



National
Qualifications
2022

2022 Economics

Advanced Higher

Finalised Marking Instructions

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General marking principles for Advanced Higher Economics

Always apply these general principles. Use them in conjunction with the detailed marking instructions, which identify the key features required in candidates' responses.

- (a) Always use positive marking. This means candidates accumulate marks for the demonstration of relevant skills, knowledge and understanding; marks are not deducted for errors or omissions.
- (b) If a candidate response does not seem to be covered by either the principles or detailed marking instructions, and you are uncertain how to assess it, you must seek guidance from your team leader.
- (c) For **describe** questions, candidates must make a number of relevant factual points, which may be characteristics and/or features, as appropriate to the question asked. These points may relate to a concept, process or situation. Candidates may provide a number of straightforward points or a smaller number of developed points, or a combination of these.

Up to the total mark allocation for this question:

- award **1 mark** for each relevant factual point
- award **1 mark** for any further development of a relevant point, including exemplification when appropriate.

- (d) For **explain** questions, candidates must make accurate relevant points that relate cause and effect and/or make relationships clear. These points may relate to a concept, process or situation. Candidates may provide straightforward points of explanation or a smaller number of developed points, or a combination of these.

Up to the total mark allocation for this question:

- award **1 mark** for each relevant point of explanation
- award **1 mark** for any further development of a relevant point, including exemplification when appropriate.

- (e) For **justify** questions, candidates must give good reasons for a cause of action or decision.

Up to the total mark allocation for this question:

- award **1 mark** for each relevant statement or opinion
- award marks for any further development of a relevant statement or opinion.

- (f) For **analyse** questions, candidates must demonstrate their ability to identify, describe and explain relevant parts and the relationships between the parts and/or the whole. Candidates must be able to draw out and relate any implications and/or analyse data.

Up to the total mark allocation for this question:

- award **1 mark** for each relevant point of analysis
- award **1 mark** for any further development of a relevant point, including exemplification when appropriate.

- (g) For **discuss** questions, candidates must make points that communicate issues, ideas or information about a given topic or context that make a case for and/or against. Candidates do not always need to give both sides of the debate in their response.

Up to the total mark allocation for this question:

- award **1 mark** for each accurate point of knowledge that is clearly relevant
- award **1 mark** for any further development of a relevant point, including exemplification when appropriate.

- (h) For **compare** questions, candidates must demonstrate knowledge and understanding of the similarities and/or differences between, for example, things, methods or choices. Candidates may include relevant theoretical concepts in their points.

Up to the total mark allocation for this question:

- award **1 mark** for each accurate point of analysis
- award **1 mark** for any further development of a relevant point, including exemplification when appropriate.

- (i) For **evaluate** questions, candidates must demonstrate the ability to make a reasoned judgement in terms of the effectiveness or usefulness of something based on criteria. Candidates should be able to determine the value of something within context.

Up to the total mark allocation for this question:

- **1 mark** for each accurate point of evaluation
- **1 mark** for any further development of a relevant point, including exemplification and/or a conclusion when appropriate.

Marking instructions for each question

Section 1

Question		Expected response(s)	Max mark	Additional guidance
1.	(a)	<p>Labour immobility</p> <ul style="list-style-type: none"> • is either caused by geographical immobility or occupational immobility (1) • geographical immobility occurs when workers are unable to move location to fill vacancies (1) which could be caused by variations in housing prices (1) • occupational immobility when workers are unable to switch between jobs (1) usually due to a lack of training/skills (1) 	2	<p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p>
	(b)	<p>Productivity</p> <ul style="list-style-type: none"> • it is a measure of how efficiently a firm uses its resources (1) and is usually measured by using a ratio of output to inputs (1). This can include output per hour worked/output per worker (1) or measures of capital productivity/measure of how well physical capital is used to provide goods and services (1) 	2	<p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p>

Question		Expected response(s)	Max mark	Additional guidance
2.		<ul style="list-style-type: none"> • subsidies for firms to incentivise them to take on younger workers as there is a financial reward for doing so (1) which may cover their training and induction costs (1). An example is Kickstart where firms are paid (£1500) to take on a young person (1) • retraining schemes for older workers help those who have been made redundant gain the skills to switch to areas where there are vacancies (1). This should enable them to access jobs which they might not have been able to previously (1) particularly if these are in areas where there are labour shortages such as HGV lorry driving (1) • investment in vocational education to upskill young people so that they become more employable (1). Employers sometimes complain that young workers lack work readiness (1) • investment in apprenticeships • raise wages for apprentices • lower benefits given to the unemployed 	4	<p>Candidates must explain 2 measures to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p>

Question		Expected response(s)	Max mark	Additional guidance
3.		<ul style="list-style-type: none"> • cost-push inflation - firms may pass on rising costs in the form of higher prices to consumers to maintain profit margins (1). This may lead to higher interest rates which lowers economic growth (1) and if wages don't keep up with inflation households face lower living standards (1) • loss of international competitiveness - if firms in the UK face higher production costs than overseas competitors they will lose international competitiveness in overseas markets/domestically (1). This could lead to lowers sales at home and abroad (1) which might lead them to shed workers leading to higher unemployment (1), reduced output which leads to lower economic growth (1) and reduced exports and increased imports which negatively affect the Current Account of the Balance of Payments (1) • possible redundancies and rising unemployment • lower foreign direct investment • risk of a wage/price spiral 	4	<p>Candidates must discuss at least 2 disadvantages to gain full marks.</p> <p>Award 1 mark for each valid discussion point.</p> <p>Award 1 mark for each valid development.</p>

