



National
Qualifications
2024

2024 Economics

Advanced Higher

Question Paper 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>economic growth (line 5)</p> <ul style="list-style-type: none"> • an increase in the productive potential of an economy (1) • it is measured by an increase in real GDP/an increase in the real value of goods and services produced in an economy over time (1) 	2	<p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p> <p>Award reference to current trend.</p>
	(b)	<p>productivity (line 12)</p> <ul style="list-style-type: none"> • productivity is the ratio of output to inputs used in production (1) • it is usually measured as output per worker/per hours worked (1) • productivity is concerned with the efficiency of production (1) 	2	<p>Award 1 mark for each valid description.</p> <p>Award 1 mark for a valid development.</p> <p>DNA current trend as given in the case study.</p>
2.		<ul style="list-style-type: none"> • lower investment in capital/technology (1) for instance UK lags in robotics adoption compared to other developed economies (1) • skills shortage/skills gap after Brexit (1) • poor management and/or industrial relations (1) • labour hoarding during/after the pandemic (1) • geographical immobility of labour exacerbated by house prices/lack of supply of housing (1) • occupational immobility of labour due to lower investment in training and vocational education (1) • poor infrastructure in road and rail (1) • uneven digital infrastructure (1) • existence of zombie firms/large number of unproductive family firms (1) • hard to improve/measure labour productivity in the service sector/gig economy (1) • long hours in retailing results in unproductive 'dead time' (1) • uncertainty due to Indy Referendum/Brexit leads to low investment (1) 	6	<p>Candidates must describe at least 2 possible causes to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>Accept any other reasonable answer.</p> <p>Do not accept answers which relate to higher production costs - this is unrelated to productivity.</p>

Question	Expected response(s)	Max mark	Additional guidance
3.	<ul style="list-style-type: none"> • Inheritance Tax is a tax on the estate/wealth/assets (the property, money and possessions) of someone who has died (1) • the standard Inheritance Tax rate is 40% (1) • it's only charged on the part of your estate that's above a threshold (1) <p>There's normally no Inheritance Tax to pay if:</p> <ul style="list-style-type: none"> • the value of your estate is below the £325,000 threshold (1) • you leave everything above the £325,000 threshold to your spouse/civil partner/a charity/community amateur sports club (1) <p>Other key features:</p> <ul style="list-style-type: none"> • if you give away your home to your children (including adopted, foster or stepchildren) or grandchildren your threshold can increase to £500,000 (1) • if you are married or in a civil partnership and your estate is worth less than your threshold, any unused threshold can be added to your partner's threshold when you die (1) • there is normally no Inheritance Tax to pay on giving away a home before you die if you move out and live for another 7 years (1) • there's no Inheritance Tax to pay on gifts between spouses/civil partners (1). You can give them as much as you like during your lifetime, as long as they live in the UK permanently/are legally married or in a civil partnership with you • there is also no Inheritance Tax to pay on any gifts you give to charities or political parties (1) • you can give away a total of £3,000 worth of gifts each tax year without them being added to the value of your estate. This is known as your 'annual exemption' (1) 	3	<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 a valid development.</p>


Question	Expected response(s)	Max mark	Additional guidance
4.	<ul style="list-style-type: none"> • investment is a component of Aggregate Demand and higher investment leads to higher AD (which is a measure of National Income/GDP) which leads to an increase in real output to meet higher AD (1) • higher investment in capital and technology increases capital productivity, leading to higher productive potential/potential output/potential AS (1) leading to higher long run economic growth (1) • higher investment can result in increased employment in original/ancillary industries which leads to higher output in those ancillary industries (1) • increased investment will lead to more/higher paid jobs which lead to increasing spending (1) which will then lead to increased tax revenue for government (1) 	4	<p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>Maximum 1 mark for reference to multiplier diagram/formula.</p>
5.	<p>Advantages:</p> <ul style="list-style-type: none"> • makes the tax system more progressive (1) • raises tax revenue (1) • reduces income inequality (1) <p>Disadvantages:</p> <ul style="list-style-type: none"> • encourages tax avoidance (relocation, loopholes) so less tax revenue (1) • reduces enterprise (1) • brain drain - relocation means loss of skills (1) • lowers tax revenue through having less disposable spending (1) • can disincentivise the supply of labour to high paying jobs/promotion (1) 	4	<p>Candidates must discuss at least one advantage and one disadvantage to gain full marks.</p> <p>Award 1 mark for each valid discussion point.</p> <p>Credit reference to Laffer Curve - max 1 mark.</p> <p>Watch for unqualified flips.</p>

Question		Expected response(s)	Max mark	Additional guidance
6.		<ul style="list-style-type: none"> • the burden of national debt increases (1) • future interest payments on the debt (1) the possible danger of future austerity measures (1) • intergenerational unfairness/possible tax burden on future generations (1) • the opportunity cost of the interest payments on the debt (1) • the possible negative impact on the UK's credit rating (1) • could put pressure on interest rates to rise (1) could result in crowding out (1) • the negative impact it may have on business confidence (1) • the risk of a sovereign debt crisis/defaulting on debt repayment (1) • the possible danger of external ownership of government bonds (1) • limited access to fiscal stimulus if the country already has a high level of debt (1) • continuing budget deficits exacerbate the problem (1) 	5	<p>Candidates must describe at least 2 problems to gain full marks.</p> <p>Award 1 mark for each valid description.</p> <p>Award 1 mark for each valid development.</p> <p>Credit Ricardian equivalence - max 1 mark.</p>

