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Level: Edexcel IGCSE Economics (4EC1)

Subject: Economics

Topic: IGCSE Economics

Type: Mark Scheme

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Economics Edexcel IGCSE

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ECONOMICS

IGCSE

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****Answer 1****

B is correct as the main aim of monetary policy is to manage inflation by adjusting interest rates and controlling the money supply.

A is incorrect as increasing government spending is related to fiscal policy, not monetary policy.

C is incorrect as decreasing interest rates is a tool used within monetary policy to influence economic conditions, but not the main aim.

D is incorrect as controlling exchange rates is not the primary aim of monetary policy, though it can be an outcome.

****Answer 2****

B is correct as implementing tax cuts is a fiscal policy tool used to influence economic activity by altering the amount of money available to consumers and businesses.

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

C is incorrect as regulating the money supply is related to monetary policy, not fiscal policy.

D is incorrect as influencing exchange rates can be a result of monetary policy actions but is not a direct fiscal policy tool.

****Answer 3****

B is correct as reducing unemployment aims to boost consumer spending by increasing the number of people with income to spend.

A is incorrect as increasing inflation is not directly related to reducing unemployment.

C is incorrect as decreasing government debt is not the primary goal of reducing unemployment.

D is incorrect as increasing interest rates is not a goal of reducing unemployment and can actually be counterproductive.



****Answer 4****

A is correct as reducing inflation helps to increase consumer purchasing power by ensuring that money retains its value.

B is incorrect as reducing unemployment is a separate goal and not the direct purpose of reducing inflation.

C is incorrect as lowering interest rates is often a response to high inflation, not a reason to reduce it.

D is incorrect as increasing government revenue is not directly related to reducing inflation.

****Answer 5****

C is correct as maintaining price stability involves keeping the value of money stable over time, thus achieving price stability.

A is incorrect as economic growth is not the main focus of maintaining price stability.

B is incorrect as the balance of payments relates to trade and financial transactions with other countries.

D is incorrect as full employment relates to employment levels, not price stability.

****Answer 6****

C is correct as running a budget surplus reduces the need for government borrowing, thereby decreasing national debt.

A is incorrect as increased national debt is associated with a budget deficit, not a surplus.

B is incorrect as higher interest rates are more commonly associated with budget deficits and inflation.

D is incorrect as a budget surplus is generally associated with lower inflation, not increased inflation.

****Answer 7****

B is correct as a balance of payments surplus strengthens the national currency by indicating a positive net flow of funds into the country.

A is incorrect as increasing domestic investment is not directly related to achieving a balance of payments surplus.

C is incorrect as reducing national debt is not the main reason for aiming for a balance of payments surplus.

D is incorrect as a balance of payments surplus usually involves increased export levels.

****Answer 8****

B is correct as high inflation decreases the purchasing power of money, meaning consumers can buy less with the same amount of money.

A is incorrect as high inflation often decreases consumer confidence due to uncertainty about prices.

C is incorrect as high inflation typically leads to higher interest rates, not lower.

D is incorrect as high inflation generally discourages investment due to increased uncertainty.



****Answer 9****

C is correct as the purpose of economic growth policy is to increase the production of goods and services, boosting the overall economy.

A is incorrect as stabilizing prices is related to price stability, not economic growth.

B is incorrect as reducing the national debt is a different policy objective, not the primary goal of economic growth.

D is incorrect as managing exchange rates is a separate concern from economic growth.

****Answer 10****

C is correct as government spending on infrastructure and other projects can stimulate economic growth by creating jobs and boosting demand.

A is incorrect as increasing tax rates would generally not contribute directly to economic growth.

B is incorrect as reducing the money supply is typically associated with monetary policy to control inflation, not stimulate growth.

D is incorrect as decreasing the money supply can slow down economic growth rather than contribute to it.