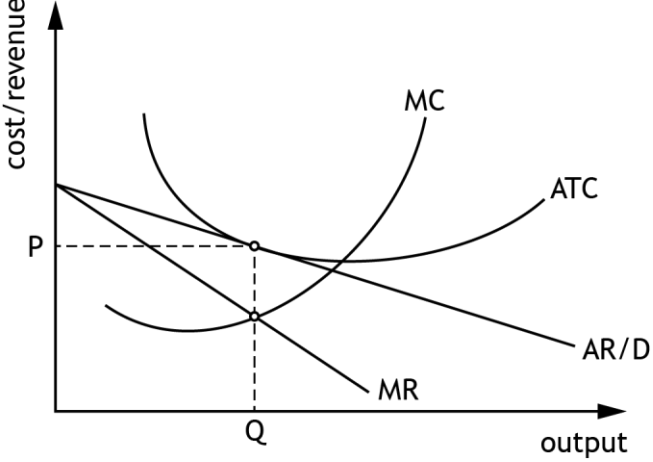
Question		Expected response(s)	Max mark	Additional guidance
4.		<ul style="list-style-type: none"> • the return of migrant labour to their home countries (1) as over one million foreign workers have left the UK since the start of the pandemic (1) which has particularly affected agriculture/ hospitality/care sectors (1) • Russia/Ukraine conflict disruption to energy supplies from Russia (1) and wheat from Ukraine (1) • disruption to production abroad caused by the pandemic • disruption in the UK caused by pandemic • lack of shipping containers • rising costs of shipping • labour shortages in the UK-HGV drivers • stockpiling by consumers • Brexit red tape causing a delay • total stop of EU exports into the UK • shortages of microchips have affected car production and led to a shortage of new cars • ship blocking the Suez Canal 	6	<p>Candidates must describe at least 2 reasons to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p>

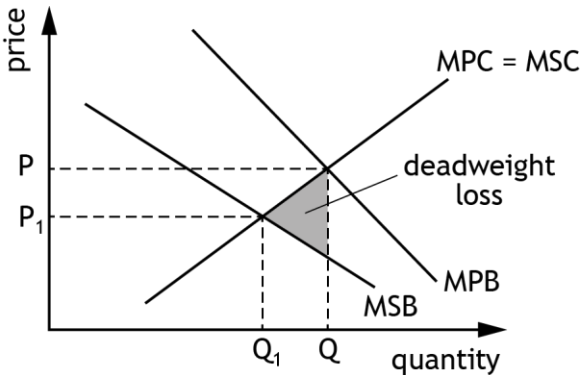
Question	Expected response(s)	Max mark	Additional guidance
5.	<ul style="list-style-type: none"> • lower investment in Capital and Technology - Credit causes which are both long term and more current including Brexit uncertainty/the pandemic and longer-term issues such as short termism (1) • lower investment in skills and training compared to countries such as Germany which have very good technical schools and universities (1). They also have a better record on lifelong learning than the UK (1) • poorer management techniques - some evidence that UK-based businesses under foreign ownership have higher productivity than UK-owned businesses because they employ more efficient management techniques (1). An example is Nissan in Sunderland which is Japanese owned, and which is as productive as any of Nissan's plants anywhere in the world (1) • the existence of Zombie businesses/long tail of unproductive small businesses - low interest rates/the furlough scheme have allowed inefficient businesses to survive and thus there is a substantial number of unproductive businesses in the UK (1). If they had not survived the resources would have transferred to more productive businesses raising productivity (1) • fall in real wages and availability of cheap labour – this has discouraged investment in capital and technology (1) • harder to measure and improve labour productivity in the service sector – the UK economy is predominantly service-based and it is both hard to measure and improve productivity in the service sector (1) because services are more influenced by quality rather than quantity of output (1) 	6	<p>Candidates must analyse at least 2 reasons to gain full marks.</p> <p>Award 1 mark for each valid analysis.</p> <p>Award 1 mark for each valid development.</p>

Question	Expected response(s)	Max mark	Additional guidance
6.	<ul style="list-style-type: none"> • raising productivity allows businesses to pay higher wages without having higher unit costs (1) • in the short term, labour shortages are reducing productivity (1) • rising wages and labour shortages will force businesses to invest in technology (1) which in the long term should raise productivity (1). However, investment is very costly for firms (1) and is a long-term solution, not a short-term fix (1). Business facing higher interest rates/higher taxes may be unable to afford capital investment (1) • upskilling workers may cause disruptions to production in the short term and therefore lower productivity (1) however, the workers would be more efficient in the long term (1) • if wages rise and productivity does not rise higher wages will lead to higher prices and inflation (1) • retraining workers/upskilling workers takes time and is not a short-term fix therefore the government has already granted temporary visas in some sectors (1) the UK government has granted 800 visas to EU workers to come and work in UK abattoirs (1) • it is hard to raise/measure productivity in service sector/some parts of the gig economy (1) • the pandemic has reduced the size of the UK Labour force and changed attitudes to work which will require employers to become more flexible (1) • the labour shortages are short term and the measures which raise productivity are long-term (1) 	6	<p>Award 1 mark for each valid discussion point.</p> <p>Award 1 mark for each valid development.</p>

