

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Monday 3 June 2019 – Afternoon

GCSE (9–1) Economics

J205/02 National and International Economics

**Time allowed: 1 hour 30 minutes
plus your additional time allowance**

**YOU MAY USE:
a scientific or graphical calculator**

Please write clearly in black ink.

Centre number

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Candidate number

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First name(s) _____

Last name _____

READ INSTRUCTIONS OVERLEAF



INSTRUCTIONS

Use black ink.

Answer ALL the questions.

Write your answer to each question in the space provided. If additional space is required, use the lined page(s) at the end of this booklet. The question number(s) must be clearly shown.

INFORMATION

The total mark for this paper is 80.

The marks for each question are shown in brackets [].

Quality of extended response will be assessed in questions marked with an asterisk (*).

SECTION A

Answer ALL the questions in this section.

Write your answer for each question in the box provided.

1 Which of the following is usually seen as a benefit of economic growth? [1]

- A People migrate towards the large cities**
- B Pollution levels are stabilised**
- C The government receives greater tax revenues**
- D The price level is likely to rise**

Your answer

2 A government increases income tax on higher income groups. Which of the following is a benefit of this policy? [1]

- A It affects incentives to work**
- B It encourages household savings**
- C It makes income distribution more even**
- D It reduces the reliance on benefits**

Your answer

3 An economy has a current account deficit of £10 billion. Its national output is £200 billion. What is the deficit as a percentage of national output? [1]

- A 5%**
- B 10%**
- C 20%**
- D 50%**

Your answer

4 Which of the following has been a driving factor of globalisation? [1]

- A Better communications**
- B Greater environmental damage**
- C Higher taxation on imports**
- D Increased transport costs**

Your answer

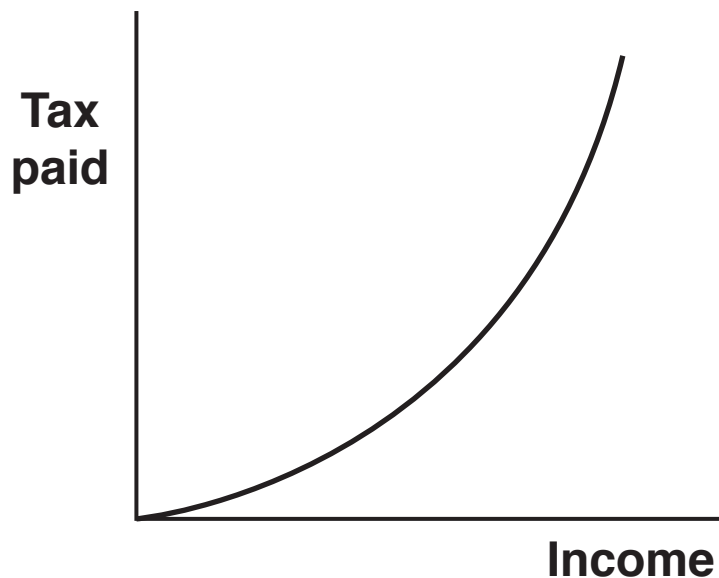
- 5 The government wishes to correct a problem of a negative externality. Its BEST policy is to**
- A lower income taxes on consumers**
 - B raise income taxes on consumers**
 - C subsidise the producer of the externality**
 - D tax the producer of the externality [1]**

Your answer ☐

- 6 During 2018, a country experienced a rise in economic growth. Which of the following changes in the country may have had this effect? [1]**
- A A decrease in the literacy rate**
 - B A fall in the level of labour productivity**
 - C An improvement in the quality of capital goods**
 - D An increase in the rate of inflation**

Your answer ☐

- 7 The diagram shows the relationship between income and tax paid.



This is an example of a

- A capital gains tax
- B progressive tax
- C tax on imports
- D value added tax [1]

Your answer

☐

- 8 During production of a good, a firm releases a harmful gas into the atmosphere. This is BEST described as

- A a lack of government regulation
- B a negative externality
- C an input of the primary sector
- D an output of the secondary sector [1]

Your answer

☐

- 9 Which of the following will help to create a balance of payments surplus on the UK current account? [1]**
- A A UK government purchase of American aircraft**
 - B A subsidy to UK producers of exported goods**
 - C An increase in UK government tax revenue**
 - D An increase in UK government investment**

Your answer ☐

- 10 Which of the following is MOST likely to be a benefit of globalisation to producers in developed countries? [1]**
- A A fall in unemployment**
 - B Higher environmental standards**
 - C Increased competition**
 - D Lower wage rates**

