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

Tuesday 21 May 2024 Morning 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.

Do not write outside the box

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 Which of the following is the most likely effect of a large increase in interest rates?

[1 mark]

A Increased borrowing

B Increased consumer spending

C Increased economic growth

D Increased saving

0 2 Which of the following is an objective of the UK government?

[1 mark]

A Increasing inequality

B Increasing the budget deficit

C Managing environmental change

D Minimising economic growth

Do not write outside the box

0 3 Which of the following is an example of a supply-side policy?

[1 mark]

A Decreased direct taxes ⬭

B Decreased investment in education ⬭

C Increased taxes on business profits ⬭

D Increased trade union power ⬭

0 4 Which of the following best describes the type of unemployment caused by changes in demand at certain times of the year?

[1 mark]

A Cyclical ⬭

B Frictional ⬭

C Seasonal ⬭

D Structural ⬭

0 5 A decrease in the money supply is most likely to lead to which of the following?

[1 mark]

A Decreased inflation ⬭

B Decreased unemployment ⬭

C Increased balance of trade deficit ⬭

D Increased economic growth ⬭

Turn over for the next question

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0 6 ‘Using money makes it easier to compare the value of different products.’

Which function of money does the above statement most closely relate to?

[1 mark]

A Means of deferred payment ⬭

B Medium of exchange ⬭

C Store of value ⬭

D Unit of account ⬭

0 7 Which of the following identifies the most likely effects of a significant decrease in tax rates?

[1 mark]

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

0 8 An individual decides to open a savings account with a deposit of £6000. The annual interest rate paid on these savings is 5%. They close the account after 8 months.

Calculate how much interest they would receive.

[1 mark]

A £200 ⬭

B £225 ⬭

C £240 ⬭

D £300 ⬭

Do not write outside the box

0 9 Which of the following is the most likely effect of a rise in a country's exchange rate?

[1 mark]

A Increased economic growth ⬭

B Increased exports ⬭

C Increased inflation ⬭

D Increased unemployment ⬭

1 0 Which of the following pairs of policy changes is most likely to reduce a budget surplus?

[1 mark]

	Tax rates	Government spending	
A	Decrease	Decrease	⬭
B	Decrease	Increase	⬭
C	Increase	Decrease	⬭
D	Increase	Increase	⬭

Turn over for the next question

Do not write outside the box

1 1 State **two** examples of indirect taxes used in the UK.

[2 marks]

1 _____

_____

2 _____

_____

1 2 Explain what is meant by regressive taxation.

[2 marks]

_____

_____

_____

_____

1 3 Explain **one** role of the Bank of England.

[2 marks]

_____

_____

_____

_____

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1 4 **Table 1** shows the Consumer Price Index (CPI) for an economy.

Table 1

Date	CPI
January 2023	98.4
December 2023	102.2

1 4 . 1 Using **Table 1**, calculate the annual inflation rate at December 2023 to **one** decimal place.

[2 marks]

Answer _____ %

1 4 . 2 Explain **one** cause of inflation.

[2 marks]

Turn over for the next question

Do not write outside the box

Figure 1 – Achieving lower unemployment

Achieving low unemployment is one of the government's objectives. Some economists think the best way of keeping unemployment low is for the government to keep the economy stable.

However, governments can also achieve lower unemployment by changes in government spending. The UK government employs over five million people, such as those employed as nurses, teachers and police officers. There are other ways changes in government spending can affect unemployment, such as through supply-side policies.

1 5 Using **Figure 1**, analyse how changes in government spending can help achieve lower unemployment.

[6 marks]

Extra space

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1 6 State **two** policies that may be used to correct market failure caused by positive externalities.

[2 marks]

Policy 1 _____

Policy 2 _____

1 7 Explain **one** consequence for a government of high unemployment.

[2 marks]

1 8 Explain **one** role of a building society.

[2 marks]

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1 9 **Table 2** shows data relating to real Gross Domestic Product (GDP) for an economy.

Table 2

Year	GDP (in $ billions)
2022	1675
2023	1704

1 9 . 1 Using **Table 2**, calculate the rate of economic growth for 2023 to **one** decimal place.

