Oxford Cambridge and RSA

# Thursday 22 May 2025 – Afternoon

## GCSE (9–1) Economics

## J205/02 National and International Economics

**Time allowed: 1 hour 30 minutes**

**You can use:**
- a scientific or graphical calculator
- an HB pencil

Please write clearly in black ink. **Do not write in the barcodes.**

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

First name(s) ______________________

Last name ______________________

**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 (*).
- This document has **24** pages.

**ADVICE**
- Read each question carefully before you start your answer.

## Section A

Write your answer to **each** question in the box provided.

1 A government increases its budget deficit.

What is the **most** likely cost of this decision?

An increase in:

**A** debt interest

**B** exports

**C** government spending

**D** unemployment

Your answer [ ] **[1]**

2 The claimant count:

**A** cannot be used to measure the rate of unemployment

**B** includes people receiving jobseeker's allowance

**C** measures the different causes of unemployment

**D** uses the CPI to measure the level of unemployment

Your answer [ ] **[1]**

3 What is the **most** likely cause of structural unemployment?

**A** Different jobs are available in the summer

**B** High levels of occupational immobility

**C** Increased migration into the country

**D** The closure of some discount food stores

Your answer [ ] **[1]**

**4** How might an increase in interest rates affect the economy?

**A** Decrease unemployment

**B** Improve price stability

**C** Increase economic growth

**D** Increase inflation

Your answer ☐ **[1]**

**5** A consumer is planning a holiday.
They found a villa that cost €3480 when the exchange rate was £1 = €1.20.
By the time they booked the villa the exchange rate had changed to £1 = €1.16.

What happened to the Sterling price of the villa for the consumer?

**A** Decreased by £400

**B** Decreased by £139.20

**C** Increased by £100

**D** Remained unchanged

Your answer ☐ **[1]**

**6** What is the most likely cost of globalisation for consumers in developed countries?

**A** Dominant global brands

**B** Higher prices

**C** Increased immigration

**D** Lower prices

Your answer ☐ **[1]**

7 The UK government sets an inflation target.

What might happen if inflation is above this target?

Interest rates will:

**A** decrease to discourage saving

**B** decrease to encourage more investment

**C** increase to discourage consumer spending

**D** increase to encourage more borrowing

Your answer ☐ **[1]**

8 What is **not** a purpose of government spending?

**A** To ensure everyone has access to health services

**B** To increase the welfare of the population

**C** To maintain a balanced current account

**D** To reduce inequality in the distribution of income

Your answer ☐ **[1]**

9 An individual's only source of income has risen in nominal value but fallen in real value.

As a result, the individual will

**A** be unable to buy all the same products

**B** decide to save more of their income

**C** have less money to spend

**D** not have to pay as much direct tax

Your answer ☐ **[1]**

**10** The government spends £50bn on a new railway line linking some of the country's largest cities.

Why is this an example of a supply side policy?

**A** Journey times will be improved for people travelling to work

**B** Many construction companies will achieve greater profits

**C** The £50bn could have been used to reduce the level of direct taxation

**D** There will be an increased demand for imported building materials

Your answer ☐ **[1]**

**11** The table shows the growth in GDP for a country from 2021 to 2024.

| | **Annual growth in GDP** |
|---|---|
| **2021** | 2.7% |
| **2022** | –1.4% |
| **2023** | 2.3% |
| **2024** | 1.8% |

Which statement is correct?

