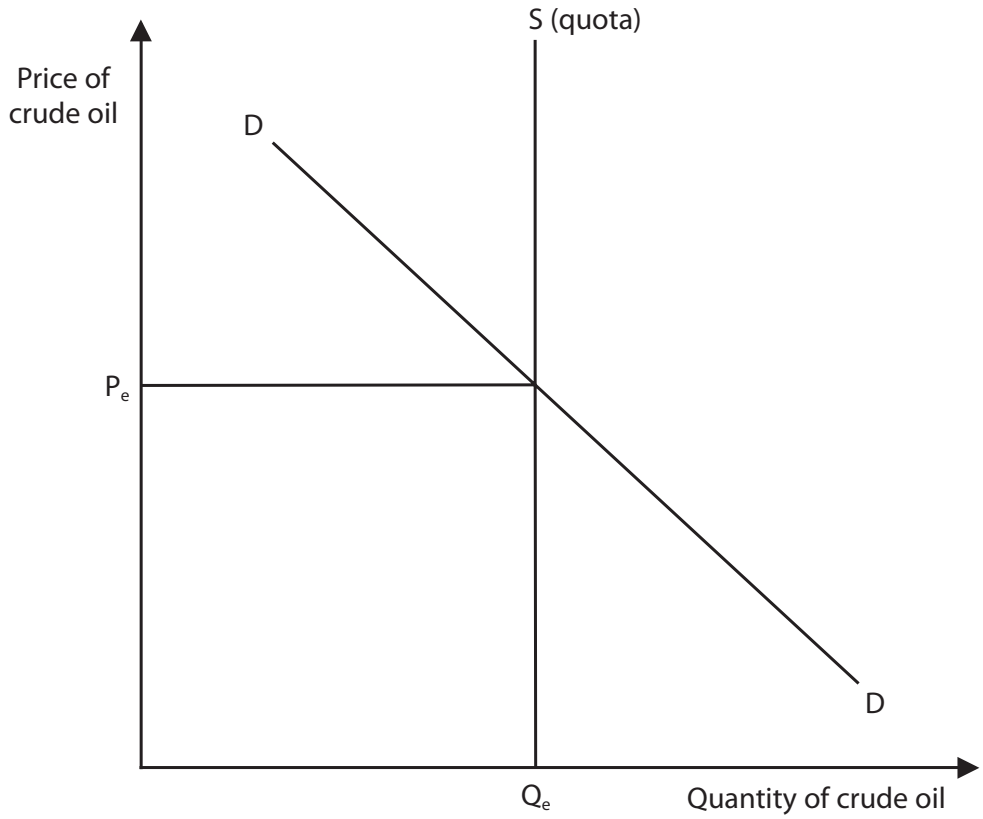


Figure 2

In 2021, Thames Water was fined £2.3m after being found guilty of polluting a stream in 2016. The pollution killed more than 1,000 fish.

The total amount in fines paid by Thames Water since 2017 was £24.4m for 9 separate cases of water pollution. In 2020, Thames Water made an operating profit of £513.4m.

(Source: https://www.gov.uk/government/news/thames-water-fined-23-million-for-foreseeable-pollution)

(g) With reference to the data above and your knowledge of economics, assess the effectiveness of using fines to protect the environment in a country such as the UK.

(9)

(Total for Question 2 = 20 marks)

The US has a progressive taxation system for income tax rates. In 2023, the income tax rates ranged from 10% for individuals on low incomes, up to 37% for those on the highest incomes.

(e) Explain **one** way progressive taxation can help to reduce poverty for a country such as the US.

(3)

(f) Using the diagram below, label the remaining three stages of the economic cycle in the boxes on the diagram.

(3)

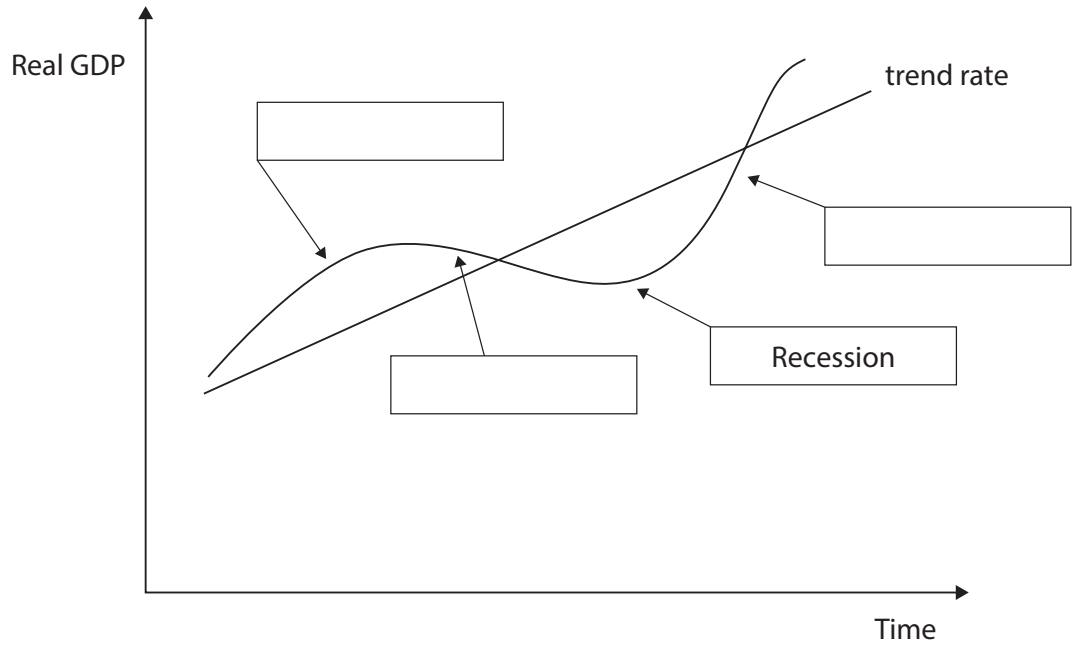


Figure 3

In 2022, President Biden introduced legislation to increase investment in green technology in the US. Subsidies of $369bn are given through grants, loans and tax credits to public and private firms.

These subsidies are to be used to increase battery, solar panel and wind turbine production in the US creating new factories and millions of new green jobs in the country.

There is widespread opinion amongst EU and UK politicians and business leaders that US subsidies will have a negative impact on their economies.

(g) With reference to the data above and your knowledge of economics, assess the possible benefits for the US of giving subsidies for green technology.

(9)

(Total for Question 2 = 20 marks)

(f) Using the diagram below, label the remaining three stages of the economic cycle in the boxes on the diagram.

(3)

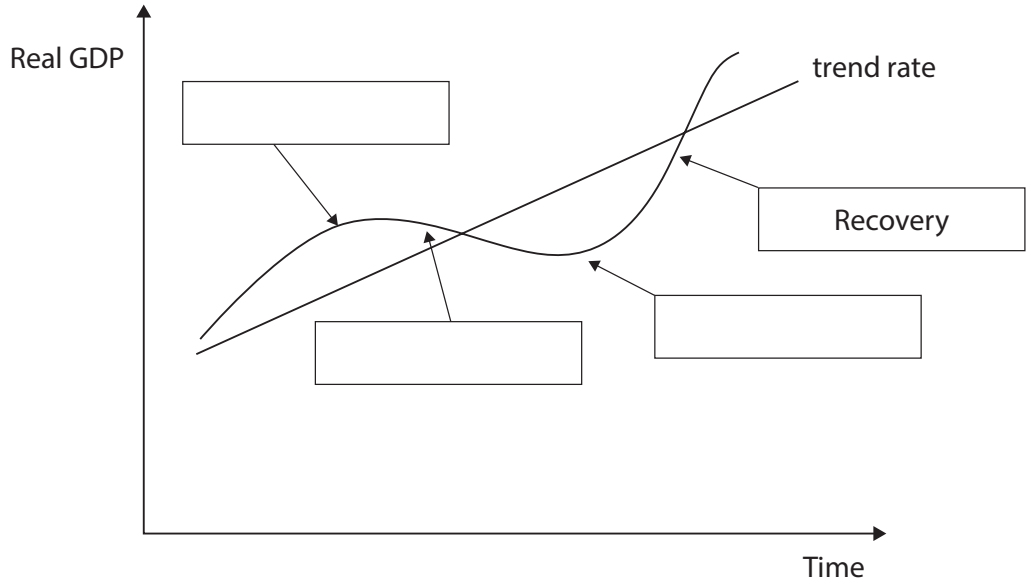


Figure 2

Bboxx, a firm that makes solar-powered stoves, received a $17m subsidy to reduce the price of its products. This subsidy will be used to encourage the use of solar-powered stoves in Rwanda where many households currently use firewood or coal to cook their meals.

More than 500,000 households in Rwanda will benefit from this subsidy programme. They will no longer have to burn firewood and coal, which create harmful and dangerous pollutants.

The subsidy programme is designed to reduce the percentage of households that use firewood for cooking from 80% in 2017 to 42% by 2024. This will reduce carbon emissions in Rwanda.

(g) With reference to the data above and your knowledge of economics, assess the possible benefits to the environment of providing subsidies for solar-powered stoves in Rwanda.

(9)

(Total for Question 2 = 20 marks)

4 Figure 3 shows the government revenue and expenditure (€m) for Estonia in 2018.

2018	€m
Government revenue	8 119 601
Government expenditure	8 197 243
Fiscal surplus/deficit	

(Source adapted from: https://www.stat.ee/53721)

Figure 3

(a) Calculate in €m the **fiscal surplus/deficit** for Estonia in 2018. You are advised to show your working.

(2)

In 2019, the Estonian Government increased the subsidy for public transport by €9 m to €101 m. The subsidy for bus services grew from €34.8 m to €43.3 m in 2019.

Minister of Economic Affairs and Infrastructure Kadri Simson said, "Greater support for public transport services will ensure better mobility as well as reduce cars on the road and reduce pollution of the environment. The subsidies also make movement easier for less well-off residents. Due to subsidised bus services, the number of passengers grew by 33% in one month."

The minister described local air services as one of the priorities for the Estonian Government in regional development. Air services to the major Western Estonian islands of Saaremaa and Hiiumaa have been given €5.53 m, more than double the €2.6 m subsidy they received last year.

(Source adapted from: https://news.err.ee/863306/public-transport-subsidy-to-increase-to-101-million-next-year)

(c) With reference to the data above and your knowledge of economics, evaluate the advantages of using subsidies for public transport to protect the environment for a country such as Estonia.

(12)

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(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

4 Figure 4 shows the change in gross domestic product (GDP) per capita for Vietnam.

	2018	2019
GDP per capita US$	2 590	2 715

Figure 4

(Source adapted from: https://www.ceicdata.com/en/indicator/vietnam/gdp-per-capita)

(a) Calculate, to two decimal places, the **percentage increase in GDP per capita** between 2018 and 2019. You are advised to show your working.

(2)

Figure 5 shows Vietnam's quarterly unemployment rate (%) 2017–2019.

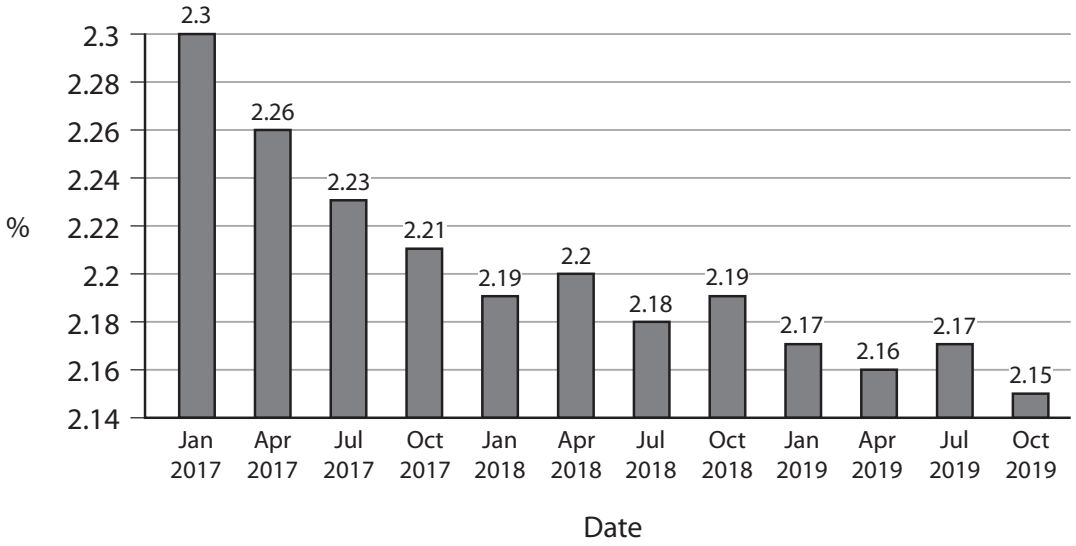


Figure 5

(Source: https://tradingeconomics.com/vietnam/unemployment-rate)

(b) With reference to the data above and your knowledge of economics, analyse the impact of falling unemployment rates on tax revenues for a country such as Vietnam.

(6)

Vietnam is struggling with high levels of air pollution. Its two biggest cities, Hanoi and Ho Chi Minh City, are now among the 15 most polluted cities in Southeast Asia. Air pollution is particularly harmful to human health causing diseases including strokes, heart disease and respiratory infections. Up to 60,000 deaths in Vietnam in 2018 were related to air pollution. On average, poor air quality reduces life expectancy by one year and costs the country about 5% of GDP per year.

Among the main causes of this pollution is transportation. Vietnam now has 3.6 million automobiles and 58 million motorbikes, mostly found in big cities. Many of these vehicles are old, with limited emission control technology. They cause daily traffic jams and are responsible for a large amount of air pollution.

The Vietnamese Government is considering whether to increase the environmental tax on petrol and diesel by 33%. The proposed tax will generate $2.4 bn each year, an annual increase of $650.2 m from current tax revenues on fuels.

(Source adapted from: https://thediplomat.com/2020/03/vietnams-big-air-pollution-challenge/)

(c) With reference to the data above and your knowledge of economics, evaluate the effectiveness of increasing taxation on petrol and diesel to protect the environment in a country such as Vietnam.

(12)

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

4 Figure 3 shows the fiscal deficit (€bn) for Spain in 2019 and 2020.

	2019	2020
Fiscal deficit	–€35.64bn	–€123.07bn

Figure 3

(Source: https://www.statista.com/statistics/270401/budget-balance-in-spain/)

(a) Calculate, to two decimal places, **the percentage change** in the fiscal deficit for Spain between 2019 and 2020. You are advised to show your working.

(2)

Wind power became Spain's main energy source in 2021. Renewable energy sources such as wind and solar contributed to almost 47% of the country's energy, compared to 30% in 2011. This has helped to reduce Spain's use of fossil fuels.

"Wind power is going to dominate the Spanish electricity supply for a long time. Spain has it all: we have more wind and more sun than practically any other European country," says Francisco Valverde, an energy consultant.

The Spanish Government is giving €6.9bn in subsidies for renewable energy between 2022 and 2023. These subsidies will help create over 280,000 jobs in the Spanish economy. Over 60% of solar and 90% of wind energy equipment is manufactured in Spain.

(Source: https://english.elpais.com/economy-and-business/2021-12-14/wind-power-becomes-spains-leading-energy-source-for-2021.html)

(c) With reference to the data above and your knowledge of economics, evaluate how effective subsidies are in protecting the environment in a country such as Spain.

(12)

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

4 Figure 4 shows data on the number of people in the labour force in the Netherlands in December 2021.

Labour force	9,210,000
Unemployed	251,000

Figure 4

(Source: https://tradingeconomics.com/netherlands/unemployment-rate)

(a) Calculate, to two decimal places, the **rate of unemployment** in the Netherlands in December 2021. You are advised to show your working.

(2)

Figure 5 shows the rate of inflation (%) for the Netherlands from January 2021 until November 2021.

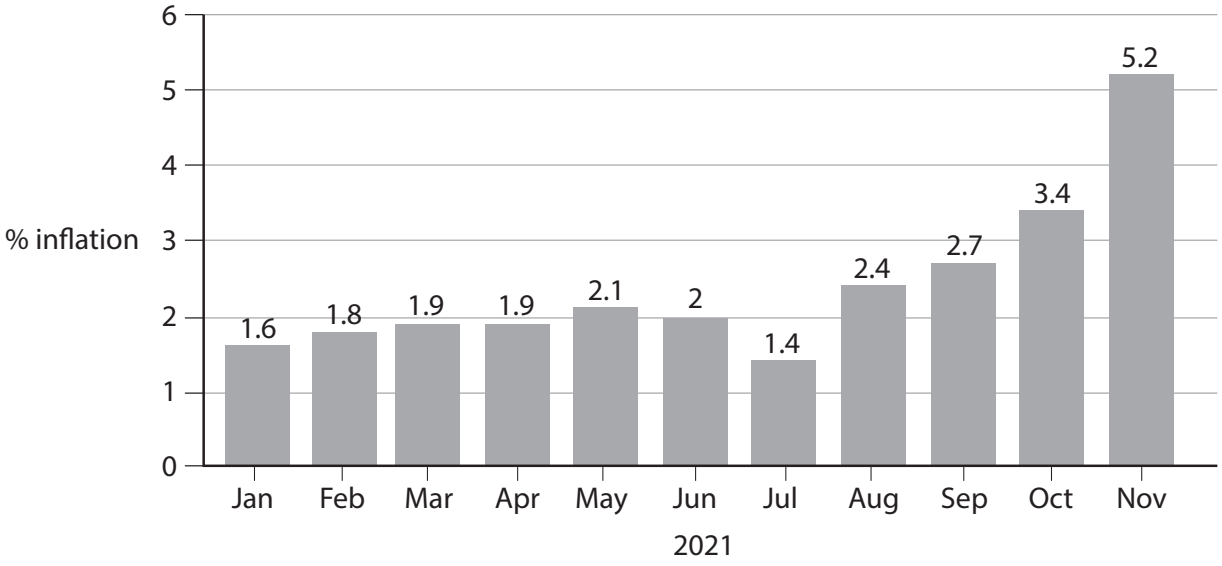


Figure 5

(Source: https://tradingeconomics.com/netherlands/inflation-cpi)

(b) With reference to the data above and your knowledge of economics, analyse the possible impact of rising inflation on exports for a country such as the Netherlands.

(6)

The Tata Steel steelworks in IJmuiden, Netherlands, will have to meet tougher rules on pollution and will have extra checks to make sure it improves the air quality around the plant. These include reducing Tata Steel's current pollution permits and will require it to change some production processes.

The government made the decision following the publication of a report which concluded that dust in the IJmuiden region contained high levels of dangerous metals such as lead. An earlier report stated that air quality in the area was poor to inadequate.

Tata Steel in the Netherlands has a total workforce of 11,000 and indirectly provides work for thousands in the local economy.

(Source: https://www.dutchnews.nl/news/2021/12/tata-steel-faces-tougher-permit-rules-and-more-pollution-checks/)

(c) With reference to the data above and your knowledge of economics, evaluate the effectiveness of using pollution permits to protect the environment of a country such as the Netherlands.

(12)

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

4 Figure 5 shows the adult entry fee into the Corcovado National Park in Costa Rica and the current exchange rate between the British pound (£) and the Costa Rican colón (CRC).

Entry fee for 1 adult	1 600 CRC
Exchange rate: £ to CRC	£1 = 672 CRC

Figure 5

(a) Calculate, to two decimal places, **the price in British pounds (£)** of a park entry fee for 1 adult into the Corcovado National Park. You are advised to show your working.

(2)

Costa Rica has 5% of the world's wildlife species but it occupies only 0.03% of the earth's surface. Costa Rica takes pride in having 30 national parks with more than 25% of the territory of Costa Rica marked for conservation.

National parks have economic value to both national and local economies. Costa Rica takes advantage of the growing demand by tourists visiting these national parks by charging an entry fee. National Parks contribute almost $2bn to the Costa Rican economy. 122,465 tourists visited national parks in Costa Rica in the last two weeks of 2021.

Local economies near the national parks benefit from the creation of jobs and the increased expenditure by tourists on hotels, local shops, guides, restaurants and tours.

(c) With reference to the data above and your knowledge of economics, evaluate the possible advantages of the government providing national parks to protect the environment in a country such as Costa Rica.

(12)

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

Acknowledgments

Figure 1 adapted from: Public sector finances, UK - Office for National Statistics (ons.gov.uk)

Question 2g adapted from: https://www.worldbank.org/en/country/china/overview

Question 3e adapted from: https://www.icis.com/explore/resources/news/2023/03/20/10867370/brazil-hikes-import-tariffs-for-polymers-and-tyres-to-protect-domestic-producers/

Question 4c adapted from: https://ticotimes.net/2022/10/11/costa-rica-national-parks-understanding-their-importance

4 Figure 5 shows the number of single-use plastic bags sold by the main retailers in the UK in 2021 and 2023.

Year	Number sold
2021	197 million
2023	133 million

Figure 5

(a) Calculate, to two decimal places, the **percentage decrease** in the number of single-use plastic bags sold in the UK between 2021 and 2023. You are advised to show your working.

(2)

In October 2023, the UK Government introduced more regulations to tackle the problem of litter and to protect the environment from a range of single-use plastic items.

No firm in the food industry will now be able to sell single-use plastic cutlery, polystyrene cups, plastic plates and food containers in England.

Research shows people across England use 2.7 billion items of mostly plastic single-use cutlery and 721 million single-use plates every year, but only 10% of these are recycled.

Plastic pollution takes hundreds of years to break down and causes serious damage to oceans, rivers and land. It is a source of greenhouse gas emissions, from its production and manufacture to the way it is disposed of.

(c) With reference to the data above and your knowledge of economics, evaluate the possible advantages of using regulation to protect the environment for a country such as the UK.

(12)

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

SUB-TOPIC 2.1.1 (f)

REDISTRIBUTION OF INCOME

Sub-topic 2.1.1 (f) · 25 questions · 90 marks · lowest tariff first

2 In 2018, the Indonesian rupiah depreciated to its lowest levels since 1997 against other major currencies.

(a) This depreciation is likely to have caused

(1)

- ☒ **A** an increase in exports and a decrease in imports
- ☒ **B** a decrease in exports and a decrease in imports
- ☒ **C** an increase in exports and an increase in imports
- ☒ **D** a decrease in exports and an increase in imports

(b) Which of the following is used as a measure of economic growth?

(1)

- ☒ **A** ILO
- ☒ **B** CPI
- ☒ **C** GDP
- ☒ **D** FDI

(c) State **one** reason why a government wants to reduce poverty and inequality.

(1)

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(d) What is meant by the term infrastructure?

(2)

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2 (a) An appreciation in a country's exchange rate is most likely to lead to which **one** of the following?

(1)

- ☒ **A** An increase in exports and a decrease in imports
- ☒ **B** A decrease in exports and a decrease in imports
- ☒ **C** An increase in exports and an increase in imports
- ☒ **D** A decrease in exports and an increase in imports

(b) Which **one** of the following is likely to result in poverty?

(1)

- ☒ **A** High literacy rates
- ☒ **B** Low GDP per capita
- ☒ **C** Low rates of tax
- ☒ **D** High employment rates

(c) State **one** effect on the balance of payments of improved quality of foreign goods.

(1)

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(d) What is meant by the term free trade?

(2)

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2 (a) A depreciation in a country's exchange rate is most likely to lead to which **one** of the following?

(1)

- ☒ **A** Lower inflation
- ☒ **B** Higher exports
- ☒ **C** Increased unemployment
- ☒ **D** Increased budget surplus

(b) Which **one** of the following terms may refer to someone having a lower standard of living in comparison to the average person in society?

(1)

- ☒ **A** Absolute poverty
- ☒ **B** Income distribution
- ☒ **C** Relative poverty
- ☒ **D** Poverty trap

(c) State **one** effect on the balance of payments of improved quality of domestic goods.

(1)

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(d) What is meant by the term fiscal policy?

(2)

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3 (a) What is the rate of inflation if the Consumer Price Index (CPI) in an economy increased from 1000 to 1050 in one year?

(1)

- ☒ **A** 0.95%
- ☒ **B** 1.05%
- ☒ **C** 4.76%
- ☒ **D** 5%

(b) Which **one** of the following terms means someone not having enough resources to meet all of their basic needs?

(1)

- ☒ **A** Income distribution
- ☒ **B** Relative poverty
- ☒ **C** Absolute poverty
- ☒ **D** Income inequality

In 2021, the US Government introduced a subsidy of $500 for each car manufactured in the US with a US-made battery.

(c) Explain **one** possible reason why the US Government introduced this subsidy.

(3)

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) Which **one** of the following is a reason why a government wants to reduce poverty and inequality?

(1)

- ☒ **A** It is a legal requirement
- ☒ **B** To increase the gap between rich and poor
- ☒ **C** For basic needs to be met
- ☒ **D** To increase relative poverty

(b) Which **one** of the following is a benefit of using gross domestic product (GDP) as a measure of growth?

(1)

- ☒ **A** It considers the distribution of income
- ☒ **B** It is an accurate measurement of all economic activity
- ☒ **C** It takes inflation into account
- ☒ **D** It is easy to compare economic growth between countries

(c) What is meant by the term deflation?

(2)

2 (a) GDP per capita is a measure of a country's economic output that accounts for population.

If Sweden has a population of 10 million and a GDP of $511 bn (1bn = 1 000 000 000), then its GDP per capita is

(1)

- ☒ **A** $511
- ☒ **B** $5 110
- ☒ **C** $51 100
- ☒ **D** $511 000

(b) What is the name of the policy that focuses on interest rate changes?

