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EDEXCEL INTERNATIONAL GCSE ECONOMICS: QUESTIONS BY TOPIC

Government policies (2.1.2)

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

106 questions · 410 marks · Mark schemes included

Past papers June 2019 - June 2025 · 4 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").
A gold bar in the left margin marks exactly where the question sits on the original page.
Diagrams, graphs, tables and data are printed exactly as they appear in the original papers.

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QUESTIONS

106 questions · 410 marks · 4 sub-topics

SUB-TOPIC 2.1.2 (a)

FISCAL POLICY

Sub-topic 2.1.2 (a) · 45 questions · 143 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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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)

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

(1)

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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

3 (a) Which **one** of the following policies is most likely to reduce the rate of inflation?

(1)

- ☒ **A** Lower interest rates
- ☒ **B** Increased money supply
- ☒ **C** Higher government spending
- ☒ **D** Higher taxation

(b) In an exchange rate system with no government intervention, a decrease in the exchange rate is known as

(1)

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

In 2018, the annual rate of inflation in Egypt was 16% in September and 17.7% in October.

(c) Explain **one** likely impact of this change in inflation on the current account of the balance of payments for a country such as Egypt.

(3)

3 (a) Which **one** of the following is likely to be a trade-off as a result of increased economic growth?

(1)

- ☒ **A** Increased employment
- ☒ **B** Increased inflation
- ☒ **C** Higher standards of living
- ☒ **D** Higher fiscal surplus

(b) Which type of taxation has a higher proportion of income paid as income rises?

(1)

- ☒ **A** Indirect
- ☒ **B** Progressive
- ☒ **C** Business
- ☒ **D** Value added tax (VAT)

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)

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- ☒ **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

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) 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) 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)

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

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- ☒ **D** Government revenue is greater than government expenditure

(c) What is meant by the term income inequality?

(2)

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

2 (a) The percentage of income tax paid by an individual in a progressive tax system

(1)

- ☒ **A** remains the same for all income levels
- ☒ **B** decreases with higher income levels
- ☒ **C** increases with higher income levels
- ☒ **D** is capped once income levels reach a certain threshold

(b) A depreciation in a country's exchange rate is most likely to lead to

(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

(c) State **one** possible trade-off with inflation.

(1)

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(d) What is meant by the term direct tax?

(2)

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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)

(d) Describe **one** disadvantage of free trade for domestic businesses.

(2)

Figure 1 shows the income tax rates for Cyprus in 2018. George earns €21 000 as a manager. This means George only pays tax on €1 500.

Taxable income (€)	Tax rate (%)
0 to €19 500	0%
€19 501 – €28 000	20%

Figure 1

(e) Calculate the **net pay** in euros (€) for George. You are advised to show your working.

(2)

4 Figure 3 shows the amount the US spent on education in 2017–2018.

Fiscal Year	$bn
2017	68
2018	59

(Source adapted from: https://www2.ed.gov/about/overview/budget/budget18/summary/18summary.pdf)

Figure 3

(a) Calculate to two decimal places the **percentage change** in the amount spent on education in the US from 2017–2018. You are advised to show your working.

(2)

(d) What is meant by the term dumping?

(2)

Figure 1 shows the government revenue and expenditure in rupees crore for India in 2019–2020.

	Indian rupees crore (Rs)
Total revenue	2 080 201
Total expenditure	2 784 200

Figure 1

(e) Calculate the **fiscal surplus/deficit in Indian rupees crore (Rs)** for India in 2019–2020. You are advised to show your working.

(2)

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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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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(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)

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)

(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 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)

(d) Describe **one** advantage of privatisation for a government.

(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 taxes	7.6
Excise duties	3.7
Customs duties	0.4

Figure 1

(e) Calculate the **total amount of revenue** in £bn raised by indirect taxes in February 2023. You are advised to show your working.

(2)

2 (a) Which **one** of the following is a government policy that changes the rate of interest?

(1)

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

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

(1)

- ☒ **A** Introducing a limit on government salaries
- ☒ **B** Allowing more foreign firms into the domestic market
- ☒ **C** Introducing compulsory employee training requirements
- ☒ **D** Increasing consumer protection laws

(c) State **one** possible advantage of foreign direct investment (FDI) for an economy.

(1)

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(d) What is meant by the term indirect tax?

(2)

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2 (a) The percentage of income tax paid by an individual in a progressive tax system

(1)

- ☒ **A** remains the same for all income levels
- ☒ **B** decreases with higher income levels
- ☒ **C** increases with higher income levels
- ☒ **D** is capped once income levels reach a certain threshold

(b) A depreciation in a country's exchange rate is most likely to lead to

(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

(c) State **one** possible trade-off with inflation.

(1)

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(d) What is meant by the term direct tax?

(2)

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India set a target for its fiscal deficit of 3.3% of its GDP for the year ending March 2019.

(e) Explain **one** reason why the Indian Government's fiscal deficit is likely to stimulate economic growth.

(3)

In 2017, the tertiary sector contributed 69.3% to Germany's GDP and the secondary sector contributed 30.1%. In comparison, the primary sector only accounted for 0.6% of GDP.

(f) Explain a typical trade pattern for a developed country such as Germany.

(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)

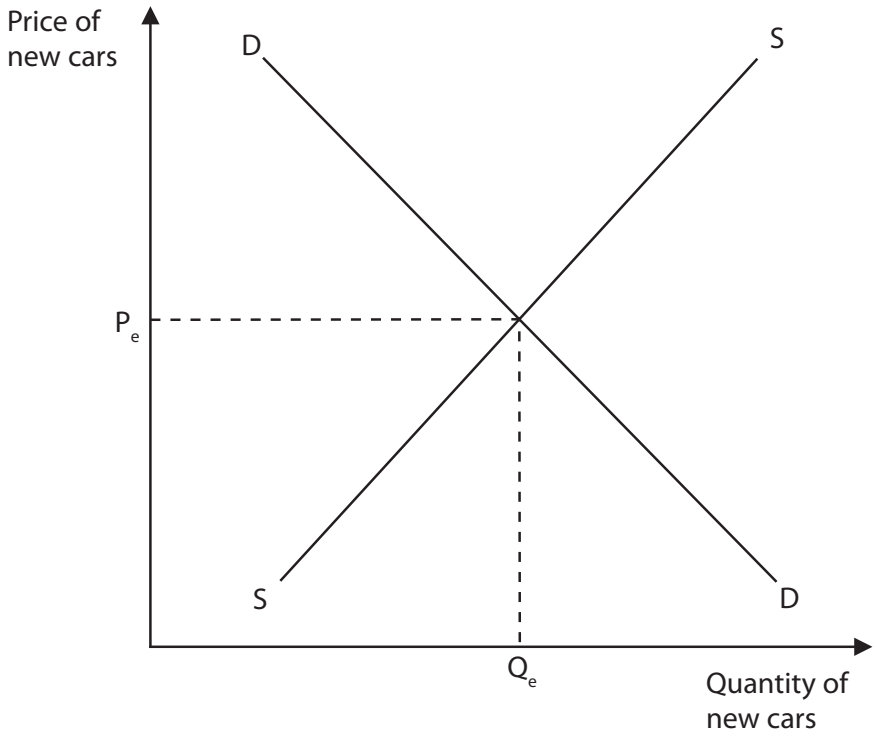


Figure 2

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)

In March 2023, the Government of Ghana announced it was removing fuel subsidies on petroleum.

(f) Using the diagram below, draw the effects of the removal of the fuel subsidy on the equilibrium price and quantity of petroleum in Ghana. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

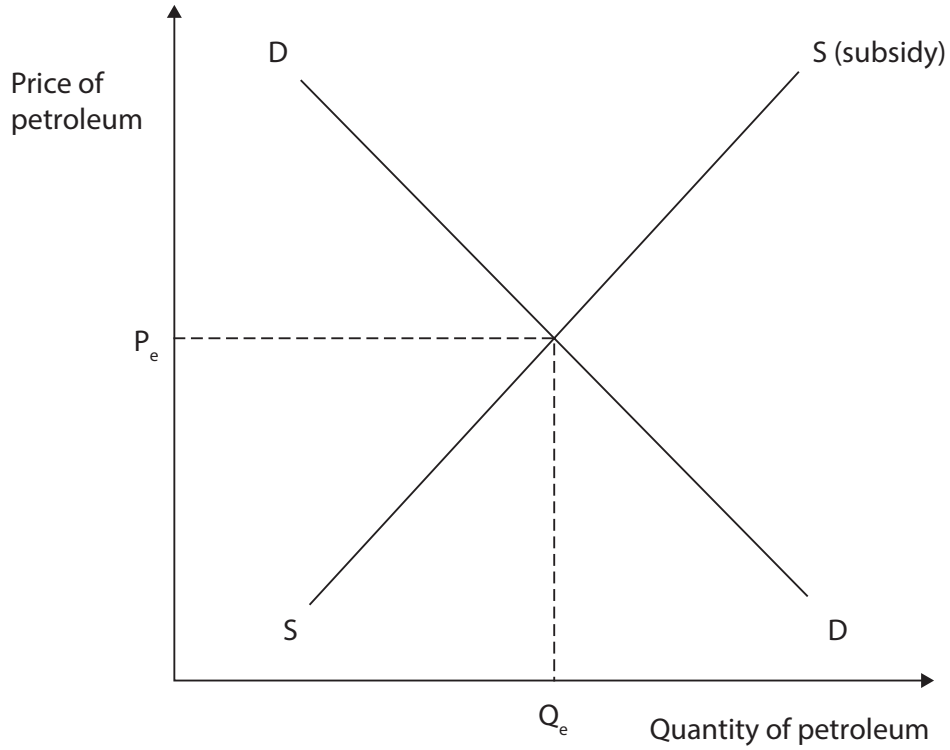


Figure 2

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)

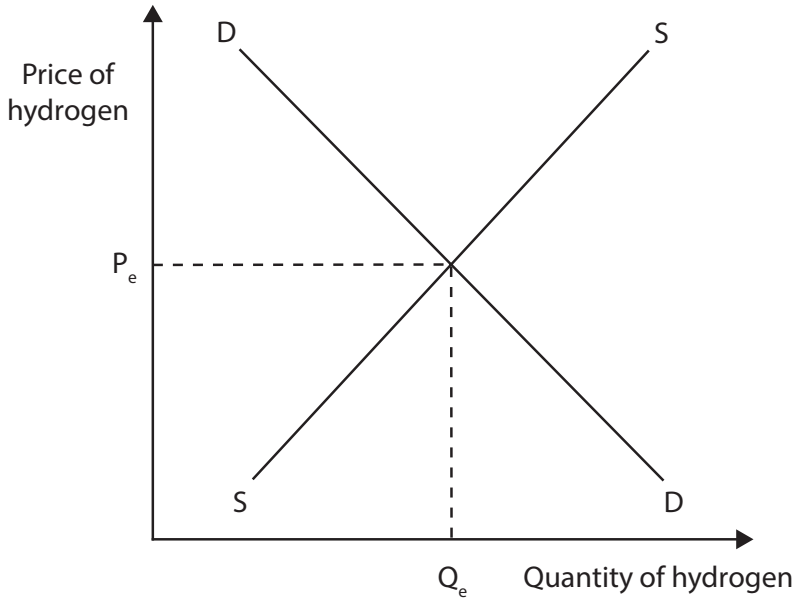


Figure 2

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)

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)

In January 2018, Australia had an unemployment rate of 5.5%.

(h) Analyse how the Australian government might reduce unemployment by using fiscal policy.

(6)

(Total for Question 1 = 20 marks)

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)

Vietnam has progressive income tax rates that range from 5% to 35% depending on income.

(h) Analyse how a reduction in direct taxation is likely to affect the standard of living in a country such as Vietnam.

(6)

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(Total for Question 1 = 20 marks)

Estonia's annual inflation rate increased to 4.4% in October 2018.

(b) Analyse how the Estonian Government might use fiscal policy to control inflation.

(6)

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)

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.

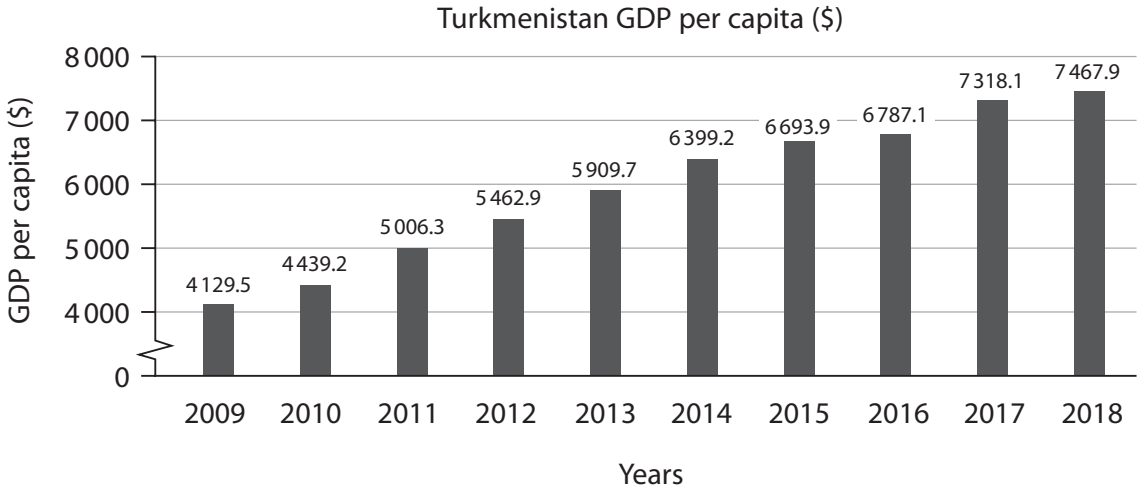
(3)

The Slovenian Government spent €3.05bn on healthcare in 2019. This included additional funding for reducing the time people were waiting for treatment and an extra €104m to cover the recent increase in wage rates for healthcare staff.

(d) With reference to the data above and your knowledge of economics, analyse why the Slovenian Government might want to increase investment in healthcare.

(6)

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)

(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)

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)

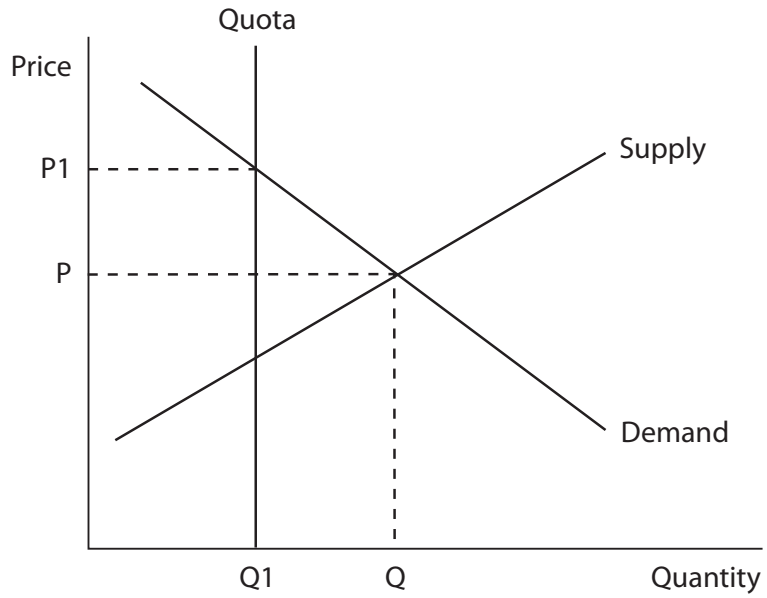


Figure 2

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)

The rate of Value Added Tax (VAT), a type of indirect taxation in the UK, is 20%.