[2 marks]

Answer _____ %

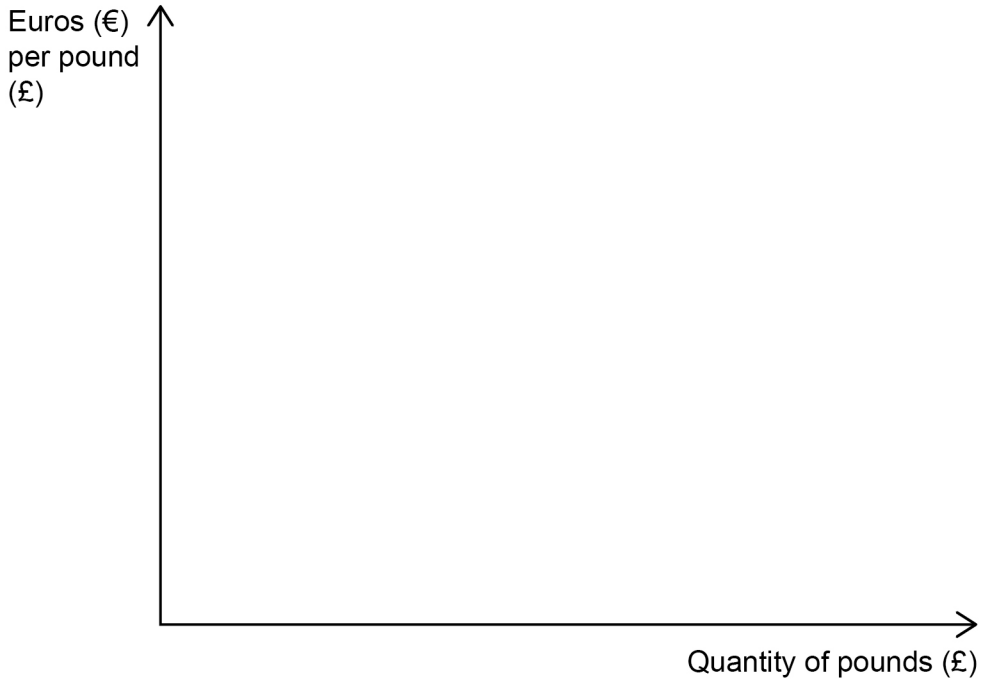
1 9 . 2 Explain **one** possible cost of economic growth for an economy.

[2 marks]

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2 0 **Figure 2** shows the Euro (€) to the British pound (£) foreign exchange market.

Figure 2 – Euro (€)/British pound (£) exchange rate



On **Figure 2**, draw and label the effects on the exchange rate of increased UK imports from countries using the Euro.

[3 marks]

Turn over for the next question

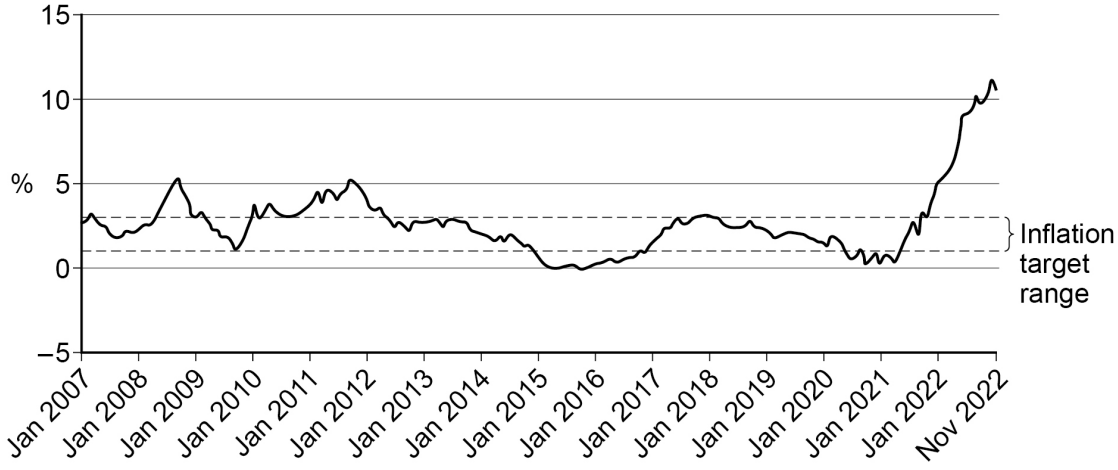
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Figure 3 – UK inflation

In 2022, UK inflation rose above 10%, its highest level for 40 years. This caused problems for the UK government and the population. Incomes did not rise as fast as prices so many people experienced falls in real incomes. This was especially harmful as household heating costs rose significantly over this period. There are other problems caused by rising inflation, such as changes to business confidence.

As shown on the chart below, inflation had been kept fairly stable between 1% and 3% for most of the time since the financial crisis of 2007–2008. Keeping inflation low and stable is one of the main objectives of the UK government. Some economists think policies used to reduce inflation can conflict with achieving other objectives and these policies may also have negative effects.

UK inflation rate: 2007–2022



Source: ONS

2 1 Using **Figure 3**, assess whether the UK government should always aim for low and stable inflation as an objective for the UK economy.

[9 marks]

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48

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Section B

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

Item A

Achieving a satisfactory balance of payments is one of the UK government's economic objectives. In particular, improving the current account balance is desirable for a government. Jobs are created by businesses exporting goods and services to other countries.

Data for the UK current account of the balance of payments is shown in **Table 3**.

