



National
Qualifications
2023

2023 Economics

National 5

Finalised Marking Instructions

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General marking principles for National 5 Economics

This information is provided to help you understand the general principles you must apply when marking candidate responses to questions in this paper. These principles must be read in conjunction with the detailed marking instructions, which identify the key features required in candidate responses.

- (a) Marks for each candidate response must **always** be assigned in line with these general marking principles and the specific marking instructions for the relevant question.
- (b) Marking should always be positive. This means that, for each candidate response, marks are accumulated for the demonstration of relevant skills, knowledge and understanding; they are not deducted from a maximum on the basis of errors or omissions.
- (c) If a specific 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.
- (d)
 - i Questions that ask candidates to Describe...
Candidates must make a number of relevant, factual points up to the total mark allocation for the question. These should be key points. The points do not need to be in any particular order. 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:
 - One mark should be given for each accurate relevant point of knowledge.
 - A second mark could be given for any point that is developed from the point of knowledge
 - ii Questions that ask candidates to Explain...
Candidates must make a number of points that relate cause and effect and/or make the relationships between things clear, for example by showing connections between a process/situation. These should be key reasons and may include theoretical concepts. There is no need to prioritise the reasons. Candidates may provide a number of straightforward reasons or a smaller number of developed reasons, or a combination of these.

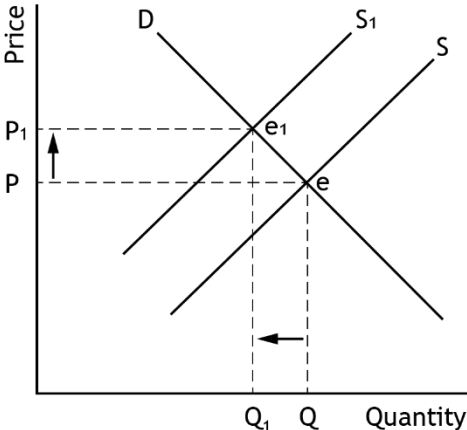
Up to the total mark allocation for this question:
 - One mark should be given for each accurate relevant point of reason.
 - A second mark could be given for any other point that is developed from the same reason

Marking instructions for each question

Section 1

| Question | | Expected response(s) | Max mark | Additional guidance |
|----------|-----|---|----------|---|
| 1. | (a) | <ul style="list-style-type: none"> rose from 5.5% in January to 10.1% in July (1) fell from 10.1% in July to 9.9% in August (1) steep rise from March to April (1) | 2 | <p>Award 1 mark for each valid description.</p> <p>Accept without percentages, provided dates are given, eg inflation fell between July and August.</p> <p>Accept without dates provided percentages are given, eg inflation rose from 5.5% to 10.1%.</p> <p>DNA with no date and no percentage.</p> <p>Maximum 1 mark if no reference to a decrease.</p> |
| | (b) | (i) | 1 | Award 1 mark for a valid statement. |
| | | (ii) | 1 | Award 1 mark for a valid justification. |
| | | <ul style="list-style-type: none"> increased (1) | | |
| | | <ul style="list-style-type: none"> if the rate of inflation is positive, then prices are rising (but at variable rates) (1) it is only when inflation is negative that prices are falling (1) | | |

| Question | | Expected response(s) | Max mark | Additional guidance |
|----------|-----|---|----------|---|
| | (c) | <ul style="list-style-type: none"> • cost of raw materials increases (ID) so cost of production increases (EXP) (1) therefore the firm may increase price (EXP) (1) which will maintain their profit margin (DEV) (1) • cost of raw materials increases (ID) so cost of production increases (EXP) (1) but the firm may not change the price (EXP) (1) which will reduce their profit margin (DEV) (1) • consumers spend less (ID) so demand falls (EXP) (1) so the firm gets lower revenue/profit (DEV) (1) so the firm might be forced to cut costs (DEV) (1) so they may have to lay off workers (DEV) (1) • workers try to maintain their real living standards (ID) therefore they demand higher wages (EXP) (1) and granting higher wages would further increase a firm's costs (DEV) (1) and therefore reduce profit margins (DEV) (1) • price of UK firms' exports increase (ID) so they are less competitive abroad (EXP) (1) which would result in a fall in demand (DEV) (1) therefore their revenue/profit drops (DEV) (1) | 3 | <p>Award 1 mark for a valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>Must be the effect on UK firms.</p> |