Section 2

Question		Expected response(s)	Max mark	Additional guidance
7.	(a)	<ul style="list-style-type: none"> • in both perfect competition and monopolistic competition there are many small firms in the market (1) • in both perfect competition and monopolistic competition there are low barriers to entry (1) • in perfect competition firms sell homogeneous/identical products whereas in monopolistic competition they can be differentiated (1) • in perfect competition firms are price takers whereas in monopolistic competition they are price makers to a limited degree (1) • in perfect competition firms are productively efficient in the long run but firms in monopolistic competition are never productively efficient (1) • firms in perfect competition face a horizontal/perfectly elastic demand curve whilst firms in monopolistic competition face a downward-sloping demand curve (1) • firms in both perfect competition and monopolistic competition can make abnormal profits/losses in the SR and only normal profits in the LR (1) • firms in perfect competition don't advertise whereas firms in monopolistic competition do small-scale advertising (1) 	6	Award 1 mark for each valid comparison.

Question	Expected response(s)	Max mark	Additional guidance
(b)	 <p>Diagram</p> <ul style="list-style-type: none"> fully labelled diagram (costs/revenue, output, MC, ATC, AR/D, MR, P, Q) (1) profit maximising output where $MR=MC$ and AR/D curve downward sloping (1) downward sloping AR/D curve and the ATC curve are tangential at the profit maximising output (1) <p>Explanation</p> <ul style="list-style-type: none"> in the short run firms in monopolistic competition can make abnormal profits or losses (1) in the long run abnormal profits attract new firms to the industry (1) this is due to low barriers to entry (1) as a result, supply in the market increases, which is spread out over all firms (1) which leads to each firm experiencing lower demand (1) demand curve for each firm falls back/shifts to the left until the point where $AR = ATC$ (1) at this point the firm is at breakeven or making only normal profit (1) 	6	<p>Award up to 3 marks for a correct diagram.</p> <p>Award up to 4 marks for the explanation.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>Accept quantity or output.</p>

Question	Expected response(s)	Max mark	Additional guidance
(c)	 <p>Diagram</p> <ul style="list-style-type: none"> • fully labelled diagram (price, quantity, MSB, MPB, MPC=MSC, P, Q, P₁, Q₁) (1) • MPB curve above MSB curve (1) • showing quantity and price for both initial market equilibrium and socially optimal equilibrium (1) • deadweight loss/welfare loss indicated (1) <p>Explanation</p> <ul style="list-style-type: none"> • excessive consumption of alcohol leads to negative impacts on 3rd parties as well as the individual (1) which leads to a divergence between the marginal private benefits of consumption and the marginal social benefits of consumption (1). In the case of negative externalities in consumption the marginal private benefit is greater than the marginal social benefit because of the harm done to 3rd parties (1). The harms to 3rd parties include costs to the NHS, the cost of policing and other costs (1). If the market fails to internalise the harms to 3rd parties, the good is overconsumed (1). The optimal consumption/production of a good occurs when MSB=MSC (1) • the deadweight loss occurs because at the initial equilibrium marginal social cost is greater than marginal social benefit and society is better off if less is produced (1) 	7	<p>Award up to 4 marks for correct diagram.</p> <p>Award up to 4 marks for the explanation.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p>

Question	Expected response(s)	Max mark	Additional guidance
(d)	<p>Minimum Price for Alcohol</p> <ul style="list-style-type: none"> • has the advantage of raising the price of the cheapest alcoholic drinks and setting a floor below which the price cannot fall (1). This may not impact the price of more expensive alcoholic drinks (1) for example single malt whisky already has a unit price above the minimum (1) • this is regressive because a rise in the price of alcohol will impact those on lowest incomes more than proportionately (1) • those who drink excessively may buy less of other essential goods to maintain their alcohol consumption (1) or switch to cheaper substitutes (1) • the PED amongst excessive drinkers may be low/inelastic which means that this will have little impact on the quantity of alcohol consumed (1) <p>Increase duties on Alcohol</p> <ul style="list-style-type: none"> • duties can be applied at different rates on different drinks which can be targeted (1) • duties raise tax revenues which can be spent on alcohol reduction/mitigation measures (1) • indirect taxes like alcohol duties are regressive and will impact those on lowest incomes more than proportionately (1) • those who drink excessively may buy less of other essential goods to maintain their alcohol consumption (1) • the PED amongst excessive drinkers may be low/inelastic which means that this will have little impact on the quantity of alcohol consumed (1) • a ban on/ban on types of/rationing of alcohol sales • ban on advertising/sponsorships • education regarding the dangers of alcohol • limitations on where and when alcohol can be sold • raising age restrictions 	6	<p>Candidates must discuss at least 2 measures to gain full marks.</p> <p>Award 1 mark for each valid discussion point.</p> <p>Award 1 mark for each valid development.</p> <p>Watch for repetition.</p>