(h) With reference to the data above and your knowledge of economics, analyse how a reduction in indirect taxation is likely to affect the standard of living in a country such as the UK.

(6)

(Total for Question 1 = 20 marks)

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)

Nauru is a tiny island country in Micronesia, northeast of Australia. It has a population of 10,824. In 2019, Nauru had a fiscal surplus of 16.1% of GDP.

(d) With reference to the data above and your knowledge of economics, analyse the benefits of having a fiscal surplus for a country such as Nauru.

(6)

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)

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)

One of Spain's main macroeconomic objectives is to reduce its fiscal deficit.

(b) With reference to the data in Figure 3 and your knowledge of economics, analyse the impact of a fiscal deficit for a country such as Spain.

(6)

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)

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)

(Total for Question 3 = 20 marks)

In 2021, the UK and Norway agreed to increase fishing quotas by 20% for 2022.

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

(3)

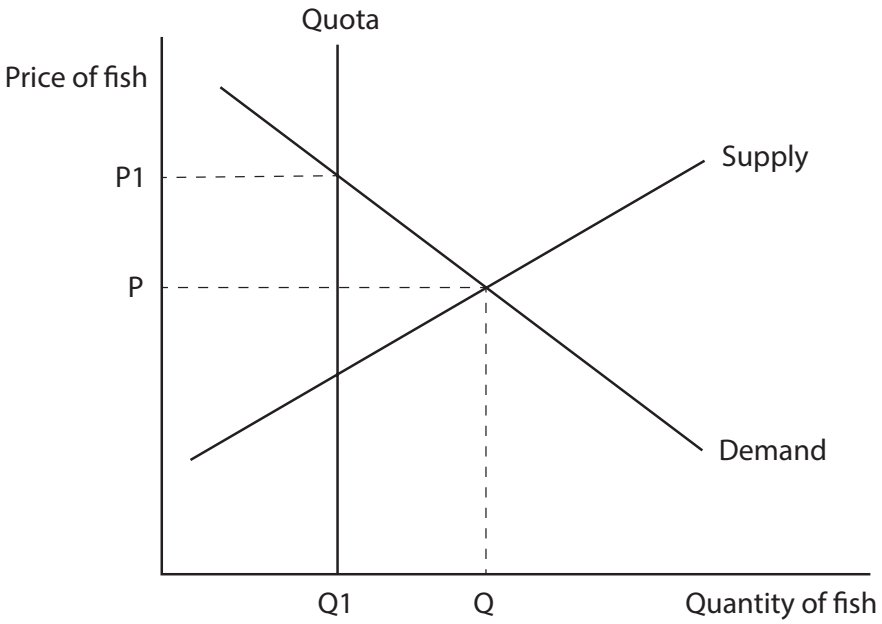


Figure 3

San Francisco, a city in the US, raises its own taxes and plans its own spending. It expects its budget to have a fiscal surplus for the first time since 1998. The city is expecting this surplus to be $108m.

"Over the last two years, while we have invested heavily in key priorities like homelessness and mental health, we have also made smart budgeting decisions, and this surplus is a result of that work," said the Mayor of San Francisco.

The Mayor has not decided where to spend the surplus, but this week called for more funding for police and to improve public safety.

(Source: https://www.sfchronicle.com/sf/article/S-F-expects-first-budget-surplus-in-over-20-16705136.php)

(g) With reference to the data above and your knowledge of economics, assess the benefits of having a fiscal surplus for a city such as San Francisco.

(9)

(Total for Question 2 = 20 marks)

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

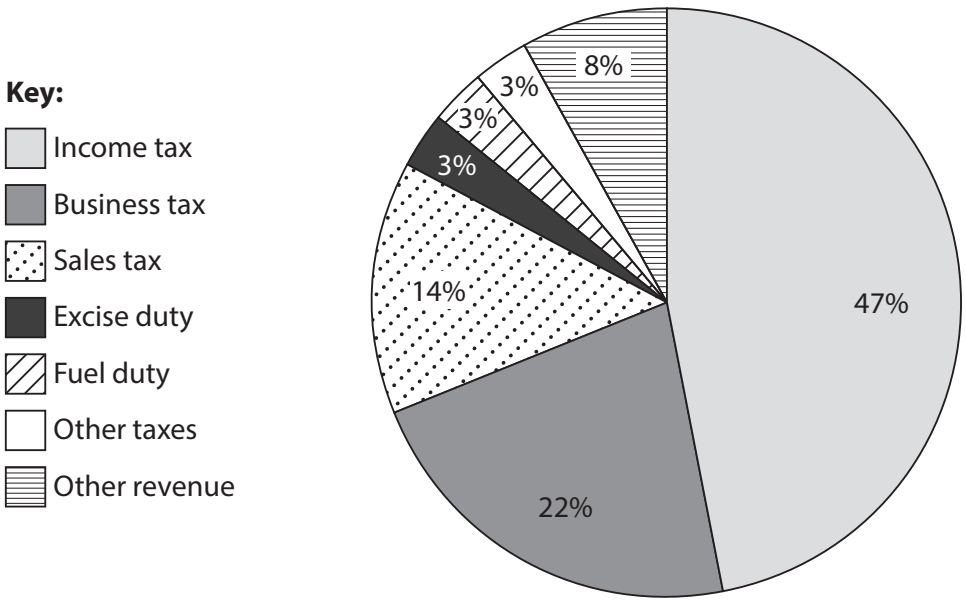


Figure 4

(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)

(Total for Question 3 = 20 marks)

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.

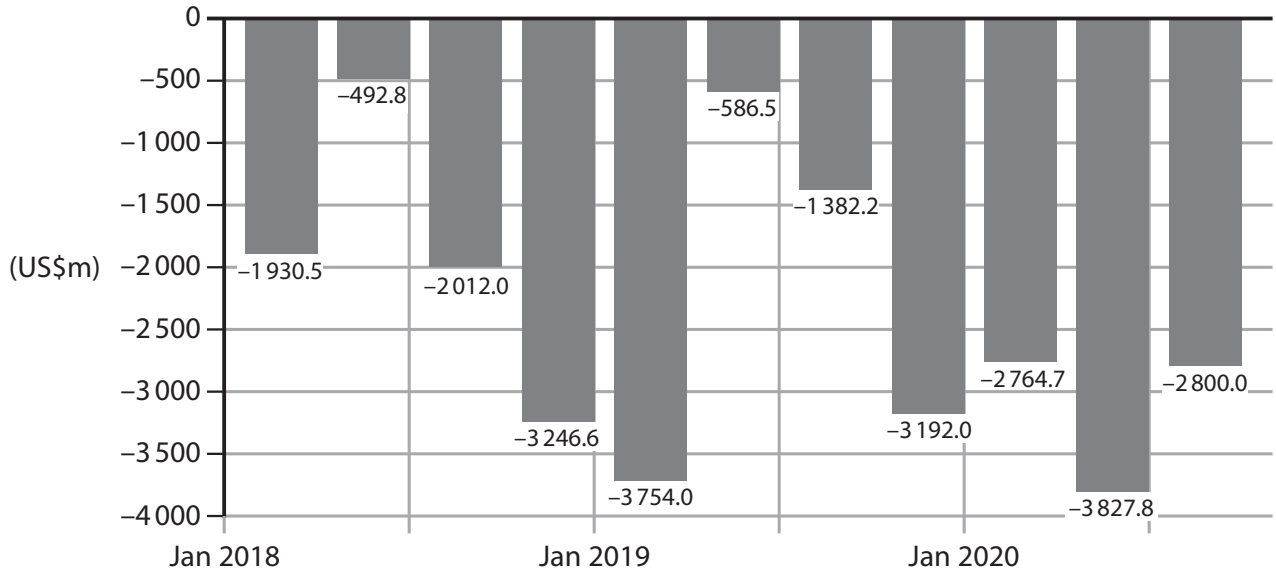


Figure 4

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

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

(6)

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)

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

SUB-TOPIC 2.1.2 (b)

MONETARY POLICY

Sub-topic 2.1.2 (b) · 25 questions · 88 marks · lowest tariff first

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) 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)

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)

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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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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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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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

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- ☒ **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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2 (a) When a central bank buys government bonds from commercial banks it is known as

(1)

- ☒ **A** asset purchasing
- ☒ **B** privatisation
- ☒ **C** payment of interest
- ☒ **D** deregulation

The euro (€) is the currency used in Italy and the pound sterling (£) is the currency used in the UK.

(b) If the exchange rate changes from £1 = €1.20 to £1 = €1.10 then

(1)

- ☒ **A** UK pound sterling (£) has appreciated against the euro (€)
- ☒ **B** holidays in Italy will be cheaper for UK tourists
- ☒ **C** imports from Italy to the UK will be cheaper
- ☒ **D** UK exports to Italy will be cheaper

(c) State **one** possible trade-off with economic growth.

(1)

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(d) What is meant by the term devaluation?

(2)

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2 (a) Which **one** of the following is a government policy that changes the rate of interest?

(1)

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

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

(1)

- ☒ **A** Introducing a limit on government salaries
- ☒ **B** Allowing more foreign firms into the domestic market
- ☒ **C** Introducing compulsory employee training requirements
- ☒ **D** Increasing consumer protection laws

(c) State **one** possible advantage of foreign direct investment (FDI) for an economy.

(1)

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(d) What is meant by the term indirect tax?

(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) 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)

(d) Describe **one** impact on consumers of a decrease in interest rates.

(2)

Rachel buys a t-shirt for 1 000 Kenyan shillings (KES) when she is on holiday.
The exchange rate is £1 = 137.73 KES.

(e) Calculate, to two decimal places, the price in sterling (£) of Rachel's t-shirt. You are advised to show your working.

(2)

4 Figure 4 shows Kenya's interest rate (%) from January to October 2018.

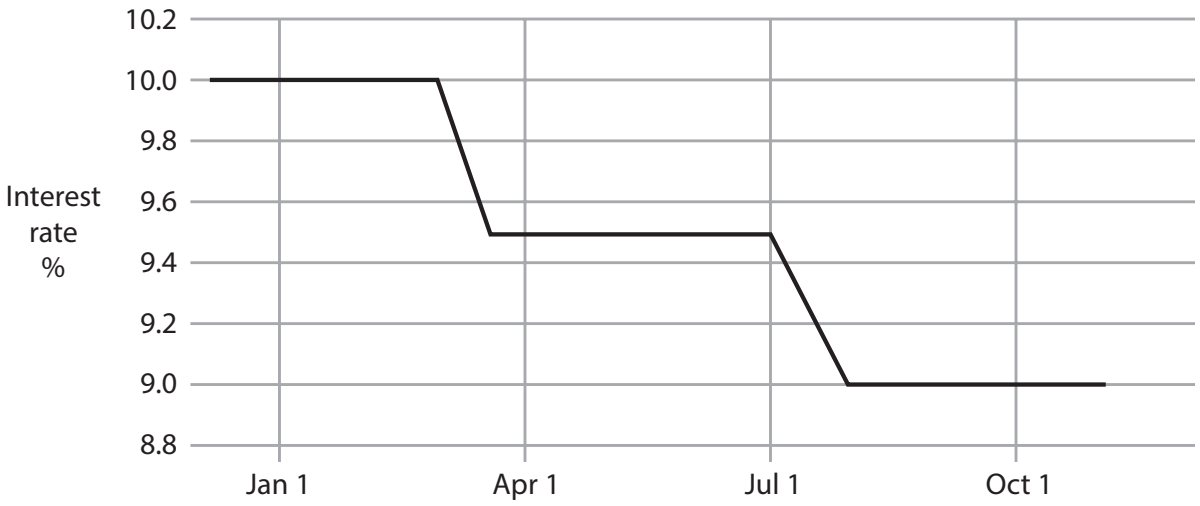


Figure 4

(Source: https://tradingeconomics.com/kenya/interest-rate)

(a) Calculate the **percentage change** in Kenya's interest rate between January and October 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) 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)

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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)

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 a rise in the value of an exchange rate in a floating exchange rate system?

(1)

- ☒ **A** Appreciation
- ☒ **B** Depreciation
- ☒ **C** Revaluation
- ☒ **D** Devaluation

(b) Which **one** of the following is a reason why there is protection for international trade?

(1)

- ☒ **A** To allow dumping
- ☒ **B** To promote free trade
- ☒ **C** To protect domestic jobs
- ☒ **D** To increase the current account deficit

(c) State **one** possible impact of globalisation on consumers.

(1)

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(d) What is meant by the term asset purchasing?

(2)

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(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 March 2020, the European Central Bank (ECB) purchased €1.85 trillion worth of assets including government bonds and corporate bonds.

(e) Explain **one** benefit of asset purchasing by a central bank such as the ECB.

(3)

The annual rate of inflation in Kenya was 5.7% in September 2018 and fell to 5.53% in October 2018.

(b) Analyse how monetary policy could be used to further reduce the rate of inflation in Kenya.

(6)

Kenya is the third largest exporter of cut flowers in the world, accounting for 1.3% of its GDP. Kenya's main airport has a terminal dedicated especially to the transport of flowers and vegetables.

The Kenyan flower industry has created many employment opportunities. Around 100,000 people are employed directly on the flower farms and over 500,000 people benefit indirectly from this industry.

Over half of Kenya's 127 flower farms are concentrated around Lake Naivasha due to the large amount of water needed to grow the flowers. Some environmental campaigners have expressed concerns over the impact that the flower industry could have on the lake.

(c) With reference to the data above and your knowledge of economics, evaluate the likely benefits for Kenya of the globalisation of its flower industry.

(12)

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)

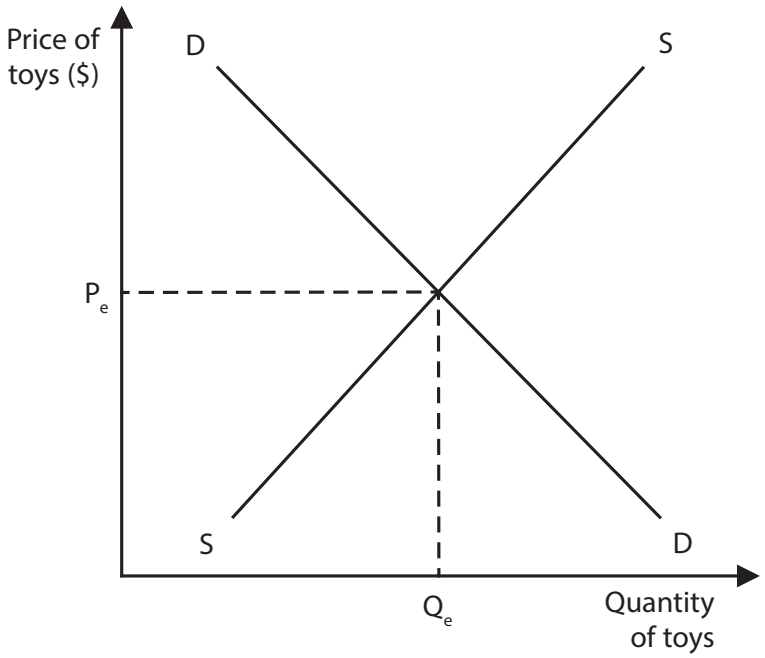


Figure 1

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)

Kenya's annual inflation rate increased to 6.27% in July 2019 from 5.7% in the previous month. Kenya's central bank base rate for July was 9%.

