Past-paper walk-through

Economic growth ▪ 4.5

eXercise

Questions in this set

- 0455/11 N25 Q22 ▪ 1 mark
- 0455/11 N25 Q24 ▪ 1 mark
- 0455/12 N25 Q22 ▪ 1 mark
- 0455/13 N25 Q22 ▪ 1 mark
- 0455/21 N25 Q2 ▪ 20 marks
- 0455/11 J25 Q23 ▪ 1 mark
- 0455/12 J25 Q24 ▪ 1 mark
- 0455/12 J25 Q30 ▪ 1 mark
- 0455/12 N24 Q17 ▪ 1 mark

Reading the mark scheme

- **B1** a mark that stands on its own – the point is either made or not.
- **M1** a *method* mark: the right approach, even if the number is wrong.
- **A1** an *answer* mark, and it usually needs its M mark first.
- **C1** a working mark on the way to the answer.
- // separates answers the examiner accepts equally.
- **ecf** = error carried forward: a later part is marked on your own earlier answer.
- **owtte** = "or words to that effect" – the wording need not match.

Question 22

0455/11 N25 ▪ Q22 ▪ 1 mark

22 Chile specialises in the production of copper for export.

In what way is the Chilean economy likely to be affected by a large rise in the supply of copper from other countries?

	employment	economic growth
A	fall	fall
B	fall	rise
C	rise	fall
D	rise	rise

Solution 22

Answer: **A**

Why

- Chile exports copper, so its export earnings depend on the copper price.
- A large rise in world supply pushes the copper price down.
- So Chile's export revenue falls, worsening its current account and reducing national income.

Question 24

0455/11 N25 ▪ Q24 ▪ 1 mark

24 What is deflation?

A a sustained fall in total demand

B a sustained fall in the general price level

C a sustained fall in the rate of inflation

Question 24

D a sustained fall in the value of money

Solution 24

Answer: **B**

Why

- Deflation is a sustained fall in the general price level.
- That means a *negative* inflation rate.
- A falling *rate* of inflation, with prices still rising, is disinflation – a different thing.

Question 22

0455/12 N25 ▪ Q22 ▪ 1 mark

22 In one particular year, South Sudan's population growth was 1.3% while its GDP growth was 2%.

What is the most likely consequence of this?

A GDP per capita will decrease

B the rate of inflation will decrease

C the standard of living will increase

D unemployment will increase

Solution 22

Answer: **C**

Why

- GDP per head is GDP divided by population.
- GDP grew 2% while population grew 1.3%.
- Output grew faster than population, so GDP per head rose – by roughly 0.7%.

Question 22

0455/13 N25 ▪ Q22 ▪ 1 mark

22 How is economic growth of a country measured?

A by an increase in the monetary value of goods produced

B by an increase in the number of people in employment

C by an increase in the real Gross Domestic Product (GDP)

D by an increase in the value of the Human Development Index (HDI)

Solution 22

Answer: **C**

Why

- Economic growth is measured by the increase in *real* GDP.
- Real means adjusted for inflation, so it reflects actual output rather than higher prices.
- A rise in the money value of output could be inflation alone.

Question 2

0455/21 N25 ▪ Q2 ▪ 20 marks

2 In the first half of 2022, Guyana's GDP grew by 36.4%. Most of this growth was due to higher output in the primary sector. The government used some of the tax revenue generated from this growth to fund long-run development projects such as infrastructure and education. However, in the short run, there was a rise in house prices.

(a) Identify two examples of primary sector industries. [2]

(b) Explain two causes of rising GDP. [4]

(c) Analyse why house prices may increase. [6]

(d) Discuss whether or not increased government spending on education will lead to economic development. [8]

(a) (a) Identify two examples of primary sector industries. [2] **[2]**

(b) (b) Explain two causes of rising GDP. [4] **[4]**

Question 2

(c) (c) Analyse why house prices may increase. [6] **[6]**

(d) (d) Discuss whether or not increased government spending on education will lead to economic development. [8] **[8]**

Solution 2

(a) Mark scheme

- Identify two examples of primary sector industries.
- Two from:
- ▪
- farming / agriculture
- ▪
- mining
- ▪
- fishing

Solution 2

- ▪
- forestry
- 2 If more than two primary industries are given, consider the
- first three.
- Accept two specific examples, e.g. growing wheat, catching
- tuna, but not from the same industry.

Solution 2

(b) Mark scheme

- Explain two causes of rising GDP.
- Logical explanation which might include:
- ▪
- increased consumption (1) decrease in taxes (1) such
- as income tax / corporation tax (1) increased disposable
- income /profits 1
- ▪
- increase in investment (1) leading to increase in total

Solution 2

- demand 1
- ▪
- increase in government spending (1) e.g. spending on
- infrastructure (1) increasing total (aggregate) demand in
- the economy 1
- ▪
- improvements in technology (1) increase in productivity 1
- ▪
- increase in the quantity (1) and quality of factors of
- production (1) e.g. increase in size of labour force 1

Solution 2

- improved labour skills (1) increase in productive
- capacity of the economy 1
- ▪
- decrease in interest rates (1) cost of borrowing falls 1
- borrowing increases 1
- ▪
- decreases in exchange rate (1) price of exports falls /
- price of imports rises (1) increase exports / decrease
- imports / increase net exports (1).
- 4 One mark each for two causes identified and one each for