Your answer ☐

- 11 Interest rates fall. Which of the following is MOST likely to fall as a result? [1]**
- A Firms' investment**
 - B Household savings**
 - C Overall employment**
 - D Gross domestic product**

Your answer ☐

	Earnings per hour (£)	Value of savings (£)
Ann	20	4000
Barry	25	3000
Charles	30	2000
Dawn	40	1000

The table shows the financial position of four people. Which of them has the greatest wealth? [1]

- A Ann
- B Barry
- C Charles
- D Dawn

Your answer

13 Which statement BEST describes a current account surplus? [1]

- A Revenue from the export of goods and services exceeds the country's spending on imports**
- B Revenue from all taxes and other government revenue exceeds government expenditure**
- C Sum of all incomes in the country exceeds the total value added of all goods and services**
- D Sum of export revenue and the inflow of income and transfers exceeds the outflow on imports, income and transfers**

Your answer

☐

14 The table shows the UK's total tax revenue in £ billion GBP.

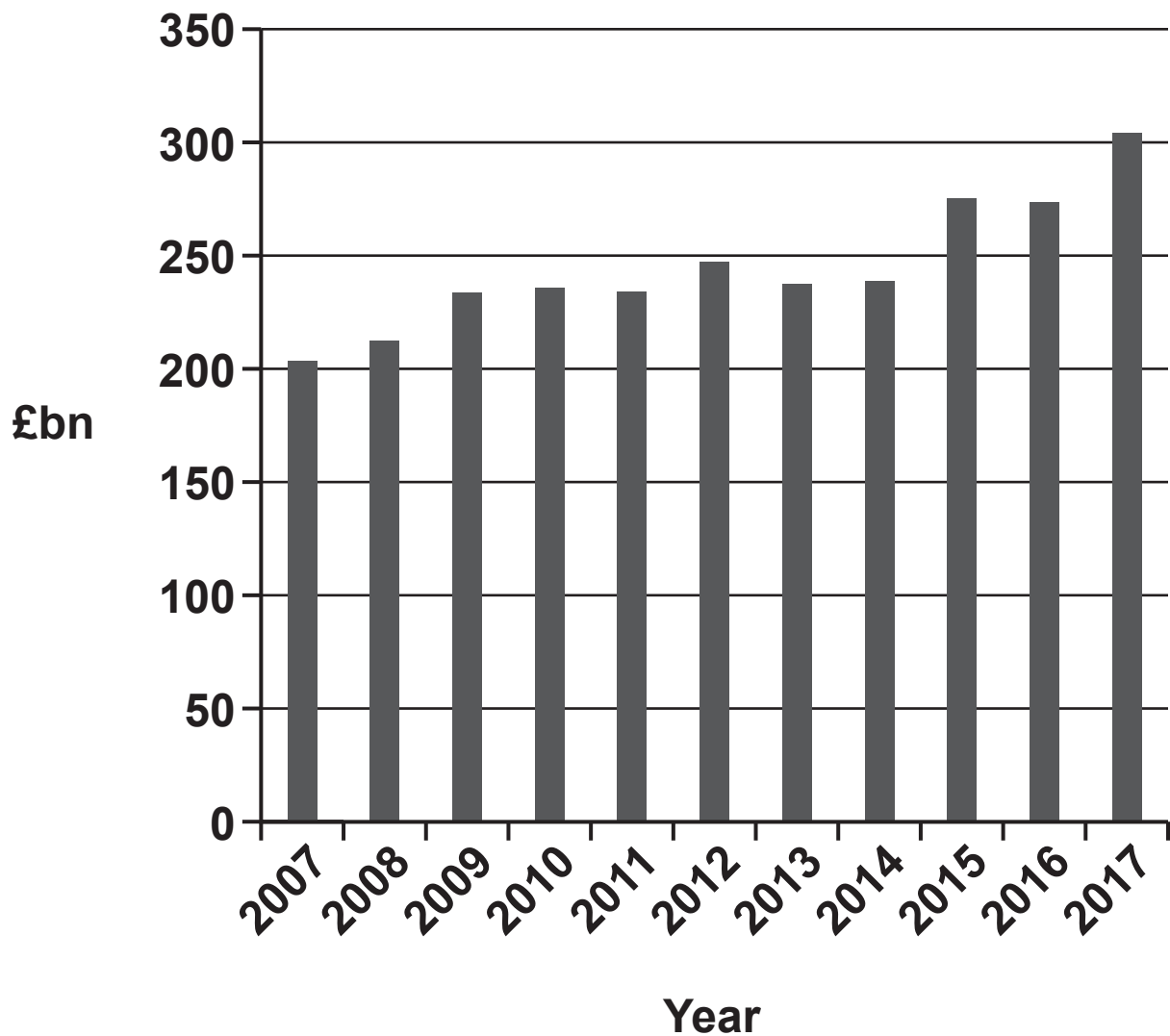
Year	UK Total Tax Revenue in £ billion GBP
2012–13	473.8
2013–14	493.6
2014–15	515.3
2015–16	533.7
2016–17	569.3
2017–18	594.3

