



National  
Qualifications  
2023

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**2023 Economics**

**Higher**

**Finalised Marking Instructions**

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## General marking principles for 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 up to the total mark allocation for the question. These should be key points; they 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:

- award **1 mark** for each accurate relevant point of knowledge
- award a second mark for any point that is developed from the point of knowledge.

- (d) For **explain** questions, 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:

- award **1 mark** for each accurate relevant point of reason
- award a second mark for any other point that is developed from the same reason.

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

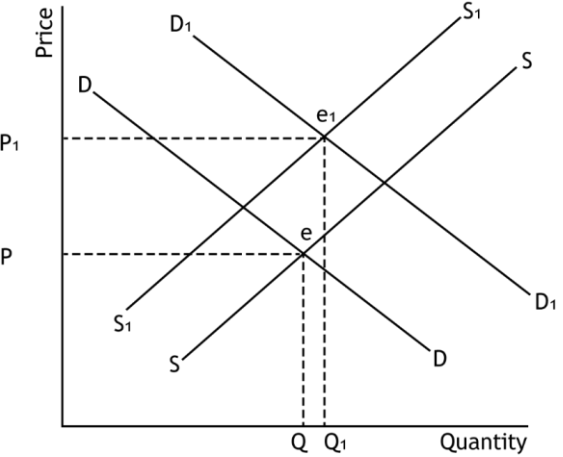
Up to the total mark allocation for this question:

- award **1 mark** for any accurate point of knowledge that is clearly relevant
- award a second mark for any other point that is developed from the point of knowledge.

Marking instructions for each question

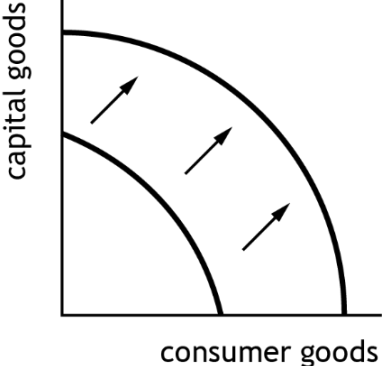
SECTION 1

Question		Expected response(s)	Max mark	Additional guidance
1.	(a)	<ul style="list-style-type: none"> <li>• real income is income adjusted for the effects of inflation/income with the effects of inflation removed (1)</li> </ul>	1	Award 1 mark for a valid description.
	(b)	<ul style="list-style-type: none"> <li>• complete the Living Costs and Foods Survey/complete a survey to find out what average families buy (1)</li> <li>• create a basket of goods based on the results of the survey (1)</li> <li>• items in the basket are updated annually (1)</li> <li>• the costs of housing are not included in the basket (1)</li> <li>• give a weight to each item in the basket based on importance/proportion of household spending (1)</li> <li>• gather priced from retailers around the country (1)</li> <li>• check prices from last time/base year (1)</li> <li>• calculate percentage change in prices (1)</li> <li>• add up all the percentage changes and calculate an average change, which is inflation (1)</li> </ul>	4	<p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>Responses should be in a logical sequence.</p>
	(c)	<ul style="list-style-type: none"> <li>• when demand is increasing faster than supply prices will rise (1)</li> <li>• when demand exceeds supply prices will rise (1)</li> <li>• when there is excessive demand in the economy prices will rise (1)</li> </ul>	1	Award 1 mark for a valid description.