| Question | Expected response(s) | Max mark | Additional guidance |
|----------|---|----------|---|
| (d) | <p data-bbox="450 248 786 272">Market for Newbuild Houses</p>  <p data-bbox="349 783 461 807">Diagram</p> <ul data-bbox="349 815 1043 951" style="list-style-type: none"> • fully labelled diagram (Price, Quantity, D, S, P, Q (and/or e)) (1) • shift in supply to S_1 (1) • new P_1 and Q_1 (and/or new e_1) (1) <p data-bbox="349 991 506 1015">Explanation</p> <ul data-bbox="349 1023 1256 1230" style="list-style-type: none"> • a lack in construction materials means fewer houses are built (ID) therefore supply of newbuild houses falls (EXP) (1) so prices rise (DEV) (1) • lack of construction materials means price of construction materials rises (ID) therefore the price of newbuild houses rise (EXP) (1) | 4 | <p data-bbox="1384 217 1816 240">Maximum 3 marks for a diagram.</p> <p data-bbox="1384 280 1895 304">Maximum 2 marks for the explanation.</p> <p data-bbox="1384 352 1928 376">Award 1 mark for each valid explanation.</p> |

| Question | | Expected response(s) | Max mark | Additional guidance |
|----------|-----|--|----------|---|
| | (e) | <ul style="list-style-type: none"> change in taste/fashion (eg different colour/material) (1) change in income (eg more/less ability to afford sofas) (1) successful advertising campaign (eg for a brand of sofas) (1) change in the price of substitutes (eg chairs) (1) change in the price of complements (eg cushions/carpets) (1) change in the population (eg fall in birth-rate/ageing population) (1) | 3 | <p>Candidates must describe 3 determinants to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>DNA price (as it is not a determinant of demand).</p> <p>Must relate to home furnishings.</p> |
| | (f) | (i) | 1 | Award 1 mark for a valid definition. |
| | | (ii) | 2 | <p>Award 1 mark for a valid explanation.</p> <p>Award 1 mark for a valid development.</p> <p>Must be the effect on UK exports.</p> |
| | (g) | <ul style="list-style-type: none"> greater choice/variety of goods and services for consumers (1) consumers can buy products that cannot be produced in the UK (1) lower prices for consumers (1) so UK households could buy more/other goods (DEV) (1) increases quality of goods and services (1) less risk of shortages for consumers (1) creates employment in exporting firms (1) so individuals have a greater chance of getting a job (DEV) (1) | 3 | <p>Candidates must describe at least 2 advantages to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p> <p>Must be advantages for UK households.</p> |

| Question | | | Expected response(s) | Max mark | Additional guidance |
|----------|-----|------|---|----------|---|
| 2. | (a) | (i) | <ul style="list-style-type: none"> an increase in total output over a period of time using the same or fewer resources (1) an increase in real national income/an increase in real GDP/an increase in the real value of goods and services (1) an increase in the quality/quantity of the factors of production (1) | 1 | <p>Award 1 mark for a valid definition.</p> <p>Must mention an increase to gain the mark.</p> <p>DNA 'economic growth is a growth in ...'</p> |
| | | (ii) | <ul style="list-style-type: none"> a low level of unemployment (1) an equal distribution of income (1) reducing the budget deficit (1) | 2 | <p>Candidates must outline 2 aims to gain full marks.</p> <p>Award 1 mark for each valid outline.</p> <p>Accept answers which refer to balance of payments/trade.</p> <p>Accept specific examples of aims of governments, eg deal with cost of living crisis, work towards net-zero carbon.</p> <p>DNA 'increase in standard of living' (as this is too similar to economic growth)</p> |
| | (b) | | <ul style="list-style-type: none"> resources are limited (1) wants are unlimited (1) there will never be enough resources to satisfy all wants (1) therefore scarcity can never be solved by any country/economy (1) unlimited wants are caused by eg greed/limited resources are caused by eg a lack of skilled workers (1) | 4 | <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> <p>Candidates must give an indication that scarcity is universal for full marks.</p> <p>Reasons for resources being limited/wants being unlimited - maximum 1 mark.</p> |