(h) With reference to the data above and your knowledge of economics, analyse how monetary policy can be used to control inflation in a country such as Kenya.

(6)

(Total for Question 1 = 20 marks)

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)

In December 2022, the US Federal Reserve raised interest rates for the seventh time that year to 4.5%, its highest level in 15 years. Interest rates are predicted to increase to 5.25% by the end of 2023.

(d) With reference to the data above and your knowledge of economics, analyse how monetary policy can help to reduce inflation in a country such as the US.

(6)

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

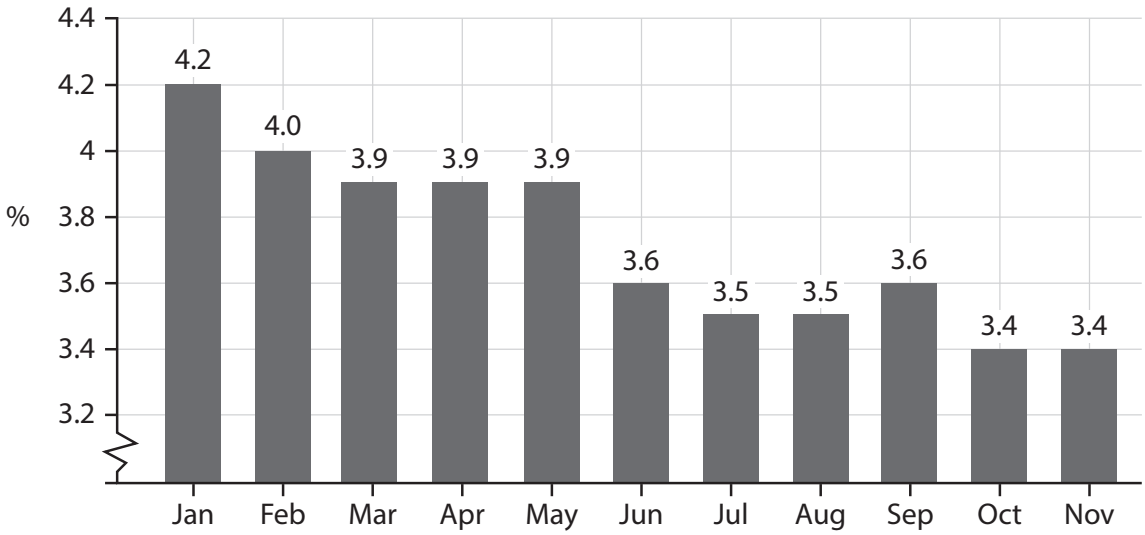


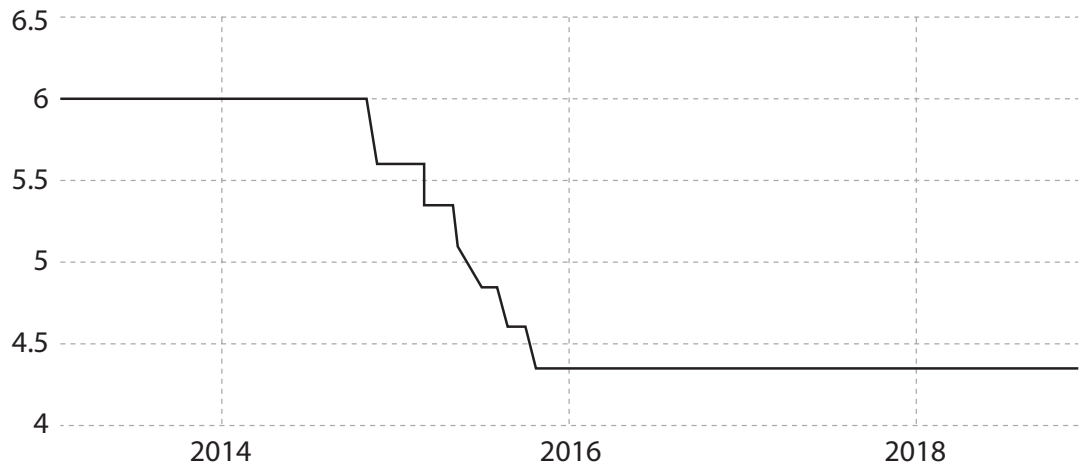
Figure 4

(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)

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)

(Total for Question 3 = 20 marks)

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

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)

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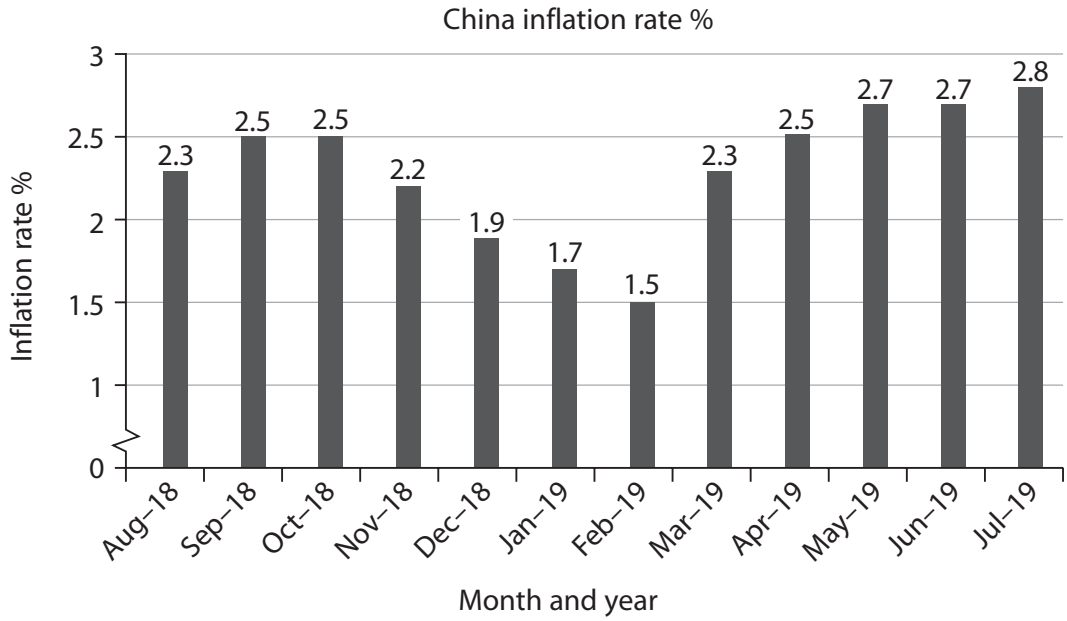
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(Total for Question 3 = 20 marks)

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)

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

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)

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 (%)

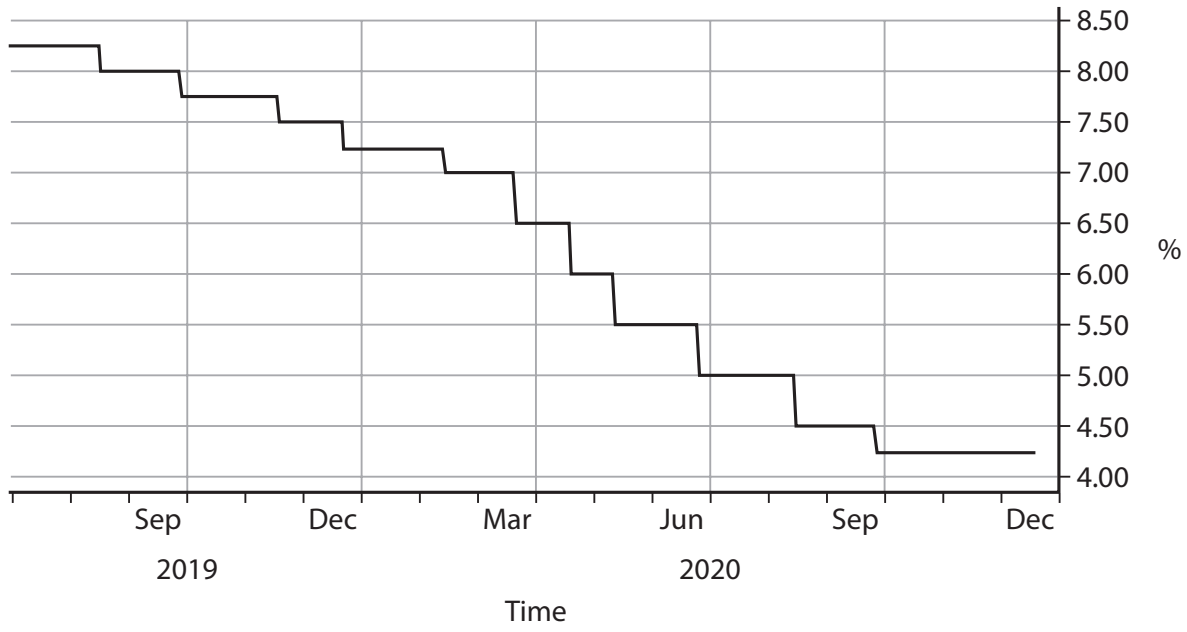


Figure 5

(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)

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

SUB-TOPIC 2.1.2 (c)

SUPPLY-SIDE POLICY

Sub-topic 2.1.2 (c) · 31 questions · 153 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) 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?

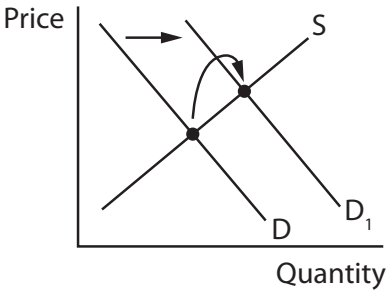
(2)

2 In 2019, India introduced tariffs against US agricultural products including apples, almonds and lentils.

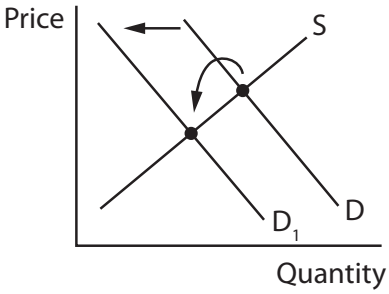
(a) Which **one** of the following diagrams shows the Indian market for apples, almonds and lentils following the introduction of the tariffs?

(1)

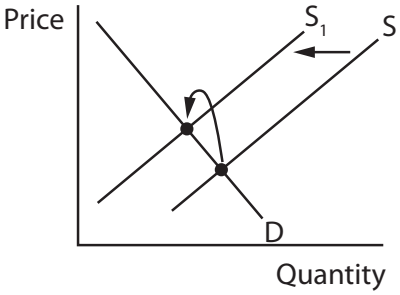
☒ **A**



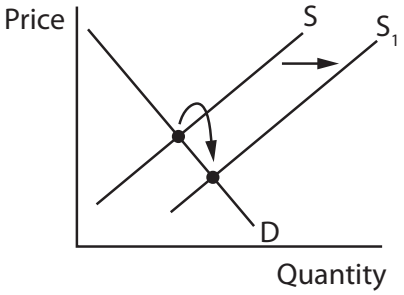
☒ **B**



☒ **C**



☒ **D**



(b) Which supply-side policy involves the removal of government controls?

(1)

- ☒ **A** Deregulation
- ☒ **B** Education and training
- ☒ **C** Lower business taxes
- ☒ **D** Infrastructure spending

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

(1)

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(d) What is meant by the term exchange rate?

(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 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)

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

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 role of the World Trade Organization (WTO)?

(1)

- ☒ **A** Writing off debts
- ☒ **B** Settling trade disputes
- ☒ **C** Increasing trade barriers
- ☒ **D** Paying subsidies to producers

(b) Which **one** of the following is an example of a supply-side policy to increase output?

(1)

- ☒ **A** Increasing income tax
- ☒ **B** Increasing interest rates
- ☒ **C** Increasing the school-leaving age
- ☒ **D** Increasing business taxes

(c) What is meant by the term economies of scale?

(2)

2 (a) Which **one** of the following is a government policy that changes the rate of interest?

(1)

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

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

(1)

- ☒ **A** Introducing a limit on government salaries
- ☒ **B** Allowing more foreign firms into the domestic market
- ☒ **C** Introducing compulsory employee training requirements
- ☒ **D** Increasing consumer protection laws

(c) State **one** possible advantage of foreign direct investment (FDI) for an economy.

(1)

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(d) What is meant by the term indirect tax?

(2)

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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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In October 2017 the currency of the Philippines, the peso, fell to its lowest level against the US dollar in more than 11 years.

(e) Explain **one** advantage of having a depreciating currency for an economy such as the Philippines.

(3)

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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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.

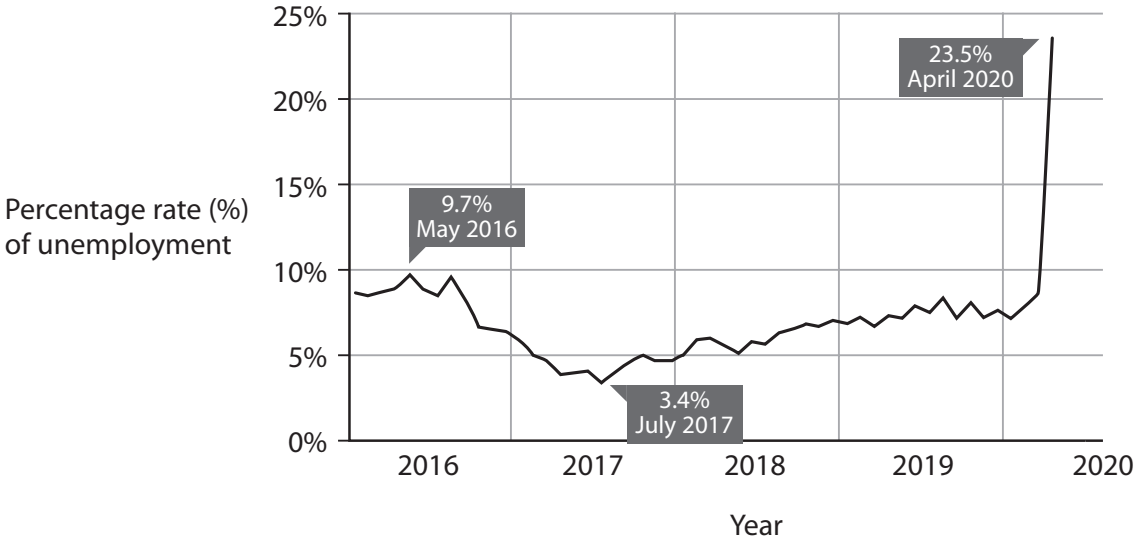


Figure 5

(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)

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) 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)

(d) Describe **one** advantage of privatisation for a government.

(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 taxes	7.6
Excise duties	3.7
Customs duties	0.4

Figure 1

(e) Calculate the **total amount of revenue** in £bn raised by indirect taxes in February 2023. You are advised to show your working.

(2)

In 2019, the Indian Government privatised six major state-owned airports. It handed over the operations, management and development of the airports to private sector firms for the next 50 years.

(f) Explain **one** way privatisation could improve productivity in these Indian airports.