Question	Expected response(s)	Max mark	Additional guidance
(d)	 <ul style="list-style-type: none"> <li>• correctly labelled diagram (price, quantity, D, S, P, Q) (1)</li> <li>• <math>D_1</math> - demand curve shifting to the right (1) (increased demand for olive oil as switch from sunflower oil)</li> <li>• <math>S_1</math> - supply curve shifting to the left (1) (dry weather damages olive crop)</li> <li>• new equilibrium quantity indicated (either <math>P_1</math> and <math>Q_1</math> and or <math>e_1</math>) (1)</li> </ul>	4	<p>Award 4 marks for a diagram.</p> <p>Accept a rise or fall in quantity, depending on the angle of the demand and supply curves, and on how far apart the candidate draws the shifts in demand and supply.</p>
(e)	<ul style="list-style-type: none"> <li>• interest rate could be increased (ID) to discourage borrowing by making it more expensive/encourage saving by making it more rewarding (1). The reduction of spending due to less borrowing/more saving will reduce aggregate demand in the economy (DEV) (1)</li> <li>• reducing aggregate demand will reduce the demand-pull pressure in the economy and will reduce the rate at which prices are increasing (DEV) (1)</li> </ul>	2	<p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for a valid development.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(f)	<ul style="list-style-type: none"> <li>• consumers are no longer able to afford their preferred brands (ID) so this may affect their (perceived) standard of living (EXP) (1)</li> <li>• consumers may be forced to shop around/‘shoe leather cost’ (ID) which is an opportunity cost of time (EXP) (1)</li> <li>• borrowing may increase (ID) as normal daily costs can’t be covered (EXP) (1) heating vs eating (DEV) (1)</li> <li>• consumers are less able/willing to save (ID) increasing financial uncertainty in future/unable to save for ‘a rainy day’ (EXP) (1)</li> <li>• unable to save for mortgage deposit (ID) therefore unable to get on the housing ladder (EXP) (1)</li> <li>• reduces consumer confidence (ID) making them less willing to purchase luxury items/‘high-ticket items’ (eg holidays/cars) (EXP) (1) which will have an impact on quality of life (DEV) (1)</li> </ul>	3	<p>Candidates must explain at least 2 impacts to gain full marks.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for a valid development.</p> <p>DNA any reference to real income falling.</p> <p>A maximum of 2 marks for social impacts.</p>

Question		Expected response(s)	Max mark	Additional guidance
2.	(a)	<ul style="list-style-type: none"> <li>the process of integration of markets in the world economy (1). Goods and services/social/economic/cultural influences becoming similar in all parts of the world (DEV) (1)</li> <li>the ability to produce any good or service anywhere in the world (1). This involves using raw materials, capital and technology from anywhere in the world/it involves selling the resulting output anywhere in the world/profits may be declared anywhere in the world (DEV) (1)</li> </ul>	2	<p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p>
	(b)	<ul style="list-style-type: none"> <li>rapid/increasing economic growth (1)</li> <li>rapid improvements in productivity (1)</li> <li>improving standards of living (1)</li> <li>rapid industrialisation (1)</li> <li>attractive to FDI from multinationals (1)</li> <li>employment in secondary industry is increasing rapidly (1)</li> <li>exports are diversifying into a wider range (1)</li> <li>easier access to banking facilities and credit (1)</li> <li>investment in education and training (1)</li> <li>improvements in infrastructure (1)</li> </ul>	4	<p>Candidates must describe at least 2 characteristics to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>Do not accept social characteristics (literacy, infant mortality etc).</p>

Question	Expected response(s)	Max mark	Additional guidance
(c)	 <p><b>Diagram</b></p> <ul style="list-style-type: none"> <li>• fully labelled diagram (axes labelled capital and consumer goods and a correctly shaped PPC curve) (1)</li> <li>• outward shift indicated (new PPC curve and arrows) (1)</li> </ul> <p><b>Explanation</b></p> <ul style="list-style-type: none"> <li>• curve moves outward (ID) because of an increase in the productive capacity of an economy over time/it can be achieved by an increase in the quantity or quality of factors of production used in the economy (EXP) (1)</li> <li>• it is usually measured by increases in real per capita Gross Domestic Product (GDP)/output per person by dividing GDP by the population (DEV) (1)</li> </ul>	3	<p>Maximum 2 marks for a diagram.</p> <p>Maximum 2 marks for an explanation.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for a valid development.</p>