(1)

- ☒ **A** Deregulation
- ☒ **B** Exchange rate
- ☒ **C** Monetary
- ☒ **D** Fiscal

(c) State **one** impact of a current account deficit.

(1)

(d) What is meant by the term absolute poverty?

(2)

In December 2017 the Thai baht appreciated to its highest value in 2 years against the US dollar. The Thai baht is predicted to continue its gradual appreciation in 2018.

(e) Explain **one** disadvantage of an appreciating currency for an economy such as Thailand.

(3)

President Xi Jinping of China has made environmental protection a priority. This is due to rising public concern over widespread environmental damage caused by years of uncontrolled economic growth.

(f) Explain **one** possible negative effect on the environment caused by the economic growth of a country such as China.

(3)

(d) What is meant by the term relative poverty?

(2)

In Manchester, UK, over 350,000 motorists have been issued with parking fines of £30. This gave the local government of Manchester additional revenue of £10.4m in one year.

(e) Explain **one** advantage for a local government, such as Manchester, of issuing parking fines.

(3)

(d) Describe **one** reason why governments make benefit payments.

(2)

Figure 1 shows the UK's imports and exports for the year ending July 2019.

	£bn
Imports	689.9
Exports	646.7
Total UK trade	1 336.6

Figure 1

(Source: Department for International Trade: UK Trade in Numbers September 2019)

(e) Using the data in Figure 1, calculate in £bn, **the current account** for the UK year ending July 2019. You are advised to show your working.

(2)

(d) Describe **one** impact that education may have on inequality and poverty.

(2)

The consumer price index (CPI) was 110.2 in 2019 and the base year was 100 in 2015.

(e) Calculate how much **inflation** there has been between 2015 and 2019. You are advised to show your working.

(2)

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 (a) Which **one** of the following is a characteristic of progressive taxation?

(1)

- ☒ **A** The tax rate is the same for all income levels
- ☒ **B** The tax rate decreases as income increases
- ☒ **C** The tax rate increases as income increases
- ☒ **D** The tax rate fluctuates based on the overall level of GDP of the economy

(b) Which **one** of the following describes a fiscal surplus?

(1)

- ☒ **A** The value of imports is less than the value of exports
- ☒ **B** The value of imports is greater than the value of exports
- ☒ **C** Government revenue is less than government expenditure
- ☒ **D** Government revenue is greater than government expenditure

(c) What is meant by the term income inequality?

(2)

4 Figure 5 shows population data for Kazakhstan in 2022.

	2022
Population	19,700,000
Number of people living in relative poverty	3,063,500

Figure 5

(a) Calculate, to two decimal places, the **percentage** of people living in relative poverty in Kazakhstan in 2022. You are advised to show your working.

(2)

2 (a) Which **one** of the following is the calculation for the rate of unemployment in a country?

(1)

- ☒ **A** Total labour force/Total population × 100
- ☒ **B** Number of unemployed/Total labour force × 100
- ☒ **C** Number of employed/Total labour force × 100
- ☒ **D** Total unemployment/Total population × 100

(b) Which **one** of the following describes a role of the World Trade Organization (WTO)?

(1)

- ☒ **A** Help with trade negotiations
- ☒ **B** Regulates multinational corporations
- ☒ **C** Provides financial assistance to developing countries
- ☒ **D** Stabilises exchange rates

(c) State **one** possible reason for a current account surplus.

(1)

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(d) What is meant by the term relative poverty?

(2)

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4 Figure 5 shows the population of Ghana and the number of people employed on small cocoa farms in Ghana in 2024.

	2024
Population	34,532,935
Employed on small cocoa farms	867,000

Figure 5

(a) Calculate, to two decimal places, the **percentage of the population employed** on small cocoa farms in Ghana in 2024. You are advised to show your working.

(2)

In June 2023, the Vice-President of Ghana, Dr Mahamudu Bawumia, agreed to the building of a 31.2 km highway costing $50m. The construction is part of a 67 km highway that would link central areas of Ghana to the northern regions and neighbouring countries.

(b) With reference to the data above and your knowledge of economics, analyse how spending on road infrastructure could benefit a country such as Ghana.

(6)

3 (a) Kenyans who holiday in South Africa would be shown on the Kenyan current account as

(1)

- ☒ **A** an invisible import
- ☒ **B** a visible export
- ☒ **C** a visible import
- ☒ **D** an invisible export

(b) Which **one** of the following is an example of an indirect tax?

(1)

- ☒ **A** Inheritance tax
- ☒ **B** Income tax
- ☒ **C** Business tax
- ☒ **D** Value added tax

(c) Explain **one** way a government could reduce inequality and poverty.

(3)

In December 2017, Argentina's Consumer Price Index (CPI) increased from 20.9% to 25%.

(d) Analyse the possible impact of high inflation on consumers in a country such as Argentina.

(6)

In March 2021, the Scottish Government announced a package of measures worth £37.2m. This money is to be given to low income households to tackle poverty and inequality in Scotland.

(e) Explain **one** possible reason why the Scottish Government wants to reduce poverty and inequality.

(3)

Erasmus is an organisation that provides education and training for young people in Europe. In 2020, it funded over 640,000 educational experiences.

(e) Explain **one** impact education and training may have on inequality and poverty.

(3)

(f) Label the boxes in the diagram below with the three remaining stages of the economic cycle.

(3)

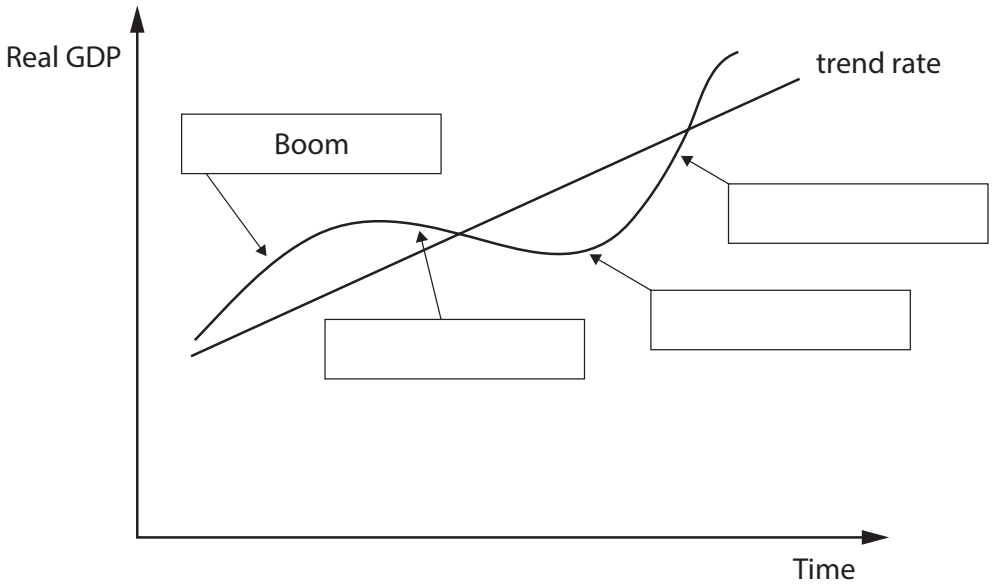


Figure 2

The Scottish Government is introducing a new benefit payment that will give 400,000 low income households £50 every winter towards their energy bills.

(g) Explain **one** reason why the Scottish Government gives benefit payments.

(3)

The US has a progressive taxation system for income tax rates. In 2023, the income tax rates ranged from 10% for individuals on low incomes, up to 37% for those on the highest incomes.

(e) Explain **one** way progressive taxation can help to reduce poverty for a country such as the US.

(3)

(f) Using the diagram below, label the remaining three stages of the economic cycle in the boxes on the diagram.

(3)

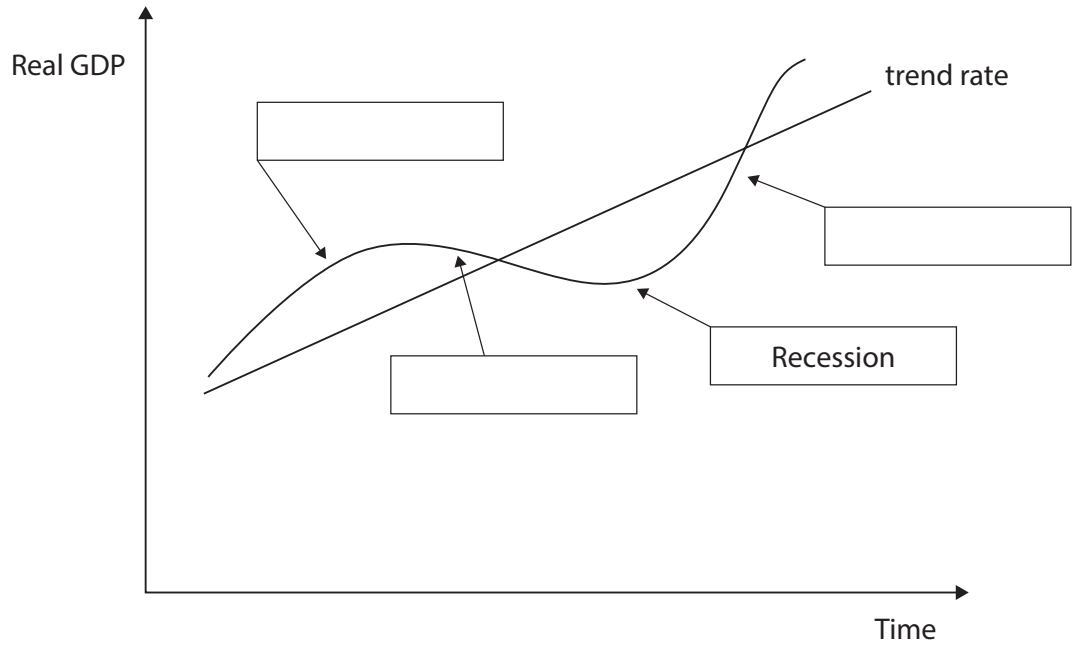


Figure 3

The World Health Organization estimates that 4.5 billion people are classed as being in poverty because they do not have access to essential healthcare.

(e) Explain **one** way government provision of healthcare can help to reduce poverty.

(3)

China has been investing in healthcare as the main way to reduce poverty. Over 90% of the medical bills of patients are now paid by the government.

(d) Analyse the benefits of investing in healthcare for a country such as China.

(6)

In 2021, the UK Government investigated multinational corporations (MNCs) suspected of moving profits made in the UK to other countries. It threatened large penalties for firms that were found guilty of not paying business taxes that were due.

The Government estimated that 2,000 large firms with operations in the UK may owe as much as £34.8bn in tax in the 2019–2020 financial year. This was up from £29.9bn in 2018–2019.

(e) With reference to the data above and your knowledge of economics, assess the drawbacks for the UK of having MNCs located within the country.

(9)

4 Figure 5 shows the gross domestic product (GDP) for India in 2021 and 2022.

	2021	2022
GDP ($bn)	3 150.31	3 385.09

Figure 5

(a) Calculate, to two decimal places, the **percentage change in GDP** for India between 2021 and 2022. You are advised to show your working.

(2)

The Indian Government offers many different benefit payments and other provisions to very low-income individuals and families to help to reduce poverty. These include cash transfers, food rations and training courses for unemployed workers.

(b) With reference to the data above and your knowledge of economics, analyse how benefits offered by the government can help to reduce poverty for a country such as India.

(6)

In October 2023, India was once again considering joining the Regional Comprehensive Economic Partnership (RCEP).

The RCEP is the world's largest trading bloc, accounting for about 30% of global trade. It consists of 15 member countries including China, Japan and South Korea, the three largest economies in Asia.

India withdrew from RCEP negotiations in 2019, saying that it had concerns about the impact of the agreement on its domestic industries, particularly agriculture and manufacturing.

The Indian Government has been in talks with RCEP member countries to obtain a fair and balanced trade deal that would benefit all stakeholders.

(c) With reference to the data above and your knowledge of economics, evaluate the possible benefits for India of joining the RCEP trading bloc.

(12)

Canada Child Benefit (CCB) payments get a boost

In 2018, the monthly tax-free welfare benefit for children was increased to match the cost of living in Canada.

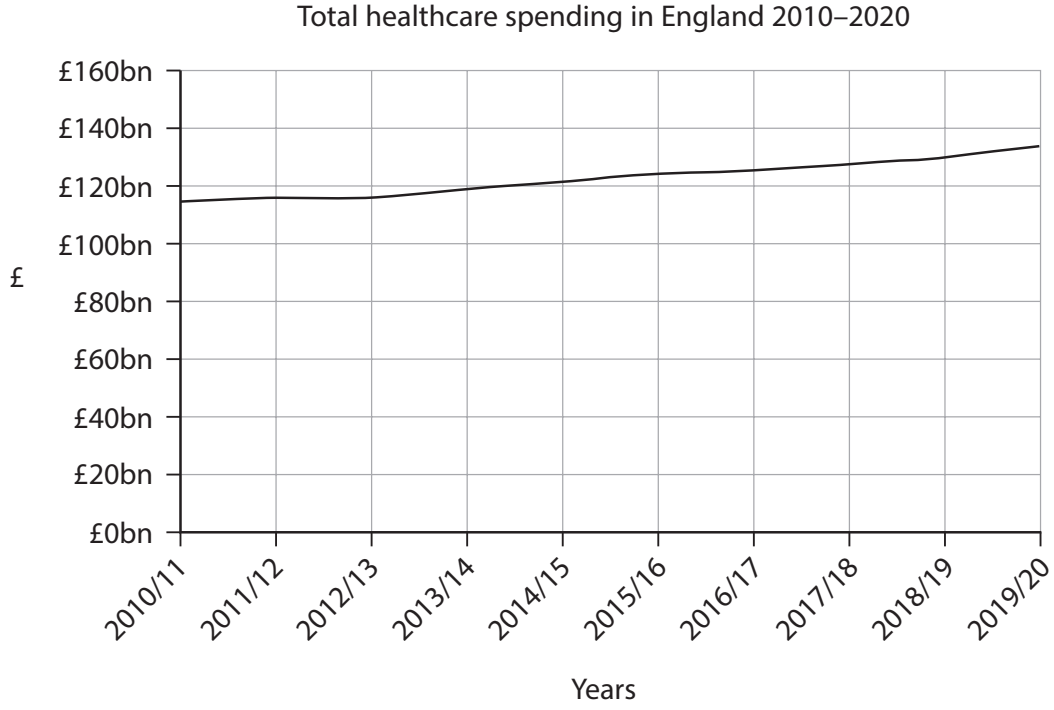
The amount a family receives is calculated based on income. As a family's income rises the amount of benefits decrease. Some higher income households do not receive the benefit at all. The CCB has distributed more than CAD$23.3bn to around 3.7 million Canadian families, and has helped to remove more than 300,000 children out of poverty.

(g) With reference to the data above and your knowledge of economics, assess the advantages of using benefit payments to redistribute income in a country such as Canada.

(9)

(Total for Question 2 = 20 marks)

Total healthcare spending in England was £129bn in 2018–2019 and was expected to rise to nearly £134bn by 2019–2020. Access to healthcare is free in England.



(Source adapted from: https://fullfact.org/health/spending-english-nhs/)

Figure 2

(g) With reference to the data above and your knowledge of economics, assess the use of investment in healthcare to reduce the level of inequality and poverty in a country such as England.

(9)

(Total for Question 2 = 20 marks)

The UK has a benefits payment called Universal Credit. It is a payment to help with living costs if a person is on low income or out of work.

	Monthly standard allowance (£)
Single adult aged under 25 years	342.72
Single adult aged over 25 years	409.89
A couple/two adults both aged under 25 years	488.59
A couple/two adults both aged over 25 years	594.04

Figure 3

(Source adapted from: https://www.gov.uk/universal-credit/what-youll-get)

(e) With reference to the data above and your knowledge of economics, assess the advantages of using benefit payments to redistribute income in a country such as the UK.

(9)

(Total for Question 3 = 20 marks)

4 GDP per capita is a measure of a country's economic output that accounts for population. Figure 4 shows the population and gross domestic product (GDP) for Vietnam in 2016.

	2016
Population (million)	92.7
GDP (US$ million)	202 600

Figure 4

(Source: © 2018 The World Bank Group)

(a) Calculate, to two decimal places, the GDP per capita for Vietnam in 2016. You are advised to show your working.

(2)

A report by the charity Oxfam, stated that Vietnam has 210 super-rich people. Their combined earnings for one year are enough to take 3.2 million people out of poverty and end absolute poverty in Vietnam. To reduce inequality and poverty, Oxfam is calling on international leaders to increase taxes to fund healthcare, education and job creation. Oxfam also asked business leaders to pay employees a living wage and pay their fair share of tax.

(c) With reference to the data above and your knowledge of economics, evaluate whether an increase in progressive taxes is the most effective way to reduce inequality and poverty for a country such as Vietnam.

(12)

.....

.....

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

MARK SCHEMES

official mark schemes, in the same order as the questions

Question Number	Answer	Mark
1(a)	**AO1 1 marks** **A** rises	**(1)**

Question Number	Answer	Mark
1(b)	**AO1 1 mark** **D** a reduction in trade barriers between members	**(1)**

Question Number	Answer	Mark
1(c)	**AO1 2 marks** Award 1 mark for reference to a firm and 1 mark for reference to different countries An enterprise/company/firm **(1)** that produces/sells/operates in more than one country/many countries **(1)**	**(2)**

Question Number	Answer	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference to the impact and 1 mark for further development. The productive potential will increase **(1)** due to greater investment in capital goods **(1)** **OR** The productive potential will increase **(1)** as firms invest more from greater profits **(1)**	**(2)**

Question Number	Answer	Mark
2(a)	**AO2 1 mark** **C** $51 100	**(1)**

Question Number	Answer	Mark
2(b)	**AO1 1 mark** **C** Monetary	**(1)**

Question Number	Answer	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** correct impact • Leakage from the economy • Problems finding foreign reserves to fund the deficit • Can be inflationary • Unemployment • Falling output/GDP Accept any other appropriate responses	**(1)**

Question Number	Answer	Mark
2(d)	**AO1 2 marks** Award 1 mark for reference to household income and 1 mark for reference to basic needs. A condition where household income is below a necessary level **(1)** to provide the basic needs for survival **(1)**	**(2)**

Question Number	Answer	Mark
2(a)	**AO2 1 mark** **C**	**(1)**

Question Number	Answer	Mark
2(b)	**AO1 1 mark** **B** Increased choice for consumers	**(1)**

Question Number	Answer	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** correct objective. • Economic growth • Low and stable inflation • Low unemployment • Surpluses or equilibrium on current account • Redistribution of income • Protection of the environment Accept any other appropriate responses.	**(1)**

Question Number	Answer	Mark
2(d)	**AO1 2 marks** Award 1 mark for reference to fixed exchange rate system and 1 mark for reference to increased When the price of a currency in a fixed exchange rate system **(1)** is officially increased against other currencies **(1)** **Or** When a government fixes **(1)** new higher exchange rate **(1)** Accept any other appropriate response	**(2)**

Question Number	**Answer**	Mark
1(a)	**AO1 1 marks** C Voluntary	**(1)**

Question Number	**Answer**	Mark
1(b)	**AO1 1 mark** D Recovery	**(1)**

Question Number	**Answer**	Mark
1(c)	**AO1 2 marks** Award 1 mark for reference to monetary authority and 1 mark for reference to its functions The monetary authority that manages a country's money supply **(1)** and interest rates/banking system **(1)** Accept any other appropriate response	**(2)**

Question Number	**Answer**	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference harming domestic businesses and 1 mark for reference to competition from foreign businesses Domestic businesses can go out of business **(1)** if products from foreign businesses are better/cheaper **(1)** Accept any other appropriate response	**(2)**

Question Number	**Answer**	Mark
2(a)	**AO2 1 mark** A an increase in exports and a decrease in imports	**(1)**

Question Number	**Answer**	Mark
2(b)	**AO1 1 mark** C GDP	**(1)**

Question Number	**Answer**	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** reason • To meet basic needs • To raise living standards • For ethical reasons Accept any other appropriate response	**(1)**

Question Number	**Answer**	Mark
2(d)	**AO1 2 marks** Award 1 mark for reference to structures and 1 mark for reference to being needed for the economy The systems/structures such as the transport network **(1)** needed for the operation of an economy **(1)** Accept any other appropriate response	**(2)**

Question Number	**Answer**	Mark
2(a)	**AO1 1 mark** The only correct answer is: **D** integration and interdependence of national economies A is not correct because globalisation encourages trade and specialisation B is not correct because trade barriers should be reduced C is not correct because increased globalisation reduces the need for national legislation	**(1)**

Question Number	**Answer**	Mark
2(b)	**AO1 1 mark** The only correct answer is: **B** An increase in environmental damage A is not correct because unemployment should fall due to more jobs being available in the economy C is not correct because investment is likely to increase due to economic growth and firms expanding D is not correct because tax revenues are likely to rise as more people have jobs/ firms are making more profit	**(1)**

Question Number	State one type of unemployment. **Answer**	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** type. • cyclical • structural • seasonal • voluntary • frictional Accept any other appropriate responses.	**(1)**

Question Number	Money earned from foreign tourists visiting Canada is shown in Canada's current account on the balance of payments as: **Answer**	Mark
2(a)	**AO1 1 mark** The only correct answer is: **C** invisible exports A is not correct because this is trade in goods leaving the country B is not correct because this is trade in goods entering the country D is not correct because this is money leaving the country	**(1)**

Question Number	Which **one** of the following is likely to help protect the environment? **Answer**	Mark
2(b)	**AO1 1 mark** The only correct answer is: **A** An increase in fines B is not correct because this will allow more pollution C is not correct because this will reduce control of pollution D is not correct because this will reduce protected areas of the environment	**(1)**

Question Number	State **one** possible disadvantage of economic growth. **Answer**	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** correct disadvantage • Inflation • Damage to the environment • Using up unsustainable resources Accept any other appropriate response	**(1)**

Mark Scheme: June 2023
Paper 2: Macroeconomics and the Global Economy (4EC1/02)

Question Number	Which **one** of the following describes the recovery phase of the economic cycle? Answer	Mark
1(a)	**AO1 1 marks** The only correct answer is: **B** GDP starts to rise and economic activity is on the increase A is not correct because this describes a boom C is not correct because this describes a downturn D is not correct because this describes a recession	**(1)**

Question Number	Which **one** of the following is an example of frictional unemployment? Answer	Mark
1(b)	**AO1 1 mark** The only correct answer is: **B** Workers are unemployed whilst waiting to start a new job A is not correct because this is an example of cyclical unemployment C is not correct because this is an example of seasonal unemployment D is not correct because this is an example of structural unemployment	**(1)**

Question Number	What is meant by the term exports? Answer	Mark
1(c)	**AO1 2 marks** Award 1 mark for reference to goods and 1 mark for reference to being sent to another country The sale of goods or services **(1)** to another country **(1)** Accept any other appropriate response.	**(2)**

Question Number	What is the main reason for a government to devalue its currency? **Answer**	Mark
2(a)	**AO1 1 mark** The only correct answer is: **A** To increase the demand for its exports B is not correct because devaluation aims to increase not decrease the demand for exports C is not correct because devaluation aims to make exports cheaper rather than affect the price of imports D is not correct because devaluation can make a country's assets and investments cheaper in foreign currency terms, which can attract foreign investors	**(1)**

Question Number	Which **one** of the following is the most likely reason for increased globalisation? **Answer**	Mark
2(b)	**AO2 1 mark** The only correct answer is: **C** An increase in the significance of MNCs A is not correct because this would reduce trade B is not correct because this would make trade more expensive and less likely D is not correct because this would result in less globalisation	**(1)**

Question Number	State **one** possible macroeconomic objective for a government. **Answer**	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** macroeconomic objective. • Economic growth • Low and stable inflation • Low unemployment • Surplus or balance on the current account of the balance of payments • Protection of the environment • Redistribution of income Accept any other appropriate response	**(1)**

Mark Scheme: June 2024
Paper 2: Macroeconomics and the Global Economy (4EC1/02)

Question Number	Which **one** of the following is an advantage of multinational corporations (MNCs) operating in a country? **Answer**	Mark
1(a)	**AO1 1 mark** The only correct answer is: **C** Developing skills A is not correct because this is a disadvantage of MNCs B is not correct because MNCs often cause pollution in other countries D is not correct because MNCs often move profits back to their own countries	**(1)**

Question Number	Which **one** of the following is a measurement of gross domestic product (GDP)? **Answer**	Mark
1(b)	**AO1 1 mark** The only correct answer is: **B** Total value of goods and services produced within an economy A is not correct because of GDP focuses on the production aspect of goods and services rather than the value traded C is not correct because exports are only a part of the total production within an economy D is not correct because it the value of imports is not used in the calculation of GDP	**(1)**

Question Number	What is meant by the term the current account on the balance of payments? **Answer**	Mark
1(c)	**AO1 2 marks** Award 2 marks for a correct definition A record of all transactions **(1)** relating to international trade **(1)** **OR** It is where the total value of exports and imports **(1)** are recorded **(1)** Accept any other appropriate response	**(2)**

Question Number	Which **one** of the following is a reason why a government wants to reduce poverty and inequality? **Answer**	Mark
1(a)	**AO1 1 mark** The only correct answer is: **C** For basic needs to be met A is not correct because it is not a legal requirement for a government to do this B is not correct because this will increase inequality D is not correct because this will increase poverty	**(1)**