(3)

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)

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)

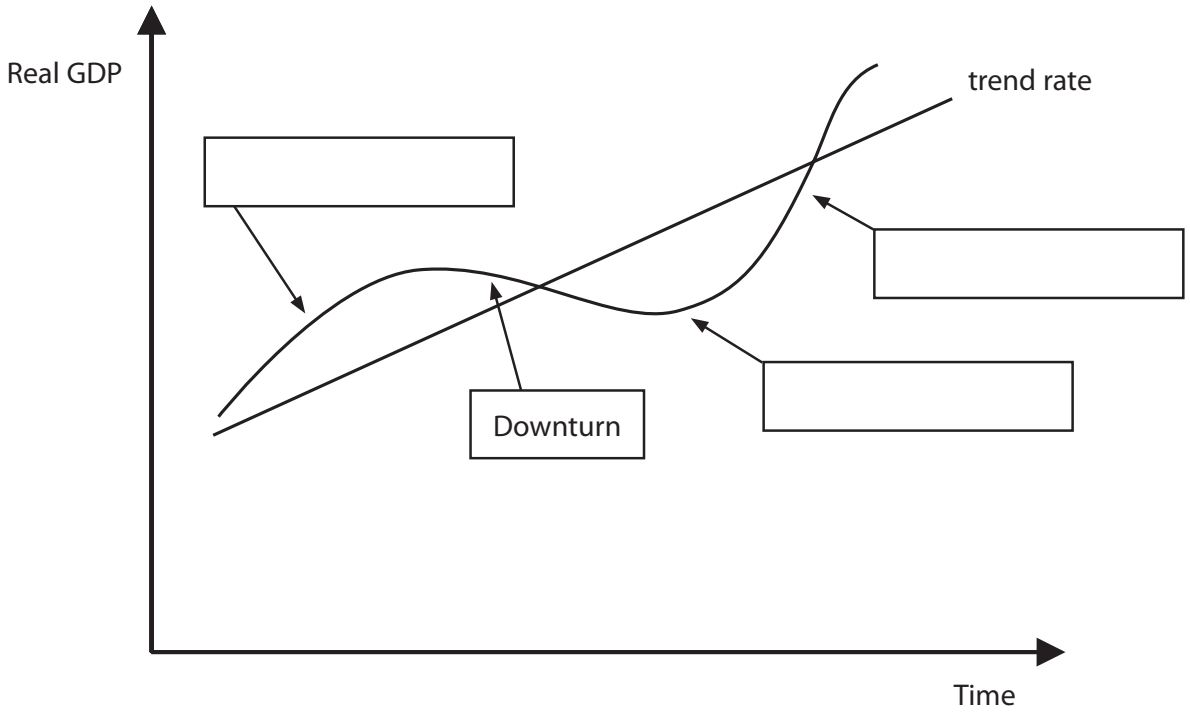


Figure 2

US President Joe Biden recently signed a deal to fund 32,000 kilometres of new roads and 10,000 new bridges to improve the US infrastructure.

(e) Explain **one** way government spending on infrastructure can benefit an economy such as the US.

(3)

In March 2023, the Government of Ghana announced it was removing fuel subsidies on petroleum.

(f) Using the diagram below, draw the effects of the removal of the fuel subsidy on the equilibrium price and quantity of petroleum in Ghana. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)

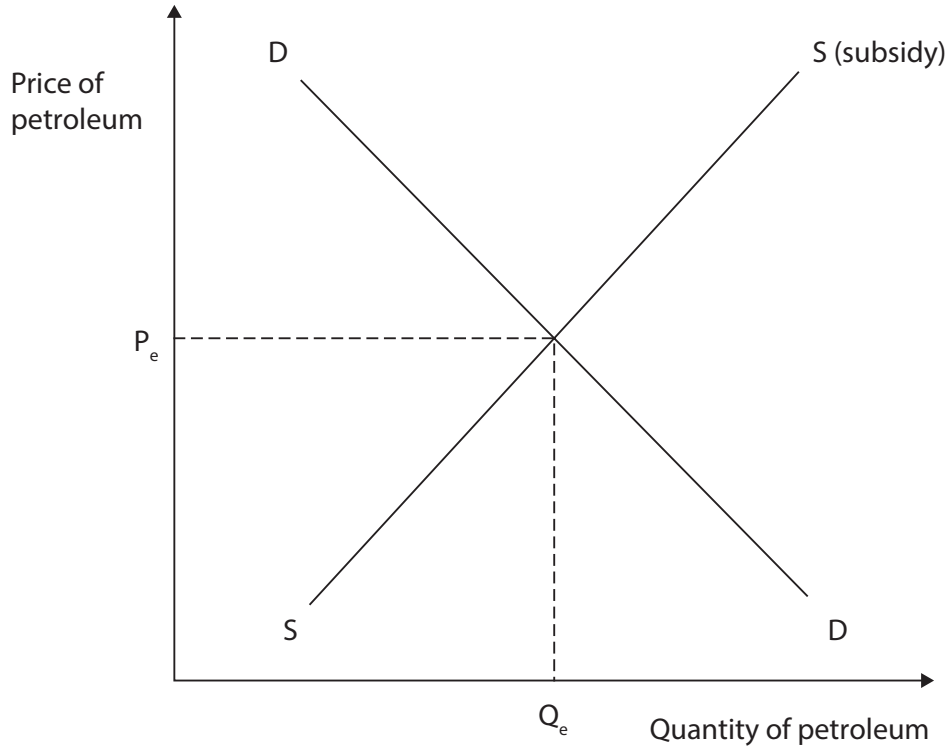


Figure 2

In September 2022, the Indian Government deregulated the telecommunications sector. This included reducing the taxes and fees that telecom companies had to pay to the government and allowing more firms to enter the market.

(g) Explain **one** advantage of deregulation for a country such as India.

(3)

In March 2023, the UK joined the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), an 11-member Asia-Pacific trading bloc, after two years of negotiations. The current members of the CPTPP are Australia, Canada, Japan, Mexico, New Zealand, Singapore, Brunei, Chile, Malaysia, Peru and Vietnam.

(h) With reference to the data above and your knowledge of economics, analyse the advantages for UK firms of the UK joining the CPTPP trading bloc.

(6)

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

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)

In February 2024, North Tyneside Council in the UK said it will privatise the provision of school meals. Trade unions are concerned that this will affect pay and working conditions for the existing employees who currently provide the meals at schools.

(e) Explain **one** disadvantage of privatising the provision of school meals in North Tyneside.

(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)

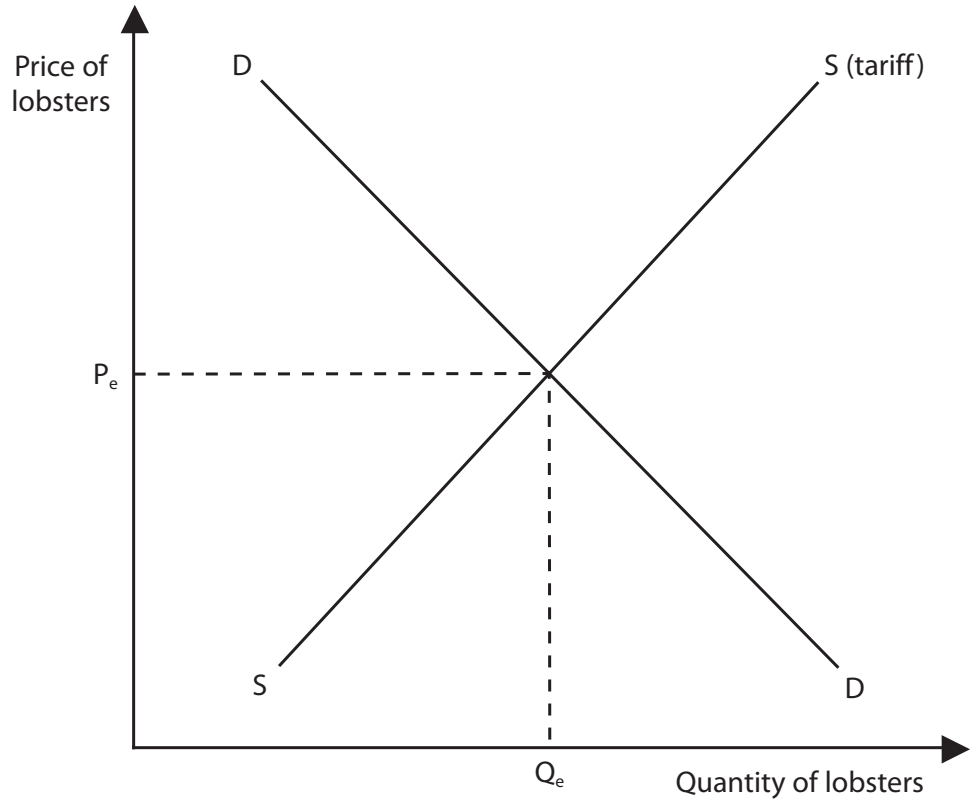


Figure 1

In 2020, the Vietnamese Government aimed to have an additional 1 million people working in the Information Technology (IT) sector. Unemployed workers were offered IT training courses in colleges and IT centres across Vietnam.

(h) Analyse the impact of education and training on the productive potential of a country such as Vietnam.

(6)

(Total for Question 1 = 20 marks)

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)

In 2023, the Kazakhstan Government privatised KTZ, its national railway company. KTZ is the largest employer in Kazakhstan and makes a profit from its operations.

(b) With reference to the data above and your knowledge of economics, analyse the possible disadvantages of the Kazakhstan Government privatising the national railway company.

(6)

In 2022, Kazakhstan's foreign direct investment (FDI) increased by 17.8% to reach $22.1bn. With its huge amount of natural resources such as oil and gas and agricultural lands, Kazakhstan is the richest country in central Asia.

Sector	Growth in FDI
Manufacturing	36.9%
Retail	32.6%
Transport	20.1%
Mining	11.7%

The top four countries investing in Kazakhstan in 2022 were the Netherlands, the US, Switzerland and Belgium.

According to the Deputy Minister of Foreign Affairs, the growth in FDI reflects foreign investors' confidence in Kazakhstan due to its ongoing government reforms and low costs of production.

(c) With reference to the data above and your knowledge of economics, evaluate the advantages of an increase in foreign direct investment (FDI) for a country such as Kazakhstan.

(12)

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)

Cocoa is a major ingredient in the manufacture of chocolate products. Ghana is the world's second-largest producer of cocoa, which accounts for 3.5% of gross domestic product (GDP).

Almost all the cocoa is exported, generating more than $2bn annually through foreign exchange. Many people are employed directly in the production of cocoa, with most cocoa grown on small farms.

Oxfam said that 90% of cocoa farmers in Ghana do not earn enough income and cannot afford enough food or other basics such as clothing, housing and medical care. Many of the 867,000 farmers in the country survive on just $2 a day.

Meanwhile, the world's four biggest chocolate producers are enjoying large profits. Hershey, Lindt, Mondelēz and Nestlé have seen their profits increase by 16% in recent years as demand for chocolate products has risen.

(c) With reference to the data above and your knowledge of economics, evaluate the possible benefits of globalisation for cocoa farmers in Ghana.

(12)

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QUESTION 3(e) BEGINS ON PAGE 18

US President Donald Trump introduced lower business taxes in the hope of making the US more competitive globally. In 2017, business taxes in the US were 35% and a new lower rate of 21% was introduced in 2018. Donald Trump has plans to lower this to 15% in the future.

Business tax rates for selected OECD* countries 2018 (%)

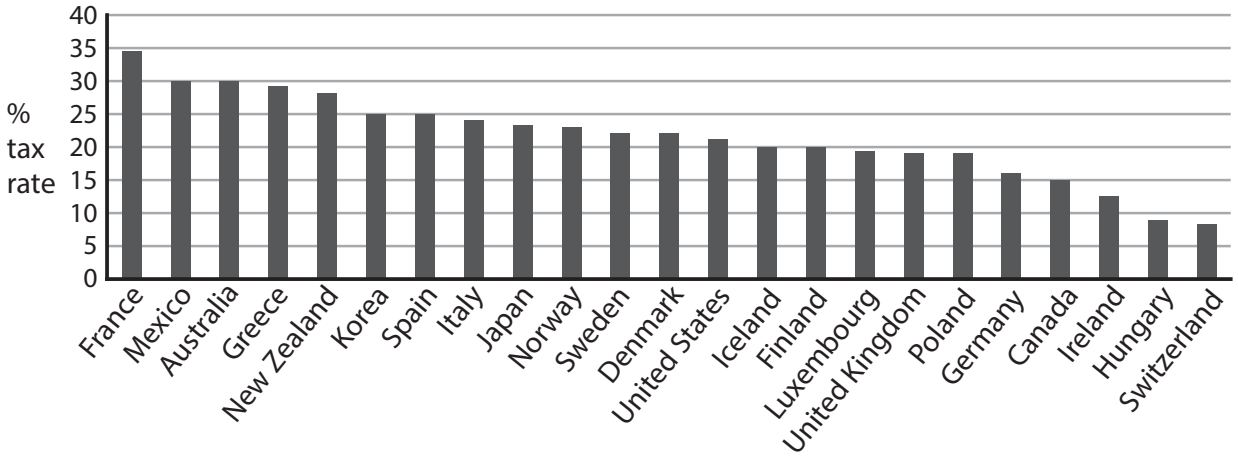


Figure 3

***OECD: Organisation for Economic Cooperation and Development.**

(Source: https://stats.oecd.org/index.aspx?DataSetCode=TABLE_II1)

(e) With reference to the data above and your knowledge of economics, assess the likely effectiveness of lower business taxes in stimulating investment in a country such as the US.

(9)

(Total for Question 3 = 20 marks)

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 May 2018, South Korea's unemployment rate for people aged 15–29 increased to 11.6%. In several global competitiveness reports South Korea has recently been criticised for having too many rules and regulations. Experts have advised the South Korean Government to reduce some employment regulations for service sectors such as finance, transport and tourism in order to create more jobs.

(g) With reference to the data above and your knowledge of economics, assess the effectiveness of deregulation in reducing unemployment in South Korea.