Question	Expected response(s)	Max mark	Additional guidance
7.	<ul style="list-style-type: none"> • the government could introduce a Carbon Tax that would be imposed on firms which have 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/are inflationary (1) and lower output/economic growth (1) and reduce international competitiveness (1) • the government could reintroduce the Plug-in Car Grant (PICG) for electric vehicles and/or street charging points. This has the benefit of encouraging switch to electric cars (1). However, street charging points are not always sufficient in areas where there are lots of densely populated areas (1). For example, this is a particular challenge in a city such as Glasgow that has lots of tenement buildings/high rise flats (1) • a key government policy is ending the sale of new petrol and diesel cars and vans in the UK by 2035, but the effect will be limited because consumers will still be able to purchase second-hand polluting cars after this date (1). It has been argued that the government has changed the date from 2030 to 2035 because of concerns the car industry is unable to meet the original target date and therefore some car manufacturers/dealerships may leave the UK (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) • the government can introduce low emission zones/LEZ/ULEZ banning/fining vehicles of a certain age. This increases income for the government/reduces negative externalities (1). This impacts businesses that have older vehicles which have to replace older vehicles in their fleet (1). Poorer drivers that own older vehicles that can’t afford to replace them are penalised (1). This negatively impacts shopping/businesses through reduced footfall (1) 	4	<p>Candidates must evaluate 2 policies to gain full marks.</p> <p>Award 1 mark for each valid evaluation.</p> <p>Award 1 mark for each valid development.</p> <p>Accept any other relevant government policy.</p>

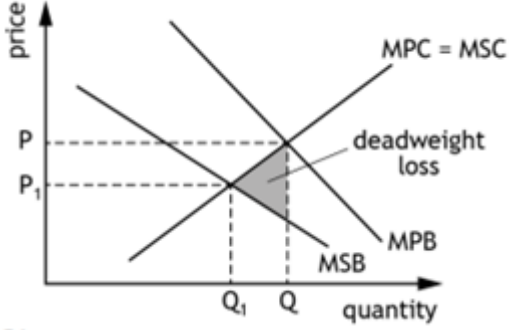
Question	Expected response(s)	Max mark	Additional guidance
	<ul style="list-style-type: none"> • the government has said that homeowners will be able to apply for grants to install low-carbon heat pumps to replace gas boilers but the homeowner may still be faced with a high cost for the installation (1) • the government has promised that it will 'accelerate deployment of renewable generation, such as wind and solar', but some commentators claim that wind and solar power generation is 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/assault of cyclists/increase in accidents involving cyclists in the UK (1) • farmers could be incentivised to practise low-carbon methods of farming to reduce emissions from agriculture which may lead to higher food prices (1) • licencing policies for drilling in North Sea 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/large sector in Scotland's economy (1) • free bus passes encourages young people/over-60s to use private vehicles less (1) reduces CO2 emissions/congestion (1) increases mobility of labour (1) 		

Section 2

Question			Expected response(s)	Max mark	Additional guidance
8.	(a)	(i)	 <p>Diagram</p> <ul style="list-style-type: none"> clearly showing sticky price (P) and corresponding quantity (Q) at the market price in the demand curve (1) clearly showing the demand curve as elastic above the kink and inelastic below the market price (1) <p>Kinked-demand curve theory</p> <ul style="list-style-type: none"> firms in oligopoly markets do not usually compete on prices because prices are ‘sticky’ (1). This is because the oligopolistic firm faces a kinked demand curve, which is price elastic above the market price (1) and price inelastic below the market price (1). If a firm increases its price above the market price, then its rivals will not follow (1) leading to a more than proportionate reduction in quantity demanded than the proportionate change in price (1), leading to lower revenue (1). If it lowers its price below the market price rivals will follow (1) leading to a less than proportional response (1) leading to a fall in total revenue (1), in either case total revenue falls making price competition harmful for all firms in the market (1). Thus, firms operating in these markets tend to avoid competing on price so non-price competition is favoured (1) 	7	<p>Award a maximum of 2 marks for a diagram.</p> <p>Award a maximum of 6 marks for the explanation.</p> <p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>Collusive theory - credit examples of collusion (DNA supermarkets without development).</p> <p>Game theory - credit use of prisoner’s dilemma/Nash equilibrium to exemplify game theory.</p>

Question	Expected response(s)	Max mark	Additional guidance
	<p>Collusive theory</p> <ul style="list-style-type: none"> • firms collude together to agree on price and/or output (1). This enables them to act together as a monopoly/earn monopoly profit (1). Groups which collude are called cartels (1). Forming a cartel is a criminal act under the 2002 Enterprise Act (1). Collusive agreements are inherently unstable as the firms involved are tempted to break the agreement to earn higher short-term profits (1). Collusion may also take the form of tacit collusion/price leadership (1) where the most dominant firm in the oligopoly sets prices, and the other firms choose to adopt similar prices (1). This does not involve specific agreement/communication between the firms but does lead to prices remaining similar (1). <p>Game theory</p> <ul style="list-style-type: none"> • game theory considers what the optimum outcome would be when oligopoly firms make decisions (1). This can occur in oligopolies as the firms have incomplete information about how the other firms will react to their decision (1). This explains why prices tend to not change as the most likely outcome of a game is that prices stay the same to avoid the possible reactions of the other firms (1) 		

