

Modified Enlarged 24pt
OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Monday 22 November 2021 – Afternoon

GCSE (9–1) Economics

**J205/02 National and International
Economics**

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

YOU CAN USE:
a scientific or graphical calculator
an HB pencil

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. You can use an HB pencil, but only for graphs and diagrams.

Write your answer to each question in the space provided. If you need extra space use the lined pages at the end of this booklet. The question numbers must be clearly shown.

Answer ALL the questions.

INFORMATION

The total mark for this paper is 80.

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

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

ADVICE

Read each question carefully before you start your answer.

SECTION A

Answer ALL the questions in this section.

Write your answer for each question in the box provided.

1 The BEST way for a government to quickly increase economic growth is to

- A boost private investment**
- B increase state spending on education**
- C raise corporation taxes**
- D sign a free trade agreement**

Your answer

[1]

2 Unemployment as a result of a long-term change in technology is called

- A cyclical unemployment**
- B frictional unemployment**
- C seasonal unemployment**
- D structural unemployment**

Your answer **[1]**

3 Plumrith has a population of 1000 of whom 800 people are in the labour force and 200 people are unemployed. The unemployment rate is:

- A 20%**
- B 25%**
- C 60%**
- D 80%**

Your answer **[1]**

4 The benefits of international trade are only fully achieved if there is

A a constant exchange rate

B free trade

C globalisation

D no opportunity cost

Your answer **[1]**

- 5 An increase in the level of unemployment benefit is most likely to**
- A increase labour market flexibility**
 - B increase the quantity of labour supplied**
 - C reduce the quantity of labour supplied**
 - D stabilise the level of demand for goods and services**

Your answer **[1]**

6 Which of the following is the MOST likely cost to central government of a high level of unemployment? [1]

- A Encouraging the unemployed to move**
- B Higher taxes for those in work**
- C Increased spending on unemployment-related benefits**
- D Lower living standards for the workforce**

Your answer

7 Government spending and taxation policy is known as

- A financial policy**
- B fiscal policy**
- C monetary policy**
- D supply-side policy**

Your answer **[1]**

8 Under which of the following circumstances would it be best to be a lender? [1]

- A The nominal rate of interest is 0 percent and the inflation rate is 0 percent**
- B The nominal rate of interest is 2 percent and the inflation rate is 5 percent**
- C The nominal rate of interest is 5 percent and the inflation rate is 1 percent**
- D The nominal rate of interest is 7 percent and the inflation rate is 4 percent**

Your answer

9 Which of the following is an example of supply-side policy? [1]

- A Lowering the rate of price rises**
- B National defence expenditure**
- C Raising interest rates**
- D Reducing direct taxes on workers**

Your answer

**10 Which of the following will cause a country's exchange rate to fall?
Increased**

- A balance of payments surplus**
- B demand for its exports**
- C demand for its imports**
- D rate of interest**

Your answer **[1]**

11 Which of the following is normally part of a country's GDP? [1]

- A Domestic services performed within a family**
- B Household savings**
- C Interest rates**
- D Investment spending by firms**

Your answer

12 Data is often presented in terms of nominal or real figures. The difference between them takes into account

- A direct taxes**
- B the rate of inflation**
- C the rate of interest**
- D wider supply-side policy**

Your answer

[1]

13 How does the consumer price index measure the rate of inflation? [1]

- A By using changes in the rate of growth of the money supply**
- B By using the increase in the annual GDP per capita figures**
- C Through a process of weighing a range of goods and services**
- D Through a survey of prices in a typical basket of goods and services**

Your answer

14 James and Jane are returning from a holiday in Slovenia and want to convert their euros (€) into UK pounds (£). If the value of the UK pound in terms of the euro is £1 = €1.15, how many pounds will they get if they exchange €300? [1]

A £260.87

B £298.65

C £302.94

D £345.00

Your answer

15 The Balance of Payments on the current account shows the balance of receipts and payments of

- A a country's international banks**
- B a typical household**
- C foreign exchange by a country**
- D the government**

Your answer **[1]**

16 Which of the following is likely to be the greatest benefit of globalisation to consumers in less developed countries? [1]

- A A better infrastructure**
- B A wider range of resources**
- C Increased migration opportunities**
- D Increased use of technology**

Your answer

17 Monetary policy is most likely to affect

- A real output and indirect taxes**
- B the price level and indirect taxes**
- C the price level and real output**
- D the price level but NOT real output**

Your answer

[1]

18 The central bank decides to increase quantitative easing. The MOST likely effect on investment is that it would

A decrease

B fall at first and then increase

C increase

D remain constant

Your answer

[1]

19 The table shows the rate of inflation for Country A for 2016–2020.

| Year | Inflation rate % |
|-------------|-----------------------------|
| 2016 | 3.0 |
| 2017 | 2.0 |
| 2018 | 2.0 |
| 2019 | 1.5 |
| 2020 | 2.5 |