Question Number	Which **one** of the following is a benefit of using gross domestic product (GDP) as a measure of growth? **Answer**	Mark
1(b)	**AO1 1 mark** The only correct answer is: **D** It is easy to compare economic growth between countries A is not correct because it does not measure how economic growth is distributed amongst the population B is not correct because it does not take into account all economic activity C is not correct because it does not take into account inflation	**(1)**

Question Number	What is meant by the term deflation? **Answer**	Mark
1(c)	**AO1 2 marks** Award 2 marks for a correct definition A reduction **(1)** in the general level of prices for goods and services **(1)** Accept any other appropriate response	**(2)**

Question Number	Answer	Mark
4(a)	**AO2 2 marks** Award 1 mark for showing the calculation Award 1 mark for the correct answer 202 600 million / 92.7 million **(1)** = $2 185.54 **(1)** Award 2 marks if the GDP per capita is accurately calculated with no workings shown Do not award marks for formula	**(2)**

Question Number	Indicative content	Mark
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • A fall in unemployment may result in workers gaining an income from their employment. This may increase consumer spending within the Vietnamese economy • An increase in total demand may therefore result in more demand than the economy can supply • This might result in demand pull inflation as costs and prices rise • A fall in unemployment may also result in there being fewer workers available in the Vietnamese economy • This could result in higher costs of production for firms as they must increase wages to attract workers • Higher costs of production may cause cost push inflation for the Vietnamese economy	**(6)**

Question Number	**Answer**	Mark
1(a)	**AO1 1 marks** **B** Inflation rate	**(1)**

Question Number	**Answer**	Mark
1(b)	**AO1 1 mark** **C** privatisation	**(1)**

Question Number	**Answer**	Mark
1(c)	**AO1 2 marks** Award 1 mark for reference to economic cycle and 1 mark for reference to high levels of economic activity/employment A phase in the economic cycle **(1)** with the highest levels of economic activity/with the highest levels of employment **(1)**. Accept any other appropriate response.	**(2)**

Question Number	**Answer**	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference to time and effort and 1 mark for reference to purchasing goods The costs to firms and consumers of searching for the lowest prices **(1)** when inflation is high/prices are rising rapidly **(1)**. Accept any other appropriate response.	**(2)**

Question Number	Answer	Mark
1(a)	**AO1 1 marks** **B** unemployment	**(1)**

Question Number	Answer	Mark
1(b)	**AO1 1 mark** **C** Subsidies	**(1)**

Question Number	Answer	Mark
1(c)	**AO1 2 marks** Award 1 mark for reference to value of goods/services and 1 mark to time period GDP is the market value of all goods and services **(1)** produced in a year **(1)** Accept any other appropriate response	**(2)**

Question Number	Answer	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference to the positive impact and 1 mark for development of the positive impact An improvement in standards of living **(1)** due to more income from jobs **(1)** Accept any other appropriate response	**(2)**

Question Number	Which type of unemployment occurs when the demand for a product is only at certain times of the year? **Answer**	Mark
1(a)	**AO1 1 mark** The only correct answer is: **C** Seasonal A is not correct because this is caused by changes in whole industries B is not correct because this is caused by falling demand as a result of a downturn in the economic cycle D is not correct because this is caused from people choosing not to work	**(1)**

Question Number	Which **one** of the following terms refers to a tax on imported goods? Answer	Mark
1(b)	**AO1 1 mark** The only correct answer is **B** Tariff A is not correct because this is money paid by a government to reduce costs and lower prices C is not correct because this is a financial penalty for firms that break laws D is not correct because this is a document that gives business the right to discharge a certain quantity of polluting material	**(1)**

Question Number	What is meant by the term recession? Answer	Mark
1(c)	**AO1 2 marks** Award 1 mark for reference to fall in GDP and 1 mark for reference to time period A fall in GDP **(1)** for two successive quarters **(1)**. Accept any other appropriate response	**(2)**

Question Number	**Answer**	Mark
1(a)	**AO1 1 mark** The only correct answer is: **D** Quota A is not correct because this refers to currency and not a product B is not correct because this relates to price rather than quantity C is not correct because this defines a good not provided by the market	**(1)**

Question Number	**Answer**	Mark
1(b)	**AO1 1 mark** The only correct answer is: **C** Supply-side A is not correct because this refers to exchange of goods and services B is not correct because this concerns government revenue and expenditure D is not correct because this is the price of one currency in terms of another	**(1)**

Question Number	**Answer**	Mark
1(c)	**AO1 2 marks** Award 1 mark for reference to GDP/economic cycle and 1 mark for reference to speed A period where GDP is still growing **(1)** but more slowly **(1)** Accept any other appropriate response	**(2)**

Question Number	What is meant by the term recovery? **Answer**	Mark
2(d)	**AO1 2 marks** Award 1 mark for reference to the economic cycle/recession and 1 mark for reference to increase in economic activity A phase in the economic cycle **(1)** where GDP starts to rise again/when consumers start to regain confidence/economic activity is on the increase **(1)** Accept any other appropriate response.	**(2)**

Question Number	Explain one impact of rising inflation on shoe leather costs for Nigeria. **Answer**	Mark
2(e)	**AO2 3 marks** Award 1 mark for identifying a relevant impact Award 1 mark for developing the impact Award 1 mark for the response being in context • One impact is that shoe leather costs may increase **(1).** Consumers will try to find cheaper bread and meat **(1)**. This means that they will spend more time shopping around and looking for goods **(1)** Accept any other appropriate response.	**(3)**

Question Number	Calculate, to two decimal places, the percentage increase in GDP per capita between 2018 and 2019. **Answer**	Mark
4(a)	**AO2 2 marks** Award 1 mark for showing the calculation. $\frac{\$2715 - \$2590}{\$2590} \times 100$ **(1)** Award 1 mark for the correct answer. = 4.83% **(1)** Award 2 marks if the percentage change of 4.83% is accurately calculated with or without workings shown Award 1 mark if % is missing i.e. 4.83 with or without calculations shown Do not award marks for formula	**(2)**

Question Number	Analyse the impact of falling unemployment rates on tax revenues for a country such as Vietnam. **Indicative content**	Mark
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Unemployment is when those actively seeking work are unable to find a job • Figure 5 shows that unemployment has steadily fallen from a high of 2.3% in January 2017 to 2.15% in October 2019 • Higher rates of employment in Vietnam could result in higher tax revenue from taxing income from employment • Lower unemployment leads to higher spending which will increase revenue from indirect taxes • This could be used by the government in the economy to improve standards of living • This decline should increase tax revenues because most taxes are linked to income and spending	**(6)**

Question Number	Describe **one** negative impact of economic growth. **Answer**	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference to environmental damage and 1 mark for reference to economic activity Environmental damage **(1)** caused by factories making more goods/services **(1)** Accept any other appropriate response	**(2)**

Question Number	Calculate the **price in euros (€)** of a UK manufactured car priced at £15 000 when the exchange rate is £1 = €1.10. You are advised to show your working. **Answer**	Mark
1(e)	**A02 2 marks** Award 1 mark for showing the calculation £15 000 x €1.10 **(1)** Award 1 mark for the correct answer = €16 500 **(1)** Award 2 marks if the correct answer €16 500 is shown, with € sign, even if no calculations are shown Award 1 mark if correct answer 16 500 is shown, but with no € sign, with or without calculations Do not award marks for the formula	**(2)**

Question Number	Calculate, to two decimal places, the **percentage change in GDP per capita** in Egypt between 2019 and 2020. You are advised to show your working. **Answer**	Mark
4(a)	**AO2 2 marks** Award 2 marks for calculating the percentage change in GDP per capita $\frac{(3\,561 - 3\,043)}{3\,043} \times 100$ **(1)** = 17.02% **(1)** Award 2 marks if the percentage change is accurately calculated, even if no calculations are shown Award 1 mark if correct answer 17.02 is shown but with no % sign, with or without calculations Do not award any marks for the formula	**(2)**

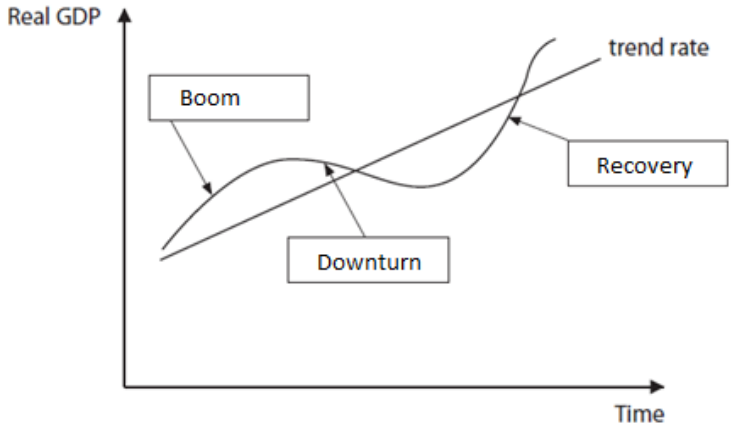
Question Number	Calculate, to two decimal places, the percentage change in GDP for India between 2021 and 2022. You are advised to show your working. **Answer**	Mark
4(a)	**AO2 2 marks** Award 2 marks for calculating the percentage change in GDP $\frac{3\,385.09\text{bn} - 3\,150.31\text{bn}}{3\,150.31\text{bn}} \times 100$ **OR** $\frac{234.78\text{bn}}{3\,150.31\text{bn}} \times 100$ **(1)** = 7.45% **(1)** Award 2 marks if the percentage change in GDP is accurately calculated as 7.45% even if no calculations are shown Award 1 mark if the percentage change in GDP is calculated as 7.45 even if no calculations are shown No marks for formula	**(2)**

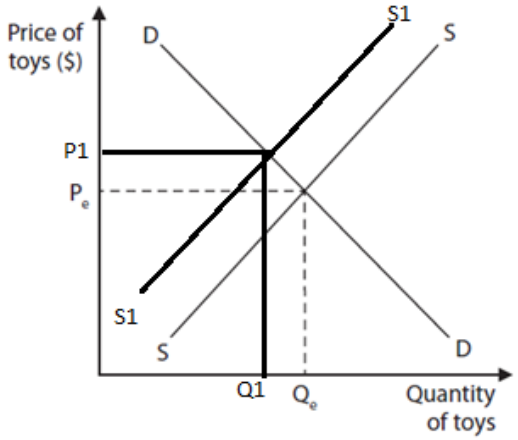
Question Number	Answer	Mark
1(g)	**AO2 3 marks** Award 1 mark for identifying a reason Award 1 mark for developing the reason Award 1 mark for the reason being in context • One reason is because economic growth can improve living standards for the population **(1).** Growth of 0.4% leads to people having higher levels of income **(1).** This can lift people out of poverty in the UK **(1)** • One reason is because economic growth can result in higher levels of tax revenue for a government **(1).** This is due to higher levels of income within the economy **(1)** resulting in more revenue for public sector services in the UK such as education/healthcare **(1)** Accept any other appropriate response.	**(3)**

Question Number	Answer	Mark
2(f)	**AO2 3 marks** Award 1 mark for identifying a possible negative effect Award 1 mark for developing the possible negative effect Award 1 mark for the effect being in context • Pollution from business activity **(1).** Many firms create air and noise pollution from making goods **(1)** which can negatively affect local communities near to factories in China **(1)** • More waste from production and consumption of goods and services **(1).** Waste must be disposed of in landfill sites **(1).** This can cause a health hazard to Chinese residents near to areas of waste disposal **(1)** Accept any other appropriate response	**(3)**

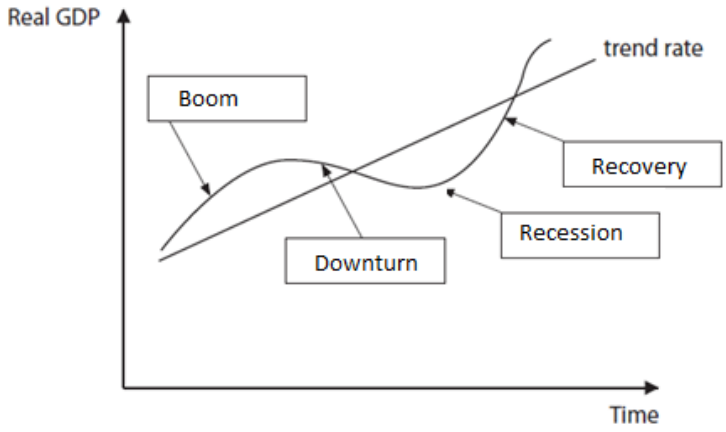
Question Number	Answer	Mark
2(f)	**AO2 3 marks** Award 1 mark for identifying a possible reason Award 1 mark for developing the possible reason Award 1 mark for the response being in context • One reason is that not all income from earnings is declared/the hidden economy **(1)**. Some people under declare their earning from jobs such as taxi driving **(1)**. This reduces the amount of Greece's GDP which is accurately recorded **(1)**. • One reason is some countries record GDP differently **(1)**. Some activities such as subsistence farming in Greece may not be included in GDP figures **(1)**. Therefore, Greece's GDP figures may not be an accurate record of the total economic activity in an economy **(1)**. Accept any other appropriate response.	**(3)**

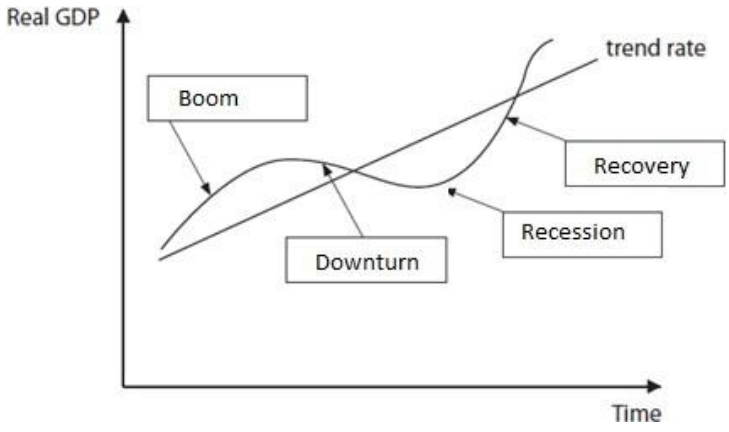
Question Number	Answer	Mark
1(e)	**A02 2 marks** Award 1 mark for showing the calculation 130.3 - 120.4 x 100 **(1)** 120.4 Award 1 mark for the correct answer = 8.22% **(1)** Award 2 marks if the correct answer 8.22% is shown, with percentage sign, even if no calculation is shown Award 1 mark if correct answer is shown 8.22, but with no percentage sign, even if no calculation is shown Do not award marks for the formula	**(2)**

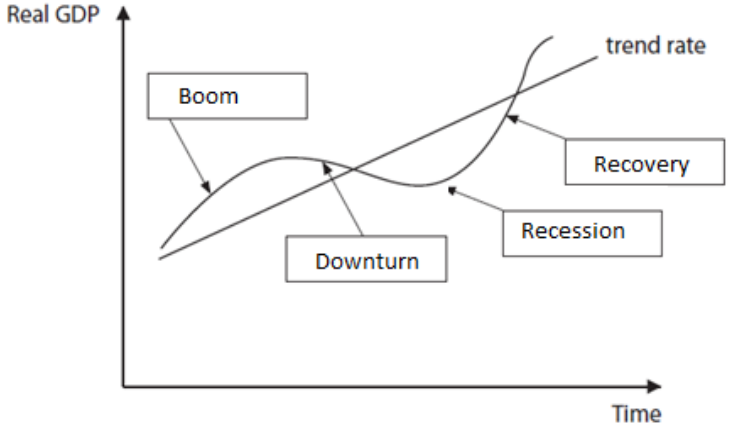
Question Number	Answer	Mark
1(f)	**AO2 3 marks** Award 1 mark for boom, labelled Award 1 mark for downturn, labelled Award 1 mark for recovery, labelled  **Figure 1**	**(3)**

Question Number	Answer	Mark
1(f)	**AO2 3 marks** Award 1 mark for leftward shift of supply curve, labelled Award 1 mark for higher equilibrium price, labelled Award 1 mark for lower equilibrium quantity, labelled  **Figure 1**	**(3)**

Question Number	Answer	Mark
1(g)	**AO2 3 marks** Award 1 mark for identifying a relevant disadvantage Award 1 mark for developing the disadvantage Award 1 mark for the response being in context • One disadvantage is an increase in inflation **(1)**. Growth of 4.9% in Malaysia means that firms will require more resources to make more goods and services **(1)**. If there is a shortage of resources then this might result in cost push inflation **(1)** • One disadvantage is the damage caused to the environment **(1)**. Growth of 4.9% means more resources will be required to make goods and services **(1)**. This could result in an increase in pollution levels within Malaysia **(1)** Accept any other appropriate response	**(3)**

Question Number	Using the diagram below label the remaining three stages of the economic cycle in the boxes on the diagram. **Answer**	Mark
2(f)	**AO2 3 marks** Award 1 mark for boom, labelled correctly Award 1 mark for recession, labelled correctly Award 1 mark for recovery, labelled correctly  	**(3)**

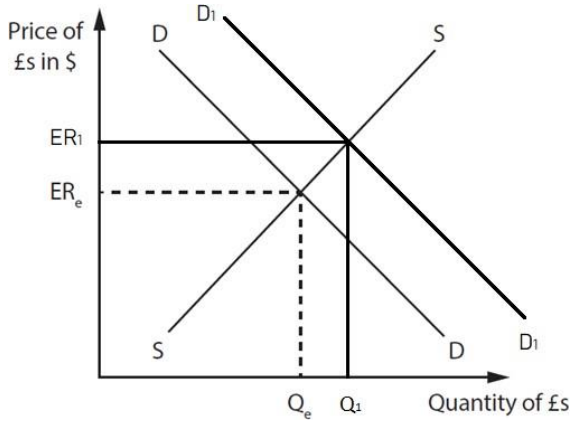
Question Number	Using the diagram below, draw and label the remaining **three** stages of the economic cycle in the boxes on the diagram. **Answer**	Mark
2(f)	**AO2 3 marks** Award 1 mark for downturn, labelled Award 1 mark for recession, labelled Award 1 mark for recovery, labelled  	**(3)**

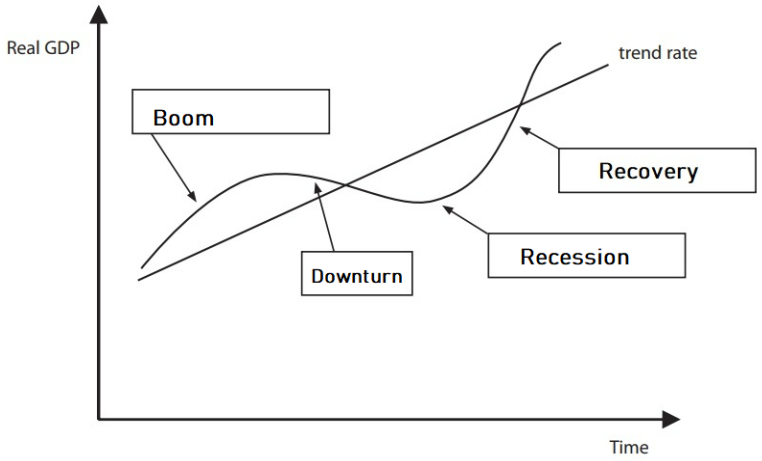
Question Number	Label the boxes in the diagram below with the three remaining stages of the economic cycle. Answer	Mark
1(f)	**AO2 3 marks** Award 1 mark for downturn, labelled correctly Award 1 mark for recession, labelled correctly Award 1 mark for recovery, labelled correctly  	**(3)**

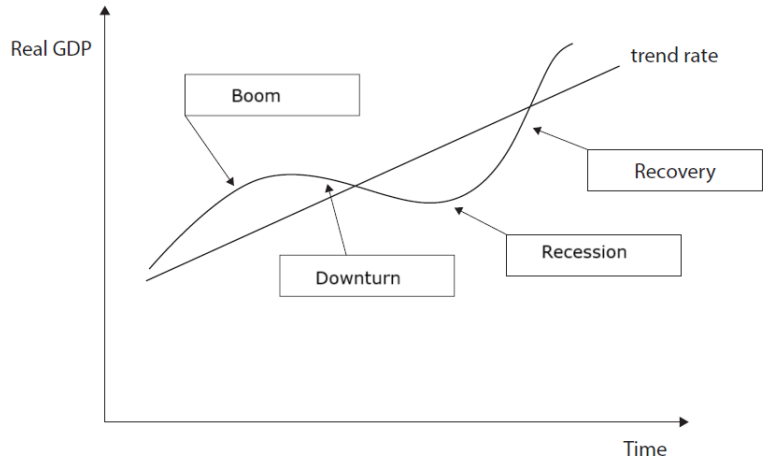
Question Number	Explain **one** reason why the Scottish Government gives benefit payments. Answer	Mark
1(g)	**AO2 3 marks** Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context • One reason is to reduce inequality and poverty **(1).** Benefit payments help to assist with meeting basic needs such as heating a home **(1)**. Therefore, more people will be able to have a better standard of living **(1)** Accept any other appropriate response	**(3)**

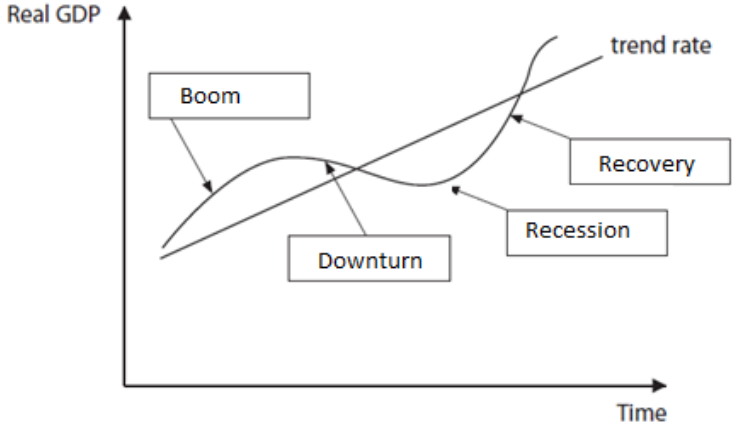
Question Number	What is meant by the term seasonal unemployment? **Answer**	Mark
2(d)	**AO1 2 marks** Award up to 2 marks for a correct definition When workers are only required for certain times of the year **(1)** and unemployed for the rest of the year **(1)** Accept any other appropriate response	**(2)**

Question Number	Explain **one** reason rapid economic growth may be harmful for an economy such as Vietnam. **Answer**	Mark
2(e)	**AO2 3 marks** Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context • One reason is because it may cause damage to the environment **(1).** The increased production of goods and services can cause pollution **(1)** which may result in increased government expenditure to reduce the problem **(1)** • One reason is higher inflation **(1).** Rapid growth of 8.02% may result in the economy overheating **(1).** This could result in lower standards of living for people in Vietnam due to less purchasing power **(1)** Accept any other appropriate response	**(3)**

Question Number	Using the diagram below, draw the effect of an increase in UK exports to the US on the equilibrium exchange rate of the UK pound (£). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity. **Answer**	Mark
2(f)	**AO2 3 marks** Award 1 mark for rightward shift of demand, labelled Award 1 mark for higher equilibrium exchange rate, labelled Award 1 mark for higher equilibrium quantity, labelled  	**(3)**

Question Number	Using the diagram below label the remaining three stages of the economic cycle in the boxes on the diagram. **Answer**	Mark
2(f)	**AO2 3 marks** Award 1 mark for Boom, labelled Award 1 mark for Downturn, labelled Award 1 mark for Recovery, labelled  	**(3)**

Question Number	Using the diagram below label the remaining three stages of the economic cycle in the boxes on the diagram. **Answer**	Mark
3(c)	**AO2 3 marks** Award 1 mark for Boom, labelled Award 1 mark for Downturn, labelled Award 1 mark for Recession/Slump/Depression, labelled  	**(3)**

Question Number	Using the diagram below, label the remaining three stages of the economic cycle in the boxes on the diagram. **Answer**	Mark
2(f)	**AO2 3 marks** Award 1 mark for Boom, labelled Award 1 mark for Downturn, labelled Award 1 mark for Recession/slump/depression, labelled  	**(3)**

Question Number	With reference to the data above and your knowledge of economics, assess the possible benefits to the environment of providing subsidies for solar-powered stoves in Rwanda. **Indicative content**	Mark
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • With subsidies making solar-powered stoves affordable, more people might change the way they cook • Shifting from firewood or coal to solar-powered stoves decreases carbon emissions, contributing to cleaner air and combating climate change • Solar-powered stoves produce no harmful smoke, leading to better indoor air quality and reducing respiratory illnesses linked to smoke inhalation from firewood or coal • Promoting solar-powered stoves encourages the use of renewable energy and reduces reliance on fossil fuels • Subsidies can make the transition to solar-powered stoves more economically feasible for families, reducing long-term costs associated with buying fuel **AO4** • However, the subsidies cost money, which could be used for other important things like schools or hospitals • If the subsidies end, the price of solar-powered stoves might increase reducing the number of people wanting to use them • Sometimes the people who need the help the most might not get it, or the subsidies might not support the best or most efficient stoves • Subsidies can interfere with normal market operations, potentially stopping firms from improving their stoves or reducing prices on their own • Some people might prefer their traditional way of cooking and not want to switch to solar-powered stoves, making the subsidies less effective • It can be hard to manage and keep track of the subsidy programme, leading to potential waste	**(9)**

