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EDEXCEL INTERNATIONAL GCSE ECONOMICS: QUESTIONS BY TOPIC

Relationships between objectives and policies (2.1.3)

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

11 questions · 39 marks · Mark schemes included

Past papers June 2019 - June 2025 · 1 specification sub-topic

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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.

QUESTION	SOURCE	MARKS	PAGE
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QUESTIONS

11 questions · 39 marks · 1 sub-topic

SUB-TOPIC 2.1.3 (a)

POLICIES AND THE TRADE-OFFS BETWEEN OBJECTIVES

Sub-topic 2.1.3 (a) · 11 questions · 39 marks · lowest tariff first



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)



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

(2)

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

(2)



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)

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In January 2023, China introduced a quota on imports of crude oil into the country.

- (f) 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.

(3)

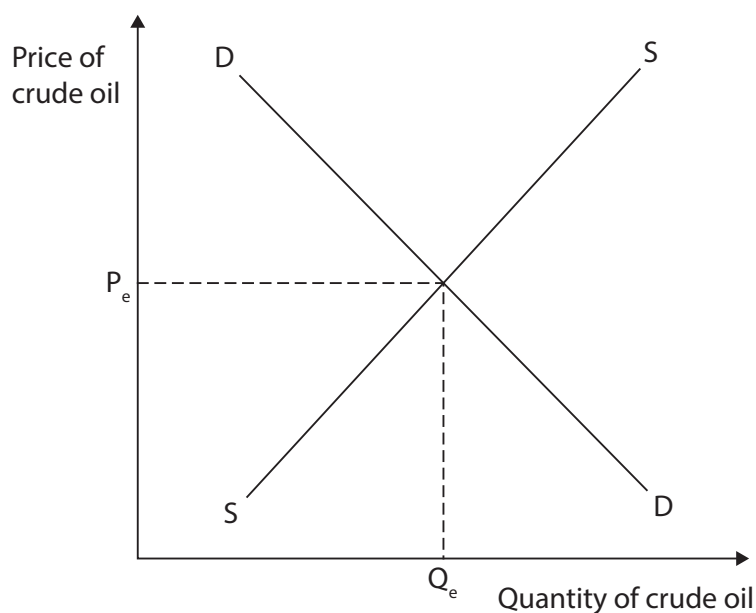


Figure 2

In 2021, the global economy experienced a period of rapid growth. This growth was accompanied by rising inflation in many parts of the world due to problems with the supply of goods.

- (g) Explain **one** reason why there may be a link between economic growth and inflation for an economy.

(3)



The African Continental Free Trade Area (AfCFTA) is a free trade area that includes most of Africa. It connects 1.3bn people across 55 countries with a combined gross domestic product (GDP) of \$3.4 trillion. South Africa is an important member of the AfCFTA.

- (h) With reference to the data above and your knowledge of economics, analyse the disadvantages to firms in South Africa of being a member of the AfCFTA.

(6)



In China there are restrictions on coal consumption and emissions from factories. These restrictions have led to job losses in some industries.

(e) Explain **one** reason why there might be a trade-off between economic growth and environmental protection for an economy such as China.

(3)



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

[illegible]

A report by the charity Oxfam, stated that Vietnam has 210 super-rich people. Their combined earnings for one year are enough to take 3.2 million people out of poverty and end absolute poverty in Vietnam. To reduce inequality and poverty, Oxfam is calling on international leaders to increase taxes to fund healthcare, education and job creation. Oxfam also asked business leaders to pay employees a living wage and pay their fair share of tax.

- (c) With reference to the data above and your knowledge of economics, evaluate whether an increase in progressive taxes is the most effective way to reduce inequality and poverty for a country such as Vietnam.

(12)



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

Labour force	9,210,000
Unemployed	251,000

Figure 4

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

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

(2)