**Which of the statements is correct?
Prices**

- A fell from 2016 to 2019 and then increased**
- B rose only in 2020**
- C rose throughout the period shown**
- D were constant in 2017–2018**

Your answer **[1]**

20 Which pair of events is most likely to happen as a result of a rise in the rate of interest? [1]

- A Asset prices fall and savings by households rise**
- B Borrowing by firms rises and savings by households fall**
- C Consumer prices rise and asset prices fall**
- D External value of the currency falls and borrowing rises**

Your answer

SECTION B

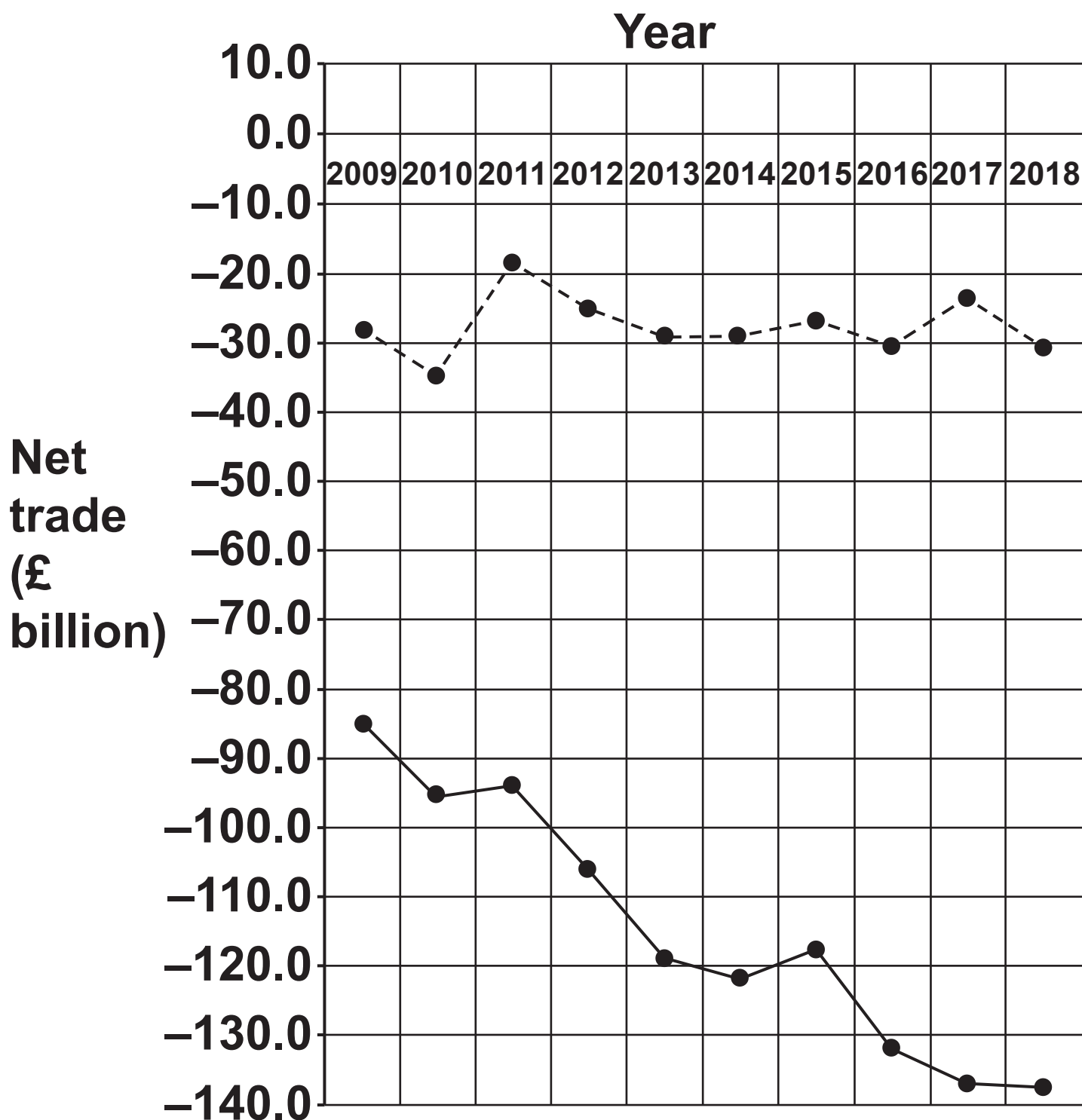
Answer ALL the questions in this section.

21 EXTRACT 1: UK Trade in the Current Account 2009–2018

Net trade (exports – imports)

---●--- Goods and services

—●— Goods only



Trade is the largest item in the balance of payments on the current account. The chart shows the UK's trade deficits since 2009 as measured by exports minus imports for goods and services, and for goods only. The UK's exports of services are becoming an increasingly important part of its overseas trade.