| Question | | Expected response(s) | Max mark | Additional guidance |
|----------|-----|---|----------|---|
| | (c) | <ul style="list-style-type: none"> • emergency aid - provide food/shelter/etc in flood/drought/earthquake (1) • financial aid - give cash or loans (1) • medical aid - provide doctors/medicines/vaccinations/pop-up hospital facilities/etc (1) • debt relief - allow non-payment of debt/debt interest (1) • education aid - provide teachers/teacher education/books/etc (1) • capital equipment - provide machinery/generators/computers (1) • technical expertise - provide engineers/architects/etc (1) • military aid - provide equipment/personnel/etc (1) • tied aid - provide cash on the understanding that it is spent on exports of the donor country (1) • bilateral aid - provide cash from one government directly to the government of another country (1) • multilateral aid - provide cash from a group of countries, or an institution like the World Bank, to one or more recipient countries (1) | 4 | <p>Candidates must describe 4 types of aid to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Name of aid not required. If name is given, it must match the description.</p> <p>DNA if the description of the aid is the same as the name of the aid, eg food aid is giving food.</p> |
| | (d) | <ul style="list-style-type: none"> • building a school or a road, so if the school is built, the opportunity cost is the road (1) | 1 | <p>Award 1 mark for a valid suggestion.</p> <p>The response must include both the choice and the opportunity cost to gain the mark.</p> |
| | (e) | <ul style="list-style-type: none"> • a multinational company has its headquarters in one country and has facilities/operates in at least one other (1) | 1 | <p>Award 1 mark for a valid description.</p> <p>Must imply a physical presence in more than one country (rather than just exporting).</p> |

| Question | | Expected response(s) | Max mark | Additional guidance |
|----------|---------|---|----------|---|
| | (f) | <ul style="list-style-type: none"> • to get cheap labour (1) • to get cheap raw materials (1) • to get cheap land for factory (1) • to take advantage of low health and safety standards (1) • to get government start up grants/subsidies (1) • to get low corporation tax rates (1) | 3 | <p>Candidates must outline 3 advantages to gain full marks.</p> <p>Award 1 mark for each valid outline.</p> <p>Must be advantages of an emerging economy (rather than just 'being abroad').</p> |
| | (g) (i) | <ul style="list-style-type: none"> • land (1) • labour (1) • capital (1) • enterprise (1) | 2 | <p>Candidates must identify 2 factors to gain full marks.</p> <p>Award 1 mark for each valid identification.</p> |
| | (ii) | <ul style="list-style-type: none"> • rent (1) • wages (1) • interest (1) • profit (1) | 2 | <p>Award 1 mark for each valid name.</p> <p>Both names must match response for g (i).</p> |