**A** The country was in a recession in 2024

**B** The level of employment is likely to have fallen in 2022

**C** The level of GDP was at its highest in 2021

**D** The level of output fell between 2023 and 2024

Your answer ☐ **[1]**

**12** What is **not** a cost of unemployment for individuals?

**A** Loss of self-esteem

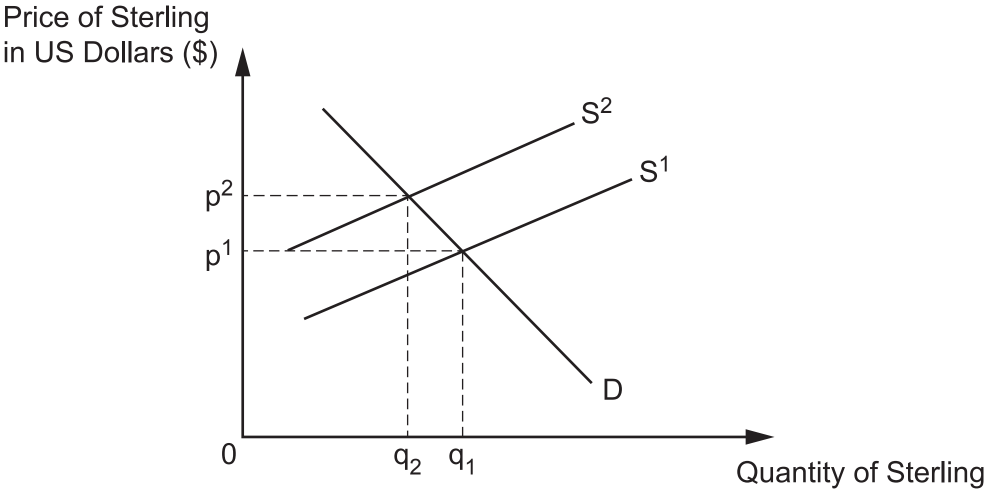
**B** Lower standard of living

**C** Higher direct taxes

**D** Waste of labour resources

Your answer ☐ **[1]**

**13** The diagram shows the supply and demand for Sterling (£) when priced in US dollars ($).




What might cause the Sterling to US Dollar exchange rate to increase from $p^1$ to $p^2$?

**A** Incomes of US consumers increase

**B** Less imports are bought from the US

**C** The UK becomes more attractive for foreign investment

**D** UK goods become more desirable to US consumers

Your answer ☐ **[1]**

**14** How can fiscal policy be used to achieve economic growth?

**A** A decrease in government spending to achieve a budget surplus

**B** An increase in interest rates will encourage households to save

**C** Improved education standards will increase the supply of labour

**D** Lower levels of taxation will encourage more household spending

Your answer ☐ **[1]**

**15** An increase in a country's level of international trade will **most** likely benefit producers because

**A** better quality finished goods will be available

**B** prices will be lower due to increased competition

**C** there will be a greater choice of goods and services

**D** there will be a larger market for buying inputs

Your answer ☐ **[1]**

**16** What is a definition of price stability?

**A** A sustained rise in the general price level

**B** GDP per capita increases gradually

**C** Inflation remains constant

**D** Prices increase at an acceptable low rate

Your answer [ ] **[1]**

**17** A country is seeking economic growth by investing in renewable wind energy.

This has led to an increase in energy prices and more noise for households living close to the wind farms.

How will this affect the sustainability of these households?

| | **Economic sustainability** | **Social sustainability** | **Environmental sustainability** |
|---|---|---|---|
| **A** | Decrease | Decrease | Increase |
| **B** | Decrease | Increase | Increase |
| **C** | Decrease | Increase | Decrease |
| **D** | Increase | Decrease | Increase |

Your answer [ ] **[1]**

**18** VAT on most food products is 20%. VAT on fresh fruit is 8%.
A household spends £400 on food products and £50 on fresh fruit.

What is the total household spend once VAT is added?

**A** £84

**B** £484

**C** £534

**D** £576

Your answer [ ] **[1]**

**19** A more uneven distribution of wealth will be caused by a reduction in

**A** interest rates

**B** property prices

**C** taxes on inheritance

**D** wage increases

Your answer [ ] **[1]**

**20** The USA, Canada and Mexico have worked together to reduce import and export taxes.

They have also established some common employment regulations.