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

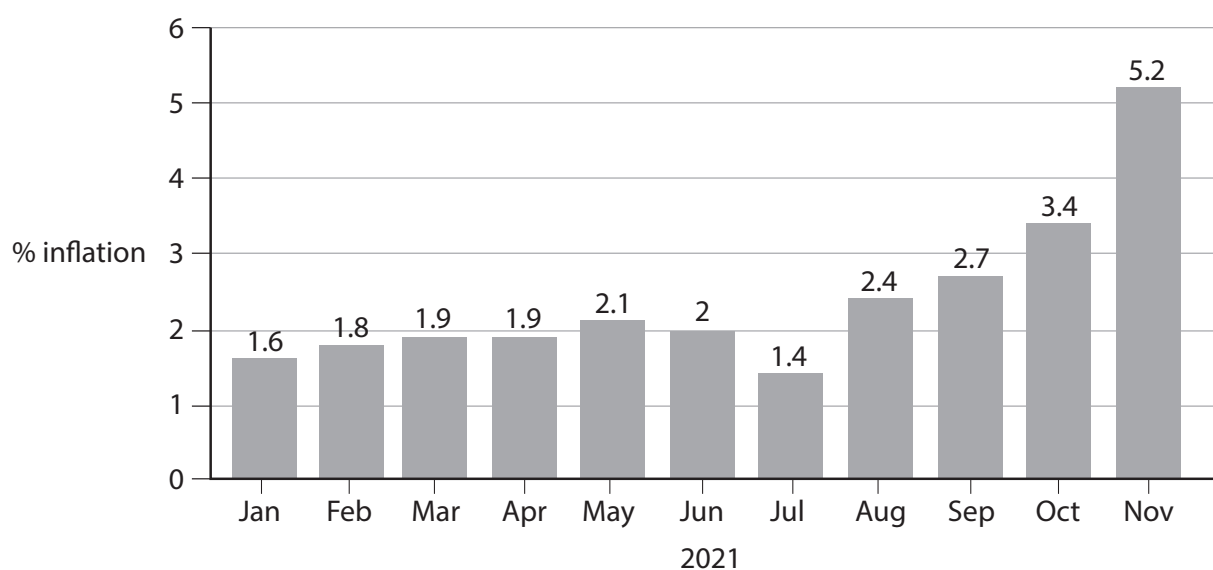


Figure 5

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

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

(6)



This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper has rounded corners and a thin black border around the edges.

The Tata Steel steelworks in IJmuiden, Netherlands, will have to meet tougher rules on pollution and will have extra checks to make sure it improves the air quality around the plant. These include reducing Tata Steel's current pollution permits and will require it to change some production processes.

The government made the decision following the publication of a report which concluded that dust in the IJmuiden region contained high levels of dangerous metals such as lead. An earlier report stated that air quality in the area was poor to inadequate.

Tata Steel in the Netherlands has a total workforce of 11,000 and indirectly provides work for thousands in the local economy.

(Source: <https://www.dutchnews.nl/news/2021/12/tata-steel-faces-tougher-permit-rules-and-more-pollution-checks/>)

- (c) With reference to the data above and your knowledge of economics, evaluate the effectiveness of using pollution permits to protect the environment of a country such as the Netherlands.

(12)

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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)

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[illegible]

(Total for Question 4 = 20 marks)

TOTAL FOR PAPER = 80 MARKS



MARK SCHEMES

official mark schemes, in the same order as the questions



Question Number	Answer	Mark
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	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	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	The percentage of income tax paid by an individual in a progressive tax system	Mark
	Answer	
2(a)	A01 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	Mark
	Answer	
2(b)	A01 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.	Mark
	Answer	
2(c)	A01 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
1(a)	AO1 1 marks C free trade	(1)

Question Number	Answer	Mark
1(b)	AO1 1 mark B Invisible trade	(1)

Question Number	Answer	Mark
1(c)	AO1 2 marks Award 1 mark for reference to being willing and able and 1 mark for reference to unable to find employment People are willing and able to work/actively seeking work (1) but cannot find employment (1) . Accept any other appropriate responses.	(2)

Question Number	Answer	Mark
1(d)	AO1 2 marks Award 1 mark for reference to decision and 1 mark for reference to not being both achievable The choice between two objectives (1) , where for one objective to increase the other must decrease (1) . Accept any other appropriate responses.	(2)

Question Number	Answer	Mark
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	Explain one reason why there may be a link between economic growth and inflation for an economy. Answer	Mark
1(g)	A02 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 economic growth can lead to a rise in demand for goods and services (1). Due to supply not keeping up with demand (1) prices rise/inflation occurs as demand is greater than supply (1) Accept any other appropriate response	(3)

Question Number	With reference to the data above and your knowledge of economics, analyse the disadvantages to firms in South Africa of being a member of the AfCFTA. Indicative content	Mark
1(h)	A02 (3 marks)/A03 (3 marks) A02 and A03 - Trading blocs are usually groups of countries in specific regions that negotiate preferential trading agreements between themselves with reduced trade barriers - As more firms from different countries in the AfCFTA enter the South African market, domestic firms may face increased competition - Foreign firms may have advantages such as lower costs of production, better technology or greater access to resources which can give them an advantage over domestic firms - This could lead to lower prices and profit margins, making it harder for domestic firms to survive in the market - If South African firms are unable to compete with other firms in the trade bloc they may be forced to close or to reduce their workforce	(6)

Question Number	What is meant by the term asset purchasing? Answer	Mark
2(d)	A01 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)	A02 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	Using the diagram below, draw the likely effect of a decrease in imports from the US on the equilibrium exchange rate of the UK pound (£) against the US dollar (\$). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity. Answer	Mark
2(f)	A02 3 marks Award 1 mark for a leftward shift of the supply curve, labelled Award 1 mark for a higher equilibrium exchange rate, labelled Award 1 mark for a lower equilibrium quantity, labelled Figure 3	(3)