Question		Expected response(s)	Max mark	Additional guidance
	(ii)	<p>Negative consequences</p> <ul style="list-style-type: none"> • lower revenues/profit in the short run as firms are selling at a lower price (1) so their market share does not increase as the price falls (1) • in the longer term, if the market becomes less competitive when firms close down, quality of products may fall (1) and prices may rise (1) • larger firms are more likely to survive/smaller firms are more likely to fail so the market may become more concentrated (1). If firms fail this may lead to less choice for consumers in the market in the future (1) • lower profits could lead to less funding for R & D (1) • firms may be referred to the CMA if there is a suspicion that they have been taking part in anti-competitive practices (1) <p>Positive consequences</p> <ul style="list-style-type: none"> • lower prices for consumers (1). This allows them to buy more goods and services with the same amount of income (1) • some firms benefit from more spending by the consumers (1) • firms benefit from competitors being driven out of the market as they face less competition (1) and can increase their prices in the long run (1) 	5	<p>Award 1 mark for each valid discussion point.</p> <p>Award 1 mark for each valid development.</p> <p>Watch for flips.</p>

Question	Expected response(s)	Max mark	Additional guidance
(b)	 <p>Diagram</p> <ul style="list-style-type: none"> • correctly labelled diagram (price, quantity, P and P₁, Q and Q₁, MSB, MPB, MPC=MSC) (1) • MPB curve above MSB curve shown (1) • both original and new equilibrium shown (1) • deadweight/welfare loss shaded/indicated/labelled (1) <p>Explanation</p> <ul style="list-style-type: none"> • negative consumption externalities occur when smoking leads to negative impacts on 3rd parties (1), which leads marginal private benefits to be greater than marginal social benefits (1). At PQ, the market price ignores externalities, and the good is over consumed (1). This overconsumption leads to a welfare/deadweight loss (shaded/indicated/labelled area in the diagram) (1). The socially optimal allocation of resources occurs when MSB = MSC (1). In the diagram the initial equilibrium is at PQ but the socially optimal equilibrium occurs P₁Q₁ (1) because this takes the negative impacts to 3rd parties into account/reflects the full cost to society of smoking (1) 	7	<p>Maximum 4 marks for the diagram.</p> <p>Maximum 4 marks for 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
		<ul style="list-style-type: none"> the benefits of decreasing consumption of smoking would be reductions in the impacts of second-hand smoke on 3rd parties (1) and the subsequent healthcare costs to the government of treatment for the impacts of the second-hand smoke (1) 		
	(c)	<p>Increase tax on tobacco products (1)</p> <ul style="list-style-type: none"> will increase the price of tobacco products further and reduce demand (1) the revenues raised from this tax can be used to fund measures to reduce smoking/increase education on the danger of smoking/increase healthcare for those with health problems caused by smoking (1) indirect taxes like those on tobacco are regressive and will affect those on lower incomes the most (1) the PED for tobacco products is inelastic which means that the increased tax may have little impact on the quantity of tobacco products consumed (1), and the burden of this tax will fall more on the consumer (1) those who smoke heavily may choose to sacrifice the purchase of other products in order to still afford their tobacco products (1) cigarettes in the UK already have a significant amount of tax levied on them (duty and VAT) and approximately 80% of the price of a packet is tax (1) <p>Outright ban on sales (1)</p> <ul style="list-style-type: none"> this has been proposed by Rishi Sunak to ensure that young people are not legally allowed to purchase cigarettes and would involve a ban by age, with the age increasing by one year each year to eventually reaching a full ban on smoking (1). This is similar to a scheme in New Zealand where those born after 2008 will never be eligible to buy tobacco products (1) 	6	<p>Candidates must describe at least 2 measures 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>other measures</p> <ul style="list-style-type: none"> • clear health warnings on packets of cigarettes (1). Proposed inserts with further health warnings in UK/on each actual cigarette in Canada from 2025 (1) • ban on smoking inside all public spaces • ban in certain public outside spaces such as outside hospitals and train station platforms • ban on advertising/sponsorships of tobacco products • ban on smoking in cars with children present • education regarding the dangers of smoking • raising age restrictions from 18 years old when buying tobacco • health service providing/subsidising nicotine dependency treatment schemes • levy on tobacco firms to fund stop smoking services • rules to reduce the amount of nicotine in tobacco products to wean smokers off nicotine so they eventually stop smoking • nudge policies to reduce the visibility of cigarettes and other tobacco products and reduce demand 		