Question Number	With reference to the data above and your knowledge of economics, analyse the limitations of using GDP as a measure of economic growth for a country such as Singapore. Indicative content	Mark
1(h)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • GDP is the market value of all final goods and services produced in a year • Increases in inflation could distort the true rate of economic growth in Singapore and only real GDP figures reflect the true rate of economic growth in an economy • GDP does not include figures for the hidden or informal economy as they are not included in GDP figures • GDP does not take into account population changes in Singapore • GDP does not take into account external costs such as environmental costs • As a result GDP does not measure how environmental costs might impact on the wellbeing of society • GDP figures such as 7.2% do not reflect how additional income is distributed between the population of Singapore • The growth may not be evenly distributed amongst the population of Singapore who still may remain in relative poverty	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	Explain **one** possible benefit of using pollution permits to protect the environment for a country such as the UK. **Answer**	Mark
1(g)	**AO2 3 marks** Award 1 mark for identifying a relevant benefit Award 1 mark for developing the benefit Award 1 mark for the response being in context • One benefit is that the health of UK citizens will be improved **(1).** Fewer available permits make airlines find ways to adopt cleaner technologies/improve efficiency. **(1)** This will help to reduce air pollution **(1)** • One benefit is that air pollution will decrease **(1).** This is because airlines are limited in how much they can pollute **(1)** so they must reduce their emissions to stay within limits **(1)** Accept any other appropriate response	**(3)**

Question Number	With reference to the data above and your knowledge of economics, analyse the benefits of using GDP as a measure of economic growth for a country such as India. **Indicative content**	Mark
1(h)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • GDP helps to understand the size and overall economic health of India • This makes it easier to assess how well the Indian economy is doing and whether it is growing or shrinking • India's GDP growth rate of 7.2% in 2023 allows for easy comparison with other major economies, showing its position and progress on a global scale • The GDP growth figures, of 7.2% in 2023 and forecasted 6.9% in 2024, help the government assess the effectiveness of its economic policies • Rising GDP signals more income/output, helping the Indian government plan for infrastructure, health or education spending • Generally, if India's GDP is increasing, it means people might be earning more and living standards could be improving	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	With reference to the data above and your knowledge of economics, assess the likely benefits of economic growth for a country such as Turkmenistan. Indicative content
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Economic growth is the increase in the level of output by a nation and is one of the main macroeconomic objectives • Turkmenistan has seen a 6.2% GDP growth rate which could result in an increase in employment levels in the oil and natural gas extraction industries • This is due to firms requiring more workers for production as the economy grows • Figure 4 shows an increase over time of GDP per capita which indicates that people have more income in Turkmenistan • Consumers might be able to purchase more goods and services thereby improving standards of living • Rapid economic growth could also help to reduce poverty in Turkmenistan particularly as over 50% of the labour force work in agriculture **AO4** • However, not all economic growth is good for an economy • If economic growth is too fast, the Turkmenistan economy may overheat • This could result in demand pull and cost push inflation • Economic growth could also result in more negative externalities such as pollution and waste • Turkmenistan relies heavily on the extraction of finite resources such as oil and gas which may cause a long-run depletion of natural resources • Rapid increases in GDP can lead to a higher level of inequality as the gains from growth may go to only a few people

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question Number	Calculate how much **interest, in Yuan (¥)**, Zhang Li received in one year. You are advised to show your working. Answer	Mark
4(a)	**AO2 2 marks** Award 2 marks for calculating the interest on savings (¥8 000 ÷ 100) × 2.25 **(1)** = ¥180 **(1)** Award 2 marks for the correct answer of ¥180 is accurately calculated with no workings shown Award 1 mark if the answer given is 180 with or without calculations shown Do not award marks for the formula	**(2)**

Question Number	**Indicative content**
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • GDP is the market value of all final goods and services produced in a year • GDP is used to measure economic growth all over the world • This means that comparisons can be easily made between the growth rates of Ghana and different countries over time • Ghana has double the GDP growth rate compared to other emerging economies • GDP is also used as an indicator of a nation's overall standard of living because, generally, a nation's standard of living increases as GDP increases • Ghana was predicted to have a 8.8% GDP growth rate in 2019 and this could indicate an increase in living standards for the population **AO4** • However, using GDP to measure growth does have some limitations • Increases in inflation could distort the true rate of economic growth in Ghana and only real GDP figures reflect the true rate of economic growth in an economy • GDP does not include figures for the hidden or informal economy which are not included in GDP figures • GDP does not take into account external costs such as environmental costs and as a result GDP does not measure how these impact on the wellbeing of society • Ghana is becoming heavily reliant on oil which can have many associated external environmental costs • GDP figures do not reflect how additional income is distributed between the population of Ghana and much of the growth may not be evenly distributed amongst the population of Ghana who still may remain in poverty

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question Number	With reference to the data above and your knowledge of economics, assess how a recession may affect inflation in a country such as Germany. **Indicative content**	Mark
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • A recession is two consecutive quarters of negative growth • During a recession households and firms tend to reduce their spending which results in lower demand for goods and services • This decrease in (aggregate) demand can lead to lower prices for goods and services • This could help to reduce Germany's 10.4% rate of inflation • Firms in Germany may experience lower production costs due to lower input prices such as lower wages or lower prices for raw materials • This can result in lower prices for goods and services and again help to lower inflation **AO4** • However, the effects of a recession on inflation may depend on the type of inflation Germany is suffering • Inflation can be caused by cost-push factors rather than demand-pull factors • Germany has been suffering from an energy crisis due to high gas and oil prices • This could feed through to higher production costs for firms resulting in higher prices and therefore high rates of inflation • The central bank may pursue an expansionary monetary policy during a recession by keeping interest rates low • This can lead to higher inflation even if economic growth is weak	**(9)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
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Question Number	Answer	Mark
2(a)	**AO1 1 mark** **C** 4%	**(1)**

Question Number	Answer	Mark
2(b)	**AO2 1 mark** **A** Direct taxation	**(1)**

Question Number	Answer	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** correct way. • Visual pollution • Noise pollution • Air pollution • Water pollution Accept any other appropriate responses.	**(1)**

Question Number	**Answer**	Mark
3(a)	**AO1 1 mark** C wage rates	**(1)**

Question Number	**Answer**	Mark
3(b)	**AO1 1 mark** B Interest rates	**(1)**

Question Number	**Answer**	Mark
3(c)	**AO2 3 marks** Award 1 mark for identifying a relevant way Award 1 mark for developing the way Award 1 mark for the response being in context • One way is that there is greater consumer choice **(1).** US consumers are now able to buy imported avocados throughout the year from Mexico **(1)** and do not have to rely on production from the US **(1)** • One way is that there is more access to a wider range of products **(1).** Some food products such as avocados may not be available in other countries **(1).** Globalisation has thereby enabled a more varied diet for many consumers in the US **(1)** Accept any other appropriate response	**(3)**

Question Number	Answer	Mark
3(b)	**AO1 1 mark** The only correct answer is: **C** An increase in wage rates A is not correct because this would lower costs B is not correct because this is likely to increase supply of raw materials and therefore reduce cost-push inflation D is not correct because this likely to cause demand-pull inflation rather than cost-push inflation	**(1)**

Question Number	Explain one reason why the UK Government gives subsidies to firms in the renewable energy market. **Answer**	Mark
3(c)	**AO2 3 marks** Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context • One reason is to protect the environment **(1).** Subsidies encourage firms to provide energy from renewable sources such as solar energy **(1)** which reduces the pollution from fossil fuels **(1)** • One reason is to lower the cost of renewable energy **(1).** Subsidies allow renewable energy firms to lower prices **(1)** encouraging consumers to switch to cleaner energy sources **(1)** Accept any other appropriate response.	**(3)**

Question Number	**Answer**	Mark
2(a)	**AO1 1 marks** The only correct answer is: **B** Trade-off A is not correct because this is a result of inflation C is not correct because this the loss of the next best alternative D is not correct because this is the name for a group of countries with a preferential trading agreement	**(1)**

Question Number	**Answer**	Mark
2(b)	**AO1 1 mark** The only correct answer is: **C** Asset purchasing A is not correct because the central bank does not lend to firms B is not correct because this is the role of government D is not correct because is the role of the high street banks	**(1)**

Question Number	State one type of inflation. **Answer**	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** type. • Demand-pull • Cost-push	**(1)**

Question Number	Answer	Mark
3(a)	**AO1 1 mark** The only correct answer is: **C** The costs of searching for cheaper suppliers when inflation is high A is not correct because these are variable costs B is not correct because these are input costs D is not correct because these are menu costs	**(1)**

Question Number	Answer	Mark
3(b)	**AO1 1 mark** The only correct answer is: **D** Higher quality of domestic goods A is not correct because this would increase imports and reduce a surplus B is not correct because this would reduce the demand for exports and reduce a surplus C is not correct because it is would make imports cheaper and reduce a surplus	**(1)**

Question Number	What was the rate of inflation if the consumer price index (CPI) of a country rose from 120 to 150? **Answer**	Mark
3(a)	**AO2 1 mark** The only correct answer is: **A** 25% B is not the correct answer because this is 150-120 C is not the correct answer because this is 150-100 D is not the correct answer because this is not the increase in the rate of inflation	**(1)**

Question Number	Which **one** of the following is an impact of globalisation? **Answer**	Mark
3(b)	**AO1 1 mark** The only correct answer is: **B** Closing of traditional industries A is not the correct answer because increased competition reduces prices C is not the correct answer because there should be greater choice D is not the correct answer because there should be reduced cost of communication	**(1)**

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Question Number	Menu costs could be described as the costs of Answer	Mark
1(a)	**AO1 1 mark** The only correct answer is: **D** reprinting brochures when prices change A is not correct because these are shoe leather costs B is not correct because these are labour costs C is not correct because these are fixed costs	**(1)**

Question Number	Which one of the following is likely to cause demand pull inflation? Answer	Mark
1(b)	**AO1 1 mark** The only correct answer is: **C** An increase in the consumption of goods A is not correct because this is likely to result in cost push inflation B is not correct because this is likely to result in lower inflationary pressures D is not correct because this is likely to result in less consumer spending in the economy	**(1)**

Question Number	What is meant by the term imports? Answer	Mark
1(c)	**AO1 2 marks** Award 1 mark for reference to purchase of goods and 1 mark for reference to being from another country The purchase of goods or services **(1)** from another country **(1)** Accept any other appropriate response	**(2)**

Question Number	What is the rate of inflation if the Consumer Price Index (CPI) in an economy increased from 1000 to 1050 in one year? Answer	Mark
3(a)	**AO2 1 mark** The only correct answer is: **D** 5% A is not correct because this answer is calculated by 1 - 5% B is not correct because this answer is calculated by 1 + 5% C is not correct because this answer is calculated by (50/$1050) x 100	**(1)**

Question Number	Which **one** of the following terms means someone not having enough resources to meet all of their basic needs? Answer	Mark
3(b)	**AO1 1 mark** The only correct answer is: **C** Absolute poverty A is not correct because this describes the range of incomes in an economy B is not correct because this describes someone having a lower standard of living in comparison to the average person in society D is not correct because this refers to the gap between the rich and the poor	**(1)**

Question Number	Explain one possible reason why the US Government introduced this subsidy. Answer	Mark
3(c)	**AO2 3 marks** Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context • One reason is to protect domestic firms **(1).** Subsidies allow firms to lower prices **(1)** encouraging consumers to switch to US-manufactured cars with US-made batteries **(1).** • One reason is to increase exports **(1)**. Subsiding cars by $500 can make exports of cars with US-made batteries more competitive **(1)**. This can result in greater export earnings and improve the current account **(1).** Accept any other appropriate response	**(3)**

Question Number	What is the fiscal deficit/surplus? **Answer**	Mark
3(a)	**AO2 1 mark** The only correct answer is: **D** €100bn surplus A is not correct because this is calculated by adding the figures together and assumes a deficit B is not correct because this is €700bn-€800bn C is not correct because this is €800bn + €700bn	**(1)**

Question Number	Which **one** of the following is an example of a menu cost for Nike in its online shop during times of inflation? **Answer**	Mark
3(b)	**AO2 1 mark** The only correct answer is: **B** The cost of updates to the website due to higher prices for shoes A is not correct because this is a cost of production C is not correct because this describes shoe leather costs D is not correct because this is a cost of shopping online	**(1)**

Question Number	Which **one** of the following is an advantage of a government giving subsidies to domestic producers? **Answer**	Mark
3(a)	**AO1 1 mark** The only correct answer is: **C** Increases the production of goods and services A is not correct because subsidies will increase government spending B is not correct because subsidies support domestic production rather than increasing imports from other countries D is not correct because subsidies are likely to increase trade disputes rather than reduce them	**(1)**

Question Number	The price of a basket of goods and services was £1 200. The consumer price index (CPI) increased from 120 to 130. Calculate the new price of the basket of goods and services. **Answer**	Mark
3(b)	**AO2 1 mark** The only correct answer is: **B** £1 300 A is not correct because this is £1 200 + 10 C is not correct because this is £1 200 + 130 D is not correct because this is £1 200 + 120 + 130	**(1)**

Question Number	Explain the likely impact on productivity of this change in business taxes for a country such as Italy. **Answer**	Mark
3(c)	**AO2 3 marks** Award 1 mark for identifying a relevant impact Award 1 mark for developing the impact Award 1 mark for the response being in context • One impact is an increase in productivity **(1).** Firms can keep more of the profit earned allowing them to invest in new technology/training **(1).** This will enable the firm to be more efficient/increase output per worker **(1)** Accept any other appropriate response	**(3)**

Question Number	Which **one** of the following is an example of seasonal unemployment? **Answer**	Mark
1(a)	**AO1 1 mark** The only correct answer is: **B** A construction worker not finding work during the monsoon period A is not correct because this is an example of structural unemployment C is not correct because this is an example of cyclical unemployment D is not correct because this is an example of voluntary unemployment	**(1)**

Question Number	Which **one** of the following is likely to cause cost-push inflation? **Answer**	Mark
1(b)	**AO1 1 mark** The only correct answer is: **C** An increase in the prices of raw materials paid by producers A is not correct because this is more likely to cause demand-pull inflation B is not correct because this affects the supply-side but it is not a direct cause of cost-push inflation D is not correct because this stimulates demand rather than increasing production costs	**(1)**

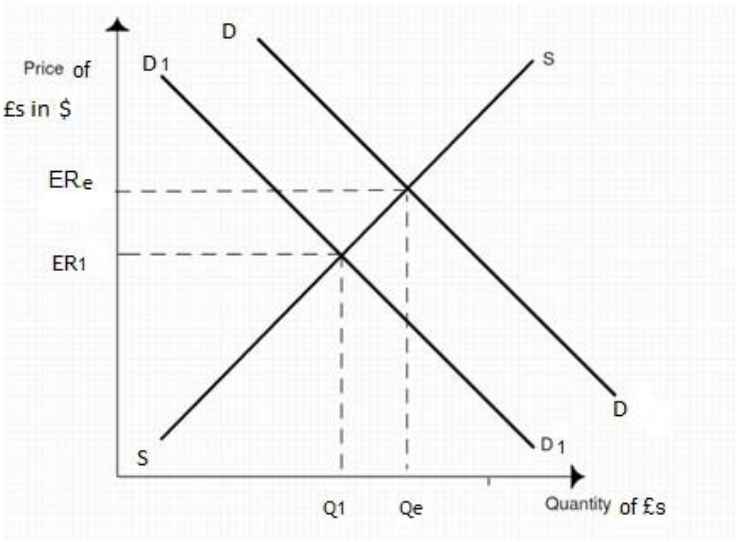
Question Number	What is meant by the term current account deficit? **Answer**	Mark
1(c)	**AO1 2 marks** Award 2 marks for a correct definition When the value of imports **(1)** exceeds the value of exports **(1)** Accept any other appropriate response	**(2)**

Question Number	Describe one impact that education may have on inequality and poverty. **Answer**	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference reducing inequality and poverty and 1 mark for reference to skills Education helps to reduce inequality and poverty **(1)** by providing skills needed to get a job **(1)** Accept any other appropriate response	**(2)**

Question Number	Calculate how much inflation there has been between 2015 and 2019. **Answer**	Mark
1(e)	**A02 2 marks** Award 1 mark for showing the calculation 110.2 - 100 **(1)** Award 1 mark for the correct answer = 10.2% **(1)** Award 2 marks if the correct answer 10.2% is shown, with percentage sign, even if no calculations are shown Award 1 mark if the answer given is 10.2, but with no percentage sign, with or without calculations shown Do not award marks for the formula.	**(2)**

Question Number	What is meant by the term globalisation? Answer	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference to interconnection and 1 mark for reference to world's economies Growing interconnection **(1)** of the world's economies **(1)** Accept any other appropriate response.	**(2)**

Question Number	Calculate how much the **average price level** increased between 2018 and 2021. You are advised to show your working. Answer	Mark
1(e)	**A02 2 marks** Award 1 mark for showing the calculation 105.4 - 100 **(1)** Award 1 mark for the correct answer = 5.4% **(1)** Award 2 marks if the correct answer 5.4% is shown, with percentage sign, even if no calculations are shown Award 1 mark if the answer given is 5.4, but with no percentage sign, with or without calculations shown Do not award marks for the formula.	**(2)**

Question Number	Using the diagram below, draw the effects of a decrease in UK exports to the US on the equilibrium exchange rate of UK pounds (£). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity. Answer	Mark
1(f)	**AO2 3 marks** Award 1 mark for leftward shift of demand curve, labelled Award 1 mark for lower equilibrium exchange rate, labelled Award 1 mark for lower equilibrium quantity, labelled  	**(3)**

Question Number	Explain one effect of rising inflation on menu costs in the UK. Answer	Mark
1(g)	**AO2 3 marks** Award 1 mark for identifying a relevant effect Award 1 mark for developing the effect Award 1 mark for the response being in context • One effect is that menu costs may increase **(1).** When inflation is high, prices need changing frequently **(1).** Firms have to spend money to print new brochures/update websites with the higher prices **(1)** Accept any other appropriate response.	**(3)**

Question Number	Answer	Mark
3(a)	**AO1 1 mark** **B** government revenue is greater than government expenditure	**(1)**

Question Number	Answer	Mark
3(b)	**AO1 1 mark** **A** appreciation	**(1)**

Question Number	Answer	Mark
3(c)	**AO2 3 marks** Award 1 mark for identifying a reason Award 1 mark for developing the reason Award 1 mark for the response being in context • One reason is for business/consumer confidence **(1).** If prices of goods and services are stable at 3% **(1)** this can help consumers/firms plan for their future spending **(1).** • One reason is to keep Cyprus internationally competitive **(1).** This may lead to higher export sales if competitors have higher than 3% inflation **(1),** thus reducing unemployment **(1).** Accept any other appropriate response.	**(3)**

Question Number	Answer	Mark
1(g)	**AO2 3 marks** Award 1 mark for identifying a relevant impact Award 1 mark for developing the impact Award 1 mark for the response being in context • The impact is that wages do not buy the same amount of goods **(1)** this is because prices are rising at a faster rate than wages **(1).** To prevent this wages need to rise such as the recent increase in Mexico **(1)** • The impact might be limited **(1)** if wages for some workers in Mexico are linked to inflation **(1).** This means that the standard of living remains the same if wages are keeping up with inflation **(1)** Accept any other appropriate response	**(3)**

Question Number	Indicative content	Mark
1(h)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Trade blocs are usually groups of countries in specific regions that manage and promote trade activities • This can result in more free trade between member countries • This can benefit member countries in the AfCFTA because they have access to a wider market which will consist of 1.2bn people • GDP for the trade bloc is expected to be $2.5 trillion. • Firms in the trade bloc may be able to exploit economies of scale or specialisation can occur • Prices may be cheaper due to a reduction of tariffs and quotas • Consumers may benefit with lower prices and/or greater choice of goods and services • Being a member of the AfCFTA trade bloc may attract increased FDI	**(6)**

Question Number	Explain the impact of wages rising faster than inflation on a country such as Mexico. **Answer**	Mark
1(g)	**AO2 3 marks** Award 1 mark for identifying a relevant impact Award 1 mark for developing the impact Award 1 mark for the response being in context • The impact is that wages can buy more goods/services **(1)**. This is because wages are rising at a faster rate than prices in Mexico **(1).** This could result in increased pressure on the rate of inflation **(1)** • The impact is that firms could see fewer wage demands **(1)**. This is because wages are rising at a faster rate than prices in Mexico **(1)**. Employees would be less likely to require higher wages to maintain standards of living **(1)** Accept any other appropriate response	**(3)**

Question Number	Indicative content	Mark
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • The level of consumer confidence will be an important factor that determines the willingness of consumers to spend, borrow and save • Inflation reduces purchasing power for consumers • High rates of inflation such as 25% in Argentina will result in consumers experiencing a fall in living standards as they cannot afford to purchase the same amount of goods and services • High rates of inflation make it difficult for consumers to know what they can afford or how much they need for purchases such as cars • High rates of inflation may discourage consumers from saving as they expect the value to decrease • Consumers are more likely to demand higher wages to keep up with inflation	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	With reference to the data above and your knowledge of economics, analyse the impact of inflation on individuals in a country such as China. Indicative content
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Inflation is the rate at which the general level of prices for goods and services is rising within an economy • The current inflation rate is 2.8%, an increase on the previous month, which reduces the purchasing power of consumers if wages do not keep up with inflation • This may make goods and services too expensive for many people • Many individuals might not be able to afford as much as they used to • Shoe leather costs may increase as consumers must shop around to find the best deals on food and other products due to the increase in the rate of inflation

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	Analyse the impact of deflation on consumer confidence in a country such as Singapore. **Indicative content**	Mark
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Deflation is a persistent fall in the general price level of goods and services/ when the inflation rate is negative • Consumer confidence is the outlook that consumers have towards the economy • In the case of Singapore, the prices of airfares and holidays have declined due to the government lockdown as people cannot travel and demand has fallen sharply • Changes in prices of goods and services often cause uncertainty and may influence the confidence of consumers • Changes in prices might make consumers more anxious and cautious • This results in a fall in consumer confidence as consumers worry about the state of the economy • In times of deflation consumers will postpone spending particularly on consumer durables such as holidays and cars • This is because consumers expect prices to fall even further or wait until the economy improves before buying goods	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	Analyse the impact of increasing wages on inflation in Mexico. **Indicative content**	Mark
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • An increase in wages of 15% will add to the cost of production for many firms in Mexico that currently pay the minimum wage to their workers • This could result in higher prices for goods/services made within Mexico if the 15% increase in wages is passed onto consumers in the form of higher prices • This could result in cost push inflation for Mexico from the 15% increase in the minimum wage • Increasing wages could also increase domestic consumption for goods/services • Increasing the minimum wage for nearly 11 million workers will result in these workers having 15% more income • This could be spent within the Mexican economy resulting in demand pull inflation if supply cannot keep up with demand	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	Explain **one** advantage of free trade for businesses in Ecuador. **Answer**	Mark
1(g)	**AO2 3 marks** Award 1 mark for identifying a relevant advantage Award 1 mark for developing the advantage Award 1 mark for the response being in context • One advantage is that businesses can access a wider market **(1).** Trade barriers will be removed for products such as bananas **(1)** which could help to increase total sales and revenue **(1)** • One advantage is that there could be lower input costs **(1).** Trade barriers will be removed for imports from China **(1)** which could help businesses to sell goods for lower prices in the domestic market **(1)** Accept any other appropriate response	**(3)**

Question Number	With reference to the data above and your knowledge of economics, analyse the impact of high rates of inflation on consumer confidence in a country such as Germany. **Indicative content**	Mark
1(h)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Consumer confidence is an economic indicator that gauges consumers' perception of the economy • High rates of inflation could reduce confidence in Germany • Inflation reduces purchasing power and a rate of 10.4% will result in many consumers experiencing a reduction in living standards • This is because they cannot afford to purchase the same amount of goods and services • Consumer confidence will fall and may make them more cautious and less willing to borrow money • Savings may increase to safeguard against the future • High rates of inflation can cause uncertainty for many consumers making it difficult to plan ahead if prices are rising so much	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	With reference to the data above and your knowledge of economics, analyse the relationship between inflation and interest rates for a country such as Canada. **Indicative content**	Mark
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Inflation is the rate at which prices are rising in an economy • Interest rates refer to the cost of borrowing or the return on savings • Higher inflation can lead to a decrease in the purchasing power of a currency • To combat inflation central banks such as the Bank of Canada may increase interest rates to encourage saving and reduce borrowing • This can slow down spending in the economy and decrease demand-pull inflation • An increase in interest rates may also increase the exchange rate in Canada making imports cheaper for both consumers and firms • This may also help to reduce cost-push inflation in Canada towards its 2% target rate from 5.2%	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	Explain **one** reason why governments use fines. **Answer**	Mark
1(g)	**AO2 3 marks** Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context • One reason is that it can deter individuals/firms from breaking the law **(1).** Very high fines of $1m will negatively affect the individuals/firms **(1)** this is likely to encourage individuals/firms to make sure they follow the law so people do not get injured **(1)** • One reason is that it can raise revenue for the government **(1).** Fines imposed on firms that break laws can be very high **(1)** and can give the government money to spend on compensating people affected by laws being broken **(1)** Accept any other appropriate response	**(3)**

