



Surname _____

Other Names _____

Centre Number _____

Candidate Number _____

Candidate Signature _____

GCSE

ECONOMICS

Paper 2 How the economy works

8136/2

Monday 3 June 2019

Afternoon

Time allowed: 1 hour 45 minutes

At the top of the page, write your surname and other names, your centre number, your candidate number and add your signature.

[Turn over]



For this paper you must have:

- **an insert.**

You may use a calculator.

INSTRUCTIONS

- **Use black ink or black ball-point pen.**
- **Answer ALL questions.**
- **You must answer the questions in the spaces provided. Do not write on blank pages.**
- **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 TURN OVER UNTIL TOLD TO DO SO



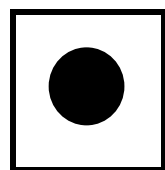
SECTION A

Answer ALL questions in the spaces provided.

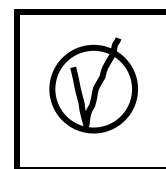
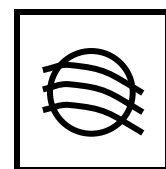
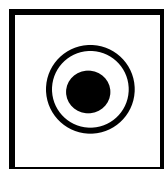
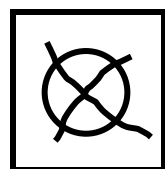
For questions with four responses, only ONE answer per question is allowed.

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

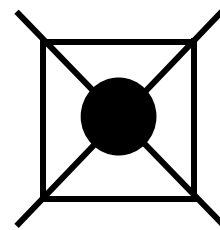
CORRECT METHOD



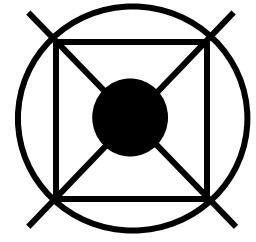
WRONG METHODS



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.



[Turn over]



0	1
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Which of the following is a principal economic objective of government policies? [1 mark]

A Growth of inflation

B Increased current account deficit

C Low employment

D Steady economic growth



0	2
---	---

A budget surplus is best described as which of the following? [1 mark]

A Where government revenue is greater than government expenditure

B Where government revenue is less than government expenditure

C Where the value of exports is less than the value of imports

D Where the value of imports is less than the value of exports

[Turn over]



0	3
---	---

Which of the following policies is most likely to reduce cyclical unemployment? [1 mark]

A Increase in direct taxes

B Increase in interest rates

C Increase in money supply

D Increase in taxes on business profits



0	4
---	---

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

A Reduced taxes on company profits

B Increased government spending on unemployment benefits

C Reduced government spending on education

D Increased taxes on expenditure

[Turn over]



0	5
---	---

Which of the following would be most likely to reduce income inequality?
[1 mark]

- A Increased taxes on expenditure**
- B Increased tax-free personal allowances on income**
- C Reductions in unemployment benefits**
- D Reduced taxes on businesses**

BLANK PAGE

[Turn over]



0	6
---	---

TABLE 1 shows United Kingdom (UK) economic growth between 2013 and 2017.

TABLE 1

Year	Economic growth (% change in GDP)
2013	2.1
2014	3.1
2015	2.3
2016	1.9
2017	1.7

Using TABLE 1, on the opposite page, the average annual rate of economic growth for this period to one decimal place is: [1 mark]

A 2.0%

B 2.1%

C 2.2%

D 2.3%

[Turn over]

0	7
---	---

Which of the following best describes the type of unemployment caused by people not having the skills needed for the jobs available? [1 mark]

A Cyclical

B Frictional

C Seasonal

D Structural



08

Which of the following pairs of policy changes is the most appropriate response to the problem of high inflation? [1 mark]

		INTEREST RATES	TAX RATES
<input type="radio"/>	A	Increase	Increase
<input type="radio"/>	B	Decrease	Decrease
<input type="radio"/>	C	Increase	Decrease
<input type="radio"/>	D	Decrease	Increase

[Turn over]



0	9
---	---

Consumption of healthy food can lead to positive externalities.

