



National  
Qualifications  
2024

**X822/77/11**

**Economics**

WEDNESDAY, 29 MAY

9:00 AM – 11:30 AM

**Total marks — 80**

**SECTION 1 — 30 marks**

Attempt ALL questions.

**SECTION 2 — 25 marks**

Attempt the question.

**SECTION 3 — 25 marks**

Attempt ONE question.

Write your answers clearly in the answer booklet provided. In the answer booklet, you must clearly identify the question number you are attempting.

Use **blue** or **black** ink.

Before leaving the examination room you must give your answer booklet to the Invigilator; if you do not, you may lose all the marks for this paper.



\* X 8 2 2 7 7 1 1 \*

## SECTION 1 — 30 marks

Read the following source and attempt ALL questions that follow.

### Labour won't hammer the rich

- The Labour Party has ruled out imposing a wealth tax on the country's richest people if it wins the next general election. Rachel Reeves, the Shadow Chancellor, made the pledge as part of a package designed to appeal to businesses and wealthy households. Instead, the party hopes to fund public services by growing the economy. Reeves said she would also do whatever it takes to
- 5 bring in private investment to achieve **economic growth**.
- In various interviews with the media, Reeves ruled out imposing a mansion tax, increasing the top rate of income tax, or making major changes to inheritance tax. 'I don't see a route towards having more money for public services that is through taxing our way there', she said. 'It is going to be through growing our way there. And that's why the policies that we have set out are all
- 10 about how we encourage businesses to invest in Britain'.
- She argues that Britain has become a 'Stagnation Nation' and it is questions of low growth, **productivity** and increasing inequality that underlie the sense that Britain's economy isn't working for far too many people.
- Reeves' intervention is part of a strategy to demonstrate fiscal responsibility by the Labour Party.
- 15 She is concerned that the possibility of tax hikes or unfunded spending pledges may be used to paint the party as economically incompetent, and throw up accusations that a Labour government will result in a large budget deficit.
- A key part of her growth strategy is an overhaul of planning laws to make it easier to build green infrastructure, with a new £8 billion National Wealth Fund that would 'build British industry',
- 20 investing in homegrown projects that would create thousands of secure, skilled, green jobs.

## Questions

1. Describe what is meant by the following terms:
  - (a) economic growth (line 5) 2
  - (b) productivity (line 12). 2
2. Describe possible causes of low productivity in the UK. 6
3. Describe key features of UK Inheritance Tax. 3
4. Explain why higher business investment might lead to economic growth. 4
5. Discuss possible advantages and disadvantages of raising the highest rate of income tax. 4
6. Describe possible problems for the UK economy of large budget deficits. 5
7. Evaluate 2 possible policies that a government could introduce to achieve a greener economy. 4

[Turn over

## SECTION 2 — 25 marks

## Attempt this question

8. (a) Supermarkets in the UK are an example of an oligopoly market, which usually avoid competing on price. Despite this, some supermarket behaviour in the early 2020s could be considered as a price war.
- (i) Explain, using a diagram, why firms in an oligopoly market usually avoid competing on price. 7
  - (ii) Discuss the view that price wars only lead to negative consequences. 5
- (b) Explain, using a diagram, why smoking cigarettes is considered to be an example of market failure. 7
- (c) Describe possible measures a government might use to reduce cigarette smoking. 6

## SECTION 3 — 25 marks

## Attempt ONE question

9. On 20 September 2023, the Monetary Policy Committee voted to maintain the base rate of interest at 5.25%. In addition, the Governor of the Bank of England, Andrew Bailey, has recently said that official data showed the UK labour market was ‘very tight’.
- (a) Describe inflationary and deflationary pressures currently impacting the UK economy. 8
- (b) Discuss the arguments which could be made to justify:
- raising interest rates
  - lowering interest rates. 10
- (c) Explain possible advantages and disadvantages of low rates of unemployment for the UK economy. 7

OR

10. In September 2023, the Prime Minister, Rishi Sunak, said he was committed to the government’s ‘triple lock’ policy which sets the size of increases on state pensions. At that time, he reiterated his pledges to cut NHS waiting lists, and stop the ‘small boats’ crossing the English Channel. Soon after, the government cancelled the second phase of HS2.
- (a) Explain why some economists believe that the ‘triple lock’ on state pensions should end. 4
- (b) Discuss possible economic implications of increasing spending on the NHS. 8
- (c) Discuss positive and negative consequences of inward migration on the UK economy. 6
- (d) Describe possible economic advantages and disadvantages of building HS2. 7

[Turn over

OR

11. In June 2023, it was announced that a Universal Basic Income (UBI) was to be trialled in England for the first time. This came at a time when the Office for National Statistics (ONS) was calculating its annual well-being figures, and the government continued to apply a levy on the profits of energy-generating companies. Elon Musk and key figures in artificial intelligence (AI) also called for the training of powerful AI systems to be halted for at least six months.

- (a) Describe economic arguments for and against a Universal Basic Income (UBI). 7
- (b) Explain why some economists believe that Gross National Happiness (GNH) should replace Gross Domestic Product (GDP) as a measure of national progress. 4
- (c) Discuss arguments for and against imposing a windfall tax on the profits of energy companies. 6
- (d) Describe possible positive and negative impacts that artificial intelligence (AI) and automation may have on an economy. 8

OR

12. Recently, the World Trade Organization (WTO) has expressed concern over slowing global trade. Some economists have referred to this as 'slowbalisation'. There have also been growing concerns about China's economic slowdown and its subsequent impact on the global economy.

- (a) Describe the role of the World Trade Organization (WTO). 4
- (b) Discuss potential economic implications of de-globalisation. 7
- (c) Describe reasons for the slowing rate of growth of China's economy. 6
- (d) Explain measures that could be taken to raise economic growth rates in developing economies. 8

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