Question Number	With reference to the data above and your knowledge of economics, analyse how high levels of cost-push inflation affect business confidence in a country such as Türkiye. **Indicative content**	Mark
1(h)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Higher energy costs of 157.2% can raise production and transportation costs resulting in an increase in raw material prices and overall costs of production • Higher production costs can lead to lower profits for firms in Türkiye • This is because firms may not be able to pass on the full cost of inflation to consumers in the form of higher prices reducing business confidence • When costs rise faster than firms can adjust their prices, profit margins get squeezed reducing business confidence • Firms may struggle to plan for the future. This is because they are not sure what energy prices will be like in the future causing uncertainty • This uncertainty can erode business confidence as firms are unsure about the future success of their operations	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	With reference to the data above and your knowledge of economics, analyse the possible impact of rising inflation on menu costs for small firms in the UK. **Indicative content**	Mark
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • With inflation at 4%, the cost of inputs such as raw materials, labour and energy is likely to increase for small firms • To maintain margins, these firms might need to pass these costs onto consumers, necessitating regular price updates and thereby increasing menu costs • With inflation rising, firms may need to adjust their prices more frequently to keep up with increasing costs for raw materials, labour and other expenses • This means more frequent updates to menus, price lists and advertising materials leading to higher menu costs • This can be particularly challenging for small firms with limited resources	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	With reference to the data above and your knowledge of economics, assess whether lower income tax rates will encourage more people to work in a country such as Italy. **Indicative content**	Mark
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Reducing income tax rates to 23% and 33% may motivate people to work additional hours or seek better-paying jobs, knowing they will keep more of their income • More favourable tax conditions might encourage those not currently working, including young people, to enter the workforce • With less income going to taxes, individuals might be willing to work more hours or take on additional jobs, increasing overall labour supply • Lower taxes might attract skilled workers from abroad boosting productivity and innovation in the Italian workforce • As firms benefit from individuals having more disposable income and potentially investing, this can lead to job creation, further encouraging employment **AO4** • However, reducing taxes might lead to a significant loss in government revenue, affecting public services and investment • Less tax revenue could mean cuts to crucial public services like healthcare, education or infrastructure affecting the quality of life for the citizens of Italy • The higher rate of income tax remains at 43% meaning those with the highest incomes may not feel incentivised to work harder • While there might be immediate boosts to the economy, the long-term effects of reduced government revenue could lead to economic challenges • Other factors like job availability, wages, working conditions and childcare may have a more substantial impact on employment decisions than tax rate changes	**(9)**

Question Number	Explain **one** possible disadvantage of having a fiscal deficit for a country such as the US. **Answer**	Mark
3(c)	**AO2 3 marks** Award 1 mark for identifying a relevant disadvantage Award 1 mark for developing the disadvantage Award 1 mark for the response being in context • One disadvantage is a fiscal deficit can lead to a higher national debt. **(1)** The US Government will have to pay more in interest on the debt **(1)** therefore leaving less available for public services such as education/healthcare **(1)** • One disadvantage is that taxes might increase to cover the debt. **(1)** Increasing taxes can reduce disposable income for households and firms. **(1)** This reduction in spending and investment can slow down economic growth **(1)** Accept any other appropriate response	**(3)**

Question Number	With reference to the data above and your knowledge of economics, analyse the possible impact of rising inflation on shoe leather costs for consumers in the UK. **Indicative content**	Mark
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Rising inflation reduces the purchasing power of consumers • As prices increase, consumers are likely to spend more time shopping around for better deals and discounts to stretch their budgets • This involves visiting multiple stores or browsing various online retailers thereby increasing shoe leather costs • With inflation rising to 4% in December 2023, consumers may find themselves making more frequent trips to banks • The effect of rising inflation on shoe leather costs is particularly significant for low-income consumers • These individuals may not have easy access to banking services • This makes them more vulnerable to the negative impacts of inflation and significantly increases shoe leather costs for consumers	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	With reference to the data above and your knowledge of economics, assess how effective monetary policy might be in decreasing unemployment for a country such as France. **Indicative content**	Mark
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • With GDP growth expected to remain low, reducing interest rates could further stimulate economic activity, leading to business expansion and job creation, thereby potentially reducing the high level of unemployment • As consumer spending is expected to improve in the coming years, lower interest rates would increase this effect by making borrowing cheaper, stimulating demand for goods and services, and hence encouraging firms to hire more employees • Reducing interest rates from 4.5% would make loans cheaper for firms to invest in expansion and job creation leading to further economic growth • Despite a weak outlook for China, lowering interest rates could weaken the currency, making French exports more competitive, supporting industries reliant on exports and their employment rates **AO4** • However, France's significant trade relations with Germany and reliance on global markets like China mean external economic slowdowns could dampen the effectiveness of monetary policy in reducing unemployment • The high level of unemployment suggests there may be deeper structural issues in the labour market that monetary policy alone cannot address • With the current rate at 4.5%, there might be limited room for the ECB to lower rates further, especially if they need to balance other economic objectives such as inflation, limiting the impact on employment • Monetary policy changes often have a lagged effect on the economy, meaning any potential benefits in reducing unemployment might not materialise quickly • Lower interest rates might result in capital flowing out of France seeking higher returns elsewhere, which could reduce domestic investment and job creation	**(9)**

Question Number	Indicative content	Mark
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Inflation is the rate at which the general level of prices for goods and services is rising within an economy • This may make goods and services too expensive for many people and they cannot afford as much as they used to • The data shows the price of transportation and food has increased by 16.79% and 12.74%, which reduces the purchasing power of consumers if wages do not keep up with inflation • Shoe leather costs may increase as consumers must shop around to find the best deals on food and other products due to the high rates of inflation • Investment is likely to fall as firms lose confidence **AO4** • Inflation may not be a problem if wage increases keep up with inflation • Demand pull inflation may lead to a fall in unemployment as firms try to cope with rising demand • Although high rates of inflation are bad for an economy, low rates of inflation can also have disadvantages to an economy • Figure 3 shows the inflation rate fluctuates over the period of time and much will depend on future fluctuations	**(9)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question Number	Answer	Mark
1(a)	**AO1 1 marks** **D** globalisation	**(1)**

Question Number	Answer	Mark
1(b)	**AO1 1 mark** **C** People changing jobs	**(1)**

Question Number	Answer	Mark
1(c)	**AO1 2 marks** Award 1 mark for reference to cost of borrowing and 1 mark for reference to reward for lending. The cost of borrowing **(1)** and the reward for lending/saving **(1)** **OR** The cost of borrowing/the reward for lending/saving money **(1)** An interest rate is normally expressed as a % of the total borrowed/lent/saved **(1)**	**(2)**

Question Number	Answer	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference to the impact and 1 mark for development of the impact. The cost of borrowing has become cheaper **(1)** therefore more consumers take out loans to buy products **(1)**	**(2)**

Question Number	**Answer**	Mark
1(a)	**AO2 1 mark** The only correct answer is: **D** An airline cuts jobs during a global recession A is not correct because it is structural unemployment B is not correct because it is seasonal unemployment C is not correct because it is frictional unemployment	**(1)**

Question Number	**Answer**	Mark
1(b)	**AO1 1 mark** The only correct answer is: **B** devaluation A is not correct because this is caused by market forces C is not correct because this is an increase in the exchange rate D is not correct because this is an increase in the exchange rate caused by market forces	**(1)**

Question Number	What is meant by the term exports? **Answer**	Mark
1(c)	**AO1 2 marks** Award 1 mark for reference to goods and 1 mark for reference to being to another country The sale of goods or services **(1)** to another country **(1)** Accept any other appropriate response	**(2)**

Question Number	What does the International Labour Organisation (ILO) measure? **Answer**	Mark
1(a)	**AO1 1 marks** The only correct answer is: **B** Unemployment A is not correct because this is measured by a % change in GDP C is not correct because this is decided by the government D is not correct because this is measured by the CPI	**(1)**

Question Number	Which **one** of the following is considered to be a progressive tax in the UK? **Answer**	Mark
1(b)	**AO1 1 mark** The only correct answer is: **A** Income tax B is not correct because this is an indirect tax/regressive tax C is not correct because these are taxes on individual items D is not correct because a set percentage is paid	**(1)**

Question Number	What is meant by the term deregulation? **Answer**	Mark
1(c)	**AO1 2 marks** Award 1 mark for reference to removal and 1 mark for reference to government controls The removal **(1)** of government controls **(1)** Accept any other appropriate response	**(2)**

Question Number	Which type of unemployment would result from the permanent closure of a coal mine? **Answer**	Mark
2(a)	**AO1 1 mark** The only correct answer is: **C** Structural A is not correct because this occurs due to seasonal factors B is not correct because this is when people choose not to work D is not correct because this is caused by fluctuations in the economic cycle	**(1)**

Question Number	What would be the annual amount of interest earned on £7 000 of savings if the interest rate was 3% per annum? **Answer**	Mark
2(b)	**AO2 1 mark** The only correct answer is: **B** £210 A is not correct because this is calculated by £7000 x 0.003 C is not correct because this is calculated by £7000 - £210 D is not correct because this is calculated by £7000 + £210	**(1)**

Question Number	State **one** advantage of free trade. **Answer**	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** advantage • Lower prices • Increased choice for consumers • Wider markets for business Accept any other appropriate response	**(1)**

Question Number	A decrease in unemployment is likely to result in Answer	Mark
3(a)	**AO1 1 mark** The only correct answer is: **C** an increase in inflation A is not correct because tax revenues are likely to rise as more people have jobs/ firms are making more profit B is not correct because economic growth is likely to increase as more people are in employment D is not correct because relative poverty should decrease as more people have income from a job	**(1)**

Question Number	Which **one** of the following is a possible disadvantage of Foreign Direct Investment (FDI)? Answer	Mark
3(b)	**AO1 1 mark** The only correct answer is: **B** Greater environmental damage A is not correct because this is an advantage of FDI C is not correct because this is an advantage of FDI D is not correct because this is an advantage of FDI	**(1)**

Question Number	Explain **one** reason why an increase in the quality of foreign goods may have resulted in a negative impact on the US current account. Answer	Mark
3(c)	**AO2 3 marks** Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context • One reason is demand may have increased for imports **(1)** as consumers switch to imports rather than domestically produced goods as their quality has improved **(1).** This results in more money flowing out the country resulting in a negative impact on the current account deficit **(1)** Accept any other appropriate response.	**(3)**

Question Number	Which **one** of the following types of unemployment is caused by changes in the business cycle? **Answer**	Mark
2(b)	**AO1 1 marks** The only correct answer is: **D** Cyclical A is not correct because this occurs due to a mismatch between the skills and qualifications of workers and the requirements of available jobs B is not correct because this occurs due to seasonal changes in the demand for labour C is not correct because this occurs when workers are in between jobs or transitioning to a new career	**(1)**

Question Number	State **one** possible impact of a current account deficit. **Answer**	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** possible impact • Leakage from the economy • Problems finding foreign currency reserves to fund the deficit • Can be inflationary • Increasing unemployment • Falling output/GDP Accept any other appropriate response	**(1)**

Question Number	What is meant by the term fines? **Answer**	Mark
2(d)	**AO1 2 marks** Award up to 2 marks for a correct definition Financial penalties imposed on individuals or businesses **(1)** who break the law/disobey regulations **(1)** Accept any other appropriate response	**(2)**

Mark Scheme: June 2024
Paper 2: Macroeconomics and the Global Economy (4EC1/02R)

Question Number	Which **one** of the following is a disadvantage of multinational corporations (MNCs) operating in a country? **Answer**	Mark
1(a)	**AO1 1 mark** The only correct answer is: **D** Environmental damage A is not correct because MNCs invest in factories and capital equipment in other countries B is not correct because this is an advantage of MNCs C is not correct because MNCs often create new jobs when locating in another country	**(1)**

Question Number	Which **one** of the following describes voluntary unemployment? **Answer**	Mark
1(b)	**AO1 1 marks** The only correct answer is: **C** Unemployment caused by individuals choosing not to work A is not correct because this describes structural unemployment B is not correct because this describes cyclical unemployment D is not correct because this describes seasonal unemployment	**(1)**

Question Number	What is meant by the term monetary policy? **Answer**	Mark
1(c)	**AO1 2 marks** Award up to 2 marks for a correct definition Use of interest rates/money supply **(1)** to influence the level of overall demand in the economy **(1)** Accept any other appropriate response	**(2)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	Which **one** of the following is the calculation for the rate of unemployment in a country? **Answer**	Mark
2(a)	**AO1 1 mark** The only correct answer is: **B** Number of unemployed/Total labour force x 100 A is not correct because this calculates the labour force participation rate C is not correct because this calculates the employment rate D is not correct because this calculates the unemployment rate as a percentage of the total population	**(1)**

Question Number	Which **one** of the following is the most likely reason for increased globalisation? **Answer**	Mark
1(a)	**AO1 1 mark** The only correct answer is: **B** Lower transportation costs A is not correct because increasing these barriers would likely decrease globalisation by limiting international trade C is not correct because it is the increased significance of multinational corporations that contributes to globalisation D is not correct because this would make trade more expensive and less likely to occur	**(1)**

Question Number	What is likely to happen if a government successfully reduces unemployment? **Answer**	Mark
1(b)	**AO1 1 mark** The only correct answer is: **A** Inflation might rise as more people have money to spend B is not correct because employment growth is associated with higher output and economic growth C is not correct because more people have jobs and therefore more money to spend D is not correct because government spending on benefits would decrease as more people are now employed	**(1)**

Question Number	What is meant by the term trading bloc? **Answer**	Mark
1(c)	**AO1 2 marks** Award 2 marks for a correct definition A trading bloc is a group of countries that join together **(1)** to reduce/eliminate trade barriers between themselves **(1)** Accept any other appropriate response	**(2)**

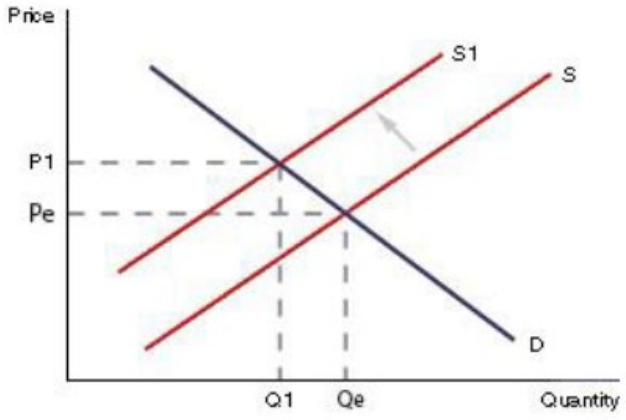
Question Number	Answer	Mark
1(a)	**AO1 1 marks** **C** free trade	**(1)**

Question Number	Answer	Mark
1(b)	**AO1 1 mark** **B** Invisible trade	**(1)**

Question Number	Answer	Mark
1(c)	**AO1 2 marks** Award 1 mark for reference to being willing and able and 1 mark for reference to unable to find employment People are willing and able to work/actively seeking work **(1)** but cannot find employment **(1)**. Accept any other appropriate responses.	**(2)**

Question Number	Answer	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference to decision and 1 mark for reference to not being both achievable The choice between two objectives **(1)**, where for one objective to increase the other must decrease **(1)**. Accept any other appropriate responses.	**(2)**

Question Number	Answer	Mark
1(e)	**A02 2 marks** Award 1 mark for showing the calculation. $\frac{8 \text{ million}}{72 \text{ million}} \times 100$ **(1)** Award 1 mark for the correct answer. = 11.11% **(1)** Award 2 marks if the rate of unemployment is correctly calculated as 11.11%, with percentage sign, even if no calculations are shown. Award 1 mark if correct answer is shown, but with no percentage sign, even with or without calculations. Do not award marks for the formula.	**(2)**

Question Number	Answer	Mark
1(f)	**AO2 3 marks** Award 1 mark for leftward shift of supply, labelled Award 1 mark for higher equilibrium price, labelled Award 1 mark for lower equilibrium quantity, labelled  	**(3)**

Question Number	Answer	Mark
4(a)	**AO2 2 marks** Award 1 mark for calculating the average rate of unemployment. $\frac{(4.8 + 4.6 + 4.3 + 2.9 + 3.0)}{5}$ **(1)** Award 1 mark for the correct answer. = 3.92% **(1)** Award 2 marks if the average percentage of 3.92% is accurately calculated with no workings shown Award 1 mark if correct answer is shown, i.e. 3.92 but with no percentage sign, even if no calculations are shown. Do not award marks for the formula.	**(2)**

Question Number	Calculate, to two decimal places, **the rate of unemployment** for Mexico in the third quarter of 2020. You are advised to show your working. **Answer**	Mark
4(a)	**AO2 2 marks** Award 1 mark for showing the calculation 2,769,491 x 100 **(1)** 51,011,033 = 5.43% **(1)** Award 2 marks if the unemployment rate is accurately calculated as 5.43% even if no calculations are shown Award 1 mark if correct answer 5.43 is shown, but with no % sign, with or without calculations Do not award marks for the formula	**(2)**

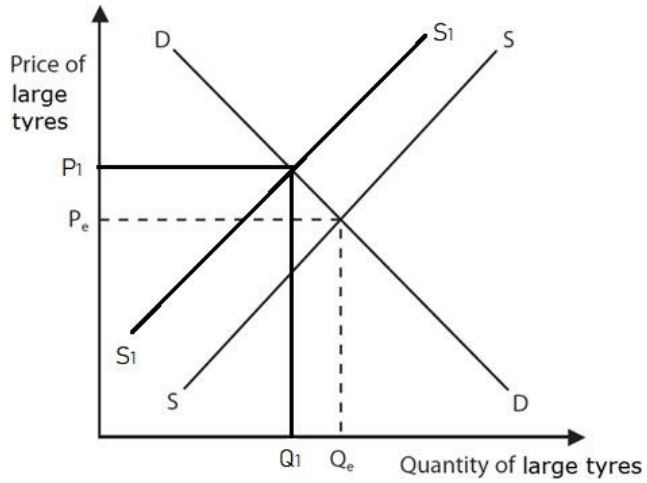
Question Number	Calculate, to two decimal places, the rate of unemployment in the Netherlands in December 2021. You are advised to show your working. Answer	Mark
4(a)	**AO2 2 marks** Award 1 mark for showing the calculation. 251,000 x 100 **(1)** 9,210,000 Award 1 mark for the correct answer. = 2.73% **(1)** Award 2 marks if the percentage change of 2.73% is accurately calculated with or without workings shown Award 1 mark if % is missing i.e. 2.73 with or without calculations shown Do not award marks for formula	**(2)**

Question Number	With reference to the data above and your knowledge of economics, analyse the possible impact of rising inflation on exports for a country such as the Netherlands. Indicative content	Mark
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Inflation is a sustained increase in the general price level in an economy • Figure 5 shows that inflation has steadily increased since January 2021 when it was 1.6% to 5.2% in November 2021 • This is a significant increase in the rate of inflation over a short period of time • Higher rates of inflation in the Netherlands could result in the rising price of its exports • This could result in lower demand for exports resulting in a negative impact on the current account • This could be the case if inflation rates are much lower in other countries compared to the Netherlands • Firms that export may struggle to survive with higher rates of inflation	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	Describe **one** role of the World Trade Organization (WTO). **Answer**	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference to the role and 1 mark for development of the role It helps to settle trade disputes between countries **(1)** by acting as a mediator to find a solution **(1)** Accept any other appropriate response	**(2)**

Question Number	Calculate, to two decimal places, the **rate of unemployment**. You are advised to show your working. **Answer**	Mark
1(e)	**AO2 2 marks** Award 1 mark for showing the calculation $\frac{(34 \text{ million} - 32 \text{ million})}{34 \text{ million}} \times 100$ **(1)** **OR** $\frac{2 \text{ million}}{34 \text{ million}} \times 100$ **(1)** Award 1 mark for the correct answer = 5.88% **(1)** Award 2 marks if the correct answer is 5.88% even if no calculations are shown Award 1 mark if the answer given is 5.88 even if no calculations are shown Do not award marks for the formula	**(2)**

Question Number	Using the diagram below, draw the effects of the introduction of the tariff on the equilibrium price and quantity of large tyres. Label the new curve, the new equilibrium price and the new equilibrium quantity. **Answer**	Mark
1(f)	**AO2 3 marks** Award 1 mark for a leftward shift of supply curve, labelled Award 1 mark for a higher equilibrium price, labelled Award 1 mark for a lower equilibrium quantity, labelled  	**(3)**

Question Number	Answer	Mark
1(g)	**AO2 3 marks** Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context • One reason is due to generous welfare benefits **(1)**. If a teacher is able to have a good standard of living on welfare benefits **(1)** then there is a disincentive to work at the current wage rates being offered in the education sector **(1)** • One reason is due to high rates of income tax **(1)**. If a person has to give a large proportion of earned income to the government **(1)** then there is less of an incentive to be employed as a teacher **(1)** Accept any other appropriate response	**(3)**

Question Number	**Answer**	Mark
2(e)	**AO2 3 marks** Award 1 mark for identifying a relevant impact Award 1 mark for developing the impact Award 1 mark for the response being in context • One impact is that direct tax revenues may increase **(1).** By having more workers in employment paying income tax **(1)** results in an increase in tax revenues for the German Government to spend in the economy **(1)** • One impact is that indirect tax revenues may increase **(1).** With more people in employment, demand for goods and services may increase **(1)**. Taxes such as VAT for the German Government can then be used for government expenditure **(1)** Accept any other appropriate response	**(3)**

Question Number	**Answer**	Mark
2(f)	**AO2 3 marks** Award 1 mark for identifying a reason Award 1 mark for developing the reason Award 1 mark for the response being in context • Some foreign-made toys may fail to follow requirements for product safety in the manufacturing process **(1).** This could result in unsafe toys being bought by UK consumers **(1).** The unsafe products may cause serious illness and even possibly death of a child **(1)** • The country of origin may have lower safety standards **(1).** The UK may have higher safety standards compared to other countries **(1).** This may have resulted in toys which are unsafe for UK consumers **(1)** Accept any other appropriate response	**(3)**

Question Number	State **one** effect on the balance of payments of improved quality of foreign goods. Answer	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** correct effect • Higher imports • Worsened balance of payments • Lower exports • Increased deficit • Worsened surplus Accept any other appropriate response	**(1)**

Question Number	What is meant by the term free trade? Answer	Mark
2(d)	**AO1 2 marks** Award 1 mark for reference to the import/export of goods and 1 mark for reference to not being taxed Goods/services coming into or going out of a country **(1)** which are not controlled/taxed **(1)** Accept any other appropriate response	**(2)**

Question Number	Explain **one** impact of rising unemployment on consumer confidence for a country such as Argentina. Answer	Mark
2(e)	**AO2 3 marks** Award 1 mark for identifying a relevant impact Award 1 mark for developing the impact Award 1 mark for the response being context • One impact is that consumer confidence is likely to fall **(1)**. High rates of unemployment of 10.1% may make consumers more cautious **(1)**. This can cause lower levels of consumer spending **(1)** Accept any other appropriate response	**(3)**

Question Number	Explain **one** reason why the reduced cost of communication has helped to increase globalisation. Answer	Mark
2(f)	**AO2 3 marks** Award 1 mark for identifying a possible reason Award 1 mark for developing the reason Award 1 mark for the response being in context • One reason is the internet makes it cheaper to communicate with other overseas markets **(1)**. Many small firms are able to use e-commerce marketplaces such as Alibaba **(1)**. This allows firms of all sizes to sell to a wider geographical area/trade globally **(1)** • One reason is that you do not need face to face meetings **(1)**. The internet allows for communication via videoconferencing/online meetings **(1)**. These improvements in communication links mean it is easier for international businesses to interact **(1)** Accept any other appropriate response	**(3)**

Question Number	**Answer**	Mark
2(d)	**AO1 2 marks** Award 1 mark for reference to the components of fiscal policy and 1 mark for reference to (aggregate) demand Decisions about government spending, taxation and borrowing **(1)** that affect (aggregate) demand in the economy **(1)** Accept any other appropriate response	**(2)**

Question Number	**Answer**	Mark
2(e)	**AO2 3 marks** Award 1 mark for identifying a relevant impact Award 1 mark for developing the impact Award 1 mark for the response being in context • One impact is that business confidence is likely to fall **(1)**. High rates of unemployment of 44% may make businesses more cautious **(1)**. This is because there will be fewer people able to purchase goods/services from firms **(1)** Accept any other appropriate response	**(3)**

Question Number	Explain **one** reason why some people in the tourism sector might suffer from seasonal unemployment in a country such as France. **Answer**	Mark
1(g)	**AO2 3 marks** Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context • One reason is that workers are only required for certain times of the year **(1).** Tourist attractions/holiday resorts will require more workers during the holiday season **(1).** Seasonal workers are no longer needed when the holiday season ends so are therefore seasonally unemployed **(1)** Accept any other appropriate response	**(3)**

Question Number	Analyse the benefits of a current account surplus for a country such as Australia. **Indicative content**	Mark
1(h)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • A current account surplus means an economy is exporting a greater value of goods and services than it is importing • Australia's current account surplus was $18.1bn in December 2020 • Australia's current account surplus benefits the country in terms of employment as higher export sales help to create jobs • This encourages economic growth and a higher GDP • This is likely to result in a higher standard of living for people living in Australia • Australia's current account surplus will mean that it will have surplus foreign exchange it can use to invest in other countries	**(6)**

Question Number	Explain **one** likely impact on UK tax revenue from rising unemployment rates. **Answer**	Mark
3(c)	**AO2 3 marks** Award 1 mark for identifying a relevant impact Award 1 mark for developing the impact Award 1 mark for the response being in context • One impact is that direct tax revenues may decrease **(1)**. Unemployed workers will have to rely on benefits **(1)** this means they do not pay income tax resulting in less tax revenue **(1)** • One impact is that indirect tax revenues may decrease **(1)**. With fewer people in employment, spending on goods/services may decrease **(1)** resulting in less tax for the UK Government **(1)** Accept any other appropriate response	**(3)**