This is an example of a

**A** current account surplus

**B** free trade agreement

**C** monetary policy

**D** negative externality

Your answer [ ] **[1]**

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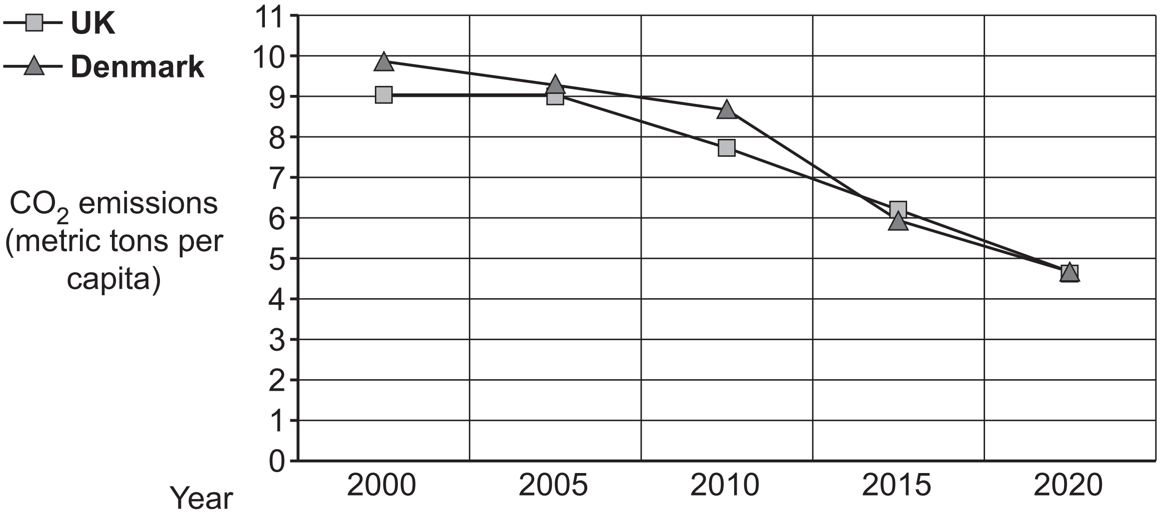
Section B starts on the next page

## Section B

**21 Extract 1**
**Externalities and Government Policies**

Carbon dioxide ($CO_2$) emissions, which arise from the use of petrol, cause climate change. The emissions have a harmful effect on those who are not using cars, which is a negative externality that impacts a third party.

An indirect tax on petrol should reduce the use of petrol and its emissions. However, when demand for a good is price inelastic, the change in quantity due to a tax or subsidy is less than when demand is price elastic.




The UK government provides a subsidy for the public provision of vaccines. Until measles vaccinations began in 1968, there were around 500,000 cases of measles every year and many deaths.

The UK's vaccination coverage rate for measles has grown from 81% in 2004 to over 91% in 2023. There have been almost no deaths, therefore, from measles since 2013.

**(a)** Using **Extract 1**, explain which country's $CO_2$ emissions fell most between 2000 and 2020.

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**(b)** Using **Extract 1**, calculate the UK's total $CO_2$ emissions in **2000**, when the population was 58.89 million.

Show your working.

Answer .......................................................... **[2]**

**(c)** Using **a diagram**, analyse how an indirect tax might have led to a change in $CO_2$ emissions in the UK between **2000** and **2020**.

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**(d)**

**(i)** State **two** goods or services with positive externalities, other than vaccinations.

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**(ii)** Explain why governments often give subsidies for the public provision of vaccinations.

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**(iii)*** Evaluate the benefits of a government policy to subsidise vaccinations.

Use the information given in **Extract 1** and your own knowledge.