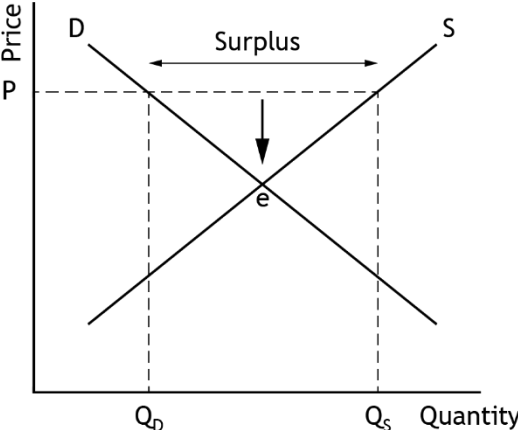
Section 2

| Question | | Expected response(s) | Max mark | Additional guidance |
|----------|---------|--|----------|--|
| 3. | (a) | <ul style="list-style-type: none"> the quantity of a good or service which consumers are willing and able to buy at a particular price (in a certain period of time) (1) when the desire to buy a product is backed up by the ability to pay for it (1) | 1 | Award 1 mark for a valid definition. |
| | (b) | <ul style="list-style-type: none"> increased awareness of the product (ID) leads to increased demand (EXP) (1) which causes an increase in price (DEV) (1) | 2 | Award 1 mark for a valid explanation. Award 1 mark for a valid development. |
| | (c) (i) | <p style="text-align: center;">Extension of Supply</p> <p style="text-align: center;"> P_1 P Price ↑ </p> <p style="text-align: center;"> Q Q_1 Quantity → </p> <ul style="list-style-type: none"> fully labelled diagram (Price, Quantity, P, Q, and S) (1) change of price indicated (P_1, Q_1 with dotted lines) (1) | 2 | Award 2 marks for diagram. |

| Question | | Expected response(s) | Max mark | Additional guidance |
|----------|------|--|----------|--|
| | (ii) | <ul style="list-style-type: none"> as price goes up current producers make more profit (ID) therefore they are willing to supply more (EXP) (1) and will move resources from less profitable products/into making more profitable products (DEV) (1) higher profits are attractive to other producers (ID) who then enter the market to benefit from them (EXP) (1) when output expands production costs may rise (ID) so a higher price may be needed to cover these (EXP) (1) | 2 | <p>Award 1 mark for a valid explanation.</p> <p>Award 1 mark for a valid development.</p> |
| | (d) | <ul style="list-style-type: none"> lack of skills/qualifications (1) lack of awareness of other industries (1) cost of retraining (1) lack of awareness of training opportunities (1) feeling too old to take on a physically demanding job (1) lacking incentive to take on a new challenge (1) unwilling/unable to take a pay cut to start anew (1) lack of awareness of other job opportunities (1) being tied to a current contract (1) | 3 | <p>Candidates must outline 3 reasons to gain full marks.</p> <p>Award 1 mark for each valid outline.</p> <p>DNA 'too old' or 'lacking incentive' without a qualifying reason.</p> |
| 4. | (a) | <p>Quota</p> <ul style="list-style-type: none"> a limit is placed on the quantity/volume of an import that is allowed into a country (ID) once this number is reached, no more of that good can enter the country (EXP) (1). Consumers have to buy domestic equivalents (DEV) (1) or they have to do without (DEV) (1) <p>Subsidy</p> <ul style="list-style-type: none"> provides finance to a domestic firm (ID) therefore reduces domestic production cost (EXP) (1) which means that firms can reduce prices (DEV) (1) which makes domestic products more attractive/able to compete with foreign imports (DEV) (1) | 4 | <p>Candidates must explain the way in which both trade barriers work to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>DNA explanations of why trade barriers are put in place.</p> |

| Question | | Expected response(s) | Max mark | Additional guidance |
|----------|-----|--|----------|---|
| | (b) | <ul style="list-style-type: none"> to protect infant industries (ID) so that they won't face competition in their early years (EXP) (1) to raise revenue (ID) so that the government can increase its domestic spending (EXP) (1) to protect domestic jobs (ID) so that the unemployment benefits do not increase (EXP) (1) to prevent dumping (ID) so that there are not artificially low-priced products in the UK (EXP) (1) to protect strategic industries (ID) so that, in case of significant supply issues(war/pandemic), home countries do not have to rely on foreign suppliers (EXP) (1) who may now be enemies (DEV) (1) or who may not be able to transport goods (DEV) (1) to prevent harmful products entering a country (ID) so that domestic consumers are protected (EXP) (1) to punish a political regime (ID) so that they change their policies/human rights record/etc (EXP) (1) | 3 | <p>Candidates must explain at least 2 reasons to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for a valid development.</p> <p>Accept reference to the balance of trade.</p> <p>DNA marks for identification of a trade barrier.</p> |
| | (c) | <ul style="list-style-type: none"> increasing level of foreign direct investment (FDI) (1) rising employment in secondary sector (1) moving from primary to secondary industry (1) increasing level of exports for manufactured goods (1) (rapidly) increasing rate of economic growth (1) increasing investment in infrastructure (1) increasing levels of education/training (1) increasing availability of skilled/semi-skilled labour (1) increasing size of middle class/reducing poverty/rising standards of living (1) | 3 | <p>Candidates must describe 3 characteristics to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>DNA social factors, eg falling infant mortality rate, or political factors, eg more stable government.</p> |