Question Number	Analyse how business activity can damage the environment in a country such as Chile. **Indicative content**	Mark
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Mining for lithium can cause many different types of pollution • These may include visual, noise, air and water pollution from the operation of the mines • Mining requires large amounts of water to process the lithium • This could result in a reduction of water in lakes so there is less water available for humans, wildlife and agriculture • This can cause damage to the local area from using so much water • Mining can result in large holes being dug which creates a visual impact for people in Chile • Roads might have to be built to transport the lithium from the mines to market, creating additional noise and air pollution for the people of Chile	**(6)**

Question Number	Which **one** of the following is an advantage of pollution permits? **Answer**	Mark
3(a)	**AO1 1 mark** The only correct answer is: **B** They reduce overall pollution by setting emission limits A is not correct because pollution permits are designed to cap emissions at a certain level C is not correct because firms must adhere to the limits set by pollution permits or face penalties D is not correct because pollution permits encourage the use of clean energy to reduce the need for permits	**(1)**

Question Number	An economy has a national output of €300bn and its current account deficit is €15bn. What is the current account deficit as a percentage of national output? **Answer**	Mark
3(b)	**AO2 1 mark** The only correct answer is: **C** 5% A is not correct because this is €15bn/€300bn B is not correct because this is €300bn - €15bn/100 D is not correct because this is €300bn/€15bn	**(1)**

Question Number	Explain **one** reason why some people might suffer from structural unemployment in a country such as China. **Answer**	Mark
3(c)	**AO2 3 marks** Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context • One reason is having the wrong skills **(1).** Young graduates have skills for higher skilled jobs rather than lower skilled jobs **(1)** therefore they cannot find jobs that match their qualifications **(1)** Accept any other appropriate response	**(3)**

Question Number	Indicative content	Mark
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Unemployment represents a loss of output and therefore less GDP for a country • This could reduce standards of living for the population and increase poverty in the long run • The government will receive less tax revenue as there will be fewer workers in employment paying direct and indirect taxes • The government will have to pay out more in unemployment benefits to support the unemployed person whilst they are looking for a job • There is great pressure on the unemployed person as unemployment can cause social problems such as stress and health-related problems	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	Indicative content
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Unemployment occurs when people of working age are able and willing to work but cannot find employment • The different regional rates could indicate that the UK is suffering from structural unemployment in the different regions • The rates of unemployment are highest in places such as the North of England (4.8%) and the Midlands (4.6%) • The UK has suffered from a decline in the secondary sector of the economy and has moved more towards tertiary • There could be a lack of skills and experience amongst the unemployed making it harder to find employment in certain areas of the UK • This therefore has resulted in different rates of unemployment in different parts of the UK

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Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	Indicative content	Mark
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Recession is when GDP falls for two consecutive quarters • During a recession there is a decline in consumption and investment • There is often a loss of confidence which makes consumers buy fewer goods and services • Lower consumption of goods and services results in some firms requiring fewer workers • Manufacturers may cut back on recruitment and/or the number of employees in reaction to falling orders • Overall, the unemployment rate rises in a recession	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	**1–2**	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	**3–4**	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	**5–6**	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	Analyse the impact of rising unemployment rates on business confidence for a country such as India. **Indicative content**	Mark
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Unemployment is when those actively seeking work are unable to find a job • Figure 5 shows that unemployment has steadily risen from a low of 3.4% in July 2017 to 23.5% in April 2020 • This huge increase could reduce business confidence because unemployment is often linked to income and spending • As more people are reliant on unemployment benefits for their income, demand for many goods and services will fall which has a negative effect on firms • Firms require fewer workers to make goods and services which can increase unemployment further • Consumer confidence falls which in turn affects businesses which then become less confident about the future	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
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Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	Explain **one** possible benefit of a fiscal surplus for a country such as Portugal. **Answer**	Mark
1(g)	**AO2 3 marks** Award 1 mark for identifying a relevant benefit Award 1 mark for developing the benefit Award 1 mark for the response being in context • One benefit is that Portugal can spend more money on public services **(1).** Investing more in these sectors can lead to better schools and hospitals **(1)** therefore improving the quality of life for its citizens. **(1)** Accept any other appropriate response	**(3)**

Question Number	With reference to the data above and your knowledge of economics, analyse the impact of a recovery on unemployment for a country such as Greece. **Indicative content**	Mark
1(h)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Firms might start hiring more people because they need more workers to meet the demand for their products or services reducing unemployment levels in Greece • Economic recovery often encourages entrepreneurs to start new businesses • These new firms will need employees, creating more jobs and increasing overall employment levels in Greece • When the economy is doing well, both firms and consumers feel more confident • Firms are more likely to invest in new projects or expand, needing more workers • Consumers spend more which can lead to more jobs in retail, services and other sectors	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
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Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	Indicative content	Mark
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Unemployment occurs when people of working age who are both willing and able to work cannot find a job • High levels of unemployment such as 27.7% will result in lower GDP as a large part of the workforce will be unproductive • There will be a much greater burden on the government to provide benefits to the unemployed • At the same time tax revenues will be lower meaning less is available to spend elsewhere • The government may have to provide more education and training schemes, especially for young people as 60.3% of young people have never had a job • There may be an increase in poverty within the country as unemployed workers have no income apart from benefits from the South African government **AO4** • However, high rates of unemployment may help some firms compete • Some firms within South Africa may find it easier to recruit from a larger pool of workers due to the 27.7% unemployment rate • Some firms may see a reduction in labour costs if there are high levels of unemployment due to fewer wage demands • The overall impact will depend upon the type of unemployment, the duration and the state of the economy in South Africa	**(9)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question Number	Indicative content
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Seasonal workers are employed at particular times of the year when demand for labour is higher than usual • Seasonal employment is often associated with industries such as agriculture, tourism and construction • The New Zealand Government could use supply-side policies to try and encourage the recruitment of more seasonal workers into the kiwifruit industry • This can be done by offering financial incentives to firms for training and hiring the long term unemployed in the area to work on the kiwifruit farms • The New Zealand Government could ensure that there are lower income tax rates to encourage working rather than relying on welfare benefits • The New Zealand Government may offer financial incentives for the kiwifruit growers to invest in more capital intensive farming methods which remove the need for labour **AO4** • However, supply-side policies can take a very long time to be effective • Training and the hiring of new workers may take a long time and the industry needs 1,200 workers immediately to pick the remaining 70% of the crop • Many workers may prefer to remain unemployed due to the seasonal nature of the industry, preferring more stable employment • There is a financial cost to the government of offering any incentives to the kiwifruit industry which could be spent on other areas of the economy • It could be argued that the shortage of workers should be resolved by the kiwifruit industry rather than the government and the shortage could be due to poor wages or working conditions

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question Number	With reference to the data above and your knowledge of economics, assess the impact of rising unemployment rates in the North East of England. Indicative content	Mark
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Unemployment occurs when people of working age who are both willing and able to work cannot find a job • Rising levels of unemployment such as 5.3% will result in lower economic growth as a large part of the workforce will be unproductive in the North East of England • There will be a much greater burden on the UK Government to provide benefits to the unemployed in the region • At the same time tax revenues in the North East will be lower meaning less is available to spend elsewhere • The UK Government may have to provide more education and training schemes to help people enter employment • There may be an increase in relative poverty within the region as unemployed workers have no income apart from benefits from the UK Government **AO4** • However, high rates of unemployment may help some firms compete • Some firms within the North East may find it easier to recruit from a larger pool of workers due to the 5.3% unemployment rate • Some firms may see a reduction in labour costs if there are high levels of unemployment due to fewer wage demands • The number of people claiming benefits did in fact fall indicating that perhaps the rise in the unemployment rate was due to voluntary unemployment • Therefore the impact might not as be as severe if this was the case • The overall impact will depend upon the type of unemployment, the duration and the state of the economy in the North East of England	**(9)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question Number	With reference to the data above and your knowledge of economics, assess the possible benefits of low unemployment rates on tax revenues for a country such as Australia. **Indicative content**	Mark
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Unemployment rate is a measure of the percentage of the total labour force that is currently unemployed and actively seeking employment • Figure 4 shows that the rate of unemployment has steadily fallen from a high of 4.2% in January to 3.4% in November 2022 • If Australia's employment increases by 64,000, tax revenue from newly employed workers could increase • More indirect taxes such as VAT will be collected because additional people will be spending money in the economy • This could be used by the Australian Government in the economy to improve standards of living • Higher tax revenues will make it easier for the Australian Government to finance spending on other projects such as public services • The Australian Government has more flexibility to lower taxes elsewhere if more people are employed and tax revenue from income rises **AO4** • However, low unemployment might not result in higher tax revenue for the Australian Government • If many of the workers are employed in low-wage jobs, they may not contribute as much in tax revenue • If there is a significant informal economy or tax evasion, tax revenue might be lost • If tax rates are too low or there are too many tax exemptions, tax revenue may not increase as much as expected • The Australian economy could see an increase in cost-push inflation as firms compete for the same workers by offering higher wages due to labour /lack of immigration • Inflation could reduce tax revenues by reducing consumer spending • The overall impact will depend on how long unemployment remains low	**(9)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question Number	With reference to the data above and your knowledge of economics, assess how a recovery may affect unemployment for a country such as China. **Indicative content**	Mark
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • The recovery phase follows a recession and is marked by an increase in economic activity • As Chinese firms begin to recover from the downturn, they may increase production and hire more workers, particularly in the services and construction sectors, to meet the rising demand for goods and services • This can lead to an increase in job creation and a decrease in unemployment • During the recovery phase consumer confidence may increase leading to higher consumer spending and further stimulating economic growth • This can also lead to increased job creation as Chinese firms respond to the higher demand for their products or services • As the Chinese economy improves and consumer demand increases, there may be more opportunities for individuals to start their own firms and create jobs for themselves and others **AO4** • However, there are also potential challenges to job creation during the recovery phase • Chinese firms may be hesitant to hire new workers if they are concerned about the sustainability of the recovery or uncertain about future economic conditions • The 5% economic growth target might not be achieved and some analysts expect the growth in exports to be temporary • During the recovery phase, firms may take advantage of the improving economic conditions to invest in new technologies or automation that could replace some jobs with machines • This could lead to job losses in certain sectors or industries • Some sectors of the Chinese economy may recover more slowly than others so unemployment may not fall in all sectors of the economy	**(9)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question Number	With reference to the data above and your knowledge of economics, assess the possible impact of the introduction of AI on the levels of structural unemployment. **Indicative content**	Mark
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Structural unemployment is caused by a mismatch between the skills that workers in the economy can offer and the skills demanded of workers by employers • In the case of the introduction of AI, this could be caused by the introduction of new technology • AI can perform repetitive and routine tasks more efficiently and accurately than humans • As a result, jobs that involve tasks like data entry, basic coding or even certain aspects of journalism may be automated, leading to the replacement of workers in these industries • This can contribute to higher levels of structural unemployment rates among workers in these types of job roles which can be seen in the planned job cuts at IBM and BT • Some workers may not have the necessary skills for the new jobs being created in the AI and technology sector resulting in an increase in structural unemployment **AO4** • However, while AI can eliminate certain jobs, it can also create new job opportunities • For example, the development, maintenance and running of AI systems require skilled IT professionals • New industries and job roles related to AI and technology may emerge potentially absorbing some of the unemployed workers • AI can boost productivity and efficiency in various sectors potentially leading to economic growth • A growing economy can create more job opportunities in non-routine and creative roles that are less susceptible to AI • AI and new technology have enabled an increase in remote work/working from home which can expand job opportunities for individuals	**(9)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question Number	Answer	Mark
3(a)	**AO1 1 mark** **A** Trade in goods	**(1)**

Question Number	Answer	Mark
3(b)	**AO1 1 mark** **B** Dumping	**(1)**

Question Number	Answer	Mark
3(c)	**AO2 3 marks** Award 1 mark for identifying a method of government intervention. Award 1 mark for developing the method. Award 1 mark for the response being in context. • Use of taxation **(1)** A tax on polluting goods such as cars increases the cost to the consumer **(1)** There should be a reduction in car use and less pollution created **(1)** • Use of subsidies **(1)** The government could subsidise the manufacture of solar panels **(1)** This encourages consumers to switch to renewable energy reducing pollution from fossil fuels **(1)** Accept any other appropriate response.	**(3)**

Question Number	Answer	Mark
3(a)	**AO1 1 mark** **A** an invisible import	**(1)**

Question Number	Answer	Mark
3(b)	**AO1 1 mark** **D** Value added tax	**(1)**

Question Number	Answer	Mark
3(c)	**AO2 3 marks** Award 1 mark for identifying a way Award 1 mark for developing the way Award 1 mark for the response being in context • Through progressive taxation **(1)**, higher income earners pay a larger proportion of their income in tax **(1)**. The government can redistribute this to lower income earners in the country reducing inequality and poverty **(1)** • Through government investment in education **(1)**, human capital can be improved **(1).** This may result in a person being able to get a job in the future reducing inequality and poverty **(1)** Accept any other appropriate response	**(3)**

Question Number	**Answer**	Mark
2(a)	**AO1 1 mark** The only correct answer is: **B** Higher exports A is not correct because this is likely to increase inflation C is not correct because this is likely to create employment D is not correct because this is decided by the government	**(1)**

Question Number	**Answer**	Mark
2(b)	**AO1 1 mark** The only correct answer is: **C** Relative poverty A is not correct because this is not having the means to survive B is not correct because this describes the range of incomes in an economy D is not correct because this refers to the disincentive effect of benefit payments	**(1)**

Question Number	**Answer**	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** correct effect • Lower demand for imports • Improved balance of payments • Higher demand for exports • Reduced deficit • Improved surplus Accept any other appropriate responses	**(1)**

Question Number	Which **one** of the following describes a role of the World Trade Organization (WTO)? **Answer**	Mark
2(b)	**AO1 1 mark** The only correct answer is: **A** Help with trade negotiations B is not correct because this is not carried out by the WTO C is not correct because the WTO does not offer financial assistance to any countries D is not correct because the WTO does not get involved in exchange rate fluctuations	**(1)**

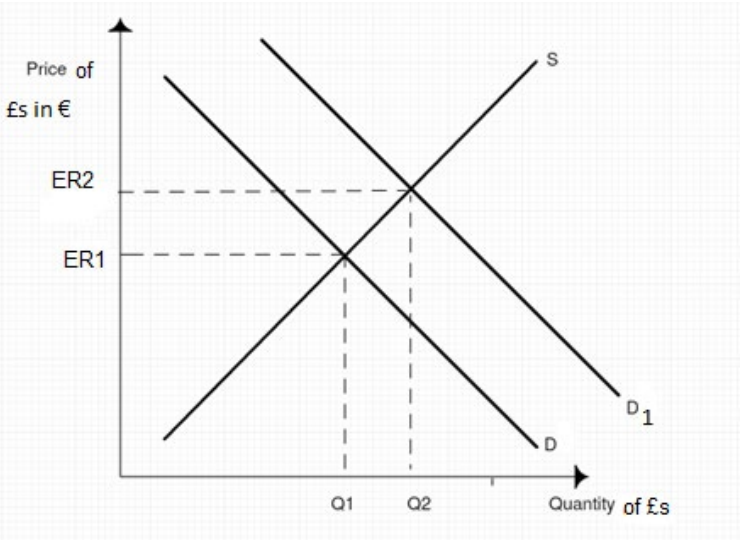
Question Number	State **one** possible reason for a current account surplus. **Answer**	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** possible reason • Improving quality of domestic goods • Poorer quality of foreign goods • Lower price of domestic goods • Higher price of foreign goods • Depreciating exchange rate • Value of exports is greater the value of imports Accept any other appropriate response	**(1)**

Question Number	What is meant by the term relative poverty? **Answer**	Mark
2(d)	**AO1 2 marks** Award up to 2 marks for a correct definition The standard of living is below **(1)** the typical average living standards in that society **(1)** Accept any other appropriate response	**(2)**

Question Number	Which **one** of the following is a feature of being a member of a trading bloc? **Answer**	Mark
3(a)	**AO1 1 mark** The only correct answer is: **D** Access to a larger market within the bloc A is not correct because there is generally the reduction or elimination of tariffs among member countries B is not correct because delivery times might be faster with more integration within the trading bloc C is not correct because members can trade with any country outside of the trading bloc	**(1)**

Question Number	What is the **visible trade balance** in $bn for the country? **Answer**	Mark
3(b)	**AO2 1 mark** The only correct answer is: B $60bn A is not correct because this is $80bn- $50bn C is not correct because this is ($300bn + $80bn) - ($240bn + $50bn) D is not correct because this is $300bn−$50bn	**(1)**

Question Number	Answer	Mark
1(e)	**A02 2 marks** Award 1 mark for showing the calculation Award 1 mark for the correct answer 271.7 + (-22.4) **(1)** = €249.3bn **(1)** Award 2 marks if the correct answer is shown, with euro symbol, even if no calculations are shown Do not award marks for formula	**(2)**

Question Number	Answer	Mark
1(f)	**AO2 3 marks** Award 1 mark for right shift of demand curve, labelled Award 1 mark for higher equilibrium price, labelled Award 1 mark for higher equilibrium quantity, labelled  	**(3)**

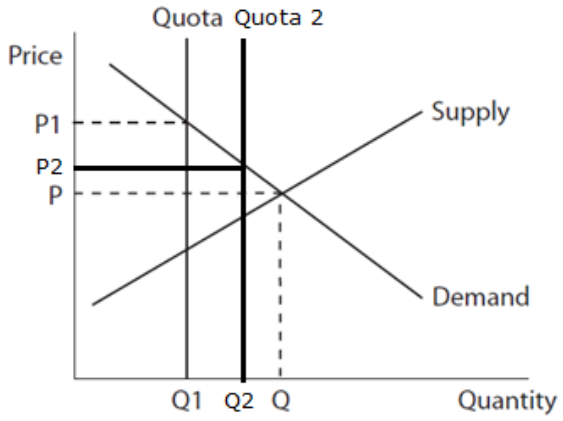
Question Number	**Answer**	Mark
1(a)	**AO1 1 marks** The only correct answer is: **D** operates in more than one country A is not correct because shareholders may just be from one country B is not correct because MNCs may not necessarily export goods C is not correct because MNCs are owned by private investors and this would be a nationalised company	**(1)**

Question Number	**Answer**	Mark
1(b)	**AO1 1 mark** The only correct answer is: **A** Interest rate B is not correct because this would reduce disposable income meaning less saving C is not correct because this would make imports cheaper and encourage spending D is not correct because this would increase the price of goods meaning less saving	**(1)**

Question Number	What is meant by the term imports? **Answer**	Mark
1(c)	**AO1 2 marks** Award 1 mark for reference to goods and 1 mark for reference to being from another country The purchase of goods or services **(1)** from another country **(1)** Accept any other appropriate response.	**(2)**

Question Number	Describe one reason why governments make benefits payments. **Answer**	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference to reducing poverty and 1 mark for reference to helping to meet basic needs Reduce poverty/inequality in a country **(1)** by making benefit payments to assist with meeting basic needs **(1)** Accept any other appropriate response.	**(2)**

Question Number	Using the data in Figure 1, calculate in £bn, the current account for the UK year ending July 2019. You are advised to show your working. **Answer**	Mark
1(e)	**A02 2 marks** Award 1 mark for showing the calculation £646.7bn - £689.9bn **(1)** Award 1 mark for the correct answer = -£43.2bn **(1)** Award 2 marks if the correct answer of -£43.2bn is shown, with pound (£) symbol, even if no calculations are shown Award 1 mark if -43.2bn is shown, but with no £ sign, with or without calculations shown Do not award marks for formula	**(2)**

Question Number	Using the diagram below, draw the effects of the introduction of a new quota on the equilibrium price and quantity of haddock. Label the new curve, the new equilibrium price and new equilibrium quantity. **Answer**	Mark
1(f)	**AO2 3 marks** Award 1 mark for rightward shift of perfectly inelastic supply curve, labelled Award 1 mark for lower equilibrium price, labelled Award 1 mark for higher equilibrium quantity, labelled  **Figure 2**	**(3)**

Question Number	What is meant by the term current account surplus? Answer	Mark
2(d)	**AO1 2 marks** Award 1 mark for reference to value of exports and 1 mark for reference to exceeding value of imports When the value of exports **(1)** exceeds the value of imports **(1)** Accept any other appropriate response.	**(2)**

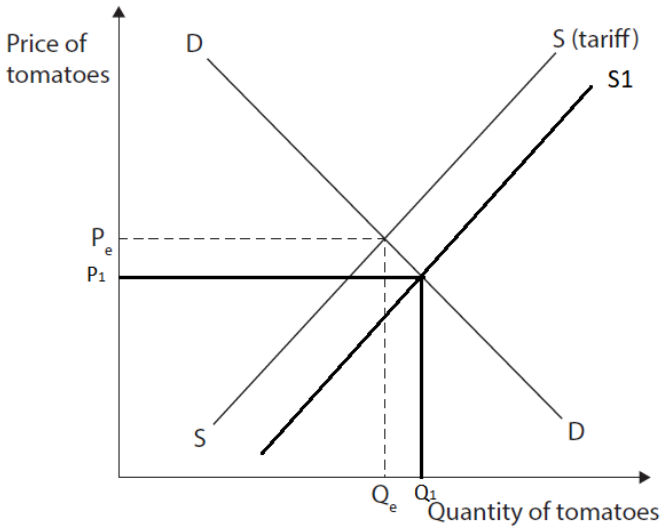
Question Number	Explain **one** impact education and training may have on inequality and poverty. Answer	Mark
2(e)	**AO2 3 marks** Award 1 mark for identifying a relevant impact Award 1 mark for developing the impact Award 1 mark for the response being in context • One impact is that it can reduce inequality and poverty **(1).** Training and education can provide new skills for young people **(1)**. Therefore, they are more likely to be able to gain employment/income **(1)** Accept any other appropriate response.	**(3)**

Question Number	Describe the impact on the demand for a currency after an increase in interest rates. Answer	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference an increase in demand and 1 mark for reference to investing savings/ rise in exchange rate There is likely to be an increase in demand for the currency **(1)** because foreign savers choose to put their savings in the bank with the higher rate of interest **(1)** Accept any other appropriate response	**(2)**

Question Number	Using the data in Figure 1, calculate in CAD$bn, the current account for Canada for the year ending 2020. Answer	Mark
1(e)	**AO2 2 marks** Award 1 mark for showing the calculation CAD$524bn - CAD$561bn **(1)** Award 1 mark for the correct answer = -CAD$37bn **(1)** Award 2 marks if the correct answer of -CAD$37bn is shown even if no calculations are shown Award 1 mark if -37bn is shown, but with no CAD$ sign, with or without calculations shown Do not award marks for formula	**(2)**

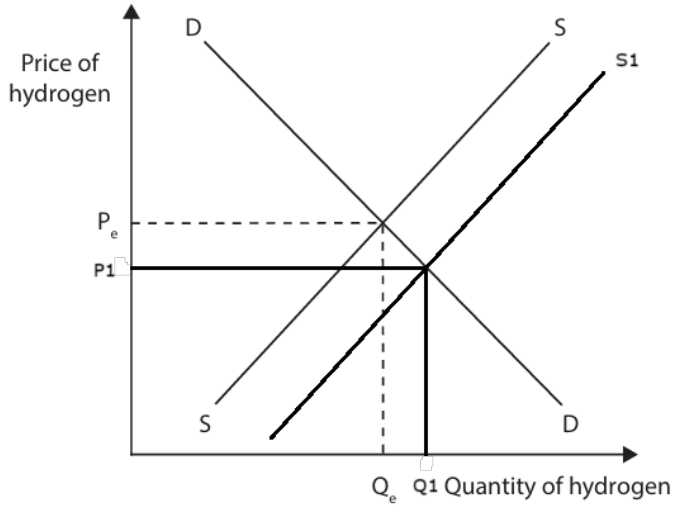
Question Number	Describe the impact of a reduction in the cost of communication on globalisation. **Answer**	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference to the impact and 1 mark for the development of the impact One impact is an increase in globalisation **(1)** because firms can communicate/trade with each other more easily **(1)** Accept any other appropriate response	**(2)**

Question Number	Calculate the **invisible trade balance** in $bn for the country. You are advised to show your working. **Answer**	Mark
1(e)	**A02 2 marks** Award 1 mark for export of services – import of services $26bn - $16bn **(1)** Award 1 mark for the correct answer = $10bn **(1)** Award 2 marks if the correct answer is $10bn even if no calculations are shown Award 1 mark if the answer given is 10 even if no calculations are shown Do not award marks for the formula.	**(2)**

Question Number	Using the diagram below, draw the effects of the removal of the tariff on the equilibrium price and quantity of tomatoes in India. Label the new curve, the new equilibrium price and the new equilibrium quantity. **Answer**	Mark
1(f)	**AO2 3 marks** Award 1 mark for a rightward shift of the supply curve, labelled Award 1 mark for a lower equilibrium price, labelled Award 1 mark for a higher equilibrium quantity, labelled  **Figure 2**	**(3)**

Question Number	Describe **one** impact on consumers of an increase in interest rates. **Answer**	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference to the impact and 1 mark for the development of the impact One impact is that the cost of borrowing becomes more expensive **(1)** therefore fewer consumers take out loans to buy products **(1)** Accept any other appropriate response	**(2)**

Question Number	Calculate the **visible trade balance** in €bn for the country. You are advised to show your working. **Answer**	Mark
1(e)	**A02 2 marks** Award 1 mark for export of goods – import of goods €150bn - €120bn **(1)** Award 1 mark for the correct answer = €30bn **(1)** Award 2 marks if the correct answer is €30bn even if no calculations are shown Award 1 mark if the answer given is 30bn even if no calculations are shown Do not award marks for the formula.	**(2)**