In which year did the UK's total tax revenue increase the most? [1]

- A 2014–2015**
- B 2015–2016**
- C 2016–2017**
- D 2017–2018**

Your answer ☐

15 The chart shows the revenue for the UK government from indirect taxes from 2007 to 2017.



In how many years was the indirect tax revenue between £200bn and £250bn? [1]

- A 7**
- B 8**
- C 9**
- D 10**

Your answer

16 The government brings in new legislation to ban the use of sugar in sweets and soft drinks. What is the MAIN opportunity cost to the government of enforcing this ban? The money spent on

- A enforcement could have been spent on other activities**
- B government provision of sweets and soft drinks**
- C providing information about the danger of too much sugar**
- D regulating the imports of foreign-made products [1]**

Your answer ☐

17 As a result of globalisation, a less developed country has specialised in copper mining. Which of the following effects would have an impact on the environmental sustainability of the country?

- A Greater competition from other countries**
- B Increased unemployment in other industries**
- C Overuse of scarce resources**
- D Reduction in choice for consumers [1]**

Your answer ☐

18 The UK has a current account deficit. Which of the following is MOST likely to lead to this continuing in the future? [1]

- A Falling domestic demand**
- B Greater capital imports**
- C Higher overseas investment**
- D Lower productivity**

Your answer ☐

19 Economic growth is measured by

- A $\frac{\text{Change in GDP}}{\text{Change in population}}$**
- B $\frac{\text{Change in GDP}}{\text{Previous GDP}} \times 100$**
- C New GDP – Previous GDP**
- D $\frac{\text{Total GDP}}{\text{Previous GDP}} \times 100$ [1]**

Your answer ☐

20 Which statement about a government's balanced budget is correct? [1]

- A Expenditure on exports equals expenditure on imports**
- B Tax revenue comes equally from direct and indirect taxes**
- C Tax revenue is equal to government spending**
- D Total value added of all products produced equals total income**

Your answer ☐

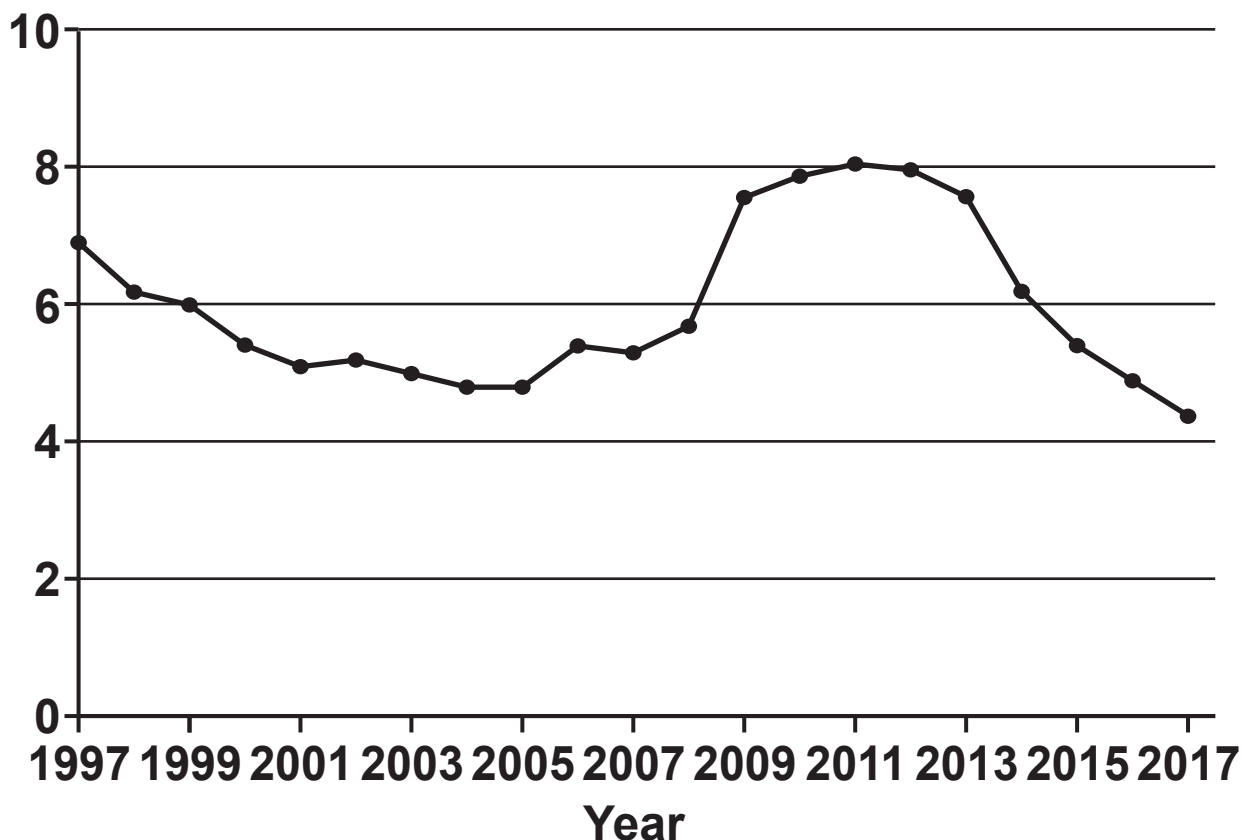
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SECTION B