Section 3

Question		Expected response(s)	Max mark	Additional guidance
9.	(a)	<p>Inflationary</p> <ul style="list-style-type: none"> UK has experienced real wage growth (1). Wages in real terms rose 2.1% over the year to March 2024 (1 stat). Higher wages may increase consumer expenditure which could lead to demand-pull inflation / wage-price spiral (1). Wages may remain high due to tight labour market (1) increase in oil price due to conflict in Middle East (1) supply delays due to Red Sea shipping attacks (1) rising rent prices (1) increase in state pension due to triple lock (1). This year, the link to earnings under the triple lock meant an increase of 8.5% (1) more disposable income due to cut in National Insurance (1) services inflation, which measures price rises for things such as haircuts or train tickets, remained elevated (1) at 5.9% (1 stat) some foods, such as olive oil, cocoa and crisps are rising in price because of poor harvests (1) <p>Deflationary</p> <ul style="list-style-type: none"> interest rates have risen in the UK (1). The current bank rate is 5.25% (1 stat). Higher interest rates will lead to higher mortgage payments which will reduce discretionary income (1). This could lead to lower consumption and aggregate demand (1) lower household energy prices due to lower price cap (1) there has been a rise in income tax (1). Credit either current UK income tax fiscal drag or increase in income tax rates for higher earners in Scotland (1) some foods, such as milk, butter, poultry and fish are coming down in price due to falling fertiliser prices / tougher negotiations from supermarkets on own-brand items (1) used car prices have fallen. 4.2% in October 2023 (1 stat) 	8	<p>Candidates must describe at least one inflationary and one deflationary pressure 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>Watch for multiple supply shocks - maximum 1 mark for implication of supply side shock.</p>

Question	Expected response(s)	Max mark	Additional guidance
(b)	<p>raising interest rates</p> <ul style="list-style-type: none"> • will help lower CPI inflation which is above target (1) • interest rates are still only catching up with inflation (1), as there is still a negative real interest rate (1) • high inflation has also led to higher wage expectations which needs to be curtailed (1), as the Bank of England is concerned about the possibility of a wage-price spiral occurring (1) • the Bank of England is also concerned that inflation could become embedded in the UK economy (1), which could hurt its international competitiveness (1) • there are concerns that inflation has become ‘sticky’ (1), and therefore monetary policy may need to be tightened further to force down prices (1) • to discourage consumer borrowing (1) as consumers have become used to long term low interest rates and cheap borrowing (1), which has created unhealthy levels of personal debt which needs to be addressed (1) • to address distortions in asset markets due to 15 years of ultra-low interest rates (1) <p>lowering interest rates</p> <ul style="list-style-type: none"> • to increase investment (1), which could further improve UK productivity (1) • will increase discretionary income (1) which could lead to a further increase in aggregate demand (1) which would help avoid economic recession/encourage economic growth (1) • to make mortgages more affordable (1) • there could be increased employment due to reduced cost of production (1) and/or increased consumer spending (1) 	10	<p>Candidates must discuss at least one argument for raising and one for lowering interest rates 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 maximum 1 mark for ‘keeping interest rates as they are because it takes 12-18 months before the full impact of a change in interest rate can be seen’.</p>

Question	Expected response(s)	Max mark	Additional guidance
(c)	<p>Advantages:</p> <ul style="list-style-type: none"> • improves the public finances as the government pays lower benefits/receives higher tax revenue (1) • greater consumer spending as individuals in employment earn higher incomes (1) • higher rates of economic growth/GDP due to higher output (1) • higher living standards due to higher incomes (1) • may result in lower rates of poverty and therefore lower socio-economic deprivation in society (1) <p>Disadvantages:</p> <ul style="list-style-type: none"> • labour shortages will put upward pressure on wages (1). During periods of low unemployment firms can struggle to fill vacancies in unpopular jobs (1) • higher inflation may be caused by rising wages (1) • may lead to firms facing higher training costs because they need to employ workers who have been unemployed long-term or don't have skill sets required (1) • the labour market could reach a point where each additional job added does not create enough productivity to cover its wage cost, making every successive job after that point inefficient (1) 	7	<p>Candidates must explain at least one advantage and one disadvantage 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
10.	(a)	<ul style="list-style-type: none"> • funding of state pensions will continue to increase due to increasing ageing population (1), and will thus place an unsustainable burden on the government's finances (1) • inflation could remain high for some time which would significantly increase the cost of state pensions (1) • the dependency ratio will continue to increase so future workers will be heavily taxed if the triple-lock remains (1). This could result in intergenerational unfairness (1) and stagnating disposable incomes (1) • ending the triple-lock would lead to not needing to increase the state pension age in the future, ensuring bigger proportion of the workforce can access the pension earlier (1). This could help prevent ill-health to manual labour workers who have to do arduous daily tasks up to the age of 67 before they qualify for the state pension (1) • credit example of opportunity cost of increased spending on state pensions - less public spending on education/defence/transport/ community services etc (1) 	4	<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> <p>Credit full description of the triple lock - that the increase in the state pension is the highest of: average wage increases, inflation or 2.5% - maximum 1 mark.</p>
	(b)	<ul style="list-style-type: none"> • taxes (both direct and indirect) may have to go up to pay for funding (1) • there may be the need for a hypothecated tax aimed at increasing NHS spending (1) • tax increases may reduce consumer spending, particularly given stagnation in wage growth (1) • government borrowing may be used to fund the NHS, (thus the government may not achieve a budget surplus). Resulting in increased interest payments of debt (1) • NHS may be forced to deliver productivity gains (it currently employs 1.3m people) (1) 	8	<p>Candidates must discuss at least 2 implications 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>Credit discussion of tax options - income tax, corporation tax, inheritance tax, reducing personal allowance, fuel duty, non-dom status, etc - max 1 mark.</p> <p>Credit the cause - ageing population and rising demand - maximum 1 mark.</p>

