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Level: Edexcel IGCSE Economics (4EC1)

Subject: Economics

Topic: IGCSE Economics

Type: Mark Scheme

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Economics Edexcel IGCSE

To be used for all exam preparation for 2025+

ECONOMICS

IGCSE

Key skills

Mark Scheme

****Answer 1:****

A is correct as a primary objective of government fiscal policy is to control inflation.

B is incorrect as fiscal policy does not directly aim to increase unemployment.

C is incorrect as fiscal policy is not primarily about reducing international trade.

D is incorrect as fiscal policy does not involve setting interest rates.

****Answer 2:****

A is correct as implementing a tax on negative externalities is a way to correct market failure by internalizing external costs.

B is incorrect as allowing prices to rise freely may not address market failure.

C is incorrect as reducing government spending does not directly address market failure.

D is incorrect as increasing trade barriers does not correct market failure.

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****Answer 3:****

A is correct as the purpose of monetary policy is to manage inflation and stabilize the currency.

B is incorrect as monetary policy does not involve increasing government expenditure.

C is incorrect as monetary policy does not regulate international trade agreements.

D is incorrect as setting price floors is not a tool of monetary policy.



****Answer 4:****

B is correct as changing tax rates is a tool used in fiscal policy to influence economic activity.

A is incorrect as setting interest rates is a tool of monetary policy, not fiscal policy.

C is incorrect as controlling the money supply is related to monetary policy.

D is incorrect as regulating exchange rates is not a direct tool of fiscal policy.

****Answer 5:****

C is correct as investing in infrastructure and education can increase economic growth through supply-side policies.

A is incorrect as increasing taxes on businesses may not enhance economic growth.

B is incorrect as reducing subsidies for education could hinder economic growth.

D is incorrect as controlling wages and prices does not typically promote economic growth.

****Answer 6:****

C is correct as expansionary fiscal policy, which includes increasing government spending or cutting taxes, stimulates economic growth.

A is incorrect as expansionary fiscal policy does not decrease aggregate demand; it aims to increase it.

B is incorrect as expansionary fiscal policy is intended to reduce unemployment, not increase it.

D is incorrect as expansionary fiscal policy generally involves increasing government debt, not reducing it.



****Answer 7:****

C is correct as increasing indirect taxes (e.g., VAT) typically leads to higher consumer prices.

A is incorrect as higher indirect taxes generally lead to higher consumer prices, not lower.

B is incorrect as the cost of production may not necessarily decrease with higher indirect taxes.

D is incorrect as increasing indirect taxes does not directly increase government subsidies.

****Answer 8:****

C is correct as implementing tax cuts is a common policy used to combat a recession by stimulating economic activity.

A is incorrect as reducing government spending may exacerbate a recession rather than combat it.

B is incorrect as increasing interest rates can slow down economic activity during a recession.

D is incorrect as reducing subsidies for businesses may not help in combating a recession.

****Answer 9:****

A is correct as government regulation often aims to increase the level of competition in markets.

B is incorrect as government regulation typically aims to enhance consumer choice, not decrease it.

C is incorrect as government regulation is generally intended to improve market efficiency, not reduce it.

D is incorrect as government regulation often supports the growth of new firms rather than limiting it.

****Answer 10:****

B is correct as a government price ceiling is designed to prevent prices from rising above a certain level to make goods more affordable.

A is incorrect as a price ceiling does not ensure prices do not fall below a certain level; that would be a price floor.

C is incorrect as a price ceiling does not control the quantity of goods supplied but rather limits the price level.

D is incorrect as a price ceiling is not intended to increase inflation but to keep prices lower.