Section 3

Question		Expected response(s)	Max mark	Additional guidance
8.	(a)	<p>Inflationary pressures</p> <ul style="list-style-type: none"> • disruption to global supply chains leading to higher costs to businesses (1). Factories in China and Vietnam are operating at 2 days on, 2 days off production model (1) <p>Full explanations of the following will be credited:</p> <ul style="list-style-type: none"> • restaurant prices • food prices • petrol/diesel prices • house prices - particularly in suburbs - ‘race for space’ effect • wage inflation • global shipping costs • supply-side bottlenecks - demand outstripping supply. 400,000 shortage in HGV drivers across Europe • second hand car prices - 18.4% increase • wholesale gas prices - 250% increase in 2021 <p>Deflationary pressures</p> <ul style="list-style-type: none"> • clothing and footwear • computer games prices have been falling • falling real wages • rising National Insurance • removal of triple lock on state pension • cuts on benefits eg universal credit uplift reversed • fall in exports 	8	<p>Candidates must explain at least one inflationary and one deflationary pressure to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>Award up to 2 marks for use of accurate statistics for Question 8.</p>

Question	Expected response(s)	Max mark	Additional guidance
(b)	<ul style="list-style-type: none"> • can result in deflationary pressure in the economy/falling aggregate demand (AD) (1) • increases the cost of credit which reduces the amount of borrowing (1) • could result in higher mortgage interest payments for those on a variable rate mortgage (3.5m mortgages) - resulting in reduced discretionary income (1) • could have a negative effect on the housing market (1) and potential negative wealth effect (1) • consumers may choose to increase their savings - leakage (1) • the exchange rate may appreciate due to hot money inflows, which may make imports cheaper (1), thereby helping reduce inflation (1). This makes exports more expensive which would reduce AD (1) • tight monetary policy may not be effective in the short term, as it can take up to 18 months for interest rates to influence the rest of the economy (1) • if consumer confidence is high, tightening monetary policy may be ineffectual, as consumers will continue to borrow at higher interest rates (1) • businesses may reduce their borrowing from banks, resulting in a lack of capital investment (1) • tight monetary policy conflicts with other government macro-economic objectives, as it may cause unemployment to rise and/or economic growth to fall (1) • if inflation is cost-push due to rising import prices, then tight monetary policy may be ineffective in reducing inflation (1). This is particularly relevant in 2021/22 with post-Brexit situation and supply-side bottlenecks (1) • interest rates are still at historically low levels, therefore further tightening could have only a marginal impact (1) • any significant rise in interest rates now after more than a decade of very low interest rates would result in major media attention, which could cause panic among consumers and/or investors (1) • an interest rates rise can affect different sections of society in different ways: by age/by income/by ownership of assets/by savings (1) 	9	<p>Candidates must analyse at least 2 economic consequences to gain full marks.</p> <p>Award 1 mark for each valid analysis.</p> <p>Award 1 mark for each valid development.</p> <p>Credit explanations of the monetary policy transmission mechanism.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(c)	<ul style="list-style-type: none"> inflation erodes purchasing power and subsequently reduces the standard of living (1) could lead to panic buying and stockpiling by consumers which could subsequently cause prices to rise even further (1) there is a risk it could cause wage inflation as workers ask for higher wages to protect their real incomes (1). This can increase labour costs and reduce the profits of the firm (1) which in turn could lead to a cycle of rising wages and prices (1) which might lead to worsening industrial relations, including strikes (1) however, workers who have little bargaining power or union protection are particularly at risk of reduced standard of living (1). The UK has seen a growth in Gig Economy workers (1). Credit 'precariat' class of worker and/or the predicted rise of a 'useless class' of worker that has no economic value (1) however, there is an argument that inflation can reduce unemployment. This is because wages can 'stick' so once inflation rises employer's real wage costs fall, resulting in them taking on more workers (1) it can have a regressive effect on lower-income families and the elderly. This happens because food and other essential goods constitute a greater proportion of these groups spending (1). Credit Engel's Law (1) the policies needed to reduce inflation tend to cause a recession (1) pensioners on fixed incomes could also see the real value of their pensions reduced (1) it can result in negative real interest rates if the rate of inflation is higher than the rate of interest (1). People who rely on their savings will therefore be worse off in real terms (1) 	8	<p>Candidates must explain at least 2 negative consequences to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>Credit historical examples.</p>

Question			Expected response(s)	Max mark	Additional guidance
			<ul style="list-style-type: none"> • it could result in exports becoming less price competitive and therefore reducing business competitiveness (1). This could have a negative impact on a country's trade balance (1), and could also lead to lower profits and fewer jobs in exporting firms (1) • it could lead to business uncertainty and firms would not be sure what their future costs would be (1). This could then lead to lower levels of capital investment by firms (1), which could subsequently impact on productivity (1) • it could lead to widening wealth inequality if there is a sustained period of asset price inflation (1). Many wealthy individuals have their wealth invested in stocks and property etc (1) 		