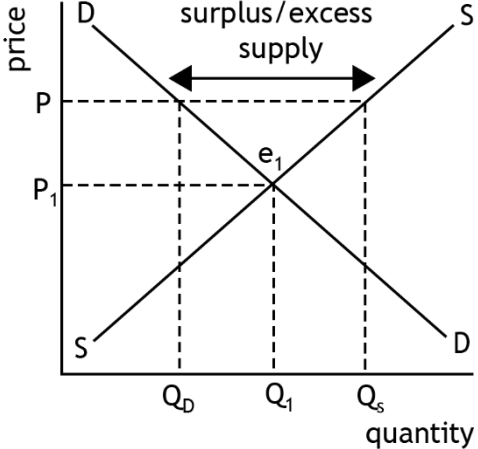
Question		Expected response(s)	Max mark	Additional guidance
	(d)	<ul style="list-style-type: none"> <li>usually negotiated and binding contract between countries or regions (1)</li> <li>allows for the movement of goods and services without restriction (1)</li> <li>it reduces/removes the barriers to imports and exports between the countries in the agreement (1)</li> <li>restrictions which may be removed include tariffs and quotas (DEV) (1)</li> <li>examples of free trade agreements include the European Free Trade Association (EFTA) and the North American Free Trade Agreement (NAFTA) (1)</li> <li>it will encourage trade between countries (DEV) (1)</li> </ul>	2	<p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p> <p>A maximum of 1 mark for examples.</p>
	(e)	<ul style="list-style-type: none"> <li>it will improve the current account balance (ID) as UK exports increase/UK imports decrease (EXP) (1) UK consumers may buy more domestic products (DEV) (1)</li> <li>foreign buyers require less of their currency to buy UK goods/services (ID) makes exports more competitive abroad having a favourable effect on the balance of payments (EXP) (1)</li> </ul>	2	<p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for a valid development.</p> <p>Watch for flips.</p>
	(f)	<ul style="list-style-type: none"> <li>decisions about the allocation of scarce resources are taken centrally/resources are allocated by means of government plans (1)</li> <li>resources are allocated for the benefit of the state rather than individuals (DEV) (1)</li> <li>not allocatively efficient (DEV) (1)</li> <li>sometimes planners fail to make accurate predictions, which can result in shortages/gluts (DEV) (1)</li> </ul>	2	<p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p> <p>Accept answers to 'how', 'what', 'why' as a way to allocate resources.</p>

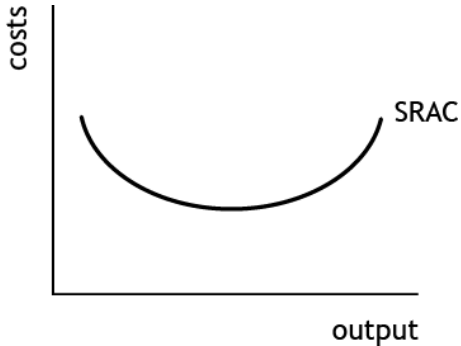


SECTION 2

Question		Expected response(s)	Max mark	Additional guidance																			
3.	(a)	<table border="1"> <thead> <tr> <th>Scarcity</th> <th rowspan="6" style="writing-mode: vertical-rl; transform: rotate(180deg);">whereas</th> <th colspan="2">Shortage</th> </tr> </thead> <tbody> <tr> <td>unlimited wants</td> <td>demand exceeds supply</td> <td>(1)</td> </tr> <tr> <td>permanent - can never be resolved</td> <td>temporary</td> <td>(1)</td> </tr> <tr> <td>wants are unlimited</td> <td>demand is not met</td> <td>(1)</td> </tr> <tr> <td>wants never fully satisfied due to human nature etc</td> <td>cured by a rise in price/an increase in supply</td> <td>(1)</td> </tr> <tr> <td>universal</td> <td>limited to a certain market</td> <td>(1)</td> </tr> </tbody> </table>	Scarcity	whereas	Shortage		unlimited wants	demand exceeds supply	(1)	permanent - can never be resolved	temporary	(1)	wants are unlimited	demand is not met	(1)	wants never fully satisfied due to human nature etc	cured by a rise in price/an increase in supply	(1)	universal	limited to a certain market	(1)	2	<p>Candidates must make <b>2</b> comparisons to gain full marks.</p> <p>Award <b>1 mark</b> for each valid comparison.</p>
Scarcity	whereas	Shortage																					
unlimited wants		demand exceeds supply	(1)																				
permanent - can never be resolved		temporary	(1)																				
wants are unlimited		demand is not met	(1)																				
wants never fully satisfied due to human nature etc		cured by a rise in price/an increase in supply	(1)																				
universal		limited to a certain market	(1)																				
	(b)	<ul style="list-style-type: none"> <li>the income effect (ID) causes demand for a product to fall when price rises, because it becomes less affordable (EXP) (1)</li> <li>the substitution effect (ID) causes consumers to switch to cheaper substitutes as price rises (EXP) (1)</li> <li>the Law of Diminishing Marginal Utility (ID) states that as more of a good is consumed, the marginal utility gained from the consumption of an additional unit decreases (EXP) (1). A consumer will only demand additional units if price is lowered (DEV) (1), this is because the lower price reflects the lower satisfaction gained from consuming one more unit of the product (DEV) (1)</li> </ul>	3	<p>Award <b>1 mark</b> for each valid explanation.</p> <p>Award <b>1 mark</b> for each valid development.</p>																			