Answer ALL the questions in this section.

21 EXTRACT 1: The UK unemployment rate 1997–2017

Unemployment
rate (%)



The chart shows how the UK's unemployment rate has changed between 1997 and 2017. The highest unemployment rate for this period was 8.1% in 2011, while the lowest rate was 4.4% in 2017. Economic growth can influence the unemployment rate. In addition, unemployment can have a number of causes and consequences. It can affect the government and regions as well as individuals. One consequence for individuals who become unemployed is that their income is likely to fall significantly.

(a) Explain, with reference to EXTRACT 1, how economic growth may have influenced the change in unemployment between 2011 and 2017.

[2]

(b) Explain ONE type of unemployment.

[2]

(c) Analyse how the changes in the UK's unemployment rate, shown in EXTRACT 1 on page 16, would be likely to affect the government's budget. [6]

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-
- (d) (i) State what is meant by 'the unemployment rate'.

[2]

- (ii) A country has a working population of 35 million and 2 million are unemployed. Calculate the unemployment rate. Show your working.

Answer _____ [2]

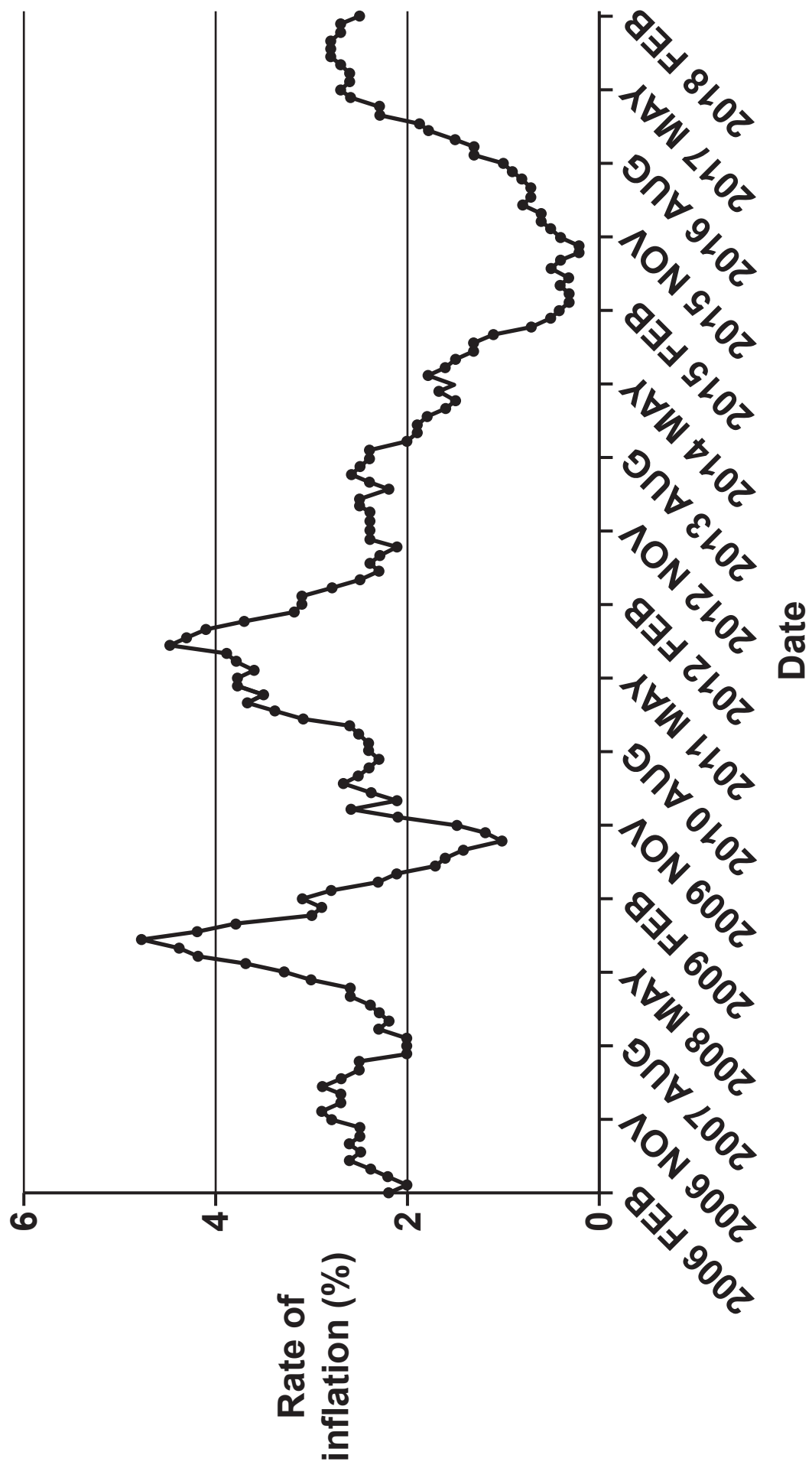
(iii)* Evaluate the consequences of unemployment for individuals.

