



General Certificate of Secondary Education
2025

Centre Number

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Candidate Number

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Economics

Paper 1



[G9281]

G9281

WEDNESDAY 14 MAY, AFTERNOON

TIME

1 hour 45 minutes.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number in the spaces provided at the top of this page.

You must answer all questions in the spaces provided.

Do not write outside the boxed area on each page, or on blank pages.

Complete in black ink only. **Do not write with a gel pen.**

Answer **all three** questions in **Section A**.

Answer **both** questions in **Section B**.

Answer **one** question from questions 6, 7 and 8 in **Section C**.

INFORMATION FOR CANDIDATES

The total mark for this paper is 90.

Any working should be clearly shown since marks may be awarded for partially correct solutions.

Your quality of written communication will be taken into account in assessing your answer to question **4(d)** and **5(c)** in **Section B** and the question that you choose to answer from **Section C**.

ADVICE TO CANDIDATES

You should take into account the maximum marks available when deciding how much time to spend on each question or part question.

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Section A

Answer **all three** questions

- 1 BMW has received £70 million from the UK Government to help its Mini factories change to electric car production. This has sparked conversations about whether this money would have been better spent on schools and hospitals.



Source: © Getty Images

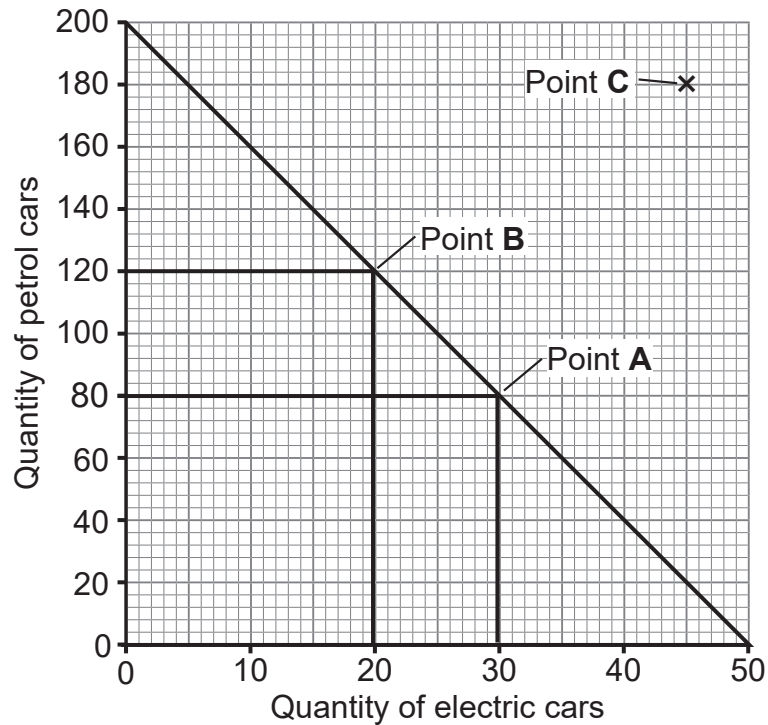
- (a) Define the term opportunity cost.

[2]



(b) BMW has to make financial decisions about using its scarce resources.

The Production Possibility Frontier (PPF) below shows BMW's production of petrol and electric cars.



With reference to the diagram, what is the opportunity cost of BMW reallocating resources to produce 40 more petrol cars, moving from point A to B?

[2]



(c) Explain how BMW could produce at point C on the PPF diagram.

[2]

[Turn over



- 2 **Table 1** below shows the price and quantity of pints of milk produced weekly on a local farm.

Table 1

Price per pint (£s)	Quantity of pints of milk supplied per week
£1.20	2000
£1.50	3000

- (a) (i) Using **Table 1**, calculate the price elasticity of the supply of pints of milk if the price of each pint increases from £1.20 to £1.50.

$$\text{Formula: } PES = \frac{\% \text{ change in quantity supplied}}{\% \text{ change in price}}$$

Calculations:

% change in quantity supplied = _____

% change in price = _____

PES = _____ [2]

- (ii) With reference to your answer from **2(a) (i)**, is the price elasticity of supply elastic or inelastic? Explain your answer.