(9)

(Total for Question 2 = 20 marks)

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)

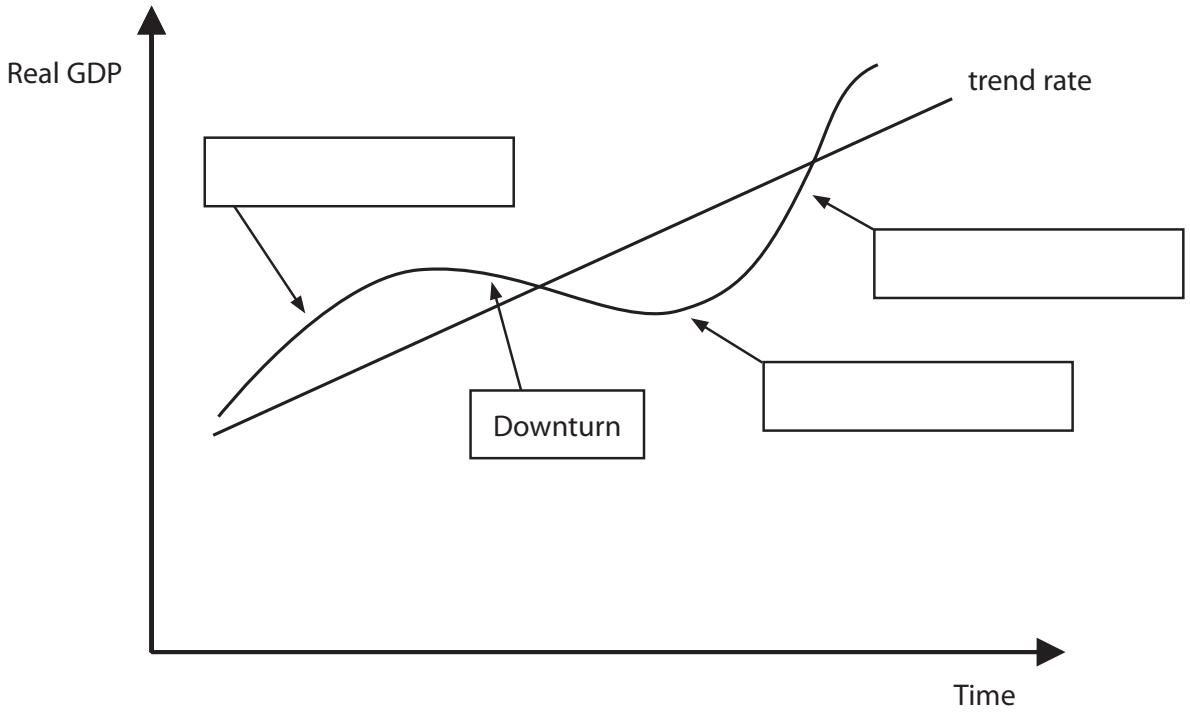


Figure 2

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)

(Total for Question 2 = 20 marks)

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)

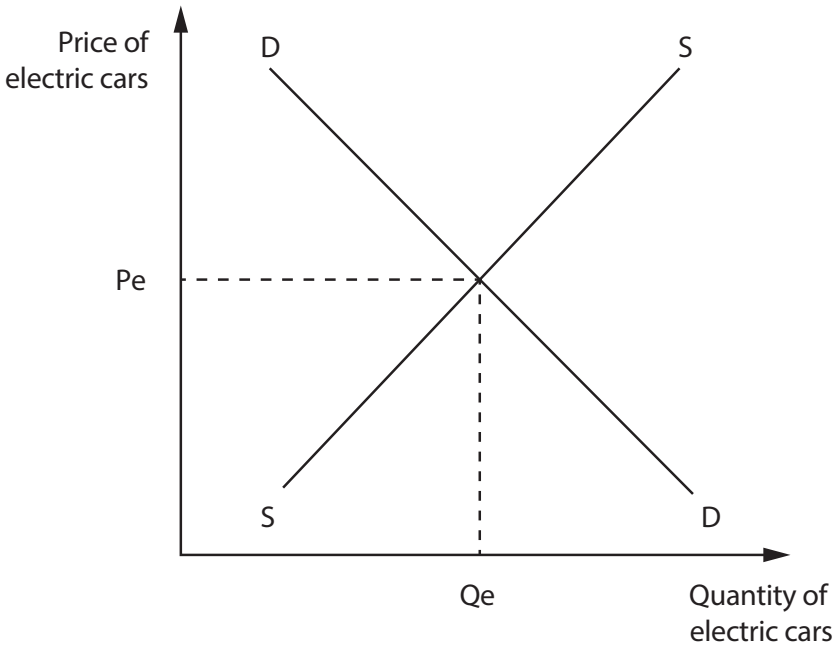


Figure 2

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)

(Total for Question 2 = 20 marks)

The Shetland Islands are part of Scotland. Shetland College is the only Further Education college located in the Shetland Islands. It was privatised in August 2021. The managers at the college claim privatisation will improve educational and training opportunities on the Shetland Islands.

Critics claim it could negatively impact staff contracts and working conditions. It may reduce the number of courses available to students and allow managers at the college to award themselves much higher levels of pay.

(Source: https://www.thenational.scot/news/19483135.campaigners-unions-issue-warning-shetland-college-privatisation/)

(e) With reference to the data above and your knowledge of economics, assess the possible benefits of privatising the college.

(9)

(Total for Question 3 = 20 marks)

Figure 2 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 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.

(3)

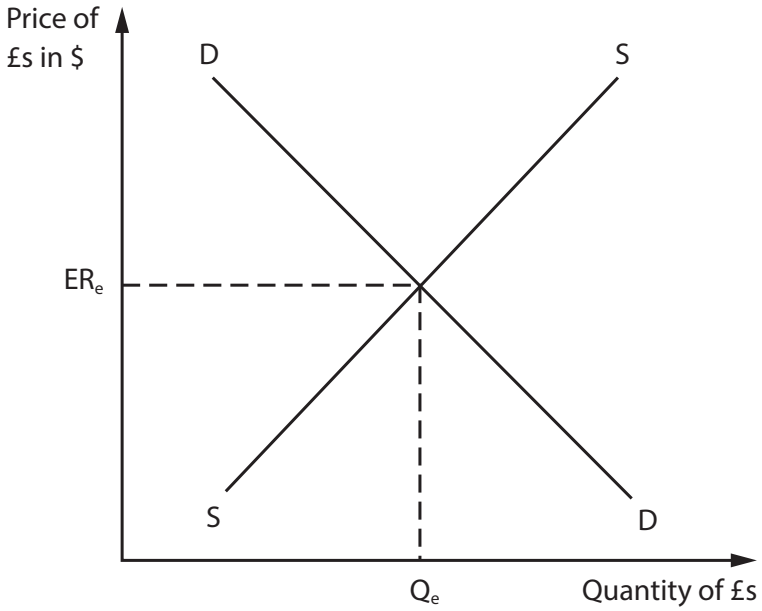


Figure 2

In April 2023, the UK Government increased the business tax rate from 19% to 25%. The higher rate is expected to raise around £18bn in additional tax revenue per year. The change brings the UK's business tax rate to the same rate as other large economies.

Due to this tax change, Associated British Foods, the owner of Primark and other firms, is expected to pay an additional £20m in tax per year.

Business tax rates of major economies

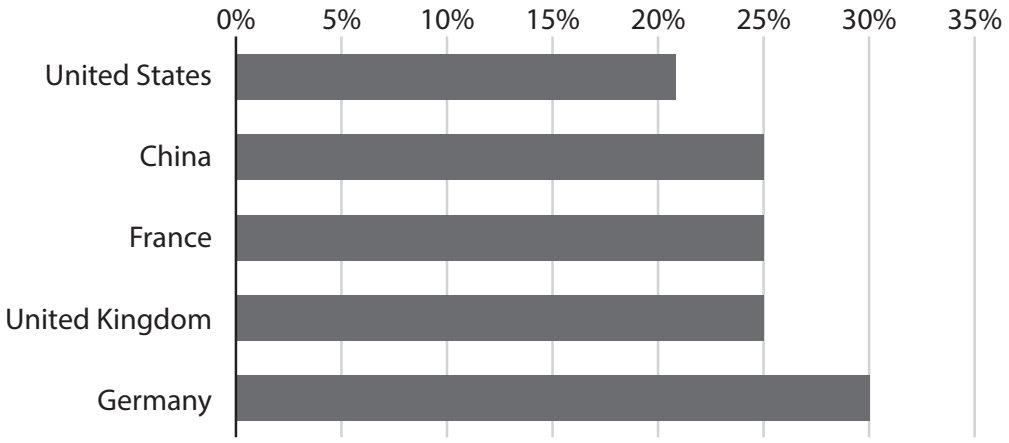


Figure 3

(g) With reference to the data above and your knowledge of economics, assess the disadvantages of higher business tax rates on investment in a country such as the UK.

(9)

(Total for Question 2 = 20 marks)

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)

.....

.....

.....

.....

(Total for Question 3 = 20 marks)

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)

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)

.....

.....

.....

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

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.

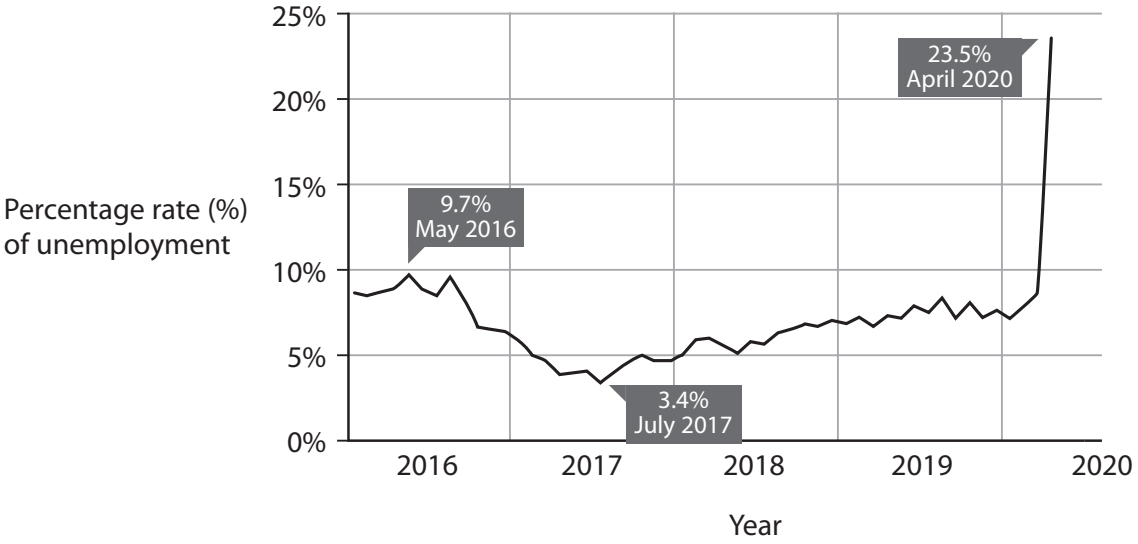


Figure 5

(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)

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 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 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)

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS

Acknowledgements

Figure 1 adapted from: Public sector finances, UK – Office for National Statistics (ons.gov.uk)

Figure 5 adapted from: https://tradingeconomics.com/canada/government-budget

Question 2g adapted from: https://www.schroders.com/en-us/us/individual/insights/the-green-subsidy-race-and-how-its-changing-the-global-economy/

Question 3e adapted from: https://www.ft.com/content/84d324ac-83b2-4f65-a367-b4b391bff2bb/)

Question 4c adapted from: https://https://www.budget.canada.ca/2023/report-rapport/chap3-en.html#a1l

SUB-TOPIC 2.1.2 (d)

GOVERNMENT CONTROLS

Sub-topic 2.1.2 (d) · 5 questions · 26 marks · lowest tariff first

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)

(d) What is meant by the term fines?

(2)

(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)

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)

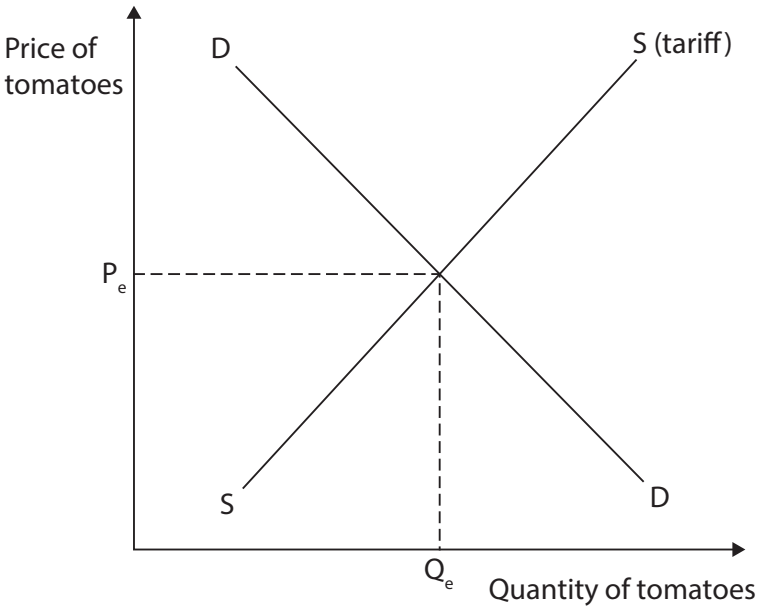


Figure 2

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)

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)

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)

MARK SCHEMES

official mark schemes, in the same order as the questions

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** **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)	**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	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
3(a)	**AO1 1 mark** **D** Higher taxation	**(1)**

Question Number	Answer	Mark
3(b)	**AO1 1 mark** **C** depreciation	**(1)**

Question Number	Answer	Mark
3(c)	**AO2 3 marks** Award 1 mark for identifying an impact Award 1 mark for developing the impact Award 1 mark for the response being in context • One impact is a fall in demand for Egyptian exports **(1).** Inflation of 17.7% makes domestic goods more expensive **(1)** so other countries may not buy Egyptian goods resulting in a deficit on the current account **(1)**. • One impact is an increase in imported goods **(1).** Inflation of 17.7% makes imports appear cheaper than Egyptian goods and services **(1)** so consumers prefer to purchase imports therefore having a negative impact on the current account **(1)**. Accept any other appropriate response.	**(3)**

Question Number	Answer	Mark
3(a)	**AO1 1 mark** **B** Increased inflation	**(1)**

Question Number	Answer	Mark
3(b)	**AO1 1 mark** **B** Progressive	**(1)**

Question Number	Answer	Mark
3(c)	**AO2 3 marks** Award 1 mark for identifying an advantage Award 1 mark for developing the advantage Award 1 mark for the response being in context • One advantage is the MNCs may create jobs **(1)**.The palm plantations require many workers to harvest the palm oil **(1)**. This can reduce the amount of unemployment in Indonesia **(1)** • One advantage is the contribution to government revenue **(1)**. Foreign MNCs might be required to pay taxes to the Indonesian Government **(1)**. This can be used to fund public services within Indonesia **(1)** Accept any other appropriate response	**(3)**

Question Number	What is the total amount of revenue raised by indirect taxes? Answer	Mark
3(a)	**AO2 1 mark** The only correct answer is: **C** £218.2bn A is not correct because this is calculated by Sales tax (VAT) + Income tax B is not correct because this figure is calculated by Income tax + Tariffs D is not correct because this is calculated by Tariffs + Business tax	**(1)**

Question Number	Member countries of a trading bloc agree to Answer	Mark
3(b)	**AO1 1 mark** The only correct answer is: **A** trade together with low or no barriers B is not correct because countries in a trading bloc can have different rates of income tax C is not correct because members can trade with any country outside of the trading bloc D is not correct because member countries do not always have common borders	**(1)**

Question Number	Answer	Mark
3(a)	**AO2 1 mark** The only correct answer is: **B** £321.7bn A is not correct because it includes indirect tax C is not correct because it does not include business tax D is not correct because it does not include income tax	**(1)**

Question Number	Answer	Mark
3(b)	**AO1 1 mark** The only correct answer is: **D** selling its own currency A is not correct because this will increase demand for its currency B is not correct because this will increase demand for your own currency C is not correct because this will cause it to appreciate	**(1)**

Question Number	Answer	Mark
3(c)	**AO2 3 marks** Award 1 mark for identifying an advantage Award 1 mark for developing the advantage Award 1 mark for the response being in context • One advantage is an increase in exports **(1)**. Subsiding clothing by 4% can make exports more competitive **(1)**. This can result in greater export earnings and improve the current account **(1)** • One advantage is more domestic firms may enter the market **(1)**. Subsiding home appliances by up to 10% makes them more price competitive **(1)**. This can result in an increase in employment **(1)** Accept any other appropriate response	**(3)**

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	Fiscal policy would involve a change in which **one** of the following? Answer	Mark
2(a)	**AO1 1 mark** The only correct answer is: **D** Tax rates A is not correct because this is affected by changes in the supply and demand for currencies B is not correct because this is part of monetary policy C is not correct because this is dependent on the output of firms	**(1)**

Question Number	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? Answer	Mark
2(b)	**AO2 1 mark** The only correct answer is: **D** €5 100 A is not correct because this is the interest only B is not correct because this is calculated by €5 000/2 C is not correct because this is calculated by €5 000 - €100	**(1)**

Question Number	State **one** role of a central bank. Answer	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** function. • setting interest rates • controlling inflation • stabilising a nation's currency • lender of last resort • implementing the government's monetary policy • regulating the banking system Accept any other appropriate responses.	**(1)**