Question		Expected response(s)	Max mark	Additional guidance
(c)	(i)	<ul style="list-style-type: none"> <li>the percentage change in quantity demanded is less than the percentage change in price/any % change in price will cause a smaller % change in the demand for it (1)</li> <li>% change of quantity demanded/% change in price (1)</li> <li>the PED formula will be less than one (1)</li> <li>total revenue will fall if price goes down for a price inelastic good/total revenue will increase if the price increases of a price inelastic good (1)</li> </ul>	2	<p>Award 1 mark for each valid description.</p> <p>A maximum of 1 mark for an example.</p>
	(ii)	<ul style="list-style-type: none"> <li>availability of substitutes (ID) this is because if substitutes are available consumers will be more likely to switch to a cheaper similar good when price goes up. (EXP) (1) eg Tesco toothpaste for Colgate (DEV) (1)</li> <li>degree of necessity (ID) the more essential a product is the less responsive consumers will be to a change in price (EXP) (1) eg bread or milk (DEV) (1)</li> <li>proportion of income (ID) the smaller the percentage of income spent on a good/service the less responsive consumers will be to a change in price. (EXP) (1) eg matches (DEV) (1)</li> <li>frequency of purchase (ID) the ability to postpone the purchase means that consumers will be less responsive to a change in price (EXP) (1) eg Sofas (DEV) (1)</li> <li>brand loyalty (ID) if consumers have a brand preference, they may be less likely to respond to a change in price (EXP) (1)</li> <li>habit forming (ID) if a product is addictive consumers will be less likely to respond to a change in price (EXP) (1) eg cigarettes (DEV) (1)</li> <li>the longer the time period since the price change (ID) this is because consumers have more time to find alternatives (EXP) (1) eg changing from oil fired heating to a heat pump (DEV) (1)</li> <li>how widely defined a good is (ID) the wider the definition the less responsive consumers will be to a price change (EXP) (1) eg crisps and Walkers crisps (DEV) (1)</li> </ul>	3	<p>Candidates must explain at least 2 factors 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 explanations through exemplification.</p>

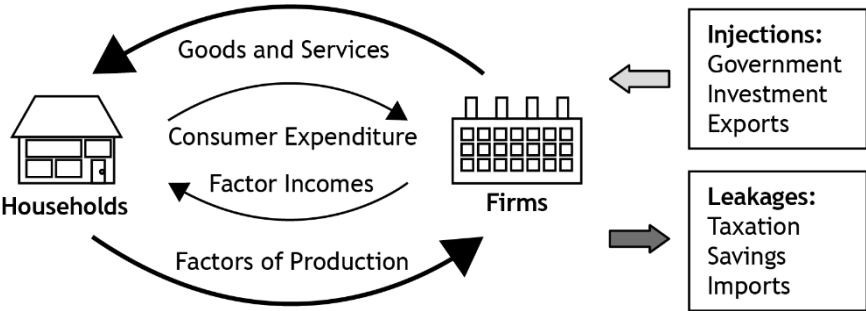
Question	Expected response(s)	Max mark	Additional guidance
(d)	 <p><b>Diagram</b></p> <ul style="list-style-type: none"> <li>fully labelled Demand and Supply diagram (price, quantity, D, S, P above equilibrium, <math>Q_D</math> and <math>Q_S</math>) (1)</li> <li>showing new <math>P_1</math> and <math>Q_1</math> (or <math>e_1</math>) at equilibrium (1)</li> <li>surplus/excess supply clearly marked (1)</li> </ul> <p><b>Explanation</b></p> <ul style="list-style-type: none"> <li>by decreasing price (ID) there will be an extension in quantity demanded/contraction in quantity supplied (EXP) (1). This will drop the price to equilibrium (DEV) (1)</li> <li>firms cannot sell inventory (ID) therefore they reduce the price (EXP) (1) which encourages consumers to buy more (DEV) (1)</li> </ul>	4	<p>Award up to 3 marks for the diagram.</p> <p>Award up to 2 marks for an explanation.</p> <p>Award 1 mark for each valid explanation.</p>