Which of the following policies is the most appropriate for correcting this type of market failure? [1 mark]

A Indirect taxes on healthy food

B Restrictions placed on consumption of healthy food

C Restrictions on advertising healthy food

D Subsidies for businesses producing healthy food

10

Which of the following identifies the most likely effects of a significant increase in economic growth? [1 mark]

		Effect on unemployment	Effect on budget deficit
<input type="radio"/>	A	Decrease	Increased deficit
<input type="radio"/>	B	Increase	Reduced deficit
<input type="radio"/>	C	Increase	Increased deficit
<input type="radio"/>	D	Decrease	Reduced deficit

[Turn over]



1 1

**State TWO causes of inflation.
[2 marks]**

Cause 1 _____

Cause 2 _____

1 2

**Explain ONE reason why the UK
government may want to reduce a
budget deficit. [2 marks]**

1 3

Explain why rapid economic growth may be harmful for individuals in an economy. [2 marks]

[Turn over]

1	4
---	---

TABLE 2 shows balance of payments data in an economy for 2018.

TABLE 2

	£ billion
Exports of goods and services	35
Imports of goods and services	47
Primary income balance	3
Secondary income balance	-5

14.1

Using TABLE 2, calculate the current account balance for 2018.

Show your working. [2 marks]

Account balance = _____

[Turn over]

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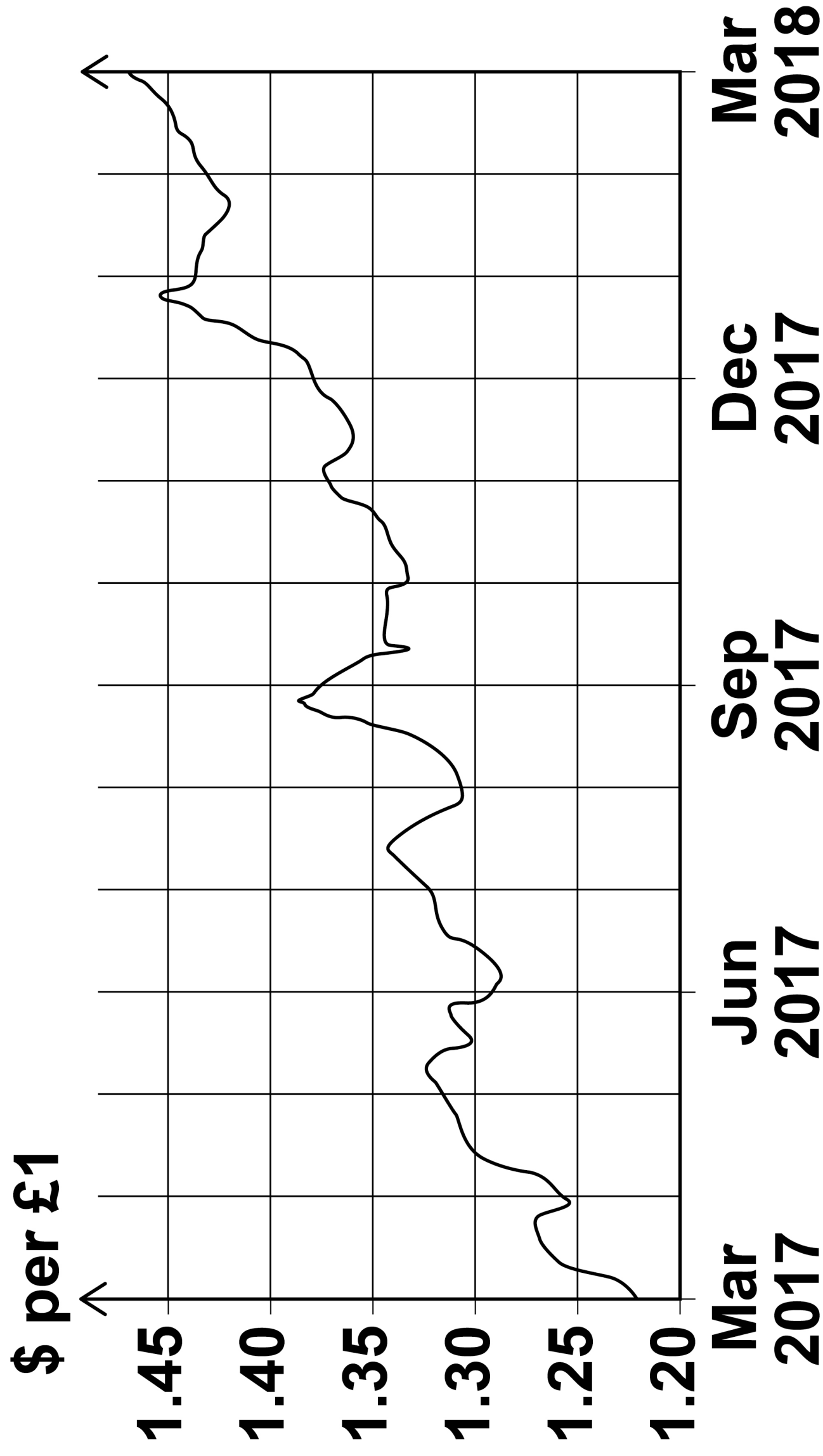
14.2