Question	Expected response(s)	Max mark	Additional guidance
	<ul style="list-style-type: none"> • NHS funding has risen in real terms (1) (by 3.7% a year), in 2022/23 spending on NHS was £182bn (1 stat) • increased spending may deliver improved health outcomes/more productive workforce by reducing sickness due to ill health (1) • an increased NHS workforce could have a direct benefit on the local economy through a boost to employment/spending/tax revenues (1). A new report commissioned by the NHS Confederation from health consultancy Carnall Farrar claims that every £1 invested in the NHS translates into an overall economic return of £4 in the local area (1 stat) • some economists argue that increased public spending on NHS delivers a more equitable society/reduces inequality in society (1) • a large proportion of increased spending may be spent on wage increases which does not translate to increased treatment (1) • increased spending on wages may encourage NHS workers to remain within the NHS which could reduce waiting times/staff shortages (1) • to continue to maintain a sizeable NHS workforce the government may have to adopt an ‘open door’ inward migration policy (1) which may have negative impact on developing countries’ health services (1) • health inflation is higher than broader inflation which leads to increased proportion of government spending (1) 		

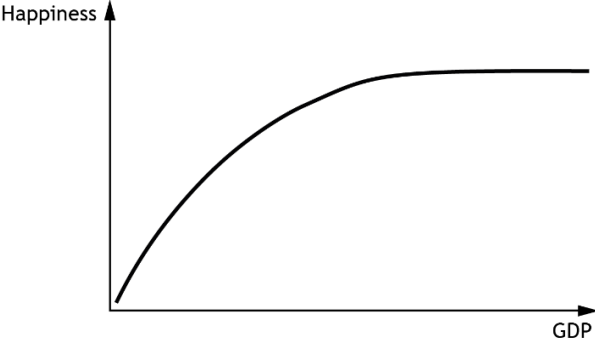
Question	Expected response(s)	Max mark	Additional guidance
(c)	<p>Positive consequences</p> <ul style="list-style-type: none"> • could help alleviate current labour shortages in key sectors, such as health and social care/hospitality/construction/IT, etc (1). It could also lead to a more flexible labour market (1) • some sectors of the UK economy have relied on migrant labour - hospitality industry/travel and tourism/construction industry/ agriculture, etc (1). Inward migration also helps fill unpopular ‘3D jobs (dangerous, dirty, demeaning)’ (1) • could lead to more output and economic growth (1) • migrants are more likely to be of working age, which may decrease the dependency ratio (1). This is particularly relevant given that the UK has an ageing population (1) • there is a positive net impact on the public tax take (1) • more supply of labour may help prevent a wage-price spiral and thus contain inflation (1) • creates new markets which would not exist without it - eg Polish retail shops (1) • it could be argued that it leads to greater cultural diversity which could make the UK a more attractive business destination (1) and individual firms more competitive due to diversity of ideas (1) • it is wrong to argue that inward migrations ‘takes jobs’ as this is based on the lump of labour fallacy (1) 	6	<p>Candidates must discuss at least one positive and one negative consequence 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
	<p>Negative consequences</p> <ul style="list-style-type: none"> • could place downward pressure on wages (1), which is against the government’s objective of the UK becoming a high-wage economy (1) • some economists have concerns that inward migration could lead to some displacement of native-born workers who then experience structural unemployment (1) • more pressure on housing leading to less affordability of buying/renting (1). This could have a further negative impact on labour mobility (1) • more pressure on local councils’ services/public services in some areas leading to increases in council tax/general taxation (1). For instance, areas which have experienced large inward migration without any corresponding increase in local government spending (1). However, if migration is more evenly spread out, these issues can be avoided (1) • less jobs available for UK citizens leading to possible displacement of UK workers (1) • firms may be more prepared to substitute labour for capital due to lower wages which could hinder UK productivity (1) • more bureaucracy for firms who may need to check visas/immigration status of foreign workers which adds to costs (1) 		