| Question | | Expected response(s) | Max mark | Additional guidance |
|----------|-----|---|----------|---|
| 5. | (a) | <ul style="list-style-type: none"> • fall in costs of factors of production (eg leather, labour) (1) • increase in the availability of resources (eg new alternatives to leather) (1) • improved technology in production (1) • subsidies given to producers (1) • lower corporation tax/VAT (1) | 3 | <p>Candidates must outline 3 determinants to gain full marks.</p> <p>Award 1 mark for each valid outline.</p> <p>Fall in different costs of production - maximum 2 marks.</p> <p>DNA increase in price (as the question asks for determinants).</p> |
| | (b) | <ul style="list-style-type: none"> • the mortgage will have to be repaid (ID) therefore individuals will have less to spend on other things/have reduced discretionary income (EXP) (1) which could lower standard of living (DEV) (1) and if interest rates rise, this could be exacerbated (DEV) (1) • if the mortgage payments are not paid (ID), individuals could lose their home (EXP) (1) • individuals may need to prepare/use a budget (ID) so that they can manage repayments effectively (EXP) (1) and if they do not, mental health/stress issues may occur (DEV) (1) • interest rates will be variable (ID) which makes budgeting for the mortgage more difficult/interest rates on mortgage can be fixed (ID) which gives certainty on monthly payments (EXP) (1) • individuals will become property owners (ID) so will become responsible for maintaining the property (EXP) (1) • the mortgage will become the most important debt (ID) therefore other debts will move down the priority scale (EXP) (1) • individuals are able to own property (ID) which means that (unlike renting) their monthly payments are contributing to purchase of an asset (EXP) (1) which could increase in value over time (DEV) (1) | 4 | <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>Must be the impact on individuals.</p> |

| Question | | Expected response(s) | Max mark | Additional guidance |
|----------|-----|--|----------|---|
| 5. | (c) |  <p>Diagram</p> <ul style="list-style-type: none"> • fully labelled diagram, P, Q_D, Q_S, D and S labels (1) • surplus clearly marked (1) • directional indication of downward price pressure (1) | 3 | <p>Maximum 3 marks for a diagram.</p> <p>The Q_D and Q_S labels could be Q and Q_1 (or similar).</p> |

| Question | | Expected response(s) | Max mark | Additional guidance |
|----------|-----|--|----------|--|
| 6. | (a) | <p>Definition</p> <ul style="list-style-type: none"> when the government provides income to people without receiving economic activity/a good or service in return (1) <p>Example</p> <ul style="list-style-type: none"> state pensions (1) child benefit (1) personal independence payment (PIP)/disability benefit (1) student grants (1) universal credit (1) food vouchers (1) | 2 | <p>Award 1 mark for a valid definition.</p> <p>Award 1 mark for a valid example.</p> <p>DNA subsidies to farmers, exporters or manufacturers (as they contribute to GDP).</p> <p>DNA 'benefits' by itself (need a specific example).</p> <p>DNA 'pensions' by itself (occupational pensions are not transfer payments).</p> |
| | (b) | <ul style="list-style-type: none"> Income tax - a tax on a person's earnings (1). It varies according to the amount a person earns (DEV) (1) with higher earners paying a larger percentage/being in a higher tax band than lower earners (DEV) (1) Corporation tax - a tax levied on company profits (1). The main rate of corporation tax is 19% or 25% (DEV) (1) VAT - a tax on goods and services/a tax on spending (1) which is added to a product's selling price (DEV) (1). At the moment VAT is 20% (DEV) (1) Excise duty - a tax levied on specific goods (1) especially on items that have an adverse effect on public health or the environment (DEV) (1) for example tobacco/alcohol/petrol (DEV) (1) Road tax - a tax paid in order to drive a car (1) | 4 | <p>Candidates must describe at least 2 taxes to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>DNA 'council tax' (paid to local authority) or LBTT (paid to Scottish Govt).</p> <p>DNA 'direct tax' and/or 'indirect tax'.</p> <p>Accept NI, inheritance tax, capital gains tax, stamp duty, etc.</p> |