_____ [2]

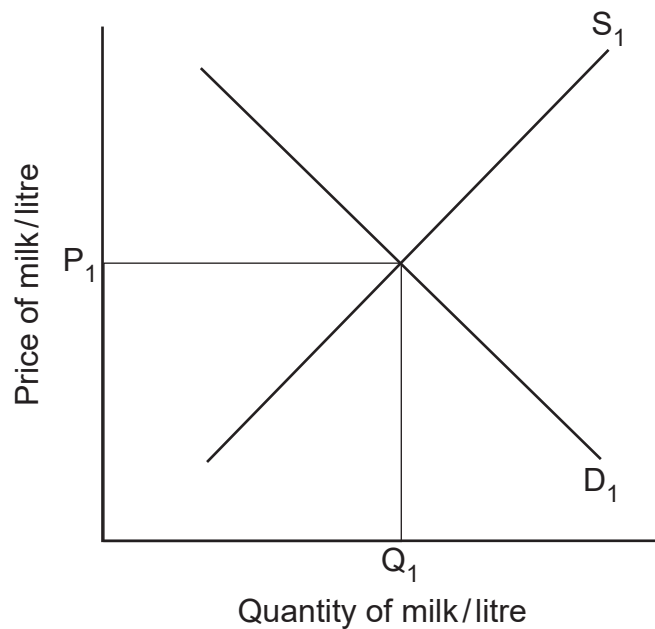


(b) Explain the importance of price elasticity of supply for milk producers.

[2]

(c) Illustrate on the diagram below the impact of a government subsidy on milk producers.

Show clearly how a subsidy could affect the equilibrium (market) price and quantity of milk bought and sold.



[2]

[Turn over



3 **Table 2** below shows the data for the UK economy in June 2023 (£billions).

Table 2

Value of exports	£66.35 bn
Value of imports	£71.14 bn

Source: www.statista.com/statistics/284753/value-of-imports-and-exports-uk/
© Statistic 2025

(a) Using the data provided, calculate the balance of trade, and state whether it is in deficit or surplus.

[2]

(b) Explain one policy the UK government could use to correct the trade imbalance.

[4]





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Section B

Answer **both** questions

4 Why was inflation so high in 2023?

Study the information below and answer the questions that follow.

In 2023 inflation soared to over 11%, but wages did not rise correspondingly. This situation means that most people experienced a fall in their real wages and their standard of living. There has been a wave of industrial action by trade unions fighting for better pay. The traditional response of the Bank of England (BoE) to reduce inflation is to increase interest rates, making borrowing more expensive. Consequently, businesses are less likely to borrow or create jobs and may even cut staff.

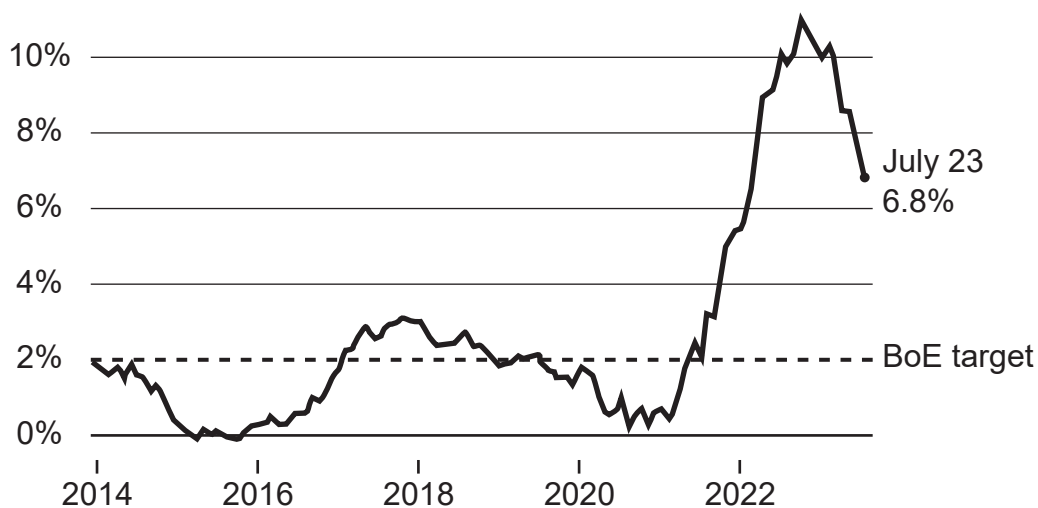


Fig. 1: UK inflation at 6.8% in July 2023

Source: *What is the UK inflation rate, and why is it so high?*
– © BBC News at [bbc.co.uk/news](https://www.bbc.co.uk/news)

(a) Explain what is meant by inflation.