Globalisation has led to UK residents being able to enjoy a higher standard of living because they can access a wide range of low-priced imported goods from rapidly growing economically less developed countries. Workers in those countries are being employed in manufacturing goods for the UK market. Equally, the UK provides a wide range of services to people in other countries.

(a) Give TWO examples of services that the UK exports.

Example 1 _____

Example 2 _____

[2]

(b) Using the chart in EXTRACT 1 on pages 20–21, state in which YEAR the deficit in net trade of goods and services was at its:

1 Largest _____

2 Smallest _____

[2]

(c) Using the information in EXTRACT 1 on pages 20–21, analyse why the deficit on trade in goods and services is not as large as the deficit on trade in goods only. [6]

[illegible]

(d) (i) Explain ONE driving factor of globalisation.

[2]

(ii) Explain ONE cost of globalisation on environmental sustainability in less developed countries.

[2]

(iii)* Evaluate whether globalisation is beneficial to workers in less developed countries that are exporting to the UK market.

Use the information given in EXTRACT 1 on pages 20–21 and your own knowledge. [6]

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22 EXTRACT 2: Economic Growth and Carbon Emissions

GDP per capita is used to compare living standards or development levels between countries. Economic growth over time can be measured by rising GDP per capita. Higher living standards that result from economic growth often lead to increases in carbon emissions, because people travel more by car and use more electricity.

Climate change has been identified as a negative externality that arises from the carbon emitted as a result of energy production and consumption. Despite the associated opportunity costs, most countries have pledged to reduce emissions. Governments and firms, therefore, are investing in alternative renewable energy sources in order to reduce the burning of fossil fuels. Also, governments are imposing taxes on petrol and on electricity production; the taxes provide an economic incentive for firms and consumers to reduce their energy consumption.

| | | | | |
|-----------------|--|---------------|---------------|---------------|
| Botswana | GDP per capita (US\$) | 2016 | 2017 | 2018 |
| | carbon emissions (metric tons per capita) | 7797 | 7859 | 8031 |
| | | 2.86 | 3.35 | 3.19 |
| | | | | |
| USA | GDP per capita (US\$) | 52 534 | 53 356 | 54 542 |
| | carbon emissions (metric tons per capita) | 15.56 | 15.81 | 16.14 |
| | | | | |
| | | | | |
| Sweden | GDP per capita (US\$) | 56 196 | 56 611 | 57 232 |
| | carbon emissions (metric tons per capita) | 4.54 | 4.55 | 4.47 |
| | | | | |

(a) Explain what is meant by GDP per capita.

[2]

(b) Using the table in EXTRACT 2 calculate the difference in 2018 in GDP per capita in Sweden and Botswana. Show your working.

Answer: _____ **[2]**

(c) Using EXTRACT 2 on pages 28–29, analyse the argument that as countries become more developed with higher living standards their carbon emissions increase. [6]

(d) (i) Give TWO examples of additional costs households may have to pay as a result of policies to reduce carbon emissions.

Example 1 _____

Example 2 _____

[2]

(ii) Explain an opportunity cost of a government's increased investment in renewable energy sources.

[2]

(iii)* Evaluate whether government policies to correct negative externalities would benefit consumers.

Use the information given in EXTRACT 2 on pages 28–29 and your own knowledge. [6]

23 EXTRACT 3: Data on Household Income Shares and Spending on Education in 2015

Income share is the percentage of income that goes to subgroups, ranked from the richest 10% of the population to the poorest 10%. If income were distributed perfectly equally then all the figures in the first two columns of the table would be 10 (%).

Income shares do not take account of differences in wealth, which includes savings and property ownership. However, income that is generated by wealth does appear in the income share data.

Government spending on education is a supply-side policy which aims to increase GDP per capita and improve equality of opportunities.

| | Income share held by richest 10% (%) | Income share held by poorest 10% (%) | Government spending on education per secondary student (% of GDP per capita) |
|------------------|---|---|---|
| Argentina | 30.3 | 1.8 | 21.8 |
| Finland | 22.4 | 3.9 | 25.8 |
| UK | 25.4 | 2.9 | 23.1 |
| USA | 30.6 | 1.7 | 22.1 |

(a) Using the table in EXTRACT 3, explain which of the four countries has the MOST equal income distribution.

[2]

(b) Apart from wages, state TWO other sources of income.

1

2

[2]

[illegible]

- (d) (i) Using the table in EXTRACT 3 on pages 36–37, explain the impact of government spending on education in Argentina and Finland on their related income shares.**

[2]

(ii) Explain ONE way in which spending on education could improve a country's GDP per capita.

[2]

(iii)* Evaluate the benefits of supply-side policies for the income distribution of an economy.

Use the information given in EXTRACT 3 on pages 36–37 and your own knowledge. [6]

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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