Question	Expected response(s)	Max mark	Additional guidance
(d)	<p>Advantages</p> <ul style="list-style-type: none"> • lower congestion on roads (1) • will encourage people to travel by train (1) • will free up capacity on existing rail lines (1) • will enable more local commuter services (1) • more freight trains (on existing lines) could reduce lorries on the road (1) • will provide jobs in building and running the line (1) • journey times will be reduced (1) • may improve productivity (1) • may reduce short-distance domestic air travel (1) leaving a lower carbon footprint/reducing pollution (1) • will bring investment to the north of England (1) which could reduce regional inequality/North-South divide (1) • shows government commitment to improve infrastructure (1) which may attract foreign businesses to locate in UK (1) • cost can be spread over a number of years thereby reducing impact on government finances (1) <p>Disadvantages</p> <ul style="list-style-type: none"> • environmental costs of building line through countryside (1) • costs continue to rise from an initial £56bn (1). This will have a high opportunity cost - such as spending on fixing potholes on roads, etc (1) • there are more cost-effective ways to increase capacity, such as upgrading existing railway lines especially in northern England (1) • some argue that the initial jobs creation will be London-centric/failing to reduce regional inequality (1) • changes to work patterns, such as an increase in working from home after the pandemic mean that HS2 could be obsolete upon its completion around 2040 (1) 	7	<p>Candidates must describe at least one advantage and one disadvantage 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
11.	(a)	<p>Arguments for:</p> <ul style="list-style-type: none"> • it would meet people’s basic needs and eliminate absolute poverty (1) • financial security from a UBI may encourage greater entrepreneurialism/taking up voluntary work (1). New entrants would make micro-markets more competitive and drive down prices (1) • it is not a means-tested benefit so it would have lower administrative costs to run (1). Means-tested benefits are bureaucratic as these need to be both administered and policed (1). This could result in government welfare administrators moving into the private sector, reducing government spending on public sector workers (1) • simplifying the welfare system may make it difficult for some individuals to ‘game’ the welfare system (1) • it would prevent people falling through gaps in a complex benefits system (1) • it has been argued that means-tested benefits can result in state interventionism that distorts the workings of the free market (1), and since a UBI is neutral it will help restore the pre-eminence of the price mechanism (1) • it may eradicate the ‘poverty trap’ whereby someone without work will choose to remain unemployed for fear that they will no longer qualify for means-tested benefits (1) • modern flexible labour markets can result in workers receiving very low income in certain months and a UBI would prevent this from happening (1) • this creates an income for those workers whose jobs are lost through automation/growth of AI (1) 	7	<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> <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:</p> <ul style="list-style-type: none"> • launching a UBI would be very expensive because it would be paid to every adult citizen (1). The working age population of the UK is 33m, therefore a UBI payment of £1,000 per month would cost the UK government £396bn per year (1 stat) • it has been argued that a UBI could create a strong disincentive to work (1). This could reduce the productive capacity of the economy (1) • if UBI results in a reduction in the number of people working it could further result in an increase in poor mental health due to a loss of identity through work (1), leading to possible long term cost implications for the welfare state (1) • it has been argued that future UBI payments could increase due to politicians promising the electorate higher UBI payments in return for their votes (1). This could result in a combination of higher taxes and government spending (1) • it may result in a less flexible labour market by reducing the flow of temporary part-time workers (1) • it may be ineffective as a UBI experiment in Finland found an increase in well-being but little noticeable impact on employment (1) • it has a large opportunity cost as cash transfer payments to citizens would mean the government can't invest elsewhere (1), unless the government chose to increase borrowing (1) • it could be argued that freely accessible public services such as childcare would be better at reducing working poverty (1) 		

Question	Expected response(s)	Max mark	Additional guidance
(b)	<ul style="list-style-type: none"> • more weight is given to quality of life than to standard of living leading to broader perspective to economic development (1) • GNH considers multiple dimensions of well-being, including not only economic factors but also social/environmental/cultural/spiritual aspects of life (1) • proponents of GNH argue that an increase in income beyond a certain point does not automatically lead to an increase in satisfaction with life across a population (1). The UK has seen significant increases in real incomes over the past five decades but no increase in general happiness. (1). This phenomenon is called the Easterlin Paradox (1) • the primary objective of economic policy over the years has been growth in GDP but if this has not made people happier, then it could be argued this policy objective is failing (1) • it is argued that focusing on healthcare/reducing inequality/creating high quality jobs as main policy objectives to achieve greater GNH would rebalance the economy and still deliver economic growth (1) • it is argued that a focus on GDP leads to environmental damage and therefore a focus on GNH would result in sustainability for future generations (1) • post-pandemic there has been a significant increase in mental health concerns among the younger population, so a greater focus on GNH could ensure the health and well-being of the future workforce (1) • a greater focus on reducing inequality would also mean recognising the social implications of monetary policy, so it would give a broader mandate to central banks (1) • it has been argued in The Growth Delusion by David Pilling that GDP is still an imprecise measurement and has received too much focus by governments who do not take enough consideration of the societal impact of the data that goes into measuring GDP (1) 	4	<p>Award 1 mark for each valid explanation.</p> <p>Award 1 mark for each valid development.</p> <p>Credit the Easterlin Paradox diagram - max 1 mark.</p> <p style="text-align: center;">Easterlin Paradox</p> 

Question	Expected response(s)	Max mark	Additional guidance
(c)	<p>Arguments for:</p> <ul style="list-style-type: none"> • it is justified as the energy firms are not making abnormal profits due to improvements in operational performance (1), but rather on limits on supply caused by the Russia-Ukraine war which saw energy prices increase rapidly (1). For example, BP earned £7.1bn of global profit during three months of 2022 (1 stat) • the gains from the tax can be ringfenced for subsidising green technology (1), which would enable the government to support ‘sunrise industries’ where the UK should aim for comparative advantage (1) which could also help the government strengthen its bargaining position in its search for trading partners after Brexit (1) • the windfall tax could be used to reduce the cost of servicing the national debt (1), which could allow the government to reduce taxes (1), and help stimulate consumer spending and increase aggregate demand (1) • windfall tax could be used to repay part of the national debt (1) which would reduce future servicing costs/intergenerational unfairness (1) • it is justified given the context that a large proportion of the population are faced with a cost-of-living crisis (1), with some economists arguing that it represents a ‘fairer’ tax at this moment (1) • in theory, a well-designed windfall tax is easy to impose on firms and hard to avoid (1) • revenue generated from the tax could be used to build nuclear power stations (1), which could help the UK have a wider multi-energy strategy (1). This could also deliver better energy security with less reliance on oil and gas from Russia etc (1). In the long-run it would also mean that the UK is less susceptible to supply-side shocks (1) 	6	<p>Candidates must discuss at least one argument for and one argument 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>