Solution 2

- two explanations.
- Only reward increase in total demand once.
- 0455/21
- October/November 2025
- Guidance

Solution 2

(c) Mark scheme

- Analyse why house prices may increase.
- Coherent analysis which might include the following.
- Increase in demand (1) due to lower interest rates 1
- increasing borrowing for house purchases (1) higher
- population (1) higher incomes (1) increasing ability to
- purchase houses (1) higher confidence (1) increasing
- willingness to buy houses (1).
- Decrease in supply (1) reduction in subsidies on new house

Solution 2

- building (1) increased taxation on housing (1) government
- building fewer houses (1) stricter planning regulation (1) land
- is used for other things e.g. infrastructure (1).
- Increasing cost of production of new houses (1) cost of
- labour (1) cost of raw materials (1) cost of land (1) increased
- costs passed on to buyers of houses as higher prices (1).
- Less government intervention (1) removal of price controls
- (1).
- 6 MAXIMUM 4 MARKS for identification of reasons
- without analysis in terms of demand and / or supply.

Solution 2

- 0455/21
- October/November 2025
- Guidance

Solution 2

(d) Mark scheme

- Discuss whether or not increased government spending
- on education will lead to economic development.
- In assessing each answer, use the table opposite.
- Why it might:
- ▪
- increase skills / qualifications / knowledge
- ▪
- increase job opportunities

Solution 2

- ▪
- encourage more investments
- ▪
- increase productive capacity
- ▪
- reduce consumption of demerit goods
- ▪
- improved health / life expectancy
- ▪
- higher HDI

Solution 2

- 8
- Level
- Description
- 3
- A reasoned discussion which
- accurately examines both sides of
- the economic argument, making use
- of economic information and clear
- and logical analysis to evaluate
- economic issues and situations. One

Solution 2

- side of the argument may have more
- depth than the other, but overall,
- both sides of the argument are
- considered and developed. There is
- thoughtful evaluation of economic
- concepts, terminology, information
- and/or data appropriate to the
- question. The discussion may also
- point out the possible uncertainties
- of alternative decisions and

Solution 2

- outcomes.
- 6–8
- 2
- A reasoned discussion which makes
- use of economic information and
- clear analysis to evaluate economic
- issues and situations. The answer
- may lack some depth and
- development may be one-sided.
- There is relevant use of economic

Solution 2

- concepts, terminology, information
- and data appropriate to the question.
- 3–5
- 0455/21
- October/November 2025
- Guidance
- Why it might not:
- ▪
- takes a long time to have an impact on the economy
- ▪

Solution 2

- financial cost of government spending e.g. taxation /
- borrowing
- ▪
- opportunity cost e.g. health spending
- ▪
- reduced benefit to the economy if there is emigration of
- skilled workers / net migration is negative
- ▪
- government might spend the money inefficiently
- ▪

Solution 2

- education programmes may be ineffective.
- Level
- Description
- 1
- There is a simple attempt at using
- economic definitions and
- terminology. Some reference may be
- made to economic theory, with
- occasional understanding.
- 1–2

Solution 2

- 0
- A mark of zero should be awarded
- for no creditable content.
- 0
- Guidance

Question 23

0455/11 J25 ▪ Q23 ▪ 1 mark

23 What is most likely to rise when the level of employment falls in a high-income economy?

- **A** consumer confidence
- **B** government expenditure on state benefits
- **C** government revenue from income tax
- **D** the rate of growth of real output

Solution 23

Answer: **B**

Why

- When employment falls, more people claim unemployment benefits.
- So government spending on state benefits rises while tax revenue falls.
- Consumer confidence and consumer spending both fall at the same time.

Question 24

0455/12 J25 ▪ Q24 ▪ 1 mark

24 Which changes are likely to lead to the biggest increase in inflation in country X?

	demand for goods and services in country X	supply of goods and services in country X
A	5% decrease	5% decrease
B	5% decrease	5% increase
C	5% increase	5% decrease
D	5% increase	5% increase

Solution 24

Answer: **C**

Why

- Inflation rises fastest when demand grows while supply does not.
- So look for rising demand combined with static or falling supply.
- Both moving together would leave the price level much less affected.

Question 30

0455/12 J25 ▪ Q30 ▪ 1 mark

30 What is a consequence of a surplus on the current account of the balance of payments?

A a decrease in GDP

B a decrease in unemployment

C a depreciation of the foreign exchange rate

D deflation

Solution 30

Answer: **B**

Why

- A current account surplus means more currency is bought to pay for exports than sold to buy imports.
- So demand for the currency rises relative to supply.
- With a floating rate the currency therefore *appreciates* – it does not depreciate.

Question 17

0455/12 N24 ▪ Q17 ▪ 1 mark

17 What will cause real GDP to rise in a country?

A nominal GDP rising at a faster rate than employment

B nominal GDP rising faster than inflation

C nominal GDP rising faster than the population

D nominal GDP rising

Solution 17

Answer: **B**

Why

- Real GDP strips out the effect of rising prices.
- So it rises only when nominal GDP grows *faster* than inflation.
- If nominal GDP and inflation rise at the same rate, real GDP is unchanged.