Question Number	Using the diagram below, draw the effects of the introduction of the subsidy on the equilibrium price and quantity of hydrogen in France. Label the new curve, the new equilibrium price and the new equilibrium quantity. **Answer**	Mark
1(f)	**AO2 3 marks** Award 1 mark for a rightward shift of the supply curve, labelled Award 1 mark for a lower equilibrium price, labelled Award 1 mark for a higher equilibrium quantity, labelled  	**(3)**

Question Number	Answer	Mark
1(g)	**AO2 3 marks** Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context • If the quality of domestically produced goods is poor compared to imported foreign goods **(1)** then fewer consumers will buy these goods **(1).** Imports are likely to increase which contributes to the current account deficit of $5.082bn **(1)**. • If domestically produced goods are of poor quality **(1)** then there is less chance of exporting these goods to other countries **(1)**. Exports are likely to fall which contributes to the current account deficit of $5.082bn **(1)**. Accept any other appropriate response.	**(3)**

Question Number	Explain one possible reason why a country such as Norway has a current account surplus. **Answer**	Mark
1(g)	**AO2 3 marks** Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context • One reason is because of high quality domestic goods **(1)**. High quality goods may increase the demand for exports **(1)** resulting in more money flowing into the country than flowing out **(1)** • One reason is because of the lower price of domestic goods **(1).** Lower prices for domestic goods may result in less demand for imported goods **(1)** resulting in less money flowing out of the country **(1)** Accept any other appropriate response.	**(3)**

Question Number	Explain **one** reason why an improvement in the quality of domestic goods may have resulted in a positive impact on Pakistan's current account. **Answer**	Mark
3(c)	**AO2 3 marks** Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context • One reason is that there may be increased demand for Pakistani exports **(1)** if consumers overseas prefer to buy better quality goods made in Pakistan **(1)**. This may have a positive impact on the current account of Pakistan if there is an overall increase in net exports **(1)** • One reason is that this may reduce the quantity of imports into Pakistan **(1)** as it is more advantageous to purchase better quality domestically produced goods rather than import from other countries **(1)**. This could result in a decrease in net imports **(1)** Accept any other appropriate response	**(3)**

Question Number	Analyse the benefits of investing in healthcare for a country such as China. **Indicative content**	Mark
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Healthcare provides medicines and medical treatments to increase the overall health of the nation • The social benefit of providing healthcare to an individual often exceeds the private benefit through immunisation programmes • Investing in healthcare means that illnesses can be treated quickly therefore improving life expectancy across all age groups in China • Low income households would not be able afford healthcare if the government did not pay for most (90%) of the cost - hence some may lose income from not being able to work • Having a healthier workforce reduces the amount of sickness absence and potentially improves labour productivity • This could result in economic growth and therefore help to improve standards of living in China • Healthcare also provides many jobs for healthcare workers including nurses and doctors	**(6)**

Question Number	With reference to the data above and your knowledge of economics, analyse the disadvantages of free trade for UK firms. Indicative content	Mark
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Free trade is a situation in which goods and services coming into or going out of a country/trade area are not controlled or taxed • The UK has agreed to end 99% of tariffs on goods from Australia • Free trade means that UK firms are no longer protected from imports from Australia that once had tariffs applied to them • Free trade means that UK firms may face greater competition from firms in Australia • UK firms may have increased competition from cheaper, lower cost firms in Australia that may have lower wage costs compared to UK firms • This could result in falling sales for UK firms that might have higher labour costs compared to Australia	**(6)**

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	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	How many UK pounds (£) can be bought with $50 if the exchange rate is $1=0.75? **Answer**	Mark
3(a)	**AO1 1 mark** The only correct answer is: **B** £37.50 A is not correct because this is $75-£50 C is not correct because this is $50/£0.75 D is not correct because this is £0.75 x 100	**(1)**

Question Number	Which **one** of the following is a reason for this provision? **Answer**	Mark
3(b)	**AO1 1 mark** The only correct answer is: **C** To reduce damage to the environment A is not correct because parks increase the number of tourists B is not correct because parks increase property values in the area D is not correct because this increases the space for leisure and recreation	**(1)**

Question Number	Explain **one** reason why an increase in the price of imports may have had a positive impact on South Korea's current account. **Answer**	Mark
3(c)	**AO2 3 marks** Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context • One reason is demand may have decreased for imports **(1)** as consumers switch to cheaper domestically produced goods rather than imports **(1).** This means less money is flowing out of the country resulting in a positive impact on the current account **(1)** Accept any other appropriate response	**(3)**

Question Number	Answer	Mark
4(a)	**AO2 2 marks** Award 1 mark for calculating the tariff Award 1 mark for calculating the final selling price in ¥ for 2018 225 x 0.08 = 18 **(1)** 225 + 18 = ¥ 243 **(1)** Award 2 marks if the final selling price is accurately calculated, with ¥ symbol with no workings shown Do not award marks for the formula	**(2)**

Question Number	Indicative content	Mark
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • A current account surplus means an economy is exporting a greater value of goods and services than it is importing • China's current account has been in surplus with a high of over $900bn in January 2016 • China's current account surplus benefits the country in terms of employment as higher export sales help to create jobs • This encourages economic growth and a higher GDP • This is likely to result in a higher standard of living for China • China's current account surplus will mean that it will have surplus foreign exchange it can use to invest in other countries	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	Analyse the possible impact on Egypt of having a continuous current account deficit. **Indicative content**	Mark
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • A current account deficit is when the value of imports exceeds the value of exports • A continuous current account deficit indicates that Egypt is becoming increasingly dependent on imports over time, shown in Figure 4 • A current account deficit results in a leakage from the Egyptian economy and can threaten output and employment levels • This can reduce tax revenues for the Egyptian Government • Egypt might be struggling to sell goods and services and could reflect that domestic firms are not competitive in certain sectors of the economy • A continuous current account deficit could result in a depreciation in the exchange rate • If Egypt continues to have a current account deficit it may see its foreign currency reserves run low and it might be necessary to borrow	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	With reference to the data above and your knowledge of economics, evaluate the extent to which fiscal policy can be used to control inflation in a country such as Egypt. **Indicative content**	Mark
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • Fiscal policy is the use of government spending and taxation to affect macroeconomic objectives • Egypt could see demand-pull inflation due to increased economic growth and a reduction in unemployment rates • An increase in taxation through either direct or indirect taxation may result in reduced spending for consumers and businesses in Egypt as there is less disposable income available • This reduced spending puts less pressure on prices and therefore can help to control inflationary pressures within the Egyptian economy which increased to 6.3% in 2020 • In addition, lower government spending within the Egyptian economy may also have a downward effect on prices as government spending contributes to demand • Both measures may result in less demand-pull inflation within the Egyptian economy **AO4** • However, increasing indirect taxation rates may raise prices and may lead to further inflation • The extent to which it can control inflation will depend upon the type of inflation Egypt is experiencing • If inflation is cost-push due to the depreciation of the exchange rate caused by a continuous current account deficit, fiscal policy may not be effective • Demand is not totally dependent on levels of taxation and government spending and there are other factors that have an impact on inflation • Fiscal policy can therefore conflict with economic growth and employment macroeconomic objectives • There are other ways in which the Egyptian Government could try and control inflation including supply-side policies • These could help to reduce inflationary pressures by helping the Egyptian economy to produce more goods and services at all price levels	**(12)**

Question Number	Indicative content	Mark
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • A current account deficit occurs when the value of imports are greater than its exports • This could result in a leakage from the Indonesian economy as demand for imported goods replaced demand for domestically produced goods • This could result in an increase in unemployment and a fall in GDP in the long term • A current account deficit could indicate that there is less demand for exports which again could result in an increase in unemployment in Indonesia • There could be problems finding foreign reserves to fund the deficit as spending on imports is not being fully financed from export revenue **AO4** • However, this could result in higher standards of living as people have access to a wider range of good quality (cheaper) imports • The deficit could result in a fall in prices therefore reducing inflationary pressures in Indonesia • Over time there could be a fall in the exchange rate which could improve competitiveness for Indonesia's exports • Depends on the size and duration of the deficit as to the overall impact on the Indonesian economy	**(9)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	**1–3**	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	**4–6**	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	**7–9**	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question Number	Answer	Mark
2(a)	**AO2 1 mark** **B** Progressive	**(1)**

Question Number	Answer	Mark
2(b)	**AO1 1 mark** **D** Indirect taxes	**(1)**

Question Number	Answer	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** correct method. • taxation • subsidy • regulation • fines • pollution permits • government provision of parks Accept any other appropriate responses.	**(1)**

Question Number	What is meant by the term pollution permits? **Answer**	Mark
2(d)	**AO1 2 marks** Award 1 mark for reference to legal right and 1 mark for reference to limiting the amount of pollution They give firms the legal right **(1)** to discharge a certain amount of polluting material **(1)** Accept any other appropriate response	**(2)**

Question Number	Explain **one** way an airport can cause damage to the environment. **Answer**	Mark
2(e)	**AO2 3 marks** Award 1 mark for identifying a relevant way Award 1 mark for developing the way Award 1 mark for the response being in context • One way is noise pollution **(1).** Aircraft constantly landing and taking off **(1)** results in additional noise for the local residents who live close to the airport **(1)** • One way is air pollution **(1).** Fumes from aircraft landing and taking off **(1)** can cause poor air quality in the area around the airport **(1)** Accept any other appropriate response	**(3)**

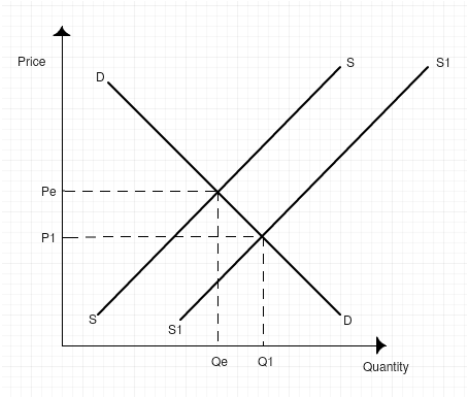
Question Number	Describe **one** way business activity can damage the environment. **Answer**	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference to a way and 1 mark for the development of the way One way is by air pollution **(1)** due to factories releasing large amounts of greenhouse gases into the air **(1)** Accept any other appropriate response	**(2)**

Question Number	Calculate the **total amount of revenue** in £bn raised by direct taxes in February 2023. You are advised to show your working. **Answer**	Mark
1(e)	**A02 2 marks** Award 1 mark for selecting direct taxes from the table £20bn + £7.6bn **(1)** Award 1 mark for the correct answer = £27.6bn **(1)** Award 2 marks if the correct answer is £27.6bn even if no calculations are shown Award 1 mark if £bn is missing i.e. 27.6 with or without calculations shown Do not award marks for the formula.	**(2)**

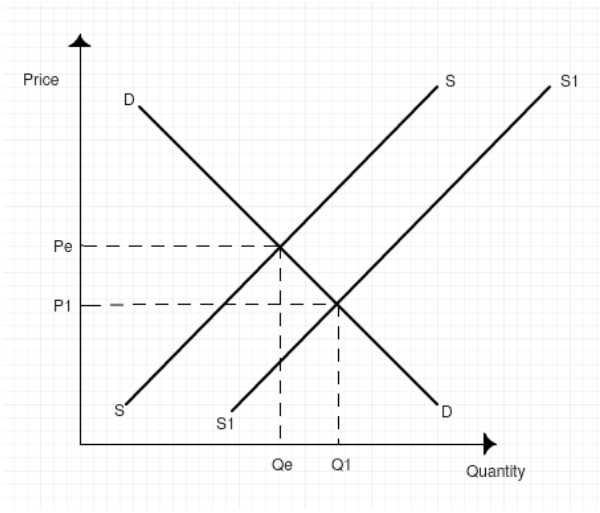
Question Number	Calculate, to two decimal places, the **percentage decrease** in the number of single-use plastic bags sold in the UK between 2021 and 2023. You are advised to show your working. **Answer**	Mark
4(a)	**AO2 2 marks** Award 2 marks for calculating the percentage change in single-use plastic bags sold in the UK $\frac{133 \text{ million} - 197 \text{ million}}{197 \text{ million}} \times 100$ **(1)** **OR** $\frac{-64 \text{ million}}{197 \text{ million}} \times 100$ = 32.49% **(1)** Award 2 marks if the correct answer is 32.49% even if no calculations are shown Award 1 mark if the answer given is 32.49 even if no calculations are shown No marks for formula	**(2)**

Question Number	With reference to the data above and your knowledge of economics, analyse how business activity can damage the environment in a country such as the UK. **Indicative content**	Mark
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Consumer spending can lead to significant environmental damage particularly as this accounts for 26% of emissions in the UK • When consumers purchase goods, such as food and clothes, firms have to use energy to make these goods often using fossil fuels • Fossil fuels pollute the air with the energy sector accounting for 17% of emissions in the UK • The production and transportation of goods cause air, water and noise pollution from factories and vehicles • For example, factories may release harmful chemicals into rivers and trucks carrying products release exhaust fumes into the air damaging the environment	**(6)**

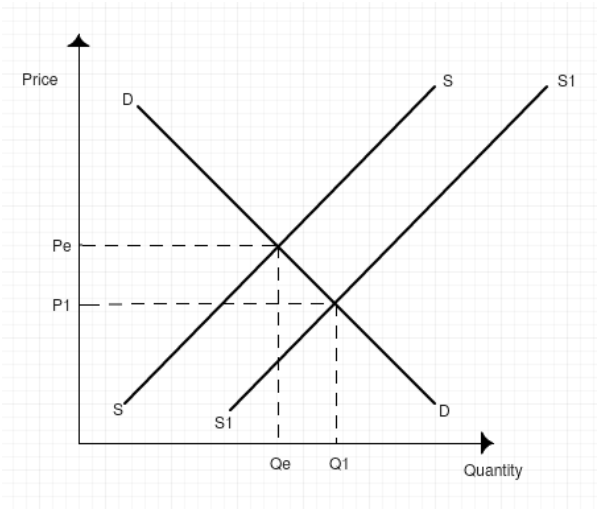
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	Using the diagram below, draw the likely effects of the introduction of a subsidy on the equilibrium price and quantity of new cars for families with three or more children. Label the new curve, the new equilibrium price and the new equilibrium quantity. Answer	Mark
1(f)	**AO2 3 marks** Award 1 mark for rightward shift of supply curve, labelled Award 1 mark for lower equilibrium price, labelled Award 1 mark for higher equilibrium quantity, labelled  	**(3)**

Question Number	Explain **one** benefit to the UK Government of providing parks. Answer	Mark
1(g)	**AO2 3 marks** Award 1 mark for identifying a relevant benefit Award 1 mark for developing the benefit Award 1 mark for the response being in context • One benefit is that national parks can protect a large area of land **(1)**. The Lake District National Park has over 12% of woodland that is protected **(1)**. Restrictions are in place to stop business activities that could damage the environment **(1)** • One benefit is that national parks can be used for recreational purposes **(1)**. Over 19.17 million people visited the Lake District National Park in 2018 **(1)** increasing tourism for local firms **(1)** Accept any other appropriate response	**(3)**

Question Number	Draw the effects of the introduction of a subsidy on the equilibrium price and quantity of renewable energy. Label the new curve, the new equilibrium price and the new equilibrium quantity. **Answer**	Mark
1(f)	**AO2 3 marks** Award 1 mark for rightward shift of supply, labelled Award 1 mark for lower equilibrium price, labelled Award 1 mark for higher equilibrium quantity, labelled  	**(3)**

Question Number	Explain the likely impact of a decrease in the UK interest rates on the UK pound. **Answer**	Mark
1(g)	**AO2 3 marks** Award 1 mark for identifying a relevant impact Award 1 mark for developing the impact Award 1 mark for the response being in context • One impact is that the currency will depreciate **(1).** It will become less attractive to deposit money in the UK **(1)**. Therefore, demand for the UK pound (£) will fall **(1)** Accept any other appropriate response.	**(3)**

Question Number	Using the diagram below, draw the effects of the introduction of a subsidy on the equilibrium price and quantity of electric vehicles. Label the new curve, the new equilibrium price and new equilibrium quantity. Answer	Mark
2(f)	**AO2 3 marks** Award 1 mark for rightward shift of supply, labelled Award 1 mark for lower equilibrium price, labelled Award 1 mark for higher equilibrium quantity, labelled  	**(3)**

Question Number	With reference to the data above and your knowledge of economics, assess the impact of infrastructure spending on the productive potential of a country such as the UK. Indicative content	Mark
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Infrastructure spending is an example of a supply-side policy • The productive potential of the UK economy may increase if the quality of its infrastructure is improved • The UK Government is investing in a wide range of projects including urban transport and the provision of broadband to hard-to-reach areas • This may help to increase geographical mobility as well as improve the distribution of goods/services • In the short term, building or upgrading transport can boost (aggregate) demand through increased construction activity and employment • In the long term, infrastructure investment can boost economic growth by attracting investment and increasing the potential supply capacity of an economy **AO4** • However, it can be argued that spending £130bn on its economic infrastructure may not be that effective in increasing the total output in the UK economy • It is unclear how the UK Government will fund this investment and it may have to borrow the additional finance and could result in a fiscal deficit • There is an opportunity cost of these investments with no guarantee that total output will increase in the long term • By nature, supply-side policies tend to take a very long time to work and infrastructure investments can be highly complex to manage • The overall impact on output will depend upon whether the planned spending can add to (aggregate) demand and (aggregate) supply	**(9)**

Question Number	Indicative content
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Taxation can be imposed on activities that damage the environment • Taxation is used to ensure consumers and producers pay the full social cost of producing a good or service • Increasing taxation on petrol and diesel fuel would substantially increase the price of fuel for road users which could reduce the amount of journeys taken by cars and other road vehicles • Increased taxation could also raise additional revenue for the UK Government • This could be used to finance pollution reduction schemes and improve air quality in the UK • Taxation provides a market incentive for firms and consumers to switch to alternative forms of transport that may not cause as much environmental damage

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Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

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Question Number	With reference to the data above and your knowledge of economics, analyse how regulations can help to protect the environment in a country such as the US. **Indicative content**	Mark
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Regulations are rules made by a government or other authority in order to control the way something is done or the way people behave • Regulations can help to prevent pollution by setting standards for firms and individuals to follow • For example, the CAA has set standards for environmental quality such as air quality standards in the US • These standards can limit the amount of pollutants that can be released into the environment by cars, trucks and buses therefore protecting the environment • Governments can enforce these regulations to ensure that firms and individuals comply with them • There are negative consequences for firms if they do not follow regulations so many firms do comply with them	**(6)**

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Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
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Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	With reference to the data above and your knowledge of economics, assess whether income tax is a reliable source of government revenue for a country such as Australia. **Indicative content**	Mark
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Income tax is levied on personal income • Income tax represents 47% of total revenue and is the largest source of revenue for the Australian Government • This can help to provide a stable and reliable source of revenue for the Australian Government allowing for effective budget planning and public service provision • Income tax revenue plays a critical role in funding essential public services such as healthcare, education, and social welfare programmes ensuring a high standard of living for Australian citizens • Australia's income tax system is progressive, meaning higher-income individuals pay a larger portion of their income in taxes • This helps reduce income inequality and promotes social equity **AO4** • However, income tax revenue can be dependent on how many workers are actively participating in the Australian economy and paying income tax • Income tax revenue could fall in times of recession or when there are high levels of unemployment restricting the amount available to the Australian Government for public services • Higher income tax rates can discourage work, investment, and entrepreneurship, potentially reducing economic growth and job creation • There are many other sources of revenue which are also reliable for the Australian Government • Sales tax contribute 14% towards the revenue received and relies on consumption rather than employment	**(9)**

Question Number	Indicative content	Mark
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • The report indicates that parks decrease health costs, through encouraging exercise and reducing air pollution • This reduces government expenditure on health care and improves the lives and productivity of the population • Parks and open spaces not only provide benefits to people but also protect wildlife and ecosystems within an urban area • Parks can be used for recreational purposes and a place for children to play which can reduce negative externalities for a government • Depending on their size, parks can bring in tourism revenue to local restaurants, hotels, snack shops, and stores • Parks can host festivals, concerts and athletics events, bringing additional boosts to the local economy **AO4** • However, there is an opportunity cost to the government in providing parks and open spaces • This area of land could be used for other purposes such as housing or for commercial development which may create jobs and increase output • There is a cost in creating and maintaining the park which must be funded by the government, as the park is free to use • The overall benefits will depend on how many people use the park and if there are alternative ways to protect the environment/reduce pollution such as pollution permits, regulation or fines	**(9)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question Number	Indicative content
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • The use of regulation could be an effective way to reduce usage especially as the fine of AUS$5 000 is very high • This could stop retailers issuing plastic bags to customers thereby reducing the chance of plastic bags ending up in litter • Most consumers and retailers will want to follow the regulations and will therefore not use plastic bags • This is supported by the Environment Minister who states that this is a popular policy with many people **AO4** • However, banning plastic bags by regulation and issuing fines does not mean its consumption will completely reduce demand • The plastic bags have been banned since 2018 but no fines have been given out for using the plastic bags • The effectiveness will also depend upon shoppers reporting retailers for giving out plastic bags • There needs to effective policing of the ban for it to work properly

Level	Mark	Descriptor
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Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
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Question Number	With reference to the data above and your knowledge of economics, assess the use of taxation to protect the environment in a country such as Germany. Indicative content
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Taxation can be imposed on activities that damage the environment • Taxation is used to ensure consumers and producers pay the full social cost of producing a good or service • Increasing taxation from 7% to 19% would substantially increase the price of meat for consumers which may result in less demand for meat products • This would reduce the amount of greenhouse gas emissions caused by animals • Increased taxation could also raise additional revenue for the German Government • This could be used to finance other pollution reduction schemes or improve animal welfare • Taxation provides a market incentive for firms and consumers to switch to meat alternatives which may not cause as much environmental damage **AO4** • However, increasing taxes on meat may reduce incomes for farmers if demand falls for meat products • Increasing taxes on meat products may reduce the choice for consumers of what food they can afford, particularly low-income families • Demand for meat may be quite inelastic and an increase in tax may do little to reduce demand and therefore only marginally reduce the amount of pollution • There are other methods that might be more effective in protecting the environment, such as subsidies, fines or pollution permits • The German Government should use a combination of methods to protect the environment

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question Number	Assess the effectiveness of pollution permits in protecting the environment for a country such as the US. **Indicative content**	Mark
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Business activity can damage the environment as it has done in the US state of Colorado • Pollution permits are a market-based scheme aimed at reducing pollution and trying to encourage firms to reduce the quantity of pollution they create • Pollution permits involve giving firms such as power stations a legal right to pollute up to a certain amount • If a power station produces less pollution/waste it can sell its pollution permits to other power stations/firms • Permits create a financial incentive to pollute less because power stations can then sell their excess permits to other firms • It can be a good way to reduce pollution, using the incentives of the market **AO4** • However, in practice, pollution permits can be difficult to implement and it is difficult to know how many permits to give out to power stations/firms in Colorado • If the US Government is too generous in the level of pollution the permit allows, there will be little pollution reduction • If the US Government is too strict in the level of pollution the permit allows, power stations/firms may complain it adversely affects output because they cannot comply • There may be an incentive to cheat and hide the amount of pollution a firm creates. This could make the scheme ineffective • There are alternatives to pollution permits which may be more effective such as fining the power stations on the amount of waste produced • A combination of measures may be the most effective way to protect the environment	**(9)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
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Question Number	With reference to the data above and your knowledge of economics, assess the effectiveness of using fines to protect the environment in a country such as the UK. **Indicative content**	Mark
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Fines are a financial penalty when a firm breaks environmental laws • Thames Water has been fined £2.3m for polluting a stream in the UK • This will therefore have a negative effect on Thames Water's profits and provide an incentive to not pollute the environment in the future • It may also harm the public image of Thames Water and therefore result in lower investment in the firm • Fines act as a polluter pays principal and the money from the fine can be used to clear up environmental damage • Fines should therefore act as a financial incentive for firms to comply with environmental laws **AO4** • However, many firms continue to pollute despite fines being levied against them including Thames Water • Thames Water has already been fined £24.4m for nine other cases of water pollution demonstrating that this has had very little impact on the firm and its actions • In order for the fine to be effective, it must be large enough to ensure firms do not pollute • Thames Water made £513.4m operating profit in 2020 so the fine is quite small in comparison to its profits • This has led to a situation where the benefits from non-compliance far outweighs the potential fines for polluting • It can take many years for firms to be fined – it has taken over 5 years to bring Thames Water to court making fines a very ineffective way of protecting the environment	**(9)**

Level	Mark	Descriptor
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Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question Number	With reference to the data above and your knowledge of economics, assess the possible benefits for the US of giving subsidies for green technology. **Indicative content**	Mark
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Subsidies are payments by the government to suppliers that reduce their costs • Subsidies can be used to promote domestic green technology industries that are deemed important for economic and social objectives • The $369bn can be used to encourage the production of renewable energy in the US producing batteries, solar panels and wind turbines • Subsidies can be used to encourage exports, by making domestic goods such as solar panels, more competitive on the global market thereby reducing trade deficits • Subsidies can be used to protect domestic employment by supporting US industries that might otherwise struggle to compete with foreign rivals in China • It may help to create new factories and millions of jobs as well as in related industries, such as manufacturing and construction, if green technology firms are attracted to the US to take advantage of the subsidies **AO4** • However, subsidies may create a dependence on the US Government which can make it difficult for these projects to be self-sustaining in the long-term • Subsidies can be expensive for the US Government and may divert funds away from other important priorities • Subsidies may be allocated inefficiently and may not be targeted towards the most effective or innovative green technologies • There could be retaliation from the EU and the UK that are unhappy with these subsidies and they could offer their own subsidies to attract green technology firms away from the US • Therefore, this may make the use of subsidies an inefficient use of resources by the US Government	**(9)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question Number	Indicative content	Mark
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • Subsidies are given by a government to a producer to reduce the costs of production or to a consumer to reduce the price of consumption • The Estonian Government gives subsidies to public transport so that more people are able to use these services rather than cars • The Minister of Economic Affairs said that there has been an increase in 33% of people using the buses • Cheaper public transport has also reduced the number of cars and pollution in Estonia • The amount given to bus services has grown from €34.8m to €43.3m in 2019 which should encourage even more people to switch from cars to public transport reducing the environmental impact **AO4** • However, the Estonian Government will have to fund the public transport subsidies creating an opportunity cost • The money used to subsidise public transport could have been used elsewhere within the Estonian economy • Many people might argue that the Estonian Government should not be increasing the subsidy paid for air travel to €5.53m as this is a major cause of damage to the environment • There are other ways in which the government can protect the environment which may have less opportunity cost to the Estonian Government • Regulation through the use of laws and fines could be used to protect the environment which may have less of a financial burden upon the Estonian Government • Revenue from fines could be used to tackle some of the damaged caused by transport • The overall advantages will depend upon how much public transport contributes to environmental damage	**(12)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	**1–4**	• Demonstrates isolated elements of relevant knowledge and understanding; may lack development of relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Chain of reasoning may be attempted. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness. A judgement or conclusion is unlikely to be attempted (AO4).
Level 2	**5–8**	• Demonstrates partial selectivity and some accurate knowledge and understanding by developing some relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Chain of reasoning will be present but may be limited. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness. A judgement or conclusion is attempted, but may not be fully supported (AO4).
Level 3	**9–12**	• Demonstrates specific and accurate knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Chain of reasoning will be coherent and logical. Interpretation of economic information will be excellent with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness. A supported judgement or conclusion is present (AO4).