| Question | | Expected response(s) | Max mark | Additional guidance |
|----------|-----|---|----------|---|
| 6. | (c) | <p>Public goods</p> <ul style="list-style-type: none"> • goods/services where consumption by one person does not reduce its availability to another person (1) • goods/services which no one can be excluded from using (1) • eg street lighting/lighthouses/flood defences (1) <p>Merit goods</p> <ul style="list-style-type: none"> • goods which people will under-consume if they have to pay for it (1) • goods which are subsidised/free at the point of use (so it doesn't depend on anyone's ability to pay) (1) • goods which are normally under-provided by the market (1) • goods which provide external benefits to society (1) • eg vaccines/health care/education (1) | 4 | <p>Candidates must describe both public and merit goods, and give an example of each, to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each example.</p> |

| Question | | | Expected response(s) | Max mark | Additional guidance |
|----------|-----|------|--|----------|---|
| 7. | (a) | (i) | <ul style="list-style-type: none"> the number of people unemployed (1) the number of people actively seeking work who are currently not in work (1) | 1 | Award 1 mark for a valid definition. |
| | | (ii) | <ul style="list-style-type: none"> the number of people unemployed expressed as a percentage of the working population (1) | 1 | Award 1 mark for a valid definition. DNA just 'population'. |
| | (b) | (i) | <ul style="list-style-type: none"> reduced income (1) fall in real living standards (1) loss of skills (1) lack of purpose in life/deteriorating mental health (1) | 1 | Award 1 mark for a valid description. |
| | | (ii) | <ul style="list-style-type: none"> reduced output/rate of economic growth (1) reduced govt revenue from income/corporation tax/VAT (1) increased payments of unemployment element of Universal Credit (1) | 1 | Award 1 mark for a valid description. Accept negative multiplier effect. |
| | (c) | (i) | <ul style="list-style-type: none"> a decrease in the quantity/quality of goods/services available to an individual/the population (1) a decrease in the material wellbeing of a person/society (1) a decrease in the level of comfort/wealth a person/a society has (1) | 1 | Award 1 mark for a valid description. |
| | | (ii) | <ul style="list-style-type: none"> survey results that show an increase in level of material goods/consumer goods owned by individuals (1) see an increase in real GDP (1) see an increase in real wages (1) | 2 | Candidates must suggest 2 ways to gain full marks. Award 1 mark for each valid suggestion. DNA increase in wages without reference to inflation |

| Question | | Expected response(s) | Max mark | Additional guidance |
|----------|-----|---|----------|--|
| | (d) | <ul style="list-style-type: none"> • promote entrepreneurial activity (1) • introduce legislation to encourage competition (1) • subsidise research and development (1) • invest in technology infrastructure (1) • improve educational attainment (1) • subsidise apprenticeship/training schemes (1) • build new infrastructure (1) • reclaim land/use brownfield sites (1) | 3 | <p>Candidates must outline 3 ways to gain full marks.</p> <p>Award 1 mark for each valid outline.</p> <p>Accept any answer which relates to increasing output, increasing AMD, fiscal policies, supply-side policies, changes in the circular flow.</p> |

[END OF MARKING INSTRUCTIONS]