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	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	The percentage of income tax paid by an individual in a progressive tax system **Answer**	Mark
2(a)	**AO1 1 marks** The only correct answer is: **C** increases with higher income levels A is not correct because this describes a flat tax system B is not correct because this describes a regressive tax system D is not correct because this does not happen in a progressive tax system	**(1)**

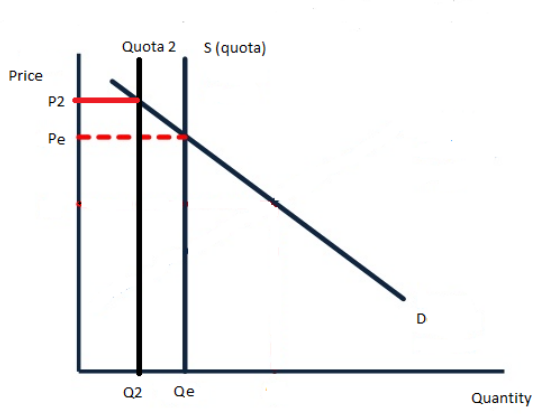
Question Number	A depreciation in a country's exchange rate is most likely to lead to **Answer**	Mark
2(b)	**AO1 1 mark** The only correct answer is: **A** increase in exports and a decrease in imports B is not correct because a depreciation would result in an increase in exports and a decrease in imports C is not correct because a depreciation would result in an increase in exports and a decrease in imports D is not correct because a depreciation would result in an increase in exports and a decrease in imports	**(1)**

Question Number	State **one** possible trade-off with inflation. **Answer**	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** possible trade-off • Higher unemployment • Lower economic growth • Worsening current account on the balance of payments Accept any other appropriate response	**(1)**

Question Number	Answer	Mark
4(a)	**AO2 2 marks** Award 2 marks for calculating the fiscal deficit €8 119 601 – €8 197 243 **(1)** = -€77 642m **(1)** Award 2 marks if fiscal deficit is accurately calculated with no workings shown -€77 642m Award 1 mark if € sign is missing i.e. -77 642m Do not award marks for the formula	**(2)**

Question Number	**Indicative content**	Mark
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Fiscal policy is the use of government spending and taxation to affect macroeconomic objectives • An increase in taxation through either direct or indirect taxation may result in reduced spending for consumers and businesses in Estonian 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 Estonian economy which increased to 4.4% in October • In addition, lower government spending within the Estonian 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 Estonian economy	**(6)**

Question Number	Answer	Mark
1(e)	**A02 2 marks** Award 1 mark for showing the calculation 21 000 – (1 500 x 20%) **(1)** Award 1 mark for the correct answer = €20 700 **(1)** Award 2 marks if the correct answer €20 700 is shown, with € sign, even if no calculations are shown Award 1 mark if correct answer 20 700 is shown, but with no € sign, even if no calculations are shown Do not award marks for the formula	**(2)**

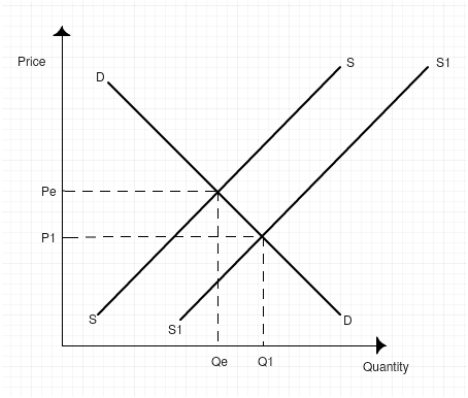
Question Number	Answer	Mark
1(f)	**AO2 3 marks** Award 1 mark for leftward shift of perfectly inelastic supply curve, labelled Award 1 mark for higher equilibrium price, labelled Award 1 mark for lower equilibrium quantity, labelled  	**(3)**

Question Number	Answer	Mark
4(a)	**AO2 2 marks** Award 2 marks for calculating the percentage change in spending on education 59-68 x 100 **(1)** 68 = -13.24% **(1)** Award 2 marks if the percentage change is accurately calculated, even if no calculations are shown Award 1 mark if % is missing i.e. -13.24, even if no calculations are shown	**(2)**

Question Number	**Indicative content**	Mark
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • WTO helps with trade negotiations between the many different countries that are members • There are often trade disputes between the member countries such as the US who has been involved in 422 trade disputes • The WTO can help to resolve these to encourage greater free trade • WTO sets the rules of trade for the member countries that account for 98% of world trade • It encourages the reduction of tariffs and quotas as well as ensuring that the 164 members uphold these rules of trade • Without the WTO, there would be more protectionism and trade negotiations would take much longer • A reduction of protectionism should result in more free trade and therefore lower prices and increased choice for consumers	**(6)**

Question Number	What is meant by the term dumping? Answer	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference to exporting goods and 1 mark for reference to the price being below manufacturing costs A firm sells goods in another country **(1)** below the cost of production **(1).** Accept any other appropriate response	**(2)**

Question Number	Calculate **the fiscal surplus/deficit in Indian rupees crore (Rs)** for India in 2019–2020. You are advised to show your working. Answer	Mark
1(e)	**A02 2 marks** Award 1 mark for showing the calculation 2 080 201 Rs – 2 784 200 Rs **(1)** Award 1 mark for the correct answer = –703 999 Rs **(1)** Award 2 marks for the correct answer of –703 999 Rs even if no calculations are shown. Award 1 mark if the answer given is –703 999 with or without calculations shown Do not award marks for the formula	**(2)**

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	**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	What is meant by the term fiscal surplus? **Answer**	Mark
2(d)	**AO1 2 marks** Award 1 mark for reference to government revenue and 1 mark for reference to being greater than expenditure When government revenue **(1)** is greater than government expenditure **(1)** **OR** When government expenditure **(1)** is less than government revenue **(1)** Accept any other appropriate response.	**(2)**

Question Number	Explain one disadvantage of deregulation for a country such as Indonesia. **Answer**	Mark
2(e)	**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 damage to the environment **(1).** Mining often has a negative impact on the environment **(1)** and this may increase as mines no longer have to follow government controls **(1)** Accept any other appropriate response.	**(3)**

Question Number	Describe **one** advantage of free trade for consumers. **Answer**	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference to an advantage for consumers and 1 mark for development of an advantage for consumers An increase in choice **(1)** due to more foreign goods/services being imported into the country **(1)** Accept any other appropriate response	**(2)**

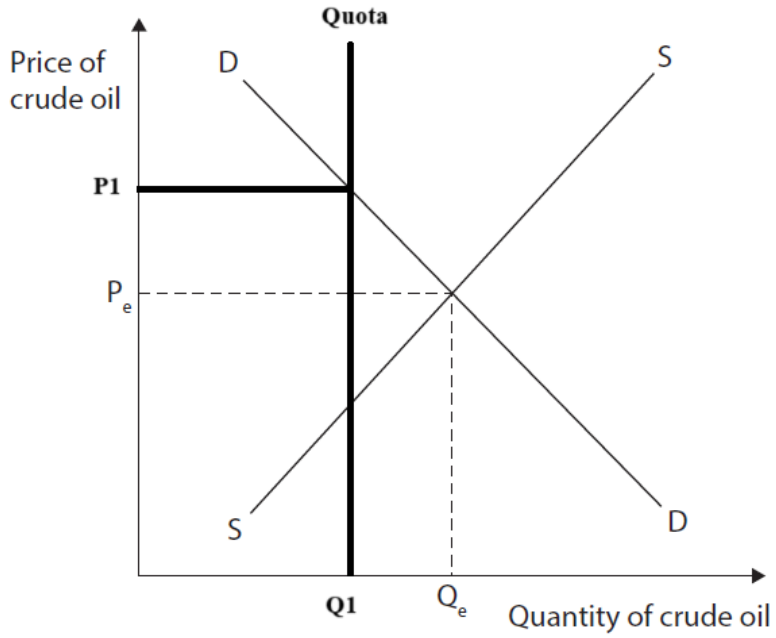
Question Number	Calculate the **net pay** in £ for Sofia. You are advised to show your working. **Answer**	Mark
1(e)	**AO2 2 marks** Award 1 mark for showing the calculation £22 500 x 20% = £4 500 **(1)** Award 1 mark for the correct answer £35 000 - £4 500 = £30 500 **(1)** Award 2 marks if the correct answer £30 500 is shown, with £ sign, even if no calculations are shown Award 1 mark if correct answer 30 500 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 the fiscal deficit for Spain 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 the fiscal deficit for Spain -€87.43bn / -€35.64bn x 100 **(1)** = 245.31% **(1)** Award 2 marks if the percentage is accurately calculated as 245.31% even if no calculations are shown Award 1 mark if % is missing i.e. 245.31 with or without calculations shown No marks for formula	**(2)**

Question Number	With reference to the data in Figure 3 and your knowledge of economics, analyse the impact of a fiscal deficit for a country such as Spain. Indicative content	Mark
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • A fiscal deficit is when government tax receipts are lower than government spending • In this case, Spain had a deficit of -€123.07bn in 2020 • A fiscal deficit requires the Spanish Government to spend more of its tax revenue on either paying the interest on the debt or using tax revenue to pay off the debt completely • This has an opportunity cost for the Spanish Government • The money spent on interest payments could be spent on public services such as education, healthcare and social provision • Persistent fiscal deficits result in future generations burdened with current debt • Fiscal deficits could result in an increase in taxation levels to help repay the debt or a reduction in spending on public services	**(6)**

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)**

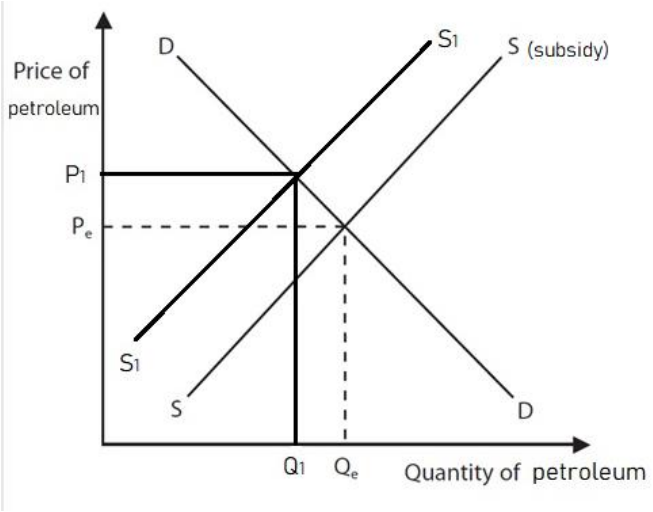
Question Number	Calculate the **total amount of revenue** in £bn raised by direct taxes in February 2023. You are advised to show your working. **Answer**	Mark
1(e)	**A02 2 marks** Award 1 mark for selecting direct taxes from the table £20bn + £7.6bn **(1)** Award 1 mark for the correct answer = £27.6bn **(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	Using the diagram below, draw the effects of the introduction of the quota on the equilibrium price and quantity of crude oil in China. 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 perfectly inelastic supply curve, labelled Award 1 mark for higher equilibrium price, labelled Award 1 mark for lower equilibrium quantity, labelled  	**(3)**

Question Number	Calculate the **fiscal deficit or surplus** in CAD$bn for Canada in 2021–2022. You are advised to show your working **Answer**	Mark
4(a)	**AO2 2 marks** Award 2 marks for calculating the fiscal surplus 38.815 CAD$bn – 35.897 CAD$bn **(1)** = 2.918 CAD$bn **(1)** Award 2 marks if the fiscal surplus is accurately calculated as 2.918 CAD$bn even if no calculations are shown Award 1 mark if CAD$bn is missing i.e. 2.918 with or without calculations shown No marks for formula	**(2)**

Question Number	Describe **one** advantage of privatisation for a government. **Answer**	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference to an advantage for a government and 1 mark for development of an advantage for a government Generates revenue **(1)** which can help the government to invest in other areas **(1)** Accept any other appropriate response	**(2)**

Question Number	Calculate the **total amount of revenue** in £bn raised by indirect taxes in February 2023. You are advised to show your working. **Answer**	Mark
1(e)	**AO2 2 marks** Award 1 mark for selecting indirect taxes from the table £14.3bn + £3.7bn + £0.4bn **(1)** Award 1 mark for the correct answer = £18.4bn **(1)** Award 2 marks if the correct answer is £18.4bn even if no calculations are shown Award 1 mark if the answer given is 18.4 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 fuel subsidy on the equilibrium price and quantity of petroleum in Ghana. 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	State **one** possible advantage of foreign direct investment (FDI) for an economy. **Answer**	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** possible impact • Creating jobs • Investing in infrastructure • Developing skills • Developing capital • Contributing to taxes • Greater choice • Rising living standards • Lower prices Accept any other appropriate response	**(1)**

Question Number	What is meant by the term indirect tax? **Answer**	Mark
2(d)	**AO1 2 marks** Award up to 2 marks for a correct definition A tax levied **(1)** on spending **(1)** **OR** A tax added to the price of goods and services **(1)** which consumers pay when they buy something **(1)** Accept any other appropriate response	**(2)**

Question Number	What is meant by the term direct tax? **Answer**	Mark
2(d)	**AO1 2 marks** Award up to 2 marks for a correct definition A tax levied/imposed on individuals/firms **(1)** based on the level of income/profits **(1)** Accept any other appropriate response	**(2)**

Question Number	Explain **one** disadvantage of privatising the provision of school meals in North Tyneside. **Answer**	Mark
2(e)	**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 that school meals could become more expensive **(1)** this is because private firms aim to make a profit. **(1)** This can make it harder for some families to afford school meals for their children at school **(1)** • One disadvantage is that workers might be paid less. **(1)** Private firms often try to save money in order to make a profit. **(1)** This can negatively impact the quality of service/the well-being of existing employees **(1)** Accept any other appropriate response	**(3)**

Question Number	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 that the government can spend more within the economy **(1)**, this overspend can be used to invest in the public services such as infrastructure **(1)**, and this can create jobs within the Indian economy stimulating economic growth **(1).** Accept any other appropriate response.	**(3)**

Question Number	Answer	Mark
2(f)	**AO2 3 marks** Award 1 mark for identifying a pattern of trade Award 1 mark for developing the pattern of trade Award 1 mark for the response being in context • Developed countries such as Germany export valuable manufactured goods **(1)** such as cars and electrical goods **(1)** and import cheaper primary products such as tea and sugar **(1).** • Developed countries such as Germany have moved away from the primary sector **(1)** and have more developed secondary and tertiary sectors **(1).** They export finished goods to developing countries such as Bangladesh **(1).** Accept any other appropriate response.	**(3)**

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)**

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)**

Question Number	Indicative content	Mark
1(h)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Fiscal policy (expansionary) is when the government increases government expenditure and/or reduces taxation • Increased government expenditure could be in the form of new infrastructure projects such as transport links or employing more public sector workers such as teachers • This should increase overall demand within the Australian economy • This results in firms raising output and having to employ more workers • Incomes will also rise resulting in further output and employment growth within the Australian economy • Unemployment should therefore be reduced in the Australian economy	**(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
1(h)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • A fiscal surplus is when government tax receipts are greater than government spending, in this case 1.3% of GDP in 2016 and expected 0.4% of GDP in 2017 • The government of Singapore has extra funds and these funds can be allocated to pay off any government debts • This reduces the interest payable on any debt and helps the economy in the future • The government of Singapore could use the fiscal surplus to reduce taxes • It could fund new education and training programmes or improve existing public services such as healthcare	**(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
1(h)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Direct taxes are government charges imposed on income and wealth • Lowering direct taxes such as income tax rates will result in employees keeping more take home pay • This increases disposable income from employment and gives an incentive to work rather than live on benefits • Increased income could be spent on more/better quality goods and services, thereby increasing standard of living in Vietnam • With greater disposable income being spent within the Vietnamese economy, output and employment may increase

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).

