AQA

Please write clearly in block capitals.

Centre number | | | | | | Candidate number | | | | |

Surname _____

Forename(s) _____

Candidate signature _____

I declare this is my own work.

GCSE
ECONOMICS

Paper 2 How the Economy Works

A

Time allowed: 1 hour 45 minutes

Materials
You will need no other materials.
You may use a calculator.

For Examiner's Use	
Section	Mark
A	
B	
TOTAL	

Instructions
- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write on blank pages.
- If you need extra space for your answer(s), use the lined pages at the end of this book. Write the question number against your answer(s).
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information
- The marks for questions are shown in brackets.
- The maximum mark for this paper is 80.
- Questions should be answered in continuous prose. You will be assessed on your ability to:
  – use good English
  – organise information clearly
  – use specialist vocabulary where appropriate.

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Section A

Answer **all** questions in the spaces provided.

For questions with four responses, only **one** answer per question is allowed.

For each question, completely fill in the circle alongside the appropriate answer.

CORRECT METHOD 

WRONG METHODS 

If you want to change your answer you must cross out your original answer as shown. 

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown. 

0 1 Fiscal policy would involve changes in which of the following?

[1 mark]

A Exchange rate ⬭

B Interest rate ⬭

C Money supply ⬭

D Tax revenue ⬭

0 2 Which of the following is an indirect tax?

[1 mark]

A Corporation tax ⬭

B Income tax ⬭

C National insurance contributions ⬭

D Value added tax ⬭

Do not write outside the box

0 3 A balance of trade deficit is best described as which of the following?

[1 mark]

A Value of exports is higher than the value of imports ⬭

B Value of government spending is higher than the value of revenue from taxation ⬭

C Value of imports is higher than the value of exports ⬭

D Value of revenue from taxation is higher than the value of government spending ⬭

0 4 Which of the following best describes the type of unemployment caused by interest rates and tax rates remaining high for a long period of time?

[1 mark]

A Cyclical ⬭

B Frictional ⬭

C Seasonal ⬭

D Structural ⬭

Turn over for the next question

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0 5 **Table 1** shows economic growth between 2017 and 2021.

Table 1

Economic growth	% change in GDP
2017	1.3
2018	0.4
2019	–0.6
2020	2.1
2021	2.7

Using **Table 1**, the average annual rate of economic growth for this period to **one** decimal place is

[1 mark]

A 1.0 ⬭

B 1.2 ⬭

C 1.4 ⬭

D 1.6 ⬭

Do not write outside the box

0 6 Which pair of policies is most likely to increase income inequality?

[1 mark]

A Less progressive income taxes and increased unemployment benefits ⬭

B Less progressive income taxes and reduced unemployment benefits ⬭

C More progressive income taxes and increased unemployment benefits ⬭

D More progressive income taxes and reduced unemployment benefits ⬭

0 7 Which of the following correctly indicates the overall effects an increase in interest rates is likely to have on economic growth and inflation?

[1 mark]

	Effect on economic growth	**Effect on inflation**	
A	Decrease	Decrease	⬭
B	Decrease	Increase	⬭
C	Increase	Decrease	⬭
D	Increase	Increase	⬭

0 8 Which of the following is **not** a role of a high street bank?

[1 mark]

A Ensuring funds are available for investment ⬭

B Keeping inflation at its target rate ⬭

C Lending funds to those wishing to borrow ⬭

D Providing a place for savers to securely deposit their money ⬭

Do not write outside the box

0 9 Which of the following might increase demand-pull inflation?

[1 mark]

A Decrease in raw material prices ⬭

B Decrease in wage rates ⬭

C Increase in government spending ⬭

D Increase in tax rates ⬭

1 0 Which of the following identifies the most likely effects of a significant fall in economic growth?

[1 mark]

	Effect on unemployment	**Effect on balance of trade deficit**	
A	Decrease	Decrease	⬭
B	Decrease	Increase	⬭
C	Increase	Decrease	⬭
D	Increase	Increase	⬭

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1 1 State **two** ways a government can reduce cyclical unemployment.

[2 marks]

Way 1 _____

_____

Way 2 _____

_____

1 2 Explain **one** advantage of using supply-side policies.

[2 marks]

_____

_____

_____

_____

1 3 Explain **one** economic consequence of the government decreasing its budget deficit.

[2 marks]

_____

_____

_____

_____

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1 4 **Table 2** shows data for an economy for the year 2022.

Table 2

Value of exports	£74 billion
Value of imports	£56 billion
Value of GDP	£990 billion

1 4 . 1 Calculate the balance of trade expressed as a percentage of GDP for 2022 to **one** decimal place.

Tick (✓) **one** box to indicate whether it is a surplus or deficit.

Show your working.

[2 marks]

_____

_____

_____

_____

_____ %

Balance of trade is in:

Surplus ☐ Deficit ☐

1 4 . 2 Explain **one** reason why the value of a country's exports might be larger than the value of its imports.