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**22 Extract 2**
**Current Account and the UK Economy**

The UK records a current account deficit every year, because total UK spending is greater than its GDP. The UK has to borrow by attracting investment and lending from overseas. Such investment is often accompanied by new technologies.

| **UK current account data** | 2012 | 2017 | 2022 |
|---|---|---|---|
| Trade in goods (£ million) | –112 603 | –139 822 | –219 291 |
| Trade in services (£ million) | 95 657 | 111 897 | 151 339 |
| Income flows (£ million) | –15 960 | –22 407 | 12 682 |
| Transfers ( £ million) | –21 000 | –22 419 | –23 026 |
| Current account balance (£ million) | –53 906 | –72 751 | – |

The UK's total trade deficit in goods and services has widened between **2012** and **2022**, from £16 946 million to £67 952 million. The different trade balances for goods and for services reflect different resources held by the UK and its trading partners. Since about 1990 the UK has developed resources that are more suitable for exporting services. German workers continue to be highly efficient in producing manufactured goods such as pharmaceuticals and cars.

The UK imports goods from Germany, Japan and the USA, which are the sources of significant direct investment into the UK economy. The UK depends upon investment from overseas to finance its current account deficit. Such foreign investment in the UK is larger than UK investment abroad, partly due to English being widely used in business. The UK's Income account is usually in deficit because of significant outflows of investment income.

**(a)** Using **Extract 2**, calculate the current account balance in **2022**.

Show your working.

Answer ........................................................ **[2]**

**(b)** Using **Extract 2**, state the differences in the trends in the trade in goods **and** in the trade in services between 2012 and 2022.

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**(c)** Using **Extract 2**, analyse how changes in the UK economy have led to an increasing current account deficit.

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**(d)**

**(i)** State **two** kinds of services that the UK exports.

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**(ii)** Explain **one** reason why there is significant investment from overseas into the UK.

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**(iii)*** Evaluate the importance of the balance of payments on current account to the UK economy.

Use the information given in **Extract 2** and your own knowledge.

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**23 Extract 3**
**Development in Tanzania and Globalisation**

| | **1990** | **2000** | **2010** |
|---|---|---|---|
| GDP per capita (US$) | 539 | 552 | 794 |
| Government expenditure on education (% of GDP) | 2.14 | 3.00 | 4.54 |
| Primary school enrolment (% of age group) | 52.04 | 53.53 | 92.20 |

The above table shows that government spending on Tanzanian schools and teachers affects the number of children attending school. As a result, the adult literacy rate (the percentage of adults who can read and write) has increased from 68% in 2010 to 82% in 2021. The benefits of an educated population, which leads to a more productive workforce, is also demonstrated by the increase in GDP per capita.

Higher GDP per capita is not only due to education, but also to globalisation. Investment by Chinese multinational companies in Tanzanian industries has helped to increase and diversify its trade. The Tanzanian economy is now less dependent on the widely fluctuating prices of primary agricultural products. Moreover, there is a greater variety of job opportunities.

| | **2010** | **2015** | **2020** |
|---|---|---|---|
| GDP per capita (US$) | 794 | 929 | 1 028 |
| Exports of goods (US$ million) | 4051 | 4834 | 6061 |
| *E.g. Agricultural raw material exports (% of total)* | 5.59 | 3.37 | 3.30 |
| Imports of goods (US$ million) | 8060 | 14768 | 8517 |
| *E.g. Manufactured imports (% of total)* | 60.47 | 42.07 | 72.32 |

**(a)** Using **Extract 3**, calculate the average GDP per capita in US dollars during the period **1990** to **2010**.

Show your working.

Answer ........................................................... **[2]**

**(b)** Using **Extract 3**, explain **two** measurements of education for economic development.

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**(c)** Using the information in **Extract 3**, analyse how an increase in the number of children attending primary school affects the GDP of a country.

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**(d)**
**(i)** Explain why **GDP per capita** could be used as a measure for development in a less developed country.

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**(ii)** State **two** benefits of globalisation for Tanzanian **producers**.

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**[2]**

**(iii)*** Evaluate the benefits of globalisation for **workers** in Tanzania.

Use the information given in **Extract 3** and your own knowledge.

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**END OF QUESTION PAPER**

## EXTRA ANSWER SPACE

If you need extra space use these lined pages. You must write the question numbers clearly in the margin.