Question	Expected response(s)	Max mark	Additional guidance
	<ul style="list-style-type: none"> • it could encourage energy firms to accelerate their commitment to renewable energy (1) and this could also help the government meet its net zero targets (1) • the former CEO of Shell, Ben van Beurden, has said that the government should further tax energy firms ‘to help the poorest in society’ after it was revealed that the company had received more money from the UK government in subsidies than it paid in tax in some financial years after 2015 (1) <p>Arguments against:</p> <ul style="list-style-type: none"> • it could hinder inward foreign direct investment (in energy sector) (1) and create long-term uncertainty over tax on profits for energy firms (1). This is usually referred to as the ‘thin end of the wedge’ argument (1) • reduction in profits could hinder energy firms’ investment in renewables (1) • energy firms’ investments can be set against profits so the windfall tax may be revenue neutral (1). Cuts to oil and gas investment could have major negative economic consequences for places such as Aberdeen and the surrounding area (1), and may accelerate ‘downsizing’ in the oil and gas industry leading to regional unemployment (1) • energy firms operate globally so imposing a windfall tax in one country may lead to changes in location to avoid tax (1). This could result in short term gains but long-term losses in tax revenue (1) • it may lead to an increased reliance on carbon-intensive imports (1) • the tax is asymmetric, and so if energy companies make losses due to falling global oil/gas prices, there may be few calls to provide funds to support them (1) • it has been argued that the levy on ‘excess’ profits is arbitrary and lacks transparency from the government (1) • it could result in a lower dividend paid out by energy companies to shareholders (1), and since a large proportion of UK shares are held by pension funds, this could have an adverse effect on household (private) pensions (1) 		

Question	Expected response(s)	Max mark	Additional guidance
(d)	<p>Positive impacts:</p> <ul style="list-style-type: none"> • investment in AI may help boost productivity (1), which may lead to higher wages (1) • lower costs of production through AI enables lower prices (1), leading to more disposable income to be spent on a wider range of services (1) • robotics can do repetitive and mundane tasks (1), allowing humans to focus on more complex and creative tasks (1) • new jobs may be created to replace those that disappear (1). Jobs that help build, maintain or collaborate with new technology could be created (1) • dangerous jobs could be done by robots (1). This could lead to less work-related injury amongst the population (1) • workers' broad skills set may improve due to the need to adapt to the impact of AI in the workplace (1) • robots can improve the precision and accuracy of manufacturing processes (1), which could lead to higher quality products (1) • automation enables a greater economy of scope (ie production of one good makes production of another good cheaper) (1) • improved efficiency through automation could lead to a shorter working week for workers increasing leisure time (1) • it has been argued that automation could reduce the power of trades unions and potentially disruptive strikes (1) 	8	<p>Candidates must describe at least one positive and one negative impact 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>Negative impacts:</p> <ul style="list-style-type: none"> • Andy Haldane, former chief economist of the Bank of England, warned that ‘large swathes’ of people could become ‘technologically unemployed’ (1) as artificial intelligence makes many jobs obsolete (1) • paper prepared by Oxford academics - The Future of Employment - predicts nearly half of jobs are at risk from automation (1) • AI could replace the equivalent of 300 million full-time jobs, according to a report by investment bank Goldman Sachs (1 stat) • ‘hollowing out’ of the jobs market could result in rising inequality (1) as automation may accelerate the ‘hourglass economy’ - increase in high-skill and low-skill jobs but a decrease in medium-skill jobs (1). This could result in a permanent ‘precariat’ class of worker, according to Professor Guy Standing (1). This could lead to widening inequality in society (1) • Daniel Susskind argues that the lump of labour fallacy has itself become a fallacy due to the assumption that growth in the lump of work has to involve tasks that human beings are best placed to perform (1). In the twenty-first century intelligent humans will be replaced by machines, creating a lump of work (1) • driverless vehicles may destroy jobs in certain industries such as the transportation industry (1), which could lead to structural unemployment (1) • AI such as ChatGPT may drive down wages in certain occupations such as journalism (1) • automation could increase the monopoly power of technology firms (1) 		

Question		Expected response(s)	Max mark	Additional guidance
12.	(a)	<p>Negotiation</p> <ul style="list-style-type: none"> the WTO is a global international organisation dealing with/overseeing the rules of trade between nations (1) it is also a forum for governments to negotiate trade agreements (1) the WTO's global system lowers trade barriers (1) <p>Dispute settlement</p> <ul style="list-style-type: none"> it aims to reduce trade tensions by helping to settle disputes (1) <p>Monitoring</p> <ul style="list-style-type: none"> monitor trade practices to ensure that countries comply with WTO rules (1) ensures the principle of non-discrimination/the WTO can give the weak a stronger voice as differences in bargaining power are narrowed by agreed rules, consensus decision-making and coalition building (1) <p>Technical assistance</p> <ul style="list-style-type: none"> the WTO can encourage good governance. The WTO's trade rules reduce arbitrariness and opportunities for corruption and help with transparency (1) providing assistance to developing countries to help them participate in global trade (1) 	4	<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 12.</p> <p>Credit reference to GATT, the Uruguay Round, the Doha Round, and the Marrakesh Agreement - maximum 1 mark.</p>