Question Number	Evaluate the effectiveness of increasing taxation on petrol and diesel to protect the environment in a country such as Vietnam. **Indicative content**	Mark
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • Taxation can be imposed on activities that damage the environment • Taxation is used to ensure consumers and producers pay the full social cost of producing a good or service • Up to 60,000 people died from air pollution and it reduces GDP by 5% per year • Increasing taxation by 33% on fuel would substantially increase the price of petrol and diesel for consumers which may result in less demand for transportation • This would reduce the amount of air pollution caused by the 3.6 million automobiles and 58 million motorbikes • Increased taxation could also raise additional revenue of $650.2m for the Vietnamese Government • This could be used to finance other pollution reduction schemes or to improve public transport • Taxation provides a market incentive for firms and consumers to switch to transport alternatives such as public transport which may not cause as much environmental damage **AO4** • However, increasing taxes on fuel reduces the income available to spend on other goods and services • Many of these journeys may be essential for getting to work or for delivering goods • Therefore demand for petrol and diesel may be quite inelastic and an increase in tax may do little to reduce demand and therefore only marginally reduce the amount of air pollution • The 33% increase in taxation is likely to result in an increase in inflation • The public transport in Vietnam might be unable to cope with additional passengers • There are other methods that might be more effective in protecting the environment, such as subsidies, fines or pollution permits • Phasing out polluting vehicles could be encouraged by providing subsidies for removing old cars from the road or for the purchase of electric vehicles • The Vietnamese Government should use a combination of methods to protect the environment	**(12)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	• Demonstrates isolated elements of relevant knowledge and understanding; may lack development of relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Chain of reasoning may be attempted. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness. A judgement or conclusion is unlikely to be attempted (AO4).
Level 2	5–8	• Demonstrates partial selectivity and some accurate knowledge and understanding by developing some relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Chain of reasoning will be present but may be limited. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness. A judgement or conclusion is attempted, but may not be fully supported (AO4).
Level 3	9–12	• Demonstrates specific and accurate knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Chain of reasoning will be coherent and logical. Interpretation of economic information will be excellent with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness. A supported judgement or conclusion is present (AO4).

Question Number	With reference to the data above and your knowledge of economics, evaluate how effective subsidies are in protecting the environment in a country such as Spain. Indicative content	Mark
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • Subsidies are grants given by a government to a producer to reduce the costs of production or to a consumer to reduce the price of consumption • The Spanish Government is giving over €6.9bn in subsidies to renewable energy sources which currently accounts for 47% of energy produced in Spain • Renewable energy sources such as wind and solar help to reduce negative externalities caused by fossil fuels • Therefore, using subsidies is an effective way to protect the environment in Spain due to the amount of wind and sun the country receives • It is sensible to harness this for energy use rather than generating energy by fossil fuels • The subsidies will help create over 280,000 jobs in the manufacturer of wind and solar technology positively contributing to the Spanish economy • This should encourage the production of energy from renewable energy sources reducing the environmental impact **AO4** • However, the Spanish Government will have to fund the renewable energy subsidies creating an opportunity cost • The money used to subsidise renewable energy could have been used elsewhere within the Spanish economy • Spanish Government is already running a large budget deficit • Subsidies may cause inefficiency in the firms that produce energy equipment • It depends on the amount of the subsidies as over 50% of the country's energy needs are still from non-renewable sources • There are other ways in which the government can protect the environment which may have less opportunity cost to the Spanish Government • Regulation through the use of laws and fines could be used to protect the environment and the revenue used to tackle the environmental damage • The overall effectiveness will depend upon how much energy production from fossil fuels contributes to environmental damage in Spain	**(12)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	• Demonstrates isolated elements of relevant knowledge and understanding; may lack development of relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Chain of reasoning may be attempted. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness. A judgement or conclusion is unlikely to be attempted (AO4).
Level 2	5–8	• Demonstrates partial selectivity and some accurate knowledge and understanding by developing some relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Chain of reasoning will be present but may be limited. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness. A judgement or conclusion is attempted, but may not be fully supported (AO4).
Level 3	9–12	• Demonstrates specific and accurate knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Chain of reasoning will be coherent and logical. Interpretation of economic information will be excellent with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness. A supported judgement or conclusion is present (AO4).

Question Number	With reference to the data above and your knowledge of economics, evaluate the effectiveness of using pollution permits to protect the environment of a country such as the Netherlands. Indicative content	Mark
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • Business activity can damage the environment as it has done in Ijmuiden in the Netherlands causing poor air quality in the area from dust • Pollution permits can be used as a market based scheme aimed at reducing pollution and trying to encourage firms to reduce the quantity of pollution they create • Pollution permits involve giving firms such as Tata Steel a legal right to pollute up to a certain amount • If a steelworks produces less pollution/waste than it is permitted to do so it can sell its pollution permits to other steel manufacturers • Permits therefore create a financial incentive to pollute less because firms such as Tata Steel can then sell their excess permits to other firms • It can be a good way to reduce pollution, using the incentives of the market **AO4** • However, in practice, pollution permits can be difficult to implement • It is difficult to know how many permits to give out to firms in the Netherlands • If the government is too generous in the level of pollution permits it issues to firms such as Tata Steel, there will be little pollution reduction • If the government is too strict in the amount of pollution permits it issues to firms such as Tata Steel it may complain it adversely affects output because they cannot comply and because Tata Steel is a major employer and provides many jobs, unemployment may rise • There are alternatives to pollution permits which may be more effective such as fining the steelworks on the amount of waste produced or using taxation which could then be used to tackle air pollution caused by the steelworks • A combination of measures may be the most effective way to protect the environment	**(12)**

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Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	• Demonstrates isolated elements of relevant knowledge and understanding; may lack development of relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Chain of reasoning may be attempted. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness. A judgement or conclusion is unlikely to be attempted (AO4).
Level 2	5–8	• Demonstrates partial selectivity and some accurate knowledge and understanding by developing some relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Chain of reasoning will be present but may be limited. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness. A judgement or conclusion is attempted, but may not be fully supported (AO4).
Level 3	9–12	• Demonstrates specific and accurate knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Chain of reasoning will be coherent and logical. Interpretation of economic information will be excellent with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness. A supported judgement or conclusion is present (AO4).

Question Number	With reference to the data above and your knowledge of economics, evaluate the possible advantages of the government providing national parks to protect the environment in a country such as Costa Rica. **Indicative content**	Mark
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • Parks can provide a range of environmental benefits such as protecting and preserving biodiversity • Parks can contribute to long-term economic sustainability by protecting natural resources and ecosystem services • The conservation of natural resources through parks can also support other economic activities such as fishing and timber harvesting by ensuring the sustainability of these resources over the long term • The creation and maintenance of parks can generate economic benefits such as employment opportunities and revenue from tourism • The establishment of protected areas can help lessen the economic costs associated with environmental degradation • Parks and natural spaces can contribute to improvements in public health by providing opportunities for exercise and recreation which can reduce healthcare costs and absenteeism from work due to illness • Parks and protected areas can contribute to a sense of national identity and pride which can help to attract international visitors and promote trade and investment **AO4** • However, the costs of creating and maintaining parks can be high and may require significant public funding • The creation of parks may require the displacement of local communities or restrictions on traditional land use practices • Ecotourism can lead to overcrowding and environmental degradation if not properly managed • Protected areas can limit opportunities for economic development particularly in sectors such as mining, logging and agriculture • This can be a source of conflict between conservationists and those who see protected areas as a hindrance to economic growth • There are alternative methods which the Costa Rican Government could use such as taxation and pollution permits which might be more effective in protecting the environment	**(12)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	• Demonstrates isolated elements of relevant knowledge and understanding; may lack development of relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Chain of reasoning may be attempted. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness. A judgement or conclusion is unlikely to be attempted (AO4).
Level 2	5–8	• Demonstrates partial selectivity and some accurate knowledge and understanding by developing some relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Chain of reasoning will be present but may be limited. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness. A judgement or conclusion is attempted, but may not be fully supported (AO4).
Level 3	9–12	• Demonstrates specific and accurate knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Chain of reasoning will be coherent and logical. Interpretation of economic information will be excellent with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness. A supported judgement or conclusion is present (AO4).

Question Number	With reference to the data above and your knowledge of economics, evaluate the possible advantages of using regulation to protect the environment for a country such as the UK. **Indicative content**	Mark
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • Regulation can provide direct control over harmful activities such as using single-use plastics by an outright ban resulting in immediate compliance by firms and consumers • Regulations establish clear standards and rules that must be followed providing certainty for firms and consumers • The new regulations will ensure firms and consumers adopt more sustainable practices • For example, banning certain types of single-use plastics encourages the use of more sustainable or reusable alternatives • Following regulations should result in less damage to the environment and reduce the 2.7 billion single-use plastic items used in England **AO4** • However, firms that produce or use single-use plastics may face significant costs to switch to alternative materials, particularly for small takeaway shops and food firms • Small firms might find it especially difficult to absorb the costs of transitioning away from single-use plastics and may not have the resources to quickly find or afford alternative products • Firms and consumers have less flexibility in choosing convenient and often cheaper single-use options • Ensuring that every retailer and firm in the food industry complies with the ban could be challenging and costly to monitor • There is a risk of non-compliance if the ban is not enforced consistently or the fine is not high enough • Overall, there are a number of ways the UK Government can protect the environment with regulation being used together with taxation and fines	**(12)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	• Demonstrates isolated elements of relevant knowledge and understanding; may lack development of relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Chain of reasoning may be attempted. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness. A judgement or conclusion is unlikely to be attempted (AO4).
Level 2	5–8	• Demonstrates partial selectivity and some accurate knowledge and understanding by developing some relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Chain of reasoning will be present but may be limited. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness. A judgement or conclusion is attempted, but may not be fully supported (AO4).
Level 3	9–12	• Demonstrates specific and accurate knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Chain of reasoning will be coherent and logical. Interpretation of economic information will be excellent with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness. A supported judgement or conclusion is present (AO4).

Question Number	An appreciation in a country's exchange rate is most likely to lead to which **one** of the following? Answer	Mark
2(a)	**AO1 1 mark** The only correct answer is: **D** A decrease in exports and an increase in imports A is not correct because an appreciation would result in a decrease in exports and an increase in imports B is not correct because an appreciation would result in a decrease in exports and an increase in imports C is not correct because an appreciation would result in a decrease in exports and an increase in imports	**(1)**

Question Number	Which **one** of the following is likely to result in poverty? Answer	Mark
2(b)	**AO1 1 mark** The only correct answer is: **B** Low GDP per capita A is not correct because this can result in people gaining jobs and therefore income C is not correct because economic agents would retain more of their income D is not correct because more people are in paid employment	**(1)**

Question Number	Answer	Mark
2(d)	**AO1 2 marks** Award 1 mark for reference to standard of living and 1 mark for reference to typical standards in society The standard of living is below **(1)** the typical living standards in that society **(1)**. **OR** In the EU it is 60% **(1)** of the median income **(1)** Accept any other appropriate responses.	**(2)**

Question Number	Answer	Mark
2(e)	**AO2 3 marks** Award 1 mark for identifying a relevant advantage using a fine Award 1 mark for developing the advantage Award 1 mark for the response being in context • One advantage is that this can raise a large amount of revenue **(1)**. The parking fines have raised £10.4m which could be used to improve public services **(1)** This can lead to increased economic growth in the Manchester area **(1)**. • One advantage is that it stops motorists parking illegally **(1)**. Having to pay a fine of £30 reduces the income of motorists **(1)**. This means that there might be an increase in the number of people using public transport rather than cars **(1)**. Accept any other appropriate response.	**(3)**

Question Number	Which **one** of the following is a characteristic of progressive taxation? **Answer**	Mark
1(a)	**AO1 1 mark** The only correct answer is: **C** The tax rate increases as income increases A is not correct because this does not describe a characteristic of progressive taxation B is not correct because this this does not describe a characteristic of progressive taxation/ is regressive D is not correct because progress taxation is not linked to GDP	**(1)**

Question Number	Which **one** of the following describes a fiscal surplus? **Answer**	Mark
1(b)	**AO1 1 marks** The only correct answer is: **D** Government revenue is greater than government expenditure A is not correct because this describes current account surplus B is not correct because this describes a current account deficit C is not correct because this describes a fiscal deficit	**(1)**

Question Number	What is meant by the term income inequality? **Answer**	Mark
1(c)	**AO1 2 marks** Award up to 2 marks for a correct definition Differences in income **(1)** between different groups of earners **(1)** **OR** The unequal/uneven distribution of income **(1)** throughout an economy/a society **(1)** Accept any other appropriate response	**(2)**

Question Number	Calculate, to two decimal places, the **percentage** of people living in relative poverty in Kazakhstan in 2022. You are advised to show your working. **Answer**	Mark
4(a)	**AO2 2 marks** Award 1 mark for showing the calculation 3,063,500 x 100 **(1)** 19,700,000 Award 1 mark for the correct answer = 15.55% **(1)** Award 2 marks if the correct answer is 15.55% even if no calculations are shown Award 1 mark if the answer given is 15.55 even if no calculations are shown Do not award marks for the formula	**(2)**

Question Number	Calculate, to two decimal places, the **percentage of the population employed** on small cocoa farms in Ghana in 2024. You are advised to show your working. **Answer**	Mark
4(a)	**AO2 2 marks** Award 2 marks for calculating the percentage of the population employed on small cocoa farms $\frac{867,000}{34,532,935}$ x 100 **(1)** = 2.51% **(1)** Award 2 marks if the correct answer is 2.51% even if no calculations are shown Award 1 mark if the answer given is 2.51 even if no calculations are shown No marks for formula	**(2)**

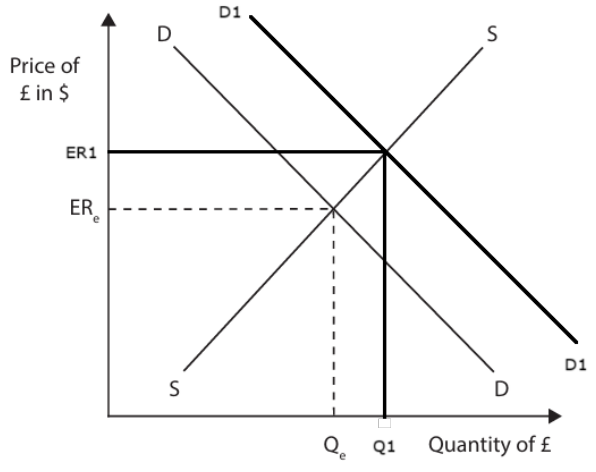
Question Number	With reference to the data above and your knowledge of economics, analyse how spending on road infrastructure could benefit a country such as Ghana. **Indicative content**	Mark
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • The new 67km highway improves trade by making it cheaper and quicker to move goods around Ghana and to neighbouring countries • Building the 31.2km section of the highway creates jobs for people directly in construction and indirectly in other areas like road maintenance and services • The highway helps bring different parts of Ghana closer together, making it easier for people and firms in different regions to work together • Better roads mean people and firms can travel more easily, saving time and money and leading to a better standard of living • Local firms in areas connected by the highway can reach more customers and grow, boosting the local economy • Investing in roads is good for the country's long-term growth, making it easier for businesses to operate and helping Ghana's economy be more competitive	**(6)**

Question Number	What is meant by the term privatisation? **Answer**	Mark
2(d)	**AO1 2 marks** Award 1 mark for reference to selling a government controlled activity and 1 mark to private investors The act of selling a company/activity controlled by the government **(1)** to private investors **(1)** Accept any other appropriate response	**(2)**

Question Number	Explain **one** possible reason why the Scottish Government wants to reduce poverty and inequality. **Answer**	Mark
2(e)	**AO2 3 marks** Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context • One reason is to meet basic needs **(1)**. Many people do not have enough income for food and shelter **(1)**. By investing £37.2m fewer low income households may suffer from poverty **(1)** • One reason is to raise standards of living **(1).** Low income households would be able to access more goods and services **(1)** resulting in fewer low income households suffering from relative poverty **(1)** Accept any other appropriate response	**(3)**

Question Number	Explain **one** way progressive taxation can help to reduce poverty for a country such as the US. **Answer**	Mark
2(e)	**AO2 3 marks** Award 1 mark for identifying a relevant way Award 1 mark for developing the way Award 1 mark for the response being in context • Those that earn more pay a higher percentage in tax **(1)** which can pay for unemployment benefits, healthcare services and education subsidies **(1)** that can provide help for those who are struggling financially **(1)** • It reduces the income gap between the wealthy and people with lower incomes **(1).** Taking more taxation as a proportion from higher income earners **(1)** reduces the burden on workers with lower incomes **(1)** Accept any other appropriate response	**(3)**

Question Number	Explain **one** way government provision of healthcare can help to reduce poverty. **Answer**	Mark
2(e)	**AO2 3 marks** Award 1 mark for identifying a relevant way Award 1 mark for developing the way Award 1 mark for the response being in context • One way is that healthcare helps people to stay healthy **(1)** so they can work more and earn an income **(1).** With more income, they can improve their living conditions and escape poverty **(1)** Accept any other appropriate response	**(3)**

Question Number	Using the diagram below, draw the likely effect of currency speculators on the equilibrium exchange rate of the UK pound (£) against the US dollar ($). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity. **Answer**	Mark
2(f)	**AO2 3 marks** Award 1 mark for a rightward shift of demand curve, labelled Award 1 mark for higher equilibrium exchange rate, labelled Award 1 mark for higher equilibrium quantity, labelled  	**(3)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	With reference to the data above and your knowledge of economics, assess the drawbacks for the UK of having MNCs located within the country. **Indicative content**	Mark
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • MNCs are companies that operate in many different countries • By their very nature MNCs are therefore able to easily move profits made in one country to another country that may have lower business taxes than the UK • This helps the MNC to avoid paying taxes to the UK Government • This has been estimated to be £34.8bn in 2019-2020 in the UK and has been increasing over time • This £34.8bn could have been spent by the UK Government on public services such as education and healthcare • MNCs often cause environmental damage from their operations **AO4** • However, MNCs do bring many advantages as well as disadvantages to the host country • Not all MNCs move profits abroad and do contribute to taxes from their operations within the UK • MNCs create much needed jobs when building factories and production facilities in the UK • Local businesses may benefit from supplying the MNC with raw materials or labour • It does depend on the individual MNC as to whether the advantages outweigh the disadvantages from poor corporate behaviour within the UK	**(9)**

Question Number	With reference to the data above and your knowledge of economics, analyse how benefits offered by the government can help to reduce poverty for a country such as India. **Indicative content**	Mark
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Benefit payments are direct payments from the government to those on very low incomes • Low-income households can use the cash transfer payments to buy essential goods and services such as food, housing and healthcare which they otherwise would not be able to afford • These payments and food rations can help to ensure that low-income families have access to food which can improve their health and well-being • Training courses can help to increase opportunity for low-income unemployed individuals to retrain to gain employment thereby helping to reduce poverty in India • Benefit payments can help to reduce financial stress for working families and significantly improve their standard of living by lifting them out of poverty	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	Indicative content	Mark
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Benefit payments are payments given to people to ensure they have a minimum standard of living • These include benefits such as unemployment benefit, state pension and in this case, child benefit • The advantages are that benefit payments help to reduce inequality and reduce relative poverty as the money is given directly to people on no or low-incomes • Benefit payments will give those on low income a better living standard and help contribute to a more cohesive society • Canada estimates that 300,000 children have been lifted out of poverty due to the child benefit payments • This could be due to more working mothers being able to return to work and therefore being able to contribute to society **AO4** • However, increasing welfare benefits creates a disincentive to work • Many families may face the poverty trap and are often better off on benefits than working • The cost of the benefits has to be borne by society so there is often an opportunity cost to a country from using benefit payment to redistribute income • Not all people are entitled to receive the child benefit which could result in resentment • There are other methods which might be more effective in redistributing income, such as progressive taxation or investment in education • The Canadian Government should use a combination of methods to reduce inequality and poverty	**(9)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	**1–3**	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	**4–6**	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	**7–9**	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question Number	Indicative content
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Healthcare provides medicines and medical treatments to increase the overall health of the nation • The external benefit of providing healthcare to an individual often exceeds the private benefit • Free access to healthcare means that illnesses can be treated quickly therefore improving life expectancy across all age groups in England • This can help to reduce inequality and poverty by enabling the population to work and gain income from being fit and healthy • Having a healthier workforce reduces the amount of sickness absence and potentially improves labour productivity • This could result in economic growth and therefore help to reduce poverty and inequality in England • Healthcare also provides many jobs for healthcare workers including nurses, doctors and by building new hospitals **AO4** • However, providing free healthcare cost the tax payer £134bn in 2020 • There is an opportunity cost of spending so much money on healthcare which could be spent on other poverty reduction methods • Having a healthcare system which is free means that there is often an excess demand for healthcare, leading to the NHS being constantly overstretched • This results in shortages of hospital beds and may not reduce poverty and inequality • There are other methods that might be more effective in reducing poverty and inequality, such as education or progressive taxation • There should be a combination of methods used to reduce poverty and inequality in England

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question Number	Assess the advantages of using benefit payments to redistribute income in a country such as the UK. **Indicative content**	Mark
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Benefit payments are payments given to people to ensure they have a minimum standard of living • These include benefits such as Universal Credit • Universal Credit involves giving money directly to people on no or low incomes • For example, people aged 25 and under can receive £342.72 and this can be used to pay for living costs • This will give those on low incomes a better living standard and the ability to be able to purchase basic necessities • Benefits can help to contribute to a more cohesive society and reduce inequality within a society by redistributing income • Benefit payments can help to reduce relative poverty in the UK **AO4** • However, using benefit payments may create a disincentive to work • Many families may face the poverty trap and are often better off on benefit payments than working • The cost of the benefit payments has to be borne by society so there is often an opportunity cost to a country from using benefit payments to redistribute income • There are other methods which might be more effective in redistributing income, such as progressive taxation or investment in education • The UK Government should use a combination of methods to reduce inequality and poverty	**(9)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question Number	Indicative content	Mark
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • There can be a reduction in inequality by taking lower average levels of tax from low wage earners and taking more from higher earners • Increasing progressive taxes will take more income from those on high-income levels • If the Vietnamese government taxed the 210 super-rich at a higher rate of taxation, the government would have more revenue • This could be spent on public services such as education which could help to reduce inequality and poverty • If low income work has a lower rate of tax, it encourages people to enter the labour force thereby reducing poverty **AO4** • Increasing the levels of progressive taxation can be difficult and unpopular • Higher rates of progressive taxation may create a disincentive effect on higher earners • Similarly, higher corporation tax may discourage investment in Vietnam which may have a negative impact on the economy • However, it also depends at what level income tax is set as to its effectiveness • There are alternatives to increasing progressive taxation which may be more effective such as redistribution through benefits payments or investment in education and healthcare • A combination of measures may be best in reducing levels of poverty and inequality in Vietnam	**(12)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	• Demonstrates isolated elements of relevant knowledge and understanding; may lack development of relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Chain of reasoning may be attempted. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness. A judgement or conclusion is unlikely to be attempted (AO4).
Level 2	5–8	• Demonstrates partial selectivity and some accurate knowledge and understanding by developing some relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Chain of reasoning will be present but may be limited. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness. A judgement or conclusion is attempted, but may not be fully supported (AO4).
Level 3	9–12	• Demonstrates specific and accurate knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Chain of reasoning will be coherent and logical. Interpretation of economic information will be excellent with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness. A supported judgement or conclusion is present (AO4).