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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).

Question Number	With reference to the data above and your knowledge of economics, analyse why the Slovenian Government might want to increase investment in healthcare. Indicative content
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 €3.05bn in healthcare means that illnesses can be treated quickly therefore improving life expectancy across all age groups in Slovenian • 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 improve standards of living in Slovenia • Healthcare also provides many jobs for healthcare workers including nurses and doctors which helps to reduce unemployment

Level	Mark	Descriptor
	0	No rewardable material.
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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	Analyse how a reduction in indirect taxation is likely to affect the standard of living in a country such as the UK. **Indicative content**	Mark
1(h)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Indirect taxes are government charges imposed on goods and services • Lowering indirect taxes such as VAT will result in consumers paying less for goods and services • This allows consumers and firms to make more purchases as prices are cheaper • Increased spending could be spent on more/better quality goods and services, thereby increasing the standard of living in the UK for consumers • With increased spending within the UK economy, output and employment may increase for firms, further increasing the standard of living	**(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	Analyse the benefits of having a fiscal surplus for a country such as Nauru. **Indicative content**	Mark
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • A fiscal surplus is when government tax receipts are greater than government spending • In this case, Nauru had a surplus of 16.1% of GDP in 2019 • The Government of Nauru could use the fiscal surplus in several ways • It could use the surplus to reduce taxes for the 10,824 population of the island • Alternatively, it could fund new education and training programmes or improve existing public services such as healthcare • If the Government of Nauru has any government debts, it has extra funds to repay them • This reduces the interest payable on any debt and helps the economy in 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 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 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)**

Question Number	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. **Indicative content**	Mark
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Taxes can be either direct or indirect • Lowering direct taxes such as income tax results in workers keeping more of their income from paid employment • Workers can then spend more on goods and services increasing consumption in the Spanish economy particularly in sectors such as tourism and commerce • Lowering indirect taxes such as VAT results in the price of goods and services falling which can lead to an increase in demand • These measures result in firms raising output and having to employ more workers to meet the increase in consumption • These new workers in turn have more to spend creating the incentive for firms to hire more workers • Unemployment should therefore be reduced in the Spanish economy **AO4** • However, taxes are the main source of income for the Spanish Government so reducing taxes could result in a fiscal deficit if this policy is unsuccessful • If consumer confidence is low, cutting taxes may not increase consumer spending as people prefer to save instead • There is no guarantee that people will spend the tax cuts on Spanish produced goods and could purchase imported goods resulting in a negative impact on the current account • The tax cuts could be inflationary if demand outstrips supply • It will all depend on the type of unemployment Spain is suffering from. Tax cuts are likely to be ineffective if Spain has structural and seasonal unemployment • There are currently 4 million unemployed so the effectiveness of reducing taxes may depend upon a range of factors within the Spanish 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 benefits of having a fiscal surplus for a city such as San Francisco. Indicative content	Mark
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • A fiscal surplus is when tax receipts are greater than spending • In this case, San Francisco is expecting a surplus of $108m • The fiscal surplus can be used in a number of ways, such as, further spending on homelessness and mental health which could benefit the residents who live in San Francisco • It could use the surplus to reduce taxes for the residents of the city • Alternatively, it could fund new education and training programmes or improve existing public services such as policing and public safety • If the city has any debts, it has extra funds to repay them with the $108m surplus • This reduces the interest payable on any debt and helps the local economy in the future **AO4** • However, there can be disadvantages to having a fiscal surplus • Often it means that tax rates may be too high in the first place and this could have a negative impact on the taxpayers of the city • The fiscal surplus could have been caused by cuts to spending on public services in the city • This could have a detrimental impact on low-income families who may rely more on these for basic needs • This could result in an increase in inequality in San Francisco in the long term • The impact will depend on how long the fiscal surplus can be maintained and how it is spent within 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).

12

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)**

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, 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)**

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	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
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
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	**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	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	When a central bank buys government bonds from commercial banks it is known as Answer	Mark
2(a)	**AO1 1 marks** The only correct answer is: **A** asset purchasing B is not correct because this is when a government sells assets to private investors C is not correct because this is the payment for borrowing funds D is not correct because this is the removal of government controls	**(1)**

Question Number	If the exchange rate changes from £1 = €1.20 to £1 = €1.10 then Answer	Mark
2(b)	**AO2 1 mark** The only correct answer is: **D** UK exports to Italy will be cheaper A is not correct because the £ has depreciated against the € B is not correct because holidays in Italy will be more expensive for UK tourists C is not correct because Italian imports will be more expensive	**(1)**

Question Number	State **one** possible trade-off with economic growth. Answer	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** trade-off. • Inflation • Environmental protection • Damage to the environment Accept any other appropriate response	**(1)**

Question Number	Which **one** of the following is a government policy that changes the rate of interest? **Answer**	Mark
2(a)	**AO1 1 marks** The only correct answer is: **C** Monetary A is not correct because this involves government revenue and government expenditure B is not correct because this involves increasing the productive capacity and output of an economy D is not correct because this involves the supply of and demand for currencies	**(1)**

Question Number	Which **one** of the following is an example of deregulation? **Answer**	Mark
2(b)	**AO1 1 mark** The only correct answer is: **B** Allowing more foreign firms into the domestic market A is not correct because it involves imposing a new regulation on how much government officials can be paid C is not correct because compulsory employee training adds a new layer of requirements for firms D is not correct because this increases the amount of regulation to protect consumers	**(1)**

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
4(a)	**AO2 2 marks** Award 1 mark for showing the calculation. $\frac{9 - 10}{10} \times 100$ **(1)** Award 1 mark for the correct answer. = -10% **(1)** Award 2 marks if the percentage change of -10% is accurately calculated with no workings shown Award 1 mark if % is missing i.e. -10 Do not award marks for the formula	**(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	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)**

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)**

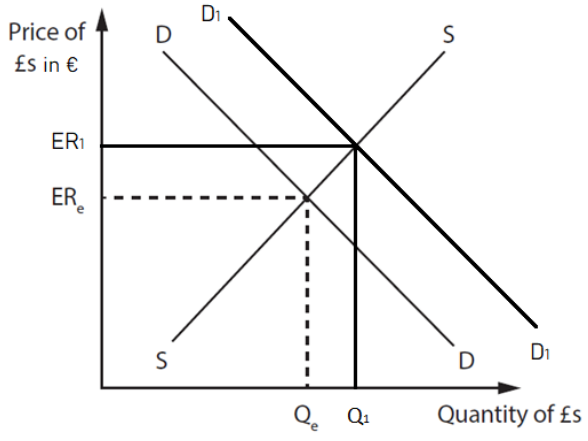
Question Number	What is meant by the term asset purchasing? **Answer**	Mark
2(d)	**AO1 2 marks** Award up to 2 marks for a correct definition When a central bank buys government bonds/financial assets **(1)** from commercial banks **(1)** Accept any other appropriate response	**(2)**

Question Number	Explain **one** reason why there might be a trade-off between economic growth and environmental protection for an economy such as China. **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 that environmental protection can increase the cost of doing business **(1).** Firms may need to invest in new equipment/technologies to reduce emissions **(1)** which may result in slower economic growth **(1)** • One reason is that more environmental protection such as restrictions may limit business activity **(1)** to reduce emissions/pollution from factories **(1)**, which could lead to lower economic growth **(1)** Accept any other appropriate response	**(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	Explain **one** benefit of asset purchasing by a central bank such as the ECB. **Answer**	Mark
2(e)	**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 this can lead to higher levels of consumer and business spending **(1).** Purchasing assets injects money into the economy **(1)** which can stimulate economic growth **(1)** • One benefit is (aggregate) demand will increase **(1)** because of the increase in the flow of money from central banks to commercial banks **(1).** This extra money can be loaned to consumers and firms **(1)** Accept any other appropriate response	**(3)**

Question Number	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. **Answer**	Mark
2(f)	**AO2 3 marks** Award 1 mark for a rightward shift of demand, labelled Award 1 mark for a higher equilibrium exchange rate, labelled Award 1 mark for a higher equilibrium quantity, labelled  	**(3)**

Question Number	Indicative content	
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Monetary policy is the use of interest rates and the money supply to achieve price stability • An increase in interest rates may help to reduce the amount that consumers and firms borrow as the cost increases to take out loans, mortgages and to spend on credit cards • Higher interest rates may also encourage some consumers to save more thus reducing spending within the Kenyan economy • This may result in less demand-pull inflation within the Kenyan economy • A rise in interest rates may also increase the exchange rate in Kenya making imports cheaper for both consumers and firms • This may also help to reduce cost-push inflation in Kenya	
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
1(h)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Monetary policy is the use of interest rates and money supply to control (aggregate) demand in the economy • Monetary policy can be used to reduce inflationary pressures in Kenya by the central bank increasing interest rates • An increase in interest rates above the current 9% base rate might help to reduce spending and investment in the economy thus slowing down economic activity and reducing inflationary pressure • There might be a greater reward for saving which may discourage consumers from spending helping to reduce (aggregate) demand and therefore inflation in the economy • A rise in interest rates may increase the value of the currency which could result in cheaper imports and therefore reducing 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	With reference to the data above and your knowledge of economics, analyse how monetary policy can help to reduce inflation in a country such as the US. **Indicative content**	Mark
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Monetary policy is the use of interest rates and money supply to control (aggregate) demand in the economy • Interest rates are the highest they have been for 15 years and are predicted to increase to 5.25% by the end of 2023 • Higher interest rates will increase the cost of borrowing • This will discourage investment and expenditure by firms and consumers in the US economy • There could be a greater incentive to save to take advantage of higher interest rates, therefore reducing consumer spending • This will lower overall aggregate demand and inflationary pressures in the US economy • Increased interest rates may boost the US currency's value, which may lead to lower import costs and consequently a decline in 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	Indicative content	Mark
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Monetary policy is the use of interest rates and money supply to affect the level of economic activity • Expansionary monetary policy aims to boost economic growth by lowering interest rates • China has lowered interest rates to 4.35% in 2018/2019 from a high of 6% in 2014 • This makes borrowing more attractive to firms and households as a lower rate of interest is charged on loans • Firms and consumers with existing loans and mortgages will also see a drop in interest payments and therefore will have more disposable income to spend • This may increase the demand for goods and services within the Chinese economy, thus increasing economic growth **AO4** • However, not all economic growth is dependent upon interest rates • Other factors such as business and consumer confidence play a huge role in the demand for goods and services • Often there is a time lag for a reduction in interest rates to feed through into the economy in terms of increased demand • Lower interest rates may increase demand for goods and services but can result in inflationary pressures if supply is not able to keep up with demand • The effectiveness may depend upon a range of factors within the Chinese 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 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)**

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, 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, evaluate the effectiveness of monetary policy in controlling inflation in a country such as China. Indicative content
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • Monetary policy is the use of interest rates and control of the money supply to manage demand in the economy • Monetary policy can be used to reduce inflationary pressures in China by the PBOC increasing interest rates • An increase in interest rates tends to reduce spending and investment in the economy thus slowing down economic activity and reducing inflationary pressure • There might be a greater reward for saving which may discourage consumers from spending helping to reduce demand in the economy • A rise in interest rates may increase the value of the currency which could result in cheaper imports and therefore reduced inflation **AO4** • However, there can be time lags for the increase in interest rates to filter through the Chinese economy • Increasing interest rates may raise the cost of production for firms which may have an even greater negative impact on prices • The effectiveness will depend upon the type of inflation China is experiencing which seems to be cost push inflation due to the increases in the price of meat and fresh fruit • Demand is not totally dependent on interest rates and there are other factors that have an impact on inflation • Monetary policy can therefore conflict with economic growth and employment • There are other ways in which the Chinese Government could try and control inflation including supply-side policies • These could help to reduce inflationary pressures by helping the Chinese economy to produce more goods and services at all price levels

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).

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Question Number	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. **Indicative content**	Mark
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • Monetary policy is the use of interest rates and money supply to affect the level of economic activity • Expansionary monetary policy aims to boost economic growth by lowering interest rates • Mexico's central bank has lowered interest rates from a high of 8.25% in July 2019 to 4.25% in September 2020 • This makes borrowing more attractive to firms and households as a lower rate of interest is charged on loans • Firms and consumers with existing or new loans and mortgages will also see a drop in interest payments and therefore will have more disposable income to spend • This may increase the demand for goods and services within the Mexican economy, thus helping to increase economic growth which has fallen by 9.3% **AO4** • However, not all economic growth is dependent upon interest rates • Other factors such as business and consumer confidence play a large role in the demand for goods and services • Often there is a time lag for a reduction in interest rates to feed through into the economy in terms of increased demand • Lower interest rates may increase demand for goods and services but can result in inflationary pressures • Mexico has seen inflation rates of 3.3% which could have been caused by the lowering of interest rates since July 2019 • The effectiveness may depend upon a range of factors within the Mexican economy • There are other ways to stimulate economic growth including fiscal and supply-side policies • Mexico should use a combination of policies rather than just focus on monetary policy to increase total output.	**(12)**

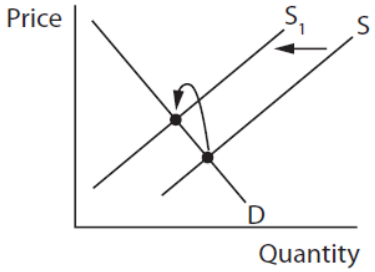
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	• Demonstrates isolated elements of relevant knowledge and understanding; may lack development of relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity 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).
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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
2(a)	**AO2 1 mark** **C**  	**(1)**

Question Number	Answer	Mark
2(b)	**AO1 1 mark** **A** Deregulation	**(1)**

Question Number	Answer	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** correct disadvantage • Foreign competition • Increasing unemployment Accept any other appropriate responses	**(1)**

Question Number	Answer	Mark
2(d)	**AO1 2 marks** Award 1 mark for reference to price of a currency and 1 mark for reference to another currency The price of one currency **(1)** in terms of another currency **(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)**

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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** The only correct answer is: **D** More firms allowed to enter a market A is not correct because this would mean more regulations to implement it B is not correct because this increases the amount of regulation C is not correct because regulations would be needed to oversee the issuing of licences	**(1)**

Question Number	Which **one** of the following is a role of the World Trade Organization (WTO)? **Answer**	Mark
1(a)	**AO1 1 marks** The only correct answer is: **B** Settling trade disputes A is not correct because it does not have the power to do this C is not correct because its role is to decrease trade barriers D is not correct because this would increase protectionism	**(1)**

Question Number	Which **one** of the following is an example of a supply-side policy to increase output? **Answer**	Mark
1(b)	**AO1 1 mark** The only correct answer is: **C** Increasing the school-leaving age A is not correct because it is a fiscal policy B is not correct because it is a monetary policy D is not correct because it would deter investment	**(1)**

Question Number	What is meant by the term economies of scale? **Answer**	Mark
1(c)	**AO1 2 marks** Award 1 mark for reference to falling average costs and 1 mark for reference to expansion Falling average costs **(1)** due to expansion of the firm **(1)** Accept any other appropriate response	**(2)**