Explain ONE reason why a government may aim for balance on the current account. [2 marks]

[Turn over]

FIGURE 1

US Dollar (USD \$) / Pound (GBP £) exchange rate March 2017 to March 2018



15

FIGURE 1, on the opposite page, shows the US Dollar (\$) to the British Pound (£) exchange rate between March 2017 and March 2018.

15.1

Using FIGURE 1, analyse the impact of the change in this exchange rate on UK producers. [6 marks]

Blank writing area with 12 vertical lines.

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[Turn over]



1 6

**State TWO functions of money.
[2 marks]**

Function 1 _____

Function 2 _____

1 7

**Explain ONE reason why interest rates
on mortgages are normally lower than
interest rates on credit cards. [2 marks]**

1 8

Explain ONE reason why income inequality occurs. [2 marks]

[Turn over]

1 9

TABLE 3 shows the Consumer Prices Index (CPI) for an economy.

TABLE 3

DATE	CPI
December 2017	145.7
December 2018	154.6

1 9 . 1

Using TABLE 3, calculate the annual inflation rate at December 2018 to one decimal place.

Show your working. [2 marks]

Annual inflation rate = _____

19.2

Explain ONE reason why the UK government aims for a low inflation rate. [2 marks]

[Turn over]

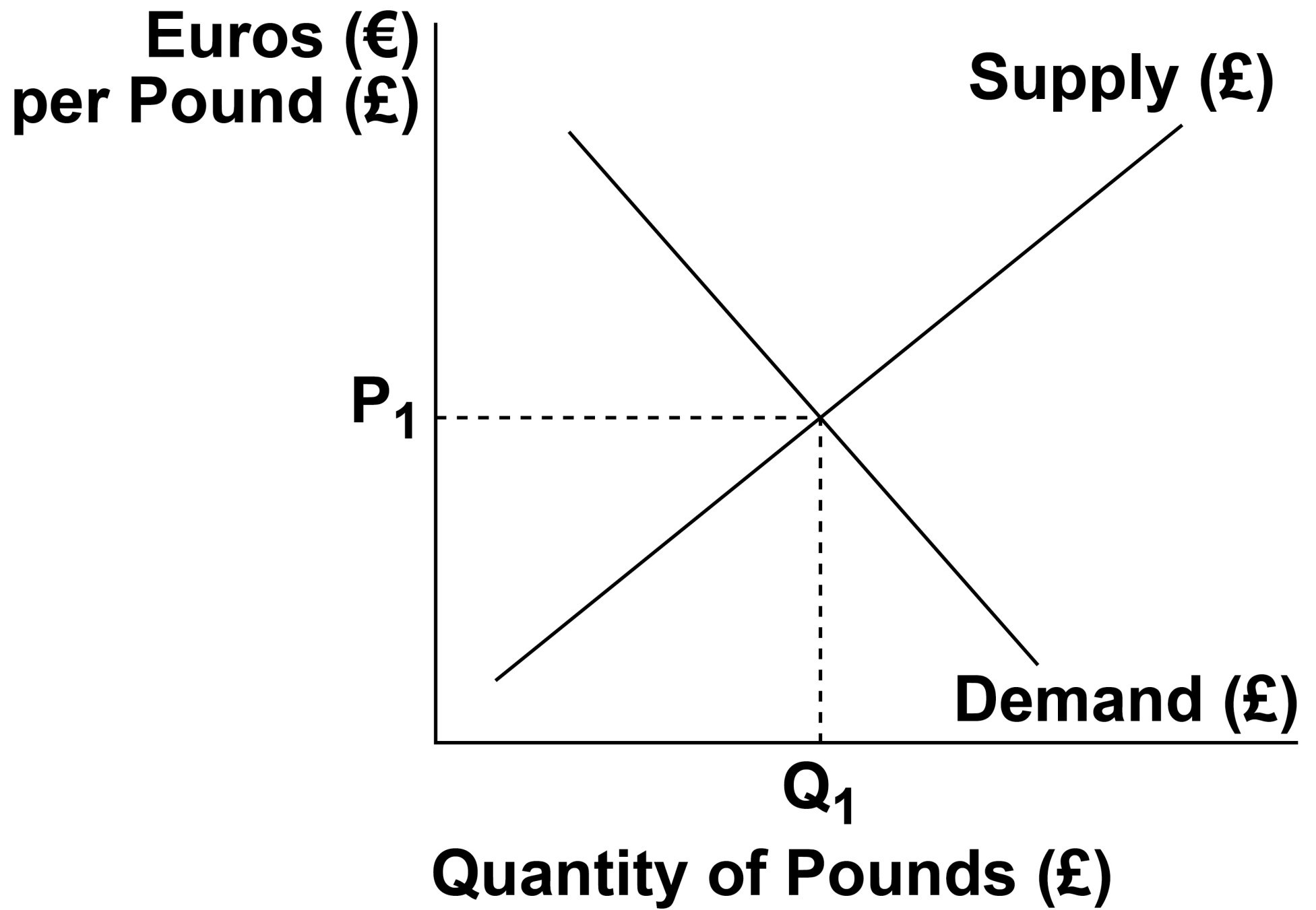
2	0
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FIGURE 2, on the opposite page, shows the Euro (€) to the British Pound (£) foreign exchange market.

**On FIGURE 2, draw and label the effects on the exchange rate of increased UK imports from countries using the Euro.
[3 marks]**

FIGURE 2

Euro (€) to Pound (£) foreign exchange market



[Turn over]



2	1
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FIGURE 3

The UK unemployment rate peaked at 8.5% in 2011. Since then it has fallen gradually. The fall in UK unemployment surprised many people. Economists expected that UK unemployment would rise after the financial crisis of 2008. They also thought that it would remain high as consumer confidence remained low. In addition, the effects of planned cuts to government spending were also expected to increase the level of unemployment.

Most economists accept that governments should aim to reduce unemployment where possible. This is due to the negative impact unemployment has on individuals and the whole economy. Individuals who are unemployed usually have a lower standard of living compared to those in



work. Higher unemployment also leads to government earning less in tax revenue.

Different factors cause unemployment. This makes it difficult to know how best to reduce unemployment. Also, aiming for low unemployment can lead to conflicts in achieving other economic objectives. This is important given that unemployment had fallen to a low level by the end of 2017.