Question		Expected response(s)	Max mark	Additional guidance
9.	(a)	<ul style="list-style-type: none"> • key objective is to improve the sustainability of production and consumption systems (1) • the materials in everything we produce are not discarded or wasted (1). They are reused or transformed for further use (1) • this may be in the form of either the same product or a different one (1) • is critical of overuse of finite non-renewable resources such as fossil fuels, minerals and other metals (1), and aims to dissociate economic growth from the consumption of finite resources (1) • the circular economy is regenerative and restorative by purpose (1) • economic sustainability - improving the financial health of organisations (1) such as cost minimisation (1) and improved cash flows (1) • social sustainability - aims to improve health and wellbeing (1), equality and diversity (1) and community engagement (1) • environmental sustainability - minimisation of pollution (1), energy conservation (1) and better land use (1) • sustainability practices in the circular economy are commonly called the '6R approaches of sustainability' (1) (reduce, refuse, rethink, reuse, repair and recycle) (1) • reuse activities can be implemented by service-based organisations adopting consumer-to-consumer (C2C) transactions (1). Airbnb, eBay, and Zipcar are examples of this (1). The proliferation of these platforms has seen the emergence of the 'sharing economy' (1) • the circularity principle challenges the linear economy model of production of extraction of raw materials, standardised production methods, and disposal cycles after use (1). This is known as the 'take-make-use-dispose' system of production and consumption (1). For example, one third of all food produced in the world ends up in landfills (1) and 8 million tonnes of plastic waste enter the oceans every single year (1) 	8	<p>Candidates must describe at least 2 features to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>Award up to 2 marks for use of accurate statistics for Question 9.</p> <p>Credit reference to the Ellen MacArthur Foundation or Kate Raworth's <i>Doughnut Economics</i> model.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(b)	<ul style="list-style-type: none"> the government could introduce a Carbon Tax that would be imposed on firms which have large CO2 emissions. This has the benefit of the 'Polluter Pays' principle (1) this measure also incentivises firms to cut their emissions, so they pay less tax (1). However, carbon taxes are hard to impose because it is not always easy/cheap to measure CO2 emissions for each firm and then tax accordingly (1). National governments are often unenthusiastic about imposing them because they tend to raise prices (1)/lower output/economic growth (1)/reduce international competitiveness (1) the government could offer grants for electric vehicles and street charging points. This has the benefit of reducing the emission of toxic gases (1). However, street charging points are not always feasible in areas where there are lots of high-rise buildings (1). For example, this is a particular challenge in a city such as Glasgow that has lots of tenement buildings (1) the government has said that car makers will be mandated to sell a proportion of clean vehicles each year but EV's are currently still expensive and not affordable for most consumers (1). Some commentators also argue that it is contradictory of the government to subsidise EVs yet promise to spend an additional £27 billion on building new roads (1) a key government policy is ending the sale of new petrol and diesel cars and vans in the UK by 2030, but consumers will still be able to purchase second-hand polluting cars after this date (1) 	9	<p>Candidates must discuss at least 2 measures to gain full marks.</p> <p>Award 1 mark for each valid discussion point.</p> <p>Award 1 mark for each valid development.</p> <p>Accept any other suitable response.</p>

Question	Expected response(s)	Max mark	Additional guidance
	<ul style="list-style-type: none"> • the government has said that homeowners will be able to apply for grants of up to £5,000 to install low-carbon heat pumps to replace gas boilers but the homeowner may still be faced with a high cost for the installation (1) • the government has promised that it will 'accelerate deployment of low-cost renewable generation, such as wind and solar', but some commentators claim that wind and solar power generation are unreliable in the UK (1) • the government could invest in nuclear plants, but other countries have adopted a no nuclear approach due to fears over leaks (1). This would also not offer an immediate solution as the lead in time for the construction of nuclear power plants takes many years (1) • the government could build cycle networks, however, there has been growing concern over the theft of bikes and assault of cyclists in the UK (1) • farmers will be incentivised to practice low-carbon methods of farming to reduce emissions from agriculture which may lead to higher food prices (1) • encouraging consumers to move away from using fossil fuels may cause unemployment in the oil and gas industry (1), which could lead to regional unemployment in places such as Aberdeen (1). However, transitioning towards a green economy may create many new jobs in sectors like renewable energy (1) • the government could heavily tax the aviation industry, but this could reduce tourism in the UK (1), which is a major employer and source of income in some regions such as Scotland (1) 		

Question	Expected response(s)	Max mark	Additional guidance
(c)	<ul style="list-style-type: none"> • could lead to job insecurity as paper prepared by Oxford academics - The Future of Employment - predicts nearly half of current jobs are at risk of automation (1) • Andy Haldane, former chief economist at the Bank of England has warned that many people could become ‘technologically unemployed’ because they don’t have the correct skills (1) however some economists have gone further and predicted mass unemployment in the future (<i>Martin Ford in The Rise of the Robots</i>) (1) • simple manual jobs may be may at risk which could see many sectoral jobs disappear (1), however new technology jobs may be created to replace those that disappear (1) • so-called ‘3D jobs’ - dirty, dangerous and demeaning - may be replaced by robots (1) which could improve the health and wellbeing of the workforce (1) • ‘hollowing out’ of the jobs market could result in rising inequality as automation may accelerate the ‘hourglass economy’ (1) - increase in high-skill and low-skill jobs but a decrease in medium-skill jobs (1). Guy Standing has argued that this could result in an ever increasing ‘precariat’ class of worker (1) • a collaborative robot (cobot) that works alongside a human may help raise productivity (1). Some firms such as Ocado are already adopting this approach (1) • to compensate for the disruption to employment a ‘robot tax’ may be adopted (1) • global inequalities may increase with digital workers in the developed world making greater gains (1). This could exacerbate the problems highlighted by the ‘elephant curve’ (1) • jobs that require team-working, face-to-face interaction, creativity, and empathy are less at risk (1) 	8	<p>Candidates must explain at least 2 consequences to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p>