Question	Expected response(s)	Max mark	Additional guidance
(e)	<ul style="list-style-type: none"> <li>AFC is spread over a continually larger number of units causing ATC to fall (1)</li> <li>AVC fall initially due to increasing returns to the variable factor (1). This is due to increased specialisation/division of labour (DEV) (1). This is due to discounts on materials as a greater number are purchased (DEV) (1)</li> <li>in the short run at least one factor of production is fixed (DEV) (1)</li> </ul>	3	<p>Candidates must explain at least 2 factors to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p> <p>If a diagram is provided award 1 mark. Ignore extraneous curves eg AFC, AVC.</p> <p>Axes correctly labelled and ATC curve accurately drawn.</p> 

Question		Expected response(s)	Max mark	Additional guidance
	(f)	<ul style="list-style-type: none"> <li>• cost savings due to the increased size of the firm (1)</li> <li>• purchasing economies are when discounts can be negotiated due to size of order/bulk purchases can be made (1)</li> <li>• technical economies when size of operation permits increased use of large-scale machinery/equipment (1)</li> <li>• management economies for example employing specialist staff (1). A Purchasing Manager will be able to negotiate better deals with suppliers (DEV) (1)</li> <li>• financial economies for example when banks view a large firm as more credit-worthy (1). This will mean firms can obtain lower interest rates on their borrowing (DEV) (1)</li> <li>• risk-bearing economies ie diversifying into a range of goods/services, to reduce risk from failure of any one (1)</li> </ul>	3	<p>Candidates must describe at least 2 internal economies of scale to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p> <p>Labels are not required. If label is used, it must match the description.</p>

Question		Expected response(s)			Max mark	Additional guidance																	
4.	(a)	<table border="1"> <thead> <tr> <th>Regressive Tax</th> <th rowspan="4" style="writing-mode: vertical-rl; transform: rotate(180deg);">whereas</th> <th>Progressive Tax</th> <th></th> </tr> </thead> <tbody> <tr> <td>the proportion of income paid in tax falls as the income of the taxpayer rises/lower income earners pay a higher percentage of their income in tax/the poor pay proportionately more than the rich</td> <td>the proportion of income paid in tax rises as the income of the taxpayer rises/higher income earners pay a higher percentage of their income in tax/the rich pay proportionately more than the poor</td> <td>(1)</td> </tr> <tr> <td>favoured by the wealthier as proportionately they pay less</td> <td>favoured by those on lower incomes as they will pay proportionately less/favoured by some in society as seen as fairer</td> <td>(1)</td> </tr> <tr> <td>indirect taxes</td> <td>direct taxes</td> <td>(1)</td> </tr> <tr> <td>for example, VAT, duties on alcohol, petrol, road tax</td> <td></td> <td>for example, income tax, inheritance tax, corporation tax</td> <td>(1)</td> </tr> </tbody> </table>	Regressive Tax	whereas	Progressive Tax		the proportion of income paid in tax falls as the income of the taxpayer rises/lower income earners pay a higher percentage of their income in tax/the poor pay proportionately more than the rich	the proportion of income paid in tax rises as the income of the taxpayer rises/higher income earners pay a higher percentage of their income in tax/the rich pay proportionately more than the poor	(1)	favoured by the wealthier as proportionately they pay less	favoured by those on lower incomes as they will pay proportionately less/favoured by some in society as seen as fairer	(1)	indirect taxes	direct taxes	(1)	for example, VAT, duties on alcohol, petrol, road tax		for example, income tax, inheritance tax, corporation tax	(1)			3	<p>Award <b>1 mark</b> for each valid distinction.</p> <p>Maximum <b>1 mark</b> for paired examples.</p>
Regressive Tax	whereas	Progressive Tax																					
the proportion of income paid in tax falls as the income of the taxpayer rises/lower income earners pay a higher percentage of their income in tax/the poor pay proportionately more than the rich		the proportion of income paid in tax rises as the income of the taxpayer rises/higher income earners pay a higher percentage of their income in tax/the rich pay proportionately more than the poor	(1)																				
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for example, VAT, duties on alcohol, petrol, road tax		for example, income tax, inheritance tax, corporation tax	(1)																				
	(b)	<ul style="list-style-type: none"> <li>frictional unemployment - due to time taken to move between jobs (1)</li> <li>cyclical/demand deficient unemployment - due to downturns in aggregate demand (1)</li> <li>structural unemployment - due to decline in traditional industries (1)</li> <li>seasonal unemployment - due to the nature of jobs at certain times of the year (1)</li> <li>regional unemployment - due to areas of high unemployment occurring in certain areas of the country when firms/industries close/decline (1)</li> <li>technological unemployment - workers replaced by automation of the production process (1)</li> </ul>				3	<p>Candidates must describe <b>3</b> types to gain full marks.</p> <p>Award <b>1 mark</b> for each valid description.</p> <p>Accept reference to classical/real wage/hidden unemployment.</p> <p>DNA seasonal unemployment occurs due to the season.</p> <p>Labels are not required. If label is used, it must match the description.</p>																