Question	Expected response(s)	Max mark	Additional guidance
(b)	<ul style="list-style-type: none"> • it may result in less free trade (1) which could mean that countries may be less likely to specialise in the production of certain goods or services (1). This could also impact a country's comparative advantage (1) • it may result in less labour/capital flows (1) • global resources may be used less efficiently (1) • domestic manufacturers could see their export markets reduced (1) • there could be less scope to achieve economies of scale (1), which could then see an increase in global commodity prices (1) • it could result in less choice for global consumers (1) • knowledge transfer and technological progress may diminish (1) • it may reduce negative externalities associated with pollution from transport and global shipping lanes (1) • rising costs in emerging economies encourages more onshoring/reshoring as relative benefits fall (1) • reshoring manufacturing could give MNCs some protection from future global supply side shocks (1), but they would be faced with the challenge of keeping their domestic supply chains resilient without weakening their competitiveness (1) • reshoring may also lead to inflation because of higher domestic labour costs (1) • some economists argue that reindustrialisation in developed economies will increase their economic resilience (1) • there may be increased health benefits/quality increased/environmental benefit if food is produced and consumed more locally (1) • less economic dependence on China for the developed world (1) 	7	<p>Candidates must discuss at least 2 implications 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
			<ul style="list-style-type: none"> • economists such as Joseph Stiglitz have argued that although globalisation has created gain, it has resulted in an asymmetry of open trade which has not always benefited developing economies (1). Deglobalisation may therefore help reduce exploitation of developing economies by the developed world (1) • there are global health risks with de-globalisation as most medical and pharmaceutical products come from Europe, therefore supply lines have to remain dynamic to benefit everyone's health (1) • developing economies may not get to benefit from the gains in growth that emerging economies experienced during the height of globalisation (1) • countries could be affected in different ways, for example the US may be protected to an extent by its abundance of energy and raw materials (1) 		

Question	Expected response(s)	Max mark	Additional guidance
(c)	<ul style="list-style-type: none"> • the economy is suffering from weakening domestic and global demand (1) • trade tensions between China and the US/other countries are further constraining demand (for Chinese products) (1) • China’s weakening currency has caused uncertainty in financial markets (1) • the economy has struggled to rebound from China’s previous zero-covid policy which impacted on manufacturing hubs (1) • it has been argued that the government is not investing enough in infrastructure (1) • a weakening property market has slowed economic growth (1). Some economists argue that this could be due to difficult borrowing conditions for homeowners/property developers (1). This is a particular problem for China’s economy as the property market accounts for a third of China’s GDP (1) • potential property bubble leading to fall in consumer and investor confidence (1) • extreme weather has hit China’s industries, such as the heatwave and drought that affected Sichuan and Chongqing (1). Major manufacturers such as Tesla were forced to cut hours or cut production altogether (1) • a regulatory crackdown has led to a major drop in revenue for China’s tech firms such as Tencent and Alibaba (1) • unemployment for younger workers has become a major concern for the economy (1), with 1 in 5 people aged 16 to 24 now unemployed (1 stat). • there has been a drop in inward foreign direct investment (1) • diminishing take up of Belt and Road Initiative means less capital investment (1) 	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
		<ul style="list-style-type: none"> China has a shrinking/ageing population (1) some economists argue that China's economic model of central state planning has now reached its limit (1). They argue that too much emphasis by government on building programs has led to a lack of white-collar jobs available for younger graduates (1), which is now starting to cause structural unemployment (1) it is also argued that the political communist ideology makes China wary of the consumerist economic model (1), so in the long run China will be unable to sustain economic growth due to a lack of consumer spending (1) 		
	(d)	<p>measures could include:</p> <ul style="list-style-type: none"> trade liberalisation such as free market supply-side policies - privatisation, deregulation, lower taxes, less regulation to stimulate private sector investment (1) capital investment to encourage diversification away from agriculture (1) infrastructure spending to improve transport network (1) education/training to improve the skills of the future workforce (1) increased spending on health/immunisation etc to improve productivity of workforce (1) ending of agricultural subsidies in developed world to provide easier access to world markets (1) 	8	<p>Candidates must explain at least 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
	<ul style="list-style-type: none"> • population controls so that women could join the workforce in larger numbers (1) • opening job markets to increase the participation of marginalised groups (eg women, LGBTQ+, religious groups) in the workforce (1) • debt relief/forgiveness so that developing economies can invest rather than service their debt (1). However, this may give rise to moral hazard and encourage future bad loans (1) • FDI brings capital inflows which can help finance a current account deficit (1) • tackle the high levels of corruption within the economy to create a level playing field to ensure rule of law/property rights to maximise opportunities for growth (1) <p>For example:</p> <ul style="list-style-type: none"> • better governance and economic policy, such as improved macroeconomic conditions to create a stable economic climate (1). This could be achieved through more effective monetary policy by giving a central bank independence to control inflation (1). There could also be a more disciplined approach to fiscal policy by avoiding large budget deficits (1). However, some developing economies can have sudden high rates of economic growth, such as in Mongolia due to its copper and gold reserves, but this could ‘overheat’ and cause inflationary pressures (1). Keeping inflation low is an important underlying factor in sustainable economic development (1). However, a potential problem of aiming to achieve macroeconomic stability and low inflation is that higher interest rates may be adopted which can conflict with lower economic growth (1) 		

[END OF MARKING INSTRUCTIONS]