Question Number	Answer	Mark
2(d)	**AO1 2 marks** Award 1 mark for reference to increasing productive capacity and 1 mark for reference to aggregate supply. Policies designed to increase the productive capacity of the economy **(1)** by influencing aggregate supply **(1)** OR Government measures **(1)** designed to increase aggregate supply in the economy **(1)**	**(2)**

Question Number	**Answer**	**Mark**
2(e)	**AO2 3 marks** Award 1 mark for identifying a relevant advantage of having a depreciating currency. Award 1 mark for developing the advantage. Award 1 mark for the response being in context. • An improvement on the current account **(1)** A weaker value of the peso leads to rising export sales **(1)** resulting in a larger trade surplus for the economy of the Philippines **(1)** • Economic growth for the economy of the Philippines **(1)** The price of exports should fall because of the weaker peso **(1)** This may result in an increase in demand for goods/services **(1)** Accept any other appropriate response.	**(3)**

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	Calculate, to two decimal places, the percentage of spending on all existing infrastructure projects that was spent on renewable energy on India in 2019. You are advised to show your working. **Answer**	Mark
4(a)	**AO2 2 marks** Award 2 marks for calculating the percentage in spending on renewable energy in 2019 $\frac{\$200bn}{\$618bn}$ x 100 **(1)** = 32.36% **(1)** Award 2 marks if the percentage is accurately calculated as 32.36% even if no calculations are shown Award 1 mark if % is missing i.e. 32.36 with or without calculations shown No marks for formula	**(2)**

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	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 that there may be increased demand for German exports **(1)** if consumers overseas are responsive to the cheaper export prices **(1)**. This has a positive impact on the current account of Germany if there is an overall increase in net exports **(1)** • One reason is that this may reduce the quantity of imports into Germany **(1)** as it is now relatively more expensive to import goods due to the fall in the euro **(1)**. This could result in a decrease in net imports **(1)** Accept any other appropriate response	**(3)**

Question Number	Answer	Mark
2(f)	**AO2 3 marks** Award 1 mark for identifying a possible way Award 1 mark for developing the possible way Award 1 mark for the response being in context • One way is that privatisation introduces competition into the airport market **(1)**. It creates incentives to lower unit costs **(1)** to increase productivity and profit **(1)** • One way is that privatisation may improve the quality of the factors of production of airports **(1)**. This means that an airport can produce more services **(1)** without increasing inputs **(1)** Accept any other appropriate response	**(3)**

Question Number	What is meant by the term devaluation? Answer	Mark
2(d)	**AO1 2 marks** Award 1 mark for reference to decrease in exchange rate and 1 mark for reference to being caused by the government A decrease in the exchange rate **(1)** caused by government intervention **(1)** Accept any other appropriate response	**(2)**

Question Number	Explain **one** way government spending on infrastructure can benefit an economy 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 • One way is to create jobs **(1).** The building of roads and bridges will require construction workers **(1).** This can help to reduce unemployment for the US **(1)** • One way is to improve the productive potential of an economy **(1).** Building roads and bridges can help to improve the transport of goods and services around the country **(1).** This can result in an increase in aggregate supply for the US **(1)** Accept any other appropriate response	**(3)**

Question Number	Explain **one** advantage of deregulation for a country such as India. **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 it can increase competition **(1)**. New telecommunications firms can more easily enter the market and compete with established companies **(1)** which can lead to lower prices/higher quality/more choice for consumers **(1)** • One advantage is that it can stimulate economic growth **(1)**. When regulations are reduced, firms pay lower taxes or fees so may have more resources to invest **(1)** which can create jobs and increase economic output **(1)** Accept any other appropriate response	**(3)**

Question Number	With reference to the data above and your knowledge of economics, analyse the advantages for UK firms of the UK joining the CPTPP trading bloc. **Indicative content**	Mark
1(h)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Trading blocs are usually groups of countries in specific regions that negotiate preferential trading agreements between themselves with reduced trade barriers • The CPTPP includes countries in the Asia-Pacific region, providing UK firms with access to new markets that they might not have been able to enter before • By joining the CPTPP, the UK firms could benefit from reduced trade barriers, making it easier and cheaper to export goods to member countries • Membership in the CPTPP could help UK firms access skilled labour in other member countries • Membership of the CPTPP could help the UK firms diversify trade relationships beyond Europe, reducing the risk of relying on a single trading partner	**(6)**

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	Analyse the impact of education and training on the productive potential of a country such as Vietnam. **Indicative content**	Mark
1(h)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Education and training are examples of supply-side policies designed to improve the productive potential of an economy • Investment in education and training in IT can help unemployed workers to acquire new skills so they can gain employment • Many unemployed workers lack the necessary skills needed to get a job, especially older workers who may need retraining to gain digital skills • Offering training courses in IT could help to reduce structural unemployment within Vietnam • A better educated and trained workforce could enable Vietnam to produce more goods and services using IT skills thus increasing the productive potential of the country	**(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	With reference to the data above and your knowledge of economics, analyse the possible disadvantages of the Kazakhstan Government privatising the national railway company. **Indicative content**	Mark
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Privatisation involves selling state-owned assets to the private sector • Often privatisation forces the new private companies to be efficient or at least find ways of reducing costs in order to make a profit • The most popular way of cutting costs is to reduce the size of the workforce • This would result in many railway workers losing their jobs and see an increase in the number of people unemployed in Kazakhstan • KTZ is the largest employer in Kazakhstan so privatising the railway could have a huge impact on unemployment levels in the country • KTZ's operations are already profitable therefore any future profits would be given to shareholders rather than go to the government • This might result in lower levels of investment and higher prices for railway users	**(6)**

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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, 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)**

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Question Number	With reference to the data above and your knowledge of economics, evaluate the possible benefits of globalisation for cocoa farmers in Ghana. **Indicative content**	Mark
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • Globalisation allows cocoa farmers to sell to a broader market, potentially getting better prices for their cocoa • Higher demand from international markets can lead to increased revenues for farmers and a higher standard of living • Exposure to global markets can lead to better farming techniques and tools, improving output and quality • Globalisation can attract investment in cocoa farming infrastructure and processing facilities in Ghana • Cocoa farmers can learn new farming methods and business practices from international partners • Access to global markets might encourage farmers to grow different crops or invest in different areas, reducing the risk of having just one crop **AO4** • However, prices in global markets can fluctuate wildly based on international demand which can make income unpredictable for cocoa farmers • With a focus on exporting cocoa due to global demand, the country might become too dependent on one crop, risking economic instability if cocoa prices fall or if the crop fails • Cocoa farmers might be exploited by large corporations, receiving only a tiny fraction of the final product's value • This leads to the situation highlighted by Oxfam, where the majority of cocoa farmers live in poverty despite their hard work • Global markets often demand high-quality products, which might be challenging for some farmers to meet consistently without adequate support or investment • Cocoa farmers must compete not just with local but international cocoa producers, which can be challenging, especially for smaller or less technologically advanced farms • Benefits of globalisation might not be evenly distributed, leading to greater economic differences within communities	**(12)**

Question Number	**Indicative content**
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Business tax is a direct tax on the profit of a firm • Cuts in business taxes can help provide a firm with additional funds to expand its factors of production • Lower business taxes can also provide an incentive to firms to increase investment thereby increasing output • This is likely to result in increasing GDP and employment • The US has already lowered business taxes from 35% to 21% and has plans to reduce this further to 15% • This could result in firms setting up in the US rather than other countries such as Mexico who have a business tax of 30% thereby increasing productive capacity and total output from the increased investment **AO4** • However, MNCs might be attracted to countries in Figure 3 such as Canada and Ireland which have lower business taxes compared to the US • Lowering business taxes by such a large percent may result in less tax revenue for the US government rather than any increase in investment if firms do not locate in the US • Less government revenue may result in less government investment • There is no guarantee that firms will reinvest the additional capital into expansion and could just give the saving in taxes to shareholders in the form of dividends

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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	Indicative content	Mark
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Deregulation is a supply-side policy of making markets more competitive by removing barriers such as regulations • Regulations such as labour laws often create additional costs for firms which makes them less competitive in comparison to firms abroad • Experts have advised the government to reduce regulation in markets such as finance and transport • Removing labour market regulations such as a reduction in the minimum wage may result in the tourism sector reducing its overall labour costs and therefore being able to employ more workers • This may result in a reduction in the 11.6% rates of 15-29 year olds • Removing competition laws in the finance sector may also result in more firms entering the market and therefore employing workers and thereby reducing unemployment in South Korea **AO4** • However, deregulation may just result in firms saving on labour costs but not employing anymore workers • Reducing the minimum wage may result in less people willing and able to work thereby increasing unemployment rather than reducing it • Regulations are designed to protect workers, the environment and consumers so any removal of them may result in negative consequences for South Korea and lower standards of living • There are other supply-side policies such as lower income tax to encourage working which might be more effective in reducing unemployment • The overall effectiveness will depend on a range of economic factors within the South Korea economy not just the level of regulation	**(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	Assess the effectiveness of infrastructure spending to reduce unemployment in a country such as Canada. **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 local government in Alberta is investing in a wide range of projects including repairing roads, bridges and upgrading technology in schools and universities • In the short term, building or upgrading the transport network can boost (aggregate) demand through increased construction activity and employment • Canadian construction, road and technology firms may require additional employees to complete the projects • In the long term, infrastructure investment can reduce unemployment by increasing the potential supply capacity of an economy • The latest unemployment figures increased to 8.7% in March so investing in infrastructure projects could help to boost output without the danger of inflation **AO4** • However, it can be argued that spending $1.9bn may not reduce unemployment in the long term • There is an opportunity cost of these investments with no guarantee that unemployment will decrease 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 projects can add to (aggregate) demand and (aggregate) supply • The local government in Alberta should use a range of supply-side and fiscal policies to reduce unemployment	**(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 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)**

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 privatising the college. Indicative content	Mark
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Privatisation is the act of selling a company or activity controlled by the government to private investors • The Scottish Government has recently privatised Shetland College • Shetland College will have more control over its operations now that it is in the private sector • Shetland College cannot rely on public money and must make a profit to survive • Therefore, Shetland College will now have to compete against the other rival colleges for students in order to gain revenue • Competitive pressures should help to improve quality and reduce prices for the students using the college • Shetland College may try to compete by offering a wider range of courses to attract more people to the college • It could seek to lower the prices for its courses without the interference of the government thereby benefitting students of the college **AO4** • However, in practice, state monopolies often become private monopolies • This might be the case with the firm operating in the education market • Competitive pressures are often not forthcoming and Shetland College has simply been moved from state to private ownership without facing any new competition • Critics are concerned that the privatisation might result in fewer courses available for students • As a result consumers/students might be exploited due to poor quality and price increases as the private firm seeks to reduce costs in order to maximise profits • Workers might be negatively affected as large numbers of people are often made redundant to reduce costs • The overall impact will depend on how the college is managed and operated by the management	**(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 disadvantages of higher business tax rates on investment in a country such as the UK. **Indicative content**	Mark
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Business tax is a direct tax on the profit of a firm • Business tax rates in the UK have increased from 19% to 25% in April 2023 • Increasing business tax rates by such a large percent (6%) may result in less tax revenue for the UK Government if firms do not locate in the UK or if UK firms relocate to the US • The US has a much lower tax rate of 21% in comparison to the UK which could be very attractive to MNCs • Firms such as Associated British Foods will have to pay £20m more in taxation • This could result in the firm having less to invest in the UK economy • This is likely to result in a negative impact on GDP and employment if many firms have less profit to invest and expand in the UK **AO4** • However, increases in business tax rates can help provide the UK Government with an additional £18bn in tax revenue • This could be used by the UK Government to invest into public services for the UK population which might offset any reductions in investment by the private sector • The UK's tax rate of 25% is comparable to China and France and is still significantly lower than Germany's 30% tax rate • This could mean that the impact of the higher rates of business tax is minimal • The level of investment is affected by a range of factors, such as business confidence and not just the rate of business taxes in a country	**(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).
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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 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)**

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, 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	**Indicative content**
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • Education and training are examples of supply-side policies designed to improve the productive potential of an economy • Investment in education and training can help unemployed workers to acquire new skills so they can gain employment • Many unemployed workers lack the necessary skills needed to get a job, especially older workers who may need retraining to gain digital skills • This could help to reduce structural unemployment within the UK • A better educated and trained workforce could enable the UK to produce more goods and services thus increasing economic growth **AO4** • However, education and training tend to be long-term and there is a delay in an unemployed worker gaining new skills and being able to enter the labour force • There is a financial cost to the UK government of offering education and training to unemployed workers which could be spent on other public services • Some of the UK's unemployment may not be structural and could in fact be due to cyclical unemployment • If the main cause of unemployment in the UK is due to other reasons then demand side policies such as fiscal and monetary might be more effective in reducing unemployment • If the UK is suffering from a range of different types of unemployment, then a combination of policies would be the most effective

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 spending on infrastructure to increase total output in an economy such as India. **Indicative content**	Mark
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • Infrastructure spending is an example of a supply-side policy • The productive potential of the Indian economy may increase if the quality of its infrastructure is improved • The Indian Government is investing in a wide range of projects including renewable energy, airports, roads and the rail network • This may help to increase geographical mobility as well as improve the distribution of goods/services • In the short term, building or upgrading transport or energy networks can boost (aggregate) demand through increased construction activity and employment • Indian construction, road, cement and steel firms may require additional employees to complete the projects • In the long term, infrastructure investment can boost economic growth by attracting investment and increasing the potential supply capacity of an economy • The Indian economy slowed to a more than six-year low of 4.5% in 2019 so investing in infrastructure projects could help to boost output without the danger of inflation **AO4** • However, it can be argued that spending $1.5 trillion may not increase the total output in the Indian economy • It is unclear how the Indian Government's share of the $1.5 trillion will be funded • The Indian Government may have to borrow the additional finance adding to its fiscal deficit which is already set to increase to 3.7% in 2020 • There is an opportunity cost of these investments with no guarantee that total output will increase in the long term • These are very ambitious plans and many things can change in a 5-year period which could result in less output for the Indian economy • 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 approved list of projects can add to (aggregate) demand and (aggregate supply)	

	• The Indian Government should use a range of supply-side and fiscal policies to increase overall output	**(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 education and training to reduce structural unemployment for a country such as Canada. **Indicative content**	Mark
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • Education and training are examples of supply-side policies designed to improve the productive potential of an economy • Education and training can help individuals acquire the skills they need to fill the one million job vacancies • This could reduce the skills gap and mismatch between the skills that workers possess and the skills/human capital that employers require • As a result, this can lead to a reduction in structural unemployment as individuals become better equipped to fill the job vacancies • A quarter of job vacancies are for low skilled jobs, so these schemes could help to provide digital skills or basic skills to be able to gain employment • It can increase employability and earning potential for unemployed workers or for workers wanting to gain new skills or career advancement • Education and training boosts productivity and economic growth by enhancing the overall skill level of the workforce **AO4** • It can be costly for the Canadian Government with the financial support for adult scheme costing $815m alone • It may take time to complete education and training courses which could be a disadvantage for those who need to start earning income immediately • The cost of training may be high for individuals even with financial support from the government • The skills being taught may not match the needs of employers or reach those who need them the most • Employers may not be willing to hire individuals without experience even if they have completed more training • Some of Canada's unemployment may not be structural and could be due to cyclical unemployment • Individuals may not have the necessary resources such as transportation or childcare to participate in training programmes • The overall advantages will depend on how effective education and training is and the reasons for the one million job vacancies	**(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	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)**

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	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)**

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

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	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).
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).