Question		Expected response(s)	Max mark	Additional guidance
	(c)	<p><b>Increase Spending</b></p> <ul style="list-style-type: none"> <li>• increase capital spending (ID) creating projects which increase employment (EXP) (1). The multiplier effect will stimulate further growth/demand for labour (DEV) (1)</li> <li>• increase current spending (ID) for example building new schools gives construction jobs (EXP) (1). This will allow employment of new teachers/this will increase potential for school leavers to achieve gainful employment (DEV) (1)</li> <li>• increased government spending would increase circular flow of income/money flowing in the economy/AD (ID) which may lead to firms expanding, creating jobs (EXP) (1) for example, increasing spending on public sector wages would lead to more discretionary income/consumer demand (DEV) (1)</li> <li>• increasing spending on education (ID) higher skilled workers will be more employable (EXP) (1)</li> </ul> <p><b>Reduce Taxation</b></p> <ul style="list-style-type: none"> <li>• reduced corporation tax (ID) which would increase funds available for firms to invest and create jobs (EXP) (1)</li> <li>• reduced Income Tax/VAT (ID) which would lead to more disposable income consumer spending and increase output/supply/jobs (EXP) (1) incentive to work (DEV) (1)</li> </ul>	6	<p>Candidates must explain at least 2 ways 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 multiplier formula/example up to a maximum of 1 mark.</p>

Question	Expected response(s)	Max mark	Additional guidance
(d)	 <p><b>Diagram</b></p> <ul style="list-style-type: none"> <li>• labels for factor incomes, consumer spending, goods and services, factors of production (1)</li> <li>• labels for households, firms and correct direction of arrows (1)</li> <li>• all injections, including correct arrow (1)</li> <li>• all leakages, including correct arrow (1)</li> </ul> <p><b>Numerical Diagram</b></p> <ul style="list-style-type: none"> <li>• labels for households, firms and correct direction of arrows (1)</li> <li>• correct injection detailing initial value, including correct arrow (1)</li> <li>• multiple example of leakages, including correct arrow (1)</li> <li>• mathematical calculations accurate (1)</li> </ul>	8	<p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>Maximum 4 marks for a diagram.</p> <p>Maximum 6 marks if no diagram.</p>



Question	Expected response(s)	Max mark	Additional guidance
	<p><b>Explanation</b></p> <ul style="list-style-type: none"> <li>• an injection into the economy (ID) causes a larger increase in final national income (EXP) (1). Injections increase the flow of income in an economy and leakages/withdrawals reduce it (EXP) (1) and the extent of the increase/decrease depends on the multiplier (DEV) (1). This will lead to firms hiring more resources and increasing their output (DEV) (1) increased incomes will increase consumer spending (DEV) (1) one person's spending becomes another person's income (DEV) (1). This process continues round the circular flow until the new, higher equilibrium level is reached (DEV) (1). Output and economic growth are increased (DEV) (1)</li> <li>• due to the multiplier the increase in national income may be greater than the original injection (DEV) (1)</li> <li>• the formula is <math>1/1-mpc</math> or <math>1/MPS</math> (1)</li> <li>• credit a numerical example eg if the MPC is 0.8 then the multiplier will be 5; if there is an increase in spending of £1bn then the increase in national income will be £5bn (1)</li> <li>• credit an applied example - eg Radio One Big Weekend in Dundee 2023 (1)</li> <li>• the extent of the multiplier is determined by the MPC or MPS (1)</li> </ul>		