Table 3 – UK balance of payments data 2021

	£ m
Exports of goods and services	636 325
Imports of goods and services	653 897
Primary income deficit	9 947
Secondary income deficit	18 114

Source: ONS

Some economists think that the government should aim for balance on the current account of the balance of payments. Ways to achieve balance on the current account of the balance of payments include changes in the exchange rate or taxing imports to reduce demand for foreign goods.

Other economists believe that achieving balance on the current account is not a priority and that policies should focus on other objectives.

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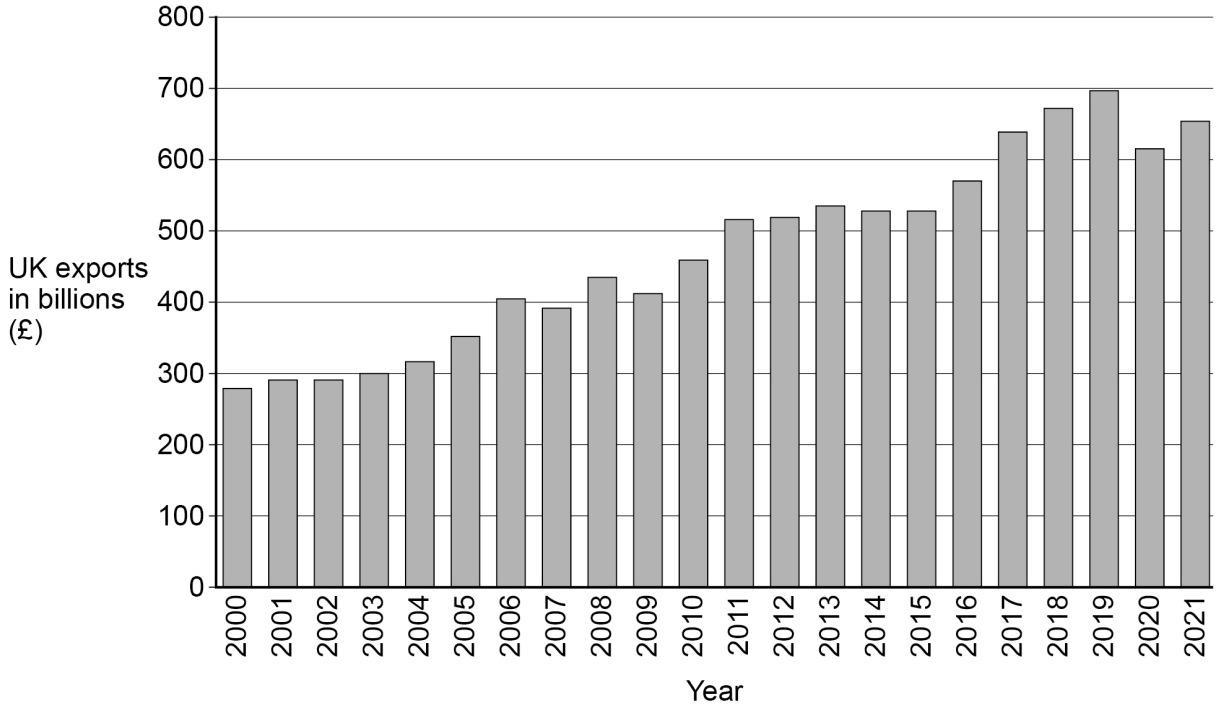
Item B

Globalisation creates winners and losers. These winners and losers will be found in both developed and less developed economies.

Consumers in developed economies can benefit from globalisation through buying goods at cheaper prices. Consumers in less developed economies may benefit from more jobs being created due to multinational companies setting up across the world. However, there are drawbacks to globalisation. Workers in less developed economies may be exploited by multinational companies and these companies can also make it harder for existing local businesses to survive.

Businesses in developed economies can benefit from access to more markets across the world. This can be seen in **Figure 4**, which shows UK exports over recent years. However, producers in the UK will also face more competition from businesses in less developed economies.

Figure 4 – UK exports 2000–2021



2 2 Define the term 'multinational company'.

[2 marks]

Turn over ►

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2 3 Using **Table 3** in **Item A**, calculate the UK current account balance for 2021 in £ millions.

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

[3 marks]

Current account balance is in:

Surplus ☐ Deficit ☐

2 4 Using **Item A**, explain **two** government policies that could reduce a deficit on the current account of the balance of payments.

[6 marks]

Policy 1

Policy 2

Do not write outside the box

2 5 Using **Item B**, analyse the possible consequences of increased globalisation for workers in less developed economies.

[6 marks]

Extra space

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2 6 Using **Item A** and **Item B** and your own economic knowledge, discuss whether increasing globalisation is harmful for producers in developed economies, such as the UK.

Justify your answer.

[15 marks]

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END OF QUESTIONS

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