Question Number	Answer	Mark
4(a)	AO2 2 marks Award 1 mark for showing the calculation Award 1 mark for the correct answer 202 600 million / 92.7 million (1) = \$2 185.54 (1) Award 2 marks if the GDP per capita is accurately calculated with no workings shown Do not award marks for formula	(2)

Question Number	Indicative content	Mark
4(b)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • A fall in unemployment may result in workers gaining an income from their employment. This may increase consumer spending within the Vietnamese economy • An increase in total demand may therefore result in more demand than the economy can supply • This might result in demand pull inflation as costs and prices rise • A fall in unemployment may also result in there being fewer workers available in the Vietnamese economy • This could result in higher costs of production for firms as they must increase wages to attract workers • Higher costs of production may cause cost push inflation for the Vietnamese economy	(6)

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	With reference to the data above and your knowledge of economics, analyse the possible impact of rising inflation on exports for a country such as the Netherlands. Indicative content	Mark
4(b)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • Inflation is a sustained increase in the general price level in an economy • Figure 5 shows that inflation has steadily increased since January 2021 when it was 1.6% to 5.2% in November 2021 • This is a significant increase in the rate of inflation over a short period of time • Higher rates of inflation in the Netherlands could result in the rising price of its exports • This could result in lower demand for exports resulting in a negative impact on the current account • This could be the case if inflation rates are much lower in other countries compared to the Netherlands • Firms that export may struggle to survive with higher rates of inflation	(6)

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).



Question Number	With reference to the data above and your knowledge of economics, evaluate the effectiveness of using pollution permits to protect the environment of a country such as the Netherlands. Indicative content	Mark
4(c)	AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks) AO2 and AO3 • Business activity can damage the environment as it has done in Ijmuiden in the Netherlands causing poor air quality in the area from dust • Pollution permits can be used as a market based scheme aimed at reducing pollution and trying to encourage firms to reduce the quantity of pollution they create • Pollution permits involve giving firms such as Tata Steel a legal right to pollute up to a certain amount • If a steelworks produces less pollution/waste than it is permitted to do so it can sell its pollution permits to other steel manufacturers • Permits therefore create a financial incentive to pollute less because firms such as Tata Steel can then sell their excess permits to other firms • It can be a good way to reduce pollution, using the incentives of the market AO4 • However, in practice, pollution permits can be difficult to implement • It is difficult to know how many permits to give out to firms in the Netherlands • If the government is too generous in the level of pollution permits it issues to firms such as Tata Steel, there will be little pollution reduction • If the government is too strict in the amount of pollution permits it issues to firms such as Tata Steel it may complain it adversely affects output because they cannot comply and because Tata Steel is a major employer and provides many jobs, unemployment may rise • There are alternatives to pollution permits which may be more effective such as fining the steelworks on the amount of waste produced or using taxation which could then be used to tackle air pollution caused by the steelworks • A combination of measures may be the most effective way to protect the environment	(12)



Question Number	Indicative content	Mark
4(c)	AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks) AO2 and AO3 • A trade-off arises where having more of one thing potentially results in having less of another • Having more economic growth results in greater use of scarce and unsustainable resources in order to create goods and services • The US has seen a booming economy but at the same time this has resulted in more CO₂ emissions in 2018 • This demonstrates that despite more electric cars and less coal-fired power stations that there is a trade-off between economic growth and protection of the environment • If the US government imposed more protection of the environment in terms of taxation, regulation, fines or pollution permits then this could restrict economic growth due to increased costs for firms AO4 • However, it can be argued that there is a limited trade-off as economic growth can create wealth to help tackle CO₂ emissions through the use of cleaner technologies • More economies are switching to low-carbon technologies which help to reduce pollution • Economic growth is therefore needed if people are able to afford to buy electric cars rather than cheaper petrol cars • Not all industries and firms pollute the environment and many countries are using policies such as recycling and reusing to help reduce pollution and waste • The trade-off will depend upon the priorities of the US and whether economic growth can be used to reduce environmental damage	(12)

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	• Demonstrates isolated elements of relevant knowledge and understanding; may lack development of relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Chain of reasoning may be attempted. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness. A judgement or conclusion is unlikely to be attempted (AO4).
Level 2	5–8	• Demonstrates partial selectivity and some accurate knowledge and understanding by developing some relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Chain of reasoning will be present but may be limited. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness. A judgement or conclusion is attempted, but may not be fully supported (AO4).
Level 3	9–12	• Demonstrates specific and accurate knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Chain of reasoning will be coherent and logical. Interpretation of economic information will be excellent with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness. A supported judgement or conclusion is present (AO4).