Use the information given in EXTRACT 1 on page 16 and your own knowledge. [6]

[illegible]

22 EXTRACT 2: UK Rate of Inflation 2006–2018

The chart opposite shows the UK rate of inflation as measured by the Consumer Prices Index (CPI) between 2006 and 2018. The rate of inflation has varied between a high of 4.8% in Sept 2008 and a low of 0.2% in Sept 2015. Inflation affects various groups in the economy including producers, consumers and savers. The government has an objective of price stability and sets a target rate of inflation of 2% per year. It has various policies which it can use to try to achieve this target, including supply side policies, such as education and training and reducing direct taxes on workers and firms. Supply side policies may, however, have costs as well as benefits. Cuts in direct taxes, for example, may not only encourage more people to work but could also lead to rising inflation.



- (a) Explain, using the chart in EXTRACT 2, what happened to the price level between August 2013 and February 2015.**

[2]

- (b) Explain, with reference to the chart in EXTRACT 2, how the real value of savings would have been affected by inflation.**

[2]

[illegible]

(d) (i) State what is meant by ‘price stability’.

[2]

(ii) Explain how the supply side policy of education and training may help to achieve price stability.

[2]

(iii)* Evaluate the costs of using supply side policies to achieve price stability.

Use the information given in EXTRACT 2 on pages 22–23 and your own knowledge. [6]

[illegible]

23 EXTRACT 3: The Pound (£) to Euro (€) exchange rate 2008–2017

The UK's exchange rate is determined by the forces of supply and demand. The exchange rate measures the price of the UK's currency, the pound (£), in terms of another currency. The table below shows the value of the pound (£) in terms of euros (€) for 2008 to 2017. (The figure given is the average for that year.)

Year	Euros (€) to £1
2008	1.26
2009	1.12
2010	1.16
2011	1.15
2012	1.23
2013	1.18
2014	1.24
2015	1.37
2016	1.22
2017	1.14

The euro is the currency used by many European countries including France, Germany, Italy and Spain. Changes in the exchange rate will have effects on exports and imports and the economy in general. Consumers in the UK may be affected by movements in the exchange rate in a number of ways; for example, goods which they buy from abroad may change in price.

- (a) Calculate the change in the amount of euros you get to the pound (£) between 2009 and 2015. Show your working.**

Answer _____ [2]

- (b) A UK firm earned €5700 by exporting goods to France in 2017. Calculate, using EXTRACT 3, the firm's income in pounds (£). Show your working.**

Answer _____ [2]

(c) Using a diagram, analyse how a rise in the supply of pounds may have changed the exchange rate against the euro between 2015 and 2017. [6]

(d) (i) State what is meant by ‘imports’.

[2]

(ii) Explain how a rise in imports may affect employment in the UK.

[2]

- (iii)* Evaluate whether the change in the exchange rate between 2015 and 2017 would benefit consumers in the UK.**

Use the information given in EXTRACT 3 on page 28 and your own knowledge. [6]

[illegible]

END OF QUESTION PAPER

ADDITIONAL ANSWER SPACE

If additional space is required, you should use the following lined page(s). The question number(s) must be clearly shown in the margin(s).

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