



Surname _____

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Centre Number _____

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Candidate Signature _____

I declare this is my own work.

GCSE ECONOMICS

Paper 2 How the Economy Works

8136/2

Tuesday 21 May 2024 Morning

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]



MATERIALS

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.
- 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 TURN OVER UNTIL TOLD TO DO SO



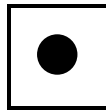
SECTION A

Answer ALL questions in the spaces provided.

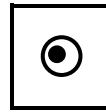
For questions with four responses, only ONE answer per question is allowed.

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

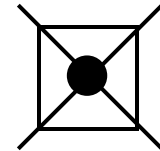
CORRECT METHOD



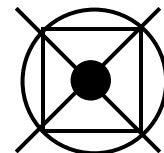
WRONG METHODS



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.



01

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

[Turn over]



02

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



| | |
|---|---|
| 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

[Turn over]



| | |
|---|---|
| 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]



06

‘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



07

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 |
|-----------------------|----------|----------------------------------|-------------------------------|
| <input type="radio"/> | A | Decrease | Decrease |
| <input type="radio"/> | B | Decrease | Increase |
| <input type="radio"/> | C | Increase | Decrease |
| <input type="radio"/> | D | Increase | Increase |

[Turn over]



| | |
|---|---|
| 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



| | |
|---|---|
| 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

[Turn over]



10

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

| | TAX RATES | GOVERNMENT SPENDING |
|-----------------------|-------------------|---------------------|
| <input type="radio"/> | A Decrease | Decrease |
| <input type="radio"/> | B Decrease | Increase |
| <input type="radio"/> | C Increase | Decrease |
| <input type="radio"/> | D Increase | Increase |



1 1

**State TWO examples of indirect taxes used in the UK.
[2 marks]**

1 _____

2 _____

[Turn over]



1 2

Explain what is meant by regressive taxation. [2 marks]

1 3

Explain ONE role of the Bank of England. [2 marks]

[Turn over]



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]

[Turn over]

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]**

[Turn over]



1 6

State TWO policies that may be used to correct market failure caused by positive externalities. [2 marks]

Policy 1 _____

Policy 2 _____



17

Explain ONE consequence for a government of high unemployment. [2 marks]

[Turn over]

1 8

Explain ONE role of a building society. [2 marks]

BLANK PAGE

[Turn over]



| | |
|---|---|
| 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 _____ %



19.2

Explain ONE possible cost of economic growth for an economy. [2 marks]

[Turn over]



| | |
|---|---|
| 2 | 0 |
|---|---|

FIGURE 2 shows the Euro (€) to the British pound (£) foreign exchange market.

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

Euros (€)
per pound
(£)



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]



SECTION B

Answer ALL questions in the spaces provided.

2 2

Define the term 'multinational company'. [2 marks]

| | |
|---|---|
| 2 | 3 |
|---|---|

Using TABLE 3 in ITEM A, provided on pages 4–5 of the separate insert, calculate the UK current account balance for 2021 in £ millions. [3 marks]

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

Current account balance is in:

Surplus

Deficit

[Turn over]



[Turn over]



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| For Examiner's Use | |
|--------------------|------|
| Section | Mark |
| A | |
| B | |
| TOTAL | |

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WP/M/MW/Jun24/8136/2/G4001/V5