Question	Expected response(s)	Max mark	Additional guidance
	<ul style="list-style-type: none"> • driverless vehicles may destroy jobs in transportation industry which would be particularly acute in places like America where truck driving is the main occupation in many US States (1) • some companies such as Uber and Boeing are developing eVTOL (electric vertical and take-off and landing) flying taxis which could revolutionise the way we travel to work and socially (1). Drones are being developed to assist with deliveries, which will speed up the transportation of small goods around the economy (1) • increasing use of automation may result in people adopting a 4-day working week which would increase leisure time (1). The Scottish Government has already started a pilot trial of this (1) • digital technology may allow some workers to travel and work at the same time, increasing labour mobility (1). Twitter announced that workers could work from anywhere ‘forever’ (1) • there are concerns that some tech firms may acquire monopoly power which may be detrimental to consumers (1). US Congress conducted an investigation into Google, Amazon, Facebook and Apple concerning this (1) • 5G mobile networks could revolutionise logistics as it will offer real-time monitoring of supply-chains (1) • cryptocurrencies such as Bitcoin are posing challenges to efforts to combat money laundering and other illicit activities (1). However, others argue that the underlying technology behind these currencies (blockchain) will likely revolutionize finance by making transactions faster and more secure (1) • quantum computing offers the opportunity of much more complex computer modelling which could be used to develop new products (1) and further breakthroughs in medical science (1) 		

Question		Expected response(s)	Max mark	Additional guidance
10.	(a)	<p>Health and Social Care Levy - arguments for</p> <ul style="list-style-type: none"> the government estimates the new measures will raise an average of £12 billion per year which will help pay for the rising costs of care (1) the UK has an aging population which will cause increased costs for social care (1) the government argues that the levy provides a UK-wide approach which enables it to pool and share risks and resources across the UK (1), and as such will increase the budgets of the devolved administrations through the Barnett formula, which calculates the devolved nations' share of new public spending (1). This amounts to an extra £1.1bn for the Scottish government (1). However, the Scottish Government could spend the extra money provided by the levy on health and social services but then reduce the money from other sources that is allocated to health and social care (1) or it could fund tax cuts in Scotland (1) the levy is a hypothecated tax and the revenue gathered will go directly to funding future social care (1) as the levy will also tax dividends, the government argues that business owners and investors should make a "contribution in line with that made by employees and the self-employed on their earnings" (1) it is a progressive tax and as such can be seen as been fairer (1) working pensioners, who currently do not pay National Insurance contributions, will start to pay a 1.25% levy on income earned from April 2023 (1), which can be seen as a much fairer tax as a greater proportion of society are making a contribution (1) there is a cap on in-care costs set at £86,000 which means many pensioners will no longer have the risk of seeing their savings completely wiped out (1) some economists argue that the current budget deficit is unsustainable, and the levy will help keep it under control (1) some economists argue that it is a regressive tax when the highest earners (£50,000+ P.A) are taken into account (1) 	8	<p>Candidates must explain at least one argument for and one against to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>Award up to 2 marks for use of accurate statistics for Question 10.</p>

Question	Expected response(s)	Max mark	Additional guidance
	<p>Health and Social Care Levy - arguments against</p> <ul style="list-style-type: none"> • the levy takes the overall proportion of tax as a percentage of national income to more than 35%, which is a 50 year high (1). This could lead to lower consumer spending/lower standard of living/lower disposable income (1) which would cause aggregate demand to fall (1) • the Institute for Fiscal Studies estimates that only 2% of the revenue generated by the levy will come from pensioner households, while two thirds will come from families aged under 50 (1). This could contribute to intergenerational unfairness/inequality (1) • the levy income is not going to social care until 2023, as it will be going to NHS until then (1) • it could reduce business profits which could then result in less business investment (1), leading to a possible negative impact on future productivity (1) • behavioural effects on firms are likely to be large, and these may include decisions around wage bills and recruitment (1), which could have a negative impact on employment (1). It could create distortions as a firm using a self-employed contractor will not be charged the 1.25% levy (1) • firms will be faced with one-off sunk costs that include updating payroll software or systems to reflect the change (1) • the UK government website acknowledges ‘there may be an impact on family formation, stability or breakdown as individuals, who are currently just about managing financially, will see their disposable income reduce’ (1) • it is likely to disproportionately impact individuals whose income is predominantly made up of earnings or profits (1), as opposed to other forms of income such as property income, pension income or savings (1) because the Health and Social Care Levy is not charged on those forms of income (1) 		

