Government objectives – GCSE Economics Paper 2

1. No.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

2. No.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

3. No.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

4. No.14

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

Table 1

Date	**CPI**
January 2023	98.4
December 2023	102.2

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

[2 marks]

Answer ______________ %

14.2 Explain **one** cause of inflation.

[2 marks]

5. No.17

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

[2 marks]

6. No.19

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]

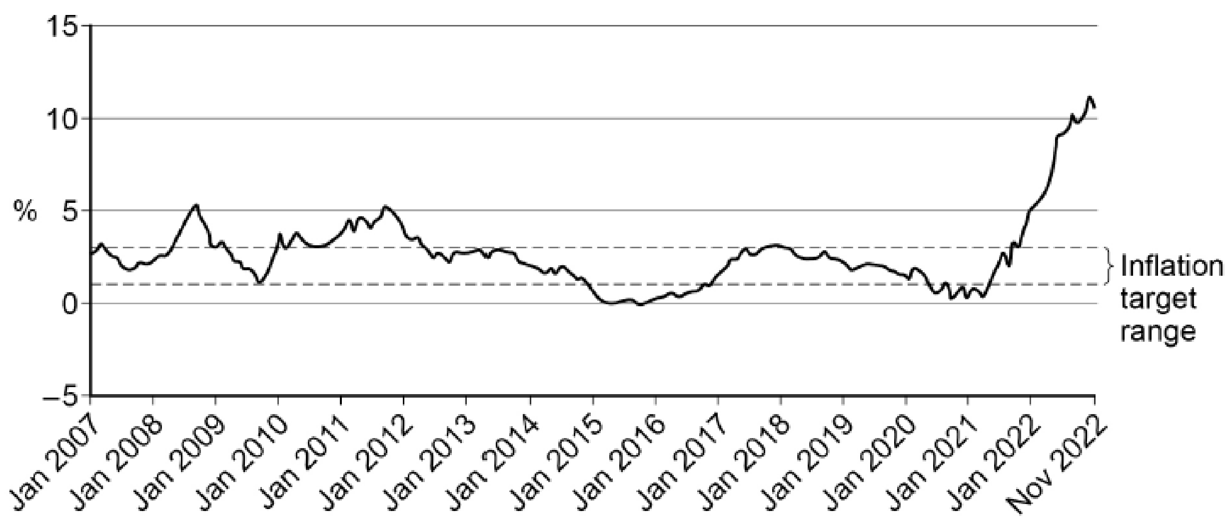
7. No.21

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

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]

8. No.23

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.

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 ☐

9. No.24

Item A

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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 ____

10. No.26

Item A

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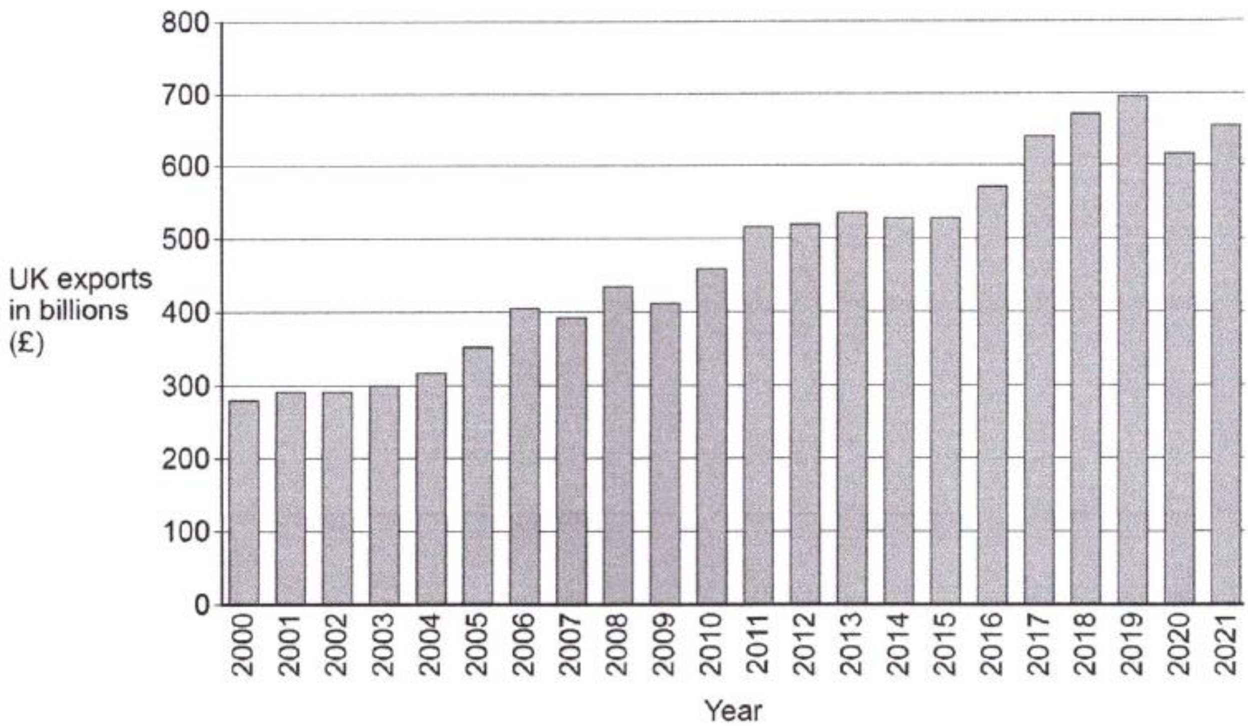
Item B

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



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]