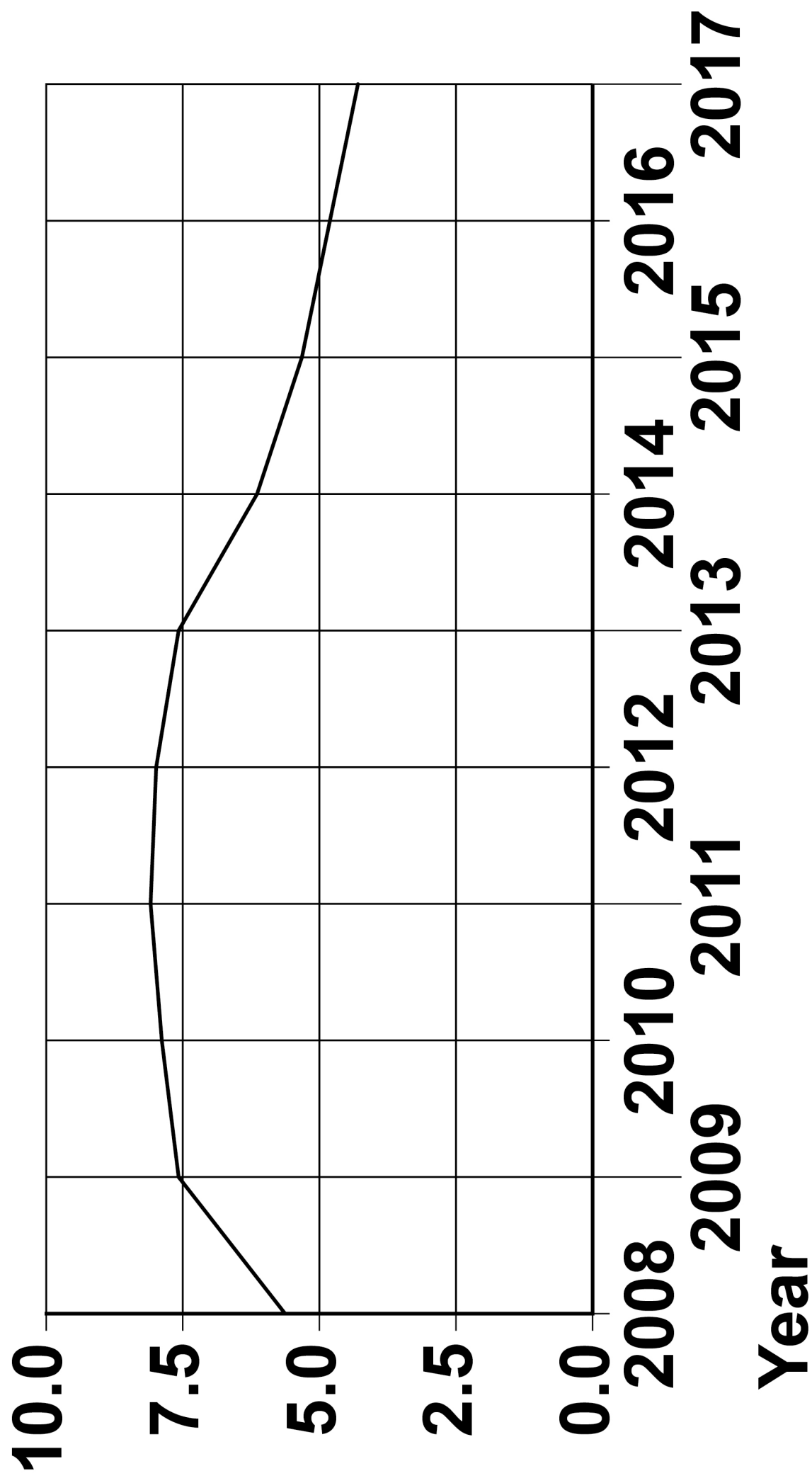
FIGURE 3 continues on page 36

[Turn over]

FIGURE 3

UK unemployment rate (%) 2008 – 2017

UK unemployment
as a percentage
of labour force



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[Turn over]



SECTION B

Answer ALL questions in the spaces provided.

Read the information for Section B in the separate insert.

2 2

Define globalisation. [2 marks]

[Turn over]

2	6
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In the UK, some politicians claim that globalisation has been bad for the economy.

Using ITEMS A and B, in the separate insert, discuss whether increasing globalisation is harmful for developed economies, such as the UK.

Use your own economic knowledge to justify your answer. [15 marks]

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For Examiner's Use	
Section	Mark
A	
B	
TOTAL	

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