Question		Expected response(s)	Max mark	Additional guidance
	(b)	<ul style="list-style-type: none"> • could result in crowding out because it puts pressure on interest rates to rise (1) because the government may need to raise the rates of return they pay on government bonds to attract sufficient lenders (1). This leads to higher bank rates which makes borrowing to fund investment more expensive (1) so higher government spending just replaces investment spending in the private sector (1) • the burden of debt and future interest payments on that debt • the opportunity cost of the interest payments on that debt • intergenerational unfairness and the possible tax burden on future generations • the possible negative impact on the UK's credit rating • could put pressure on interest rates to rise • the negative impact it may have on business confidence • the risk of a sovereign debt crisis • credit Ricardian equivalence • the possible danger of external ownership of government bonds • the possible danger of future austerity measures • the use of fiscal stimulus is limited if the country already has a high level of debt • argued by some economists that GDP growth is reduced once government debt levels exceed 90% of GDP 	9	<p>Candidates must discuss at least 2 dangers to gain full marks.</p> <p>Award 1 mark for each valid discussion point.</p> <p>Award 1 mark for each valid development.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(c)	<p>Arguments for a wealth tax</p> <ul style="list-style-type: none"> • some economists argue that the rich have had a ‘good pandemic’ as many ultra-wealthy people saw their fortunes grow considerably in 2020 (1). Their personal financial situation may also have been improved because they were spending less during the pandemic (1) • some countries have already successfully introduced a one-off levy on the wealthy, such as Argentina (1) • Norway has an annual wealth tax and it raises significant revenue (1). However, this is the only tax on capital Norway has (1), as there is no capital gains tax or inheritance tax in Norway (1) • there is scope for a wealth tax as people are paying less income tax (1). The average top income tax rate for OECD member countries fell from 62% in 1981 to 35% in 2015, according to the IMF (1) • some economists argue that there is very little evidence of ‘trickle-down’ economics, and have even argued that there has been ‘trickle-up’ since the 1980s (1) • London School of Economics study* concluded that tax cuts for the rich did not lead to significant increases in competitiveness of GDP (1) (*<i>The Economic Consequences of Major Tax Cuts for the Rich</i>, by David Hope and Julian Limberg) • the Wealth Tax Commission have instead suggested a one-off wealth tax which they define as a one-time assessment of wealth (1) with tax payment spread over a number of years (1). Thomas Piketty, in his book <i>Capital in the Twenty-First Century</i>, argues that economic inequality is increasing as a feature of capitalism (1). Capitalism can only be reformed through state interventionism (1). Credit Piketty’s $r > g$ equation (1) 	8	<p>Candidates must describe at least one argument for and one argument against to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p>

Question	Expected response(s)	Max mark	Additional guidance
	<p>Arguments against a wealth tax</p> <ul style="list-style-type: none"> • some economists argue that if you tax people less you incentivise wealth creation (1) • you prevent wealthy people from becoming tax exiles (1) and therefore stop money leaving from a country in tax-free offshore accounts (1) • if you allow the wealthy to keep more of their wealth then they will spend it in the economy (1) and therefore more of the population may become wealthier (1). This is known as ‘trickle-down’ economics (1) • there is considerable debate about who should be classified as ‘rich’ (1) and although the Wealth Tax Commission has concluded that a wealth tax would be popular, deciding a threshold could become a complicated political issue (1) • an annual wealth tax could lead to high administrative costs (1) with added complexity of annual valuations (1). However, small changes to UK inheritance tax or capital gains tax may increase tax revenues without significant additional administrative costs (1) • if a wealth tax was announced it could result in distortive behaviours (1) with a sudden ‘capital flight’ in the UK (1) • there are valuation issues as a lot of wealth is non-financial (1). Through the use of accounting some wealth could be made to look less valuable (1) • the UK may see a ‘brain drain’ effect (1) • social and political effects need to be taken into consideration (1) as some commentators argue that wealth taxes place the authority of the government ahead of the rights of the individual (1), which could ultimately undermine the concept of individual liberty and personal freedoms (1) 		

Question		Expected response(s)	Max mark	Additional guidance
11.	(a)	<p>Arguments for free trade</p> <ul style="list-style-type: none"> • free trade may result in lower prices for consumers (1), which could help lower inflation (1) and possibly raise the standard of living (1) • domestic manufacturers may benefit from lower prices of components parts imported from abroad (1), which may lower their costs of production (1) • free trade can lead to greater choice for consumers (1) • competition from foreign firms may spur domestic firms to become more efficient (1). Foreign competition may also stimulate innovation (1), such as the adoption of lean manufacturing (JIT) by UK car manufacturers (1) • free trade can prevent the development of domestic monopolies (1) and therefore consumers may be free from exploitation (1) • it is argued that free trade leads to the efficient use of the world's resources (1), and that protectionism would distort comparative advantage (1) • free trade leads to greater specialisation (1) which in turn raises the level of world output (1) • free trade can promote international peace and stability through economic and political cooperation (1). This is particularly important for some developing economies that have a history of political instability (1) • it is argued that free trade lowers bureaucratic interference (1) which could lower the possibility of corruption (1) • credit 'Washington consensus' being more open to trade (1) 	9	<p>Candidates must discuss at least one argument for and one against to gain full marks.</p> <p>Award 1 mark for each valid discussion point.</p> <p>Award 1 mark for each valid development.</p> <p>Award up to 2 marks for use of accurate statistics for Question 11.</p>