[2]



(b) Using **Fig. 1**, describe what happened to the UK's inflation rate between 2014 and 2023.

[4]

(c) Using the information, explain **two** costs of high inflation on the economy.

1. _____

2. _____

[6]

[Turn over



(d) Analyse **two** policies that could be used to reduce inflation.

1. _____

2. _____

[8]





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5 Time to “get scared”: World’s scientists say disastrous climate change is here

In a report released in September 2023, the world’s leading scientists have definitively attributed the range of disasters occurring globally this year to greenhouse gas emissions and the resulting warmer climate. Examples include extreme rainfall events in Germany and China, and wildfires and heatwaves spanning the Pacific Northwest to Siberia and Greece to Turkey.

These climatic events have devastating consequences, affecting billions of individuals and impacting agriculture and human migrations. The time is now for governments worldwide to address these alarming climate issues proactively.

Source: [globaljjaanoms_gis_2023_chart_lrg.jpg \(3078×1389\) \(nasa.gov\)](#)

Source: Adapted from “Time to ‘get scared’: World’s scientists say disastrous climate change is here” – POLITICO

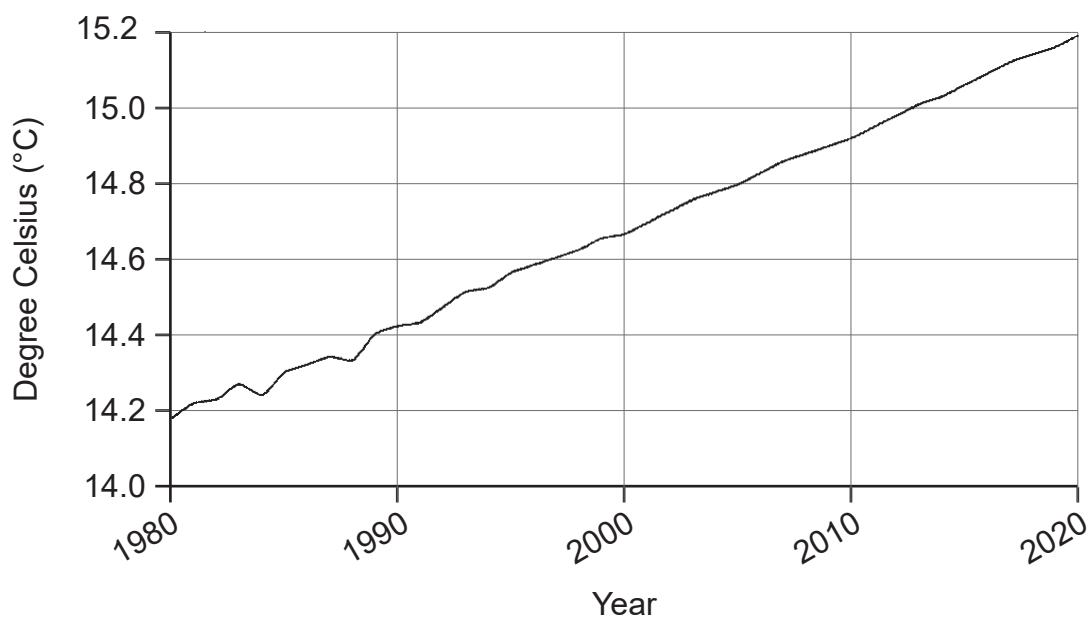


Fig. 2: Average global temperatures (1980–2020)



(a) (i) Using **Fig. 2**, describe what has happened to global temperatures between 1980 and 2020.

[4]

(ii) Using the information, explain how climate change is an example of market failure.

[4]

[Turn over



(b) (i) Define the term social cost.

[2]

(ii) Using the information, explain **one** social cost to the economy due to global warming.

[2]



(c) Analyse **two** policies that the government can implement to correct market failure due to global warming.

1. _____

2. _____

[8]

[Turn over





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For Examiner's use only	
Question Number	Marks
Section A	
1	
2	
3	
Section B	
4	
5	
Section C	
6	
7	
8	
Total Marks	

Examiner Number

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