Question		Expected response(s)	Max mark	Additional guidance
5.	(a)	<p><b>Absolute advantage</b></p> <ul style="list-style-type: none"> <li>• this is gained when a country can produce more of a product than another country (1)</li> <li>• this may be because of climatic advantages/skilled labour/ technology (DEV) (1)</li> <li>• for example, China has a large low cost labour force giving it an absolute advantage in textile production (DEV) (1)</li> <li>• any country with an absolute advantage should specialise and trade (DEV) (1). This will lead to increased world output and improved living standards (DEV) (1)</li> <li>• credit correct use of a numerical example showing absolute advantage (1)</li> </ul> <p><b>Comparative advantage</b></p> <ul style="list-style-type: none"> <li>• this is gained when a country which has an absolute advantage in no area specialises in the area where its disadvantage is least/in which it is 'least-worst' (1)</li> <li>• ie where the opportunity cost of production is at its lowest (DEV) (1)</li> <li>• this shows that even if a country is less efficient at producing all goods and services it should still specialise and trade (DEV) (1)</li> <li>• for example, if 2 goods are traded between country A and country B - and country A can produce TVs 10 times better than country B and can produce cars 3 times better than country B (1) then country A should specialise in TV production and country B should specialise in cars (DEV) (1)</li> </ul>	6	<p>Candidates must describe <b>both</b> theories to gain full marks.</p> <p>Award <b>1 mark</b> for each valid description.</p> <p>Award <b>1 mark</b> for each valid development.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(b)	<ul style="list-style-type: none"> <li>• cheaper costs of production/labour/rent/land (1)</li> <li>• to benefit from economies of scale (1)</li> <li>• to reduce the costs of transport (1)</li> <li>• to access a new market/increase market share (1)</li> <li>• to locate close to market (1)</li> <li>• to benefit from sympathetic tax regimes (1) for example low corporation tax (DEV) (1)</li> <li>• to benefit from less stringent legislation (1) such as planning permission/health and safety (DEV) (1)</li> <li>• to access subsidies offered by the host government (1)</li> <li>• to access specialised/highly trained labour (1)</li> </ul>	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>
	(c)	<ul style="list-style-type: none"> <li>• infant industries can be protected (1)</li> <li>• domestic employment can be safeguarded (1)</li> <li>• strategic industries can be kept under domestic control (1) to maintain strong defence in case of war (DEV) (1)</li> <li>• balance of payments will improve (1) due to less imports (DEV) (1)</li> <li>• can be used to highlight political disagreements (1)</li> <li>• can be used to retaliate against other nations (1)</li> <li>• can be used to prevent 'dumping'/flooding the market (1)</li> <li>• maintaining health and safety standards (1) rejecting goods of a lower quality (DEV) (1)</li> <li>• can be used to protect the environment/reduce social costs eg by using fewer air miles (1)</li> </ul>	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 a valid development.</p>

Question		Expected response(s)	Max mark	Additional guidance
	(d)	<p><b>Current account</b></p> <ul style="list-style-type: none"> <li>• trade in goods, which is the value of exports minus the value of imports of goods (1)</li> <li>• trade in services, which is the value of exports minus the value of imports of services (1)</li> <li>• investment income/net primary income, which is income from interest/profits/dividends (1)</li> <li>• transfers/net secondary income which could be overseas development aid (1)</li> </ul> <p><b>Capital/Financial Account</b></p> <ul style="list-style-type: none"> <li>• foreign direct investment, which is cross-border investment by individuals and firms in areas such as capital and land (1)</li> <li>• portfolio investment, which is investment to purchase stocks and shares (1)</li> <li>• other investment, which is any further types of cross-border investment for example, 'hot money' (1)</li> <li>• reserve assets, which could be foreign currency managed by the Bank of England (1)</li> <li>• balancing item, which is used to correct net errors and omissions (1)</li> </ul>	2	<p>Candidates must describe 2 components to gain full marks.</p> <p>Award 1 mark for each valid description.</p>

Question		Expected response(s)	Max mark	Additional guidance
(e)	(i)	<p><b>World Trade Organisation (WTO)</b></p> <ul style="list-style-type: none"> <li>• encourages free trade (1) by reducing tariffs and non-tariff barriers (DEV) (1)</li> <li>• regulates world trade (1)</li> <li>• mediates in trade disputes (1)</li> <li>• enforces members' adherence to agreements/can impose penalties (1)</li> </ul>	2	<p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p>
	(ii)	<p><b>World Bank</b></p> <ul style="list-style-type: none"> <li>• funds development projects in developing economies (1)</li> <li>• provides zero to low interest rate loans (1)</li> <li>• collects data on economies (1)</li> <li>• provides advice to developing economies (1)</li> <li>• minimise poverty/boost prosperity for the poorest people (1)</li> <li>• help create sustainable economic growth (1)</li> </ul>	2	<p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p>

[END OF MARKING INSTRUCTIONS]