Question	Expected response(s)	Max mark	Additional guidance
	<p>Arguments against free trade</p> <ul style="list-style-type: none"> • governments often intervene to protect/create domestic employment (1), particularly in ‘sunset’ industries to prevent structural unemployment (1), and in ‘sunrise’ or infant industries to help the industry establish itself (1) and grow to achieve economies of scale (1) where firms in the industry will then be able to compete on the global stage (1) • it is argued that the economy should be protected from imports that are produced in countries where the cost of labour is very low (1). This is the argument that was put forth by former President Donald Trump, who was concerned about the impact of cheap Chinese produced goods on the US economy (1) • governments may want to limit over-specialisation (1), especially if the country has become over-dependent on the export of a few products (1). Changes in technology could reduce the demand for a product (1). Developing economies often have an over-reliance in the production and exporting of primary products (1). For example, oil accounts for 90% of Angola’s exports (1) • it is argued that certain industries need to be protected for strategic reasons (1), particularly if they are needed during a time of war (1). Examples of this are agriculture, steel, power generation, and telecommunications (1). There was growing concern about China’s involvement in building a nuclear power station on the Suffolk coast (1) and in America former President Donald Trump banned US companies from using foreign telecoms (1) • governments often intervene to protect an economy from ‘dumping’ (1). Dumping is the selling by a country of a product at a price lower than its production cost (1) 		

Question			Expected response(s)	Max mark	Additional guidance
			<ul style="list-style-type: none"> • a government might wish to impose safety, health, or environmental standards on goods imported into its domestic market (1). For example, the EU has banned the importing of US beef (1) and there has been growing concerns that the UK will allow chlorine-washed chicken from the US into the UK as part of a free-trade deal (1) • governments may impose tariffs on products in order to raise tax revenue (1) • governments may impose protectionism in an attempt to improve a balance of payments deficit (1) 		

Question	Expected response(s)	Max mark	Additional guidance
(b)	<ul style="list-style-type: none"> • America is the UK’s single biggest export market, therefore it wishes to strengthen and grow this market (1) • post-Brexit, the UK government wishes to build free trade agreements with countries around the world as exports to the EU have fallen (1) • securing favourable trading conditions with the US could create the opportunity for the export of UK services to the US (1). The UK services sector is highly important to the UK economy, and this could therefore benefit the UK economy as a whole (1) • a UK-USA FTA could see the flow of investments increase between the two countries (1) • the UK government wishes to secure “cutting-edge” provisions which maximise opportunities for digital trade across all sectors of the economy (1). This could allow for regulatory cooperation to be established which could protect UK users from harmful content (1) • both countries are the world’s leading exporters of digitally delivered services and digital innovation, which could lead to further digital innovation (1) • there is the possibility that an FTA with the US will act as a springboard to allow the UK to join the US-Mexico-Canada (USMCA) trade agreement, further stimulating UK exports in the region (1) • particular industries in the UK could benefit such as: a free trade agreement could bolster exports of Scottish whisky, salmon and cashmere, which would be vital to the Scottish economy (1). One in five exports from the Midlands go to the US and a trade deal could boost the region’s ceramic industry (1). A deal with the US could open up a vast market for Welsh sheep farmers and help revitalise the area (1). These are areas that have suffered economic hardship and a trade deal could stimulate regional development (1) • sustainability is an important government objective, and a UK-USA FTA could integrate this into its broader international trade policy strategy (1) 	7	<p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(c)	<ul style="list-style-type: none"> • Covid-19 outbreaks have had a significant impact on some emerging economies (1). India's economy shrank by 7.3% in 2020, Brazil's by 4.1% and South Africa's by 7% (1) • the spread of the Delta variant has further impacted on the labour supply in emerging economies (1). Vaccination roll-outs have also been slow in emerging economies further hindering growth (1) • the pandemic has also exacerbated problems of governance and political instability in emerging economies (1) • there has been a rise in inequality within emerging economies (1) which has led to more fractious politics and further autocracy (1). It has been argued that slower growth leads to political instability, which leads to further slower growth (1). This can deter foreign investment (1) • commodity prices have not increased at the same rate as previously (1) • trade as a share of global GDP has been declining since mid-2010s (1) • domestic consumption in China is lower than expected (1), and lower than economies with comparable incomes such as Mexico and Thailand (1) • China remains dependent on manufacturing (1) and continues to be a low-wage economy (1) • some labour-intensive manufacturing has moved away from China (1), particularly footwear, clothing and furniture (1) • it has been argued that China suffers from 'premature de-industrialisation' (1). The argument is that producing goods for export no longer seems able to propel a developing economy towards rich-world incomes (1) • Brazil's currency - the real - has seen volatile changes in value (1) which has hurt export levels (1) 	9	<p>Candidates must describe at least 2 reasons to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p>

Question	Expected response(s)	Max mark	Additional guidance
	<ul style="list-style-type: none"> • in Russia there has been economic fallout from the conflict with Ukraine (1). The West has also imposed sanctions on Russia (1), which has led to a lack of foreign investment in the Russian economy (1) • in India, there has been criticism of ‘Modinomics’ reforms (1), particularly in the agricultural sector which has seen limited growth and/or rural wage growth (1) • there is a high level of government regulation in the South Africa economy (1), which has led to an inflexible labour market (1) • greater manufacturing productivity has pushed the global price of manufactured goods down (1), and it is increasingly common for low-income countries to import manufactured goods rather than learn to make them for others (1) • the development of machines that can do the work done by human workers at lower cost (1), has limited the scope for convergence via industrialisation (1). The advent of additive manufacturing (3D printing) (1), has resulted in a number of Western firms ‘re-shoring’ their manufacturing (1) • there is concern that big spending in America could unleash inflation that could lead to the spread of high interest rates (1), which would in turn lower asset prices (1) which could result in drawing capital away from the emerging economies (1) 		

[END OF MARKING INSTRUCTIONS]