[2 marks]

_____

_____

_____

_____

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Figure 1

Many economists believe that government spending should continue to be used to provide healthcare. This helps solve a potential market failure because healthcare generates positive externalities. Without government intervention, healthcare may not be provided in sufficient quantities. In the UK, the government provides healthcare mainly free of charge to all UK citizens. This is expensive, with over £100 billion spent by the government in 2019 on healthcare – which in 2020 and beyond will rise significantly due to the COVID-19 pandemic.

1 5 Using **Figure 1**, analyse how the government might correct the market failure caused by healthcare not being provided in sufficient quantities.

[6 marks]

Extra space

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1 6 State **two** functions of money.

[2 marks]

Function 1 _____

_____

Function 2 _____

_____

1 7 Explain **one** ethical issue faced by UK producers when trading with other countries.

[2 marks]

_____

_____

_____

_____

1 8 Explain **one** possible effect of increased inflation on UK businesses.

[2 marks]

_____

_____

_____

_____

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1 9 **Table 3** shows information relating to the UK economy:

Table 3

GDP (in £s) for 2019	2215 billion
Population for 2019	66.3 million

1 9 . 1 Using **Table 3**, calculate GDP per capita for the UK in 2019 to the nearest £.

Show your working.

[2 marks]

GDP per capita = £_____

1 9 . 2 Explain **one** possible benefit of economic growth.

[2 marks]

Turn over ►

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The following table contains data from the Consumer Price Index (CPI).

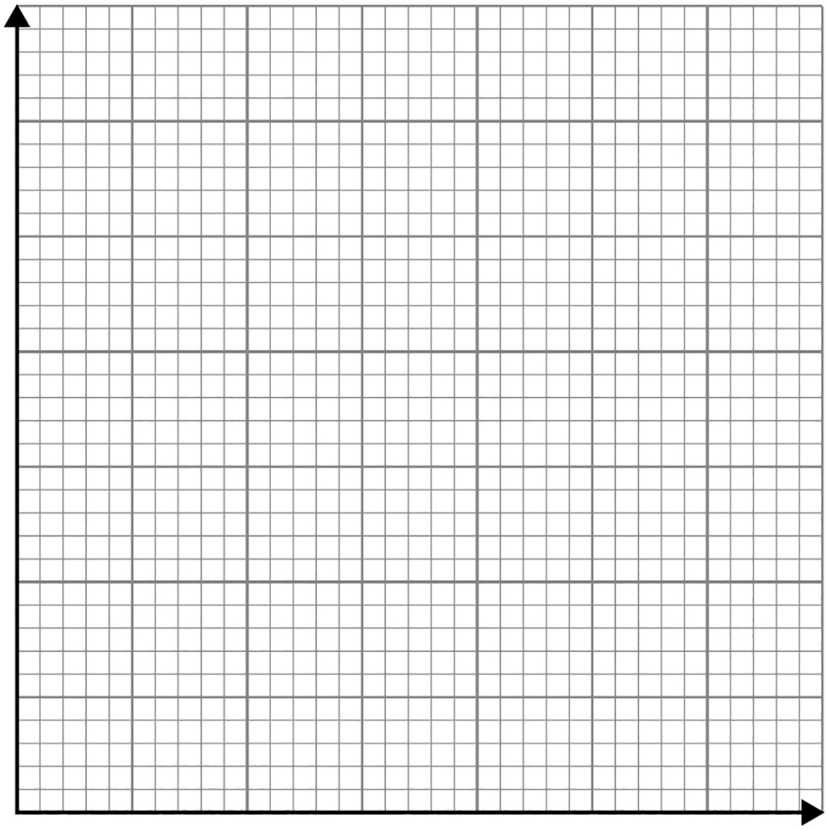
Table 4

Year	CPI
2018	119.7
2019	120.0
2020	121.1
2021	120.8
2022	122.4

2 0 Based on the data shown in **Table 4**, draw a bar chart for the CPI for the years 2018, 2020 and 2021.

[3 marks]

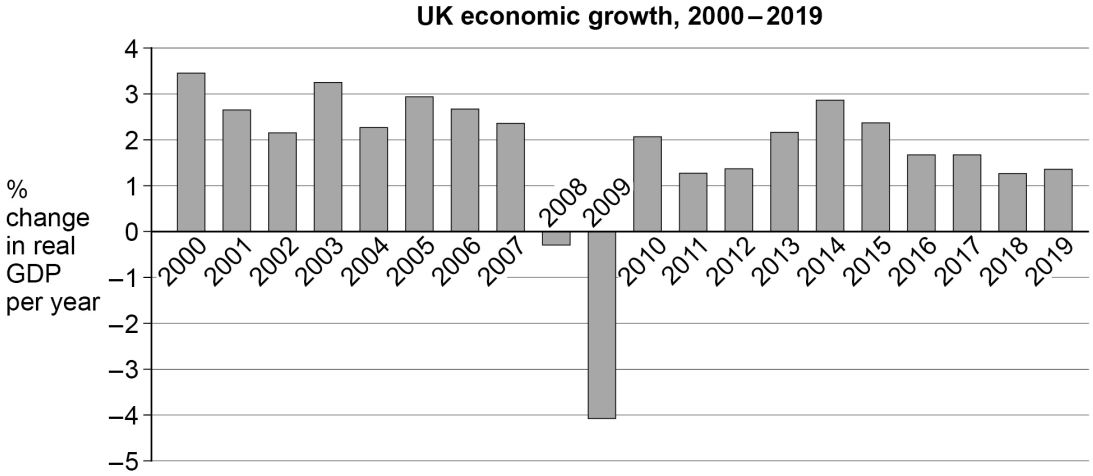
CPI: 2018, 2020 and 2021



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Figure 2

Aiming for a steady rate of economic growth is an important economic objective of the UK government. The average rate of economic growth has gradually fallen in the UK. In the 1980s, the average economic growth was 2.7% per year. In the 1990s, average economic growth fell to 2.3% per year. Since 2000, UK average economic growth up until the pandemic of 2020–2021 was 1.8%.



Governments aim for economic growth because it generates benefits for both the government and the rest of the population. Clearly, economic growth means more is being produced in an economy, which normally means that incomes will be rising – though this may not be shared out evenly. However, there are some problems created by economic growth. If economic growth is too high, then trade-offs with other objectives are more likely to occur.

2 1 Using **Figure 2**, assess whether the government is right to always aim for economic growth as an objective for the economy.

[9 marks]

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48

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Section B

Answer **all** questions in the spaces provided.

Item A

The UK left the European Union (EU) in 2020. Economists have been worried about how this will affect the UK economy.

Within the EU, the UK benefitted from free trade with other EU economies. Foreign trade significantly benefits the UK economy, contributing almost 30% to the UK's Gross Domestic Product (GDP). The ability to sell goods and services outside of the UK allows UK businesses to access wider markets. As shown in Table 5, total UK exports (to EU and non-EU economies) were over $500 billion in 2016 and have risen over the period 2016–2019.

However, some groups of people believe that the free trade the UK has participated in while a member of the EU has proven harmful. Foreign trade, whilst generating many benefits, may also generate disadvantages for the UK economy. For example, now the UK is outside the EU it is believed that smaller UK businesses will face less competition from other EU businesses who have lower production costs. There will still be competition from low-cost producers outside the EU, but these businesses may not always be able to compete efficiently with UK producers due to other reasons.

Despite no longer being an EU member, the UK has signed a free trade deal with the EU on trade in goods, but not in services. The UK government is also keen to create more free trade deals with other countries. It is believed that the UK government would like to sign a free trade deal with the USA, but there are concerns from many in the UK that this would lead to a rise in cheaper imports of goods that some people think are not desirable, such as chlorinated chicken.

Table 5

UK trade with EU economies

	Exports	**Imports**
	£ bn	**£ bn**
2016	245.6	318.8
2017	278.0	347.9
2018	298.3	366.3
2019	294.3	373.5

UK trade with non-EU economies

	Exports	**Imports**
	£ bn	**£ bn**
2016	317.6	280.5
2017	344.9	305.7
2018	363.3	320.8
2019	396.5	347.8

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Item B

Globalisation has affected all countries across the world – both developed and less economically developed countries. Developed countries have benefitted from globalisation by businesses from these countries being able to sell goods and services to many more people across the world. People in less economically developed countries have also benefitted from the job creation that has followed the locating of multinational companies (MNCs) within these countries as part of increased globalisation.

MNCs are very large when measured in terms of their own sales revenue. Some MNCs generate more income than the GDP of many individual countries. This means governments in less economically developed countries often want to attract MNCs to their countries. However, MNCs and increased globalisation do not always generate the benefits for the less economically developed countries that was hoped for by these governments. For example, a significant proportion of the tax revenue created by the MNCs' activities is often not paid to the government in these countries. This is because the MNCs use tax avoidance schemes that are viewed by some as unethical, but these schemes are usually legal.

Table 6

Selected multinational companies with annual revenues, and selected countries and their GDP for 2020 (all measured in US dollars)

Multinational companies	Revenue (in US$ billions)
Walmart	599
Amazon	386
Royal Dutch Shell	344
Apple	294
Volkswagen	282

Country	GDP (in US$ billions)
United Kingdom	2638
Ireland	399
Bangladesh	318
Vietnam	341
Malaysia	336

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2 2 Define the term 'free trade'.

[2 marks]

2 3 Using **Table 5**, calculate the size of the UK's **total** trade balance in 2019 with both EU and non-EU economies in £ billions.

[3 marks]

£ bn _____

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2 4 Using **Item A**, explain **two** advantages of foreign trade for the UK economy.

[6 marks]

Advantage 1 _____

Advantage 2 _____

Turn over for the next question

Do not write outside the box

2 5 Using **Item B**, analyse the effects of increasing global interdependence on employment in the UK.

[6 marks]

Extra space

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2 6 Using **Items A and B** and your own economic knowledge, discuss whether increasing globalisation is beneficial for people in less economically developed countries.

